

The overall equity markets had another fantastic quarter (of the top 150 shares only 10 had negative returns for the quarter), however the financial sector did not do as well as the overall market as we saw a marked rotation out of financials into resource shares. This occurred despite the continued excellent outlook for financial companies.

The Coronation Financial Fund, while delivering a great absolute return of 11.4% for the quarter, underperformed the sector return of 13.1%. We obviously do not expect in the long-term business of investment to deliver index beating returns every quarter but as the managers of the fund we hate to underperform on any period so we spent some time examining why this occurred and will share some thoughts on how the fund is positioned to maintain its excellent long-term track record.

We have positioned the fund quite specifically overweight the banking sector. The fundamentals in this sector remain excellent with the latest batch of interim results confirming just how good the environment is. Standard Bank, FirstRand and, to a lesser extent, Nedbank showed strong asset growth, massive growth in non-interest revenue on the back of increased transacting activities and buoyant stock markets. All the while bad debts continue to sink to all time lows at each reporting period. Our largest bank holding, Standard Bank, did not perform well relative to its peers during this quarter. A large part of this can be attributed to the fact that it is widely held and would be the first source for funds when managers look to create liquidity to buy up other sectors. Management were also more conservative in their outlook for the rest of the year in their interim results review. This is a trait we value rather than discourage and we believe that Standard Bank's combination of a well diversified portfolio of businesses spanning multiple geographic regions offers outstanding value trading on a 9 forward PE.

We have had a fairly low weighting in the insurers with specific holdings playing on particular value situations. We remain sceptical about the success of the broader industry in the long term. The current shake up is revealing flaws in the business models of industry which cannot be papered over. A crucial industry like this will, of course, survive but certain players are more than likely to fall by the wayside as their lack of innovation or inability to adapt their costs to a new distribution paradigm weighs on their ability to sell new generation savings products.

Our largest holding in this sector, Metropolitan, is a specific play on a niche of the savings market which has continued to prosper during these turbulent times, one of the few life companies to have consistent positive cash flows the last few years. The share was a middling performer this quarter after a year of excellent outperformance. The latest results confirmed the turnaround in performance of this company with superb earnings growth from all divisions. With equity markets continuing to rise, and its positive impact on the fees charged by the life companies, there are bound to be good opportunities to pick up those companies, Liberty Life being a case in point where we believe it will be able to weather the storm.

This recent spike in equity markets and renewed activity in the equity markets has resulted in companies in the specialty finance sector delivering astonishing earnings growth. We have various smaller investments in this sector but remain wary of placing high valuation multiples on peak earnings generated by high equity prices. These can just as easily disappear resulting in huge expectation gaps between the prices of these shares and their sustainable earnings bases.

We continue to invest in good quality businesses where the underlying fundamentals are strong; ultimately the share prices move to reflect this. Valuations generally still look attractive especially as the earnings growth is delivered as expected. In the meantime we reap the dividends from these strongly cash generative businesses.

Neville Chester & Neill Young
Portfolio Managers

Fund category	Domestic Equity Financial
Launch date	1 July 1998
Portfolio manager	Neville Chester & Neill Young
Fund size	R909.5 million
NAV	1895.32 cents
Annual management fee	1.25% (ex VAT)

Benchmark	FTSE/JSE Africa Financials Index
Fund description	Invests in a broad range of financial shares, including banks, insurance and investment companies.

ASSET AND SECTOR ALLOCATION

Sector	30 Sep 2005	30 Jun 2005
Domestic Assets	100.00%	100.00%
Equity	92.54%	93.75%
Financials	92.39%	93.75%
Specialist Securities	0.15%	0.00%
Listed Property	5.67%	5.60%
Cash	1.79%	0.65%
International Assets	0.00%	0.00%

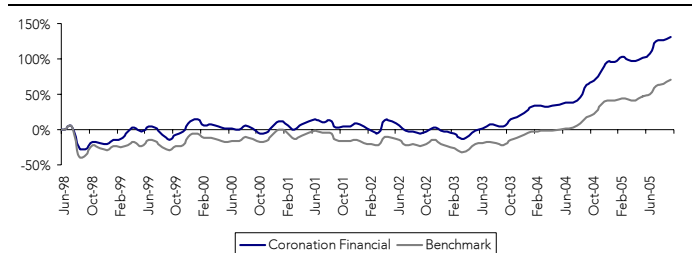
PERFORMANCE & RISK STATISTICS

	Fund	Benchmark
Latest 12 months	41.69%	44.07%
Latest 36 months (annualised)	34.89%	30.92%
Latest 60 months (annualised)	17.95%	14.50%
Since inception (annualised)	12.25%	7.64%
Annual deviation since inception	22.83%	25.95%
Sharpe ratio	0.15	-0.01
Maximum gain	53.63%	80.40%
Maximum drawdown	-30.89%	-39.78%
Positive months	58.62%	59.77%

TOP 10 SHARE HOLDINGS

As at 30 September 2005	% of Fund
Standard Bank Group Ltd	19.78%
FirstRand Ltd	15.06%
Metropolitan Holdings Ltd	9.56%
ABSA Group Ltd	9.18%
Remgro Ltd	8.34%
Liberty Group Ltd	8.29%
Sanlam Ltd	7.39%
Liberty International Plc	5.67%
Venfin Ltd	4.70%
Alexander Forbes Ltd	3.93%
Total	91.90%

CUMULATIVE PERFORMANCE SINCE INCEPTION



INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2005	01/10/2005	34.72	32.20	2.52
31/03/2005	01/04/2005	11.18	10.55	0.63
30/09/2004	01/10/2004	25.12	23.98	1.14
31/03/2004	01/04/2004	16.58	15.98	0.60

ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2004	57.09%	52.38%	4.71%
2003	25.19%	17.92%	7.28%
2002	-9.27%	-8.24%	-1.03%
2001	2.90%	-9.53%	12.43%
2000	-5.55%	2.93%	-8.48%
1999	42.51%	29.83%	12.68%
1998	-21.13%	-29.04%	7.91%

PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Fund 2005	0.30%	3.52%	-2.03%	-0.91%	2.54%	3.02%	8.57%	0.52%	2.04%				18.58%
B'mark 2005	-0.44%	2.83%	-1.29%	-1.39%	4.45%	2.37%	7.76%	1.35%	3.58%				20.53%
Fund 2004	6.16%	1.43%	-1.40%	1.11%	1.91%	1.47%	0.37%	5.50%	11.84%	3.26%	8.22%	6.93%	57.09%
B'mark 2004	3.85%	1.12%	1.20%	0.49%	1.31%	1.11%	0.83%	5.57%	9.46%	2.70%	10.85%	5.00%	52.38%