

For the third quarter of 2005 the Coronation Balanced Plus Fund generated a return of 12.9%. Over the 12-month period to 30 September 2005 the fund, with a return of 42%, has convincingly outperformed its benchmark return of 5%.

The domestic stock market continued its strong upward trend, returning 20% in the third quarter and 37% year to date. The returns over longer periods have been nothing short of exceptional, with the All Share Index up almost two times over the last three years and up more than three times in dollar terms. In a period of strong absolute returns we are encouraged by the fact that we have performed well against both the peer group and the broader market.

What makes these returns even more exceptional is that they have been achieved in a low inflation environment. Much like the American experience in the 1980s, the move from a high- to a low-inflation environment has been a big driver of returns for financial assets. Bond returns have been more muted this year, but have also been very strong over longer periods. The All Bond Index has returned more than 15% per annum over rolling three, five and 10 year periods.

The currency strengthened over the quarter to such an extent that it erased most of the weakness seen in the first half of the year. But tracking the currency against the dollar can be a bit misleading due to its high levels of volatility. If one looks at the euro and pound sterling over the last two years one can see that the rand has been consistently strong and has stayed in a surprisingly narrow trading band. While the environment is likely to remain benign for the foreseeable future, we remain of the view that the risk is to the downside and that the rand remains vulnerable to a decline in either global risk appetite or the commodity cycle.

The last few years have been an extraordinary period for corporate South Africa. We are now in the 28th consecutive quarter of uninterrupted economic growth. Consumer spending has exploded as a very strong cycle has coincided with the structural underpin of an emerging black middle class. Earnings are now high and we are very mindful that a rising tide lifts all boats. Over the full cycle the quality companies will differentiate themselves and therefore, for as long as premium ratings for these companies remain undemanding, our portfolios will be heavily invested in shares like Naspers, Tiger Brands, Pick 'n Pay, Standard Bank and Afrox.

Resources had another strong quarter returning 26% (60% year to date). The strength in the performance of resources this year has caught many investors by surprise. Forecasting market returns is not a high conviction activity and we therefore get great comfort from the results that our bottom-up, valuation-driven process has delivered throughout this period of macro volatility. We remain of the view that the commodity cycle is extended and are therefore light in the diversified mining houses, particularly Billiton. Sasol and Impala delivered strong returns and, while we continue to hold significant positions in both, they are now trading much closer to their long term fair values.

Financials continued to lag, returning 13% (19% year to date). Insurers continue to underperform as they deal with the challenges of operating in a low-growth market and the unwelcome scrutiny of the Pension Funds Adjudicator. We are of the view that insurers need to change their business model if they are to deliver more value to consumers and retain their relevance in the market. The banks continue to achieve very strong asset growth, with earnings lagging asset growth as margins are squeezed by lower interest rates and increased competition. We continued to take advantage of sector rotation into resources by increasing our stake in Standard Bank over the quarter.

Industrials had another good period, returning 20% (29% year to date). Our big holdings in Naspers, Woolworths and Tiger Brands contributed strongly. We also took advantage of sector rotation to buy Super Group and Woolworths at prices we consider to be attractive.

The bond market weakened over the period as high oil prices and indications of a tick-up in food inflation fuelled concerns of an increase in inflation. We remain bearish on bonds, holding the view that they are unattractively priced. Real yields are unattractive, the risk to inflation is on the upside, US yields are low and the government has clearly communicated its intention to drive economic growth through expansionary macro policy. Interestingly, our heavy weighting in inflation linked bonds has been a significant contributor to performance this year with inflation linkers delivering a 14% return, compared to 6% from the All Bond Index.

Louis Stassen & Karl Leinberger
Portfolio Managers

Fund category	Domestic Asset Allocation Prudential Medium Equity
Launch date	15 April 1996
Portfolio manager	Louis Stassen & Karl Leinberger
Fund size	R911.6 million
NAV	3141.09 cents
Annual management fee	1.25% (ex VAT)

Benchmark	Composite benchmark (63% equity, 22% bonds, 10% international, 5% cash)
Fund description	A fully managed investment solution diversified across the various asset classes and sectors. Its asset allocation is compliant with Regulation 28 of the Pension Funds Act.

ASSET AND SECTOR ALLOCATION

Sector	30 Sep 2005	30 Jun 2005
Domestic Assets	88.53%	87.70%
Equity	67.63%	69.28%
Resources	11.16%	11.13%
Basic Industries	1.70%	1.79%
General Industrials	0.64%	0.90%
Cyclical Consumer Goods	3.11%	2.73%
Non Cyclical Consumer Goods	7.60%	7.58%
Cyclical Services	17.72%	15.76%
Non Cyclical Services	4.40%	5.20%
Financials	21.36%	22.70%
Information Technology	0.25%	0.49%
Futures	(0.31%)	1.00%
Listed Property	1.06%	0.98%
Fixed Interest	10.42%	10.60%
Cash	9.42%	6.84%
International Assets	11.47%	12.30%
Equity	6.34%	4.09%
Cash	5.13%	8.21%

TOP 10 SHARE HOLDINGS

As at 30 September 2005	% of Fund
Naspers Ltd – N Ordinary Shares	6.11%
Standard Bank Group Ltd	5.38%
Remgro Ltd	4.47%
Sasol Ltd	4.01%
Venfin Ltd	3.94%
Impala Platinum Holdings Ltd	3.46%
Telkom SA Ltd	3.04%
Tiger Brands Limited	2.96%
Richemont Securities AG	2.80%
Woolworths Ltd	2.76%
Total	38.93%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2005	01/10/2005	47.16	35.29	11.87
31/03/2005	01/04/2005	25.23	10.35	14.88
30/09/2004	01/10/2004	40.68	23.25	17.43
31/03/2004	01/04/2004	34.65	15.84	18.81

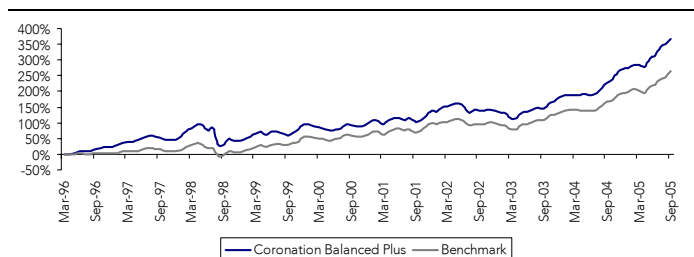
PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Fund 2005	1.24%	2.58%	-0.24%	-2.07%	7.22%	2.58%	6.69%	1.94%	3.79%				25.96%
B'mark 2005	0.93%	3.32%	-1.66%	-3.10%	7.40%	2.48%	4.97%	1.21%	6.38%				23.61%
Fund 2004	2.33%	-0.08%	0.79%	0.18%	0.10%	-0.13%	2.03%	5.65%	5.31%	3.21%	5.96%	3.03%	32.01%
B'mark 2004	2.79%	0.60%	-0.20%	-0.83%	0.31%	-0.70%	1.56%	5.92%	4.32%	1.52%	6.18%	2.52%	26.41%

PERFORMANCE & RISK STATISTICS

	Fund	Benchmark
Latest 12 months	41.93%	36.60%
Latest 36 months (annualised)	25.15%	23.40%
Latest 60 months (annualised)	19.45%	18.04%
Since inception (annualised)	17.68%	14.74%
Annual deviation since inception	17.13%	15.33%
Sharpe ratio	0.38	0.21
Maximum gain	57.74%	29.32%
Maximum drawdown	-29.84%	-23.24%
Positive months	67.54%	63.16%

CUMULATIVE PERFORMANCE SINCE INCEPTION



ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2004	32.01%	26.41%	5.61%
2003	17.68%	18.15%	-0.47%
2002	0.26%	-0.37%	0.63%
2001	20.28%	21.48%	-1.20%
2000	1.15%	5.30%	-4.15%
1999	36.68%	46.67%	-9.99%
1998	-1.51%	-3.15%	1.64%
1997	17.85%	7.21%	10.64%