

The third quarter delivered a phenomenal return for equities, up over 19%, justifying our continued overweight position in this asset class. Bonds were weaker during the quarter resulting in a poor return overall of 1.1% for the All Bond Index with cash delivering 1.7%. The composite benchmark return was an excellent 13.7%. The Coronation Market Plus Fund returned 12.2% for the quarter, an excellent absolute return but behind the benchmark. The main reason for the underperformance was due to low weightings in resource shares which benefited from renewed interest during this quarter.

The prevailing view on commodity prices is that they will continue to maintain the record high levels into the future. We disagree with this and believe that, based on mid-cycle prices, the commodity sector generally looks expensive, with a few exceptions. As our investment views are based on long-term horizons we are happy to miss out on a few quarters' growth and reap the rewards over our investment horizon (typically a three year period). Gold shares in particular had a huge month in September despite many of them still being loss making at the current rand gold price. On a fundamental valuation basis we still do not hold a large position in these stocks.

Instead we own some great South African businesses which are doing particularly well in the growing local economy. We have added to our holding in Woolworths which is now being recognised as an excellent business with good defensive characteristics as well as great growth prospects. The relative weakness in some of the banks also created some buying opportunities for these businesses which are reporting earnings growth in excess of 20% accompanied by strong dividend flows.

We also boosted the weightings in stocks which offer some rand protection, mainly Remgro where the discount opened up during the quarter. We continue to have decent weightings in SABMiller and Richemont which offer further protection to a weakening currency.

As mentioned above our short position in bonds paid off during the quarter and we continue to be wary of venturing into a large weighting given the rising inflation outlook both locally and abroad, which has been worsened by the rising oil price. We prefer to hold cash and preference shares where the yields are more attractive.

Overall we still believe equity is the most attractive asset class and continue to hold an overweight position. While dividend yields are close to that of an after tax cash return we believe the investment case remains compelling, particularly given the strength of the underlying economy. We believe our objective of delivering real returns and beating the benchmark over the long term remains achievable.

**Neville Chester**  
Portfolio Manager

Fund category	Domestic Asset Allocation Flexible
Launch date	2 July 2001
Portfolio manager	Neville Chester
Fund size	R614.4 million
NAV	2438.32 cents
Annual management fee	1.25% (ex VAT)
Performance fee	20% (above hurdle, capped at 2.5% p.a.)

<b>Benchmark</b>	Composite Benchmark (65% equity, 25% bonds, 10% cash)
<b>Performance fee hurdle</b>	Composite Benchmark + 2%
<b>Fund description</b>	Invests across various South African asset classes, with a bias towards the equity market over the cycle with the aim of achieving real returns over the long term.

### ASSET AND SECTOR ALLOCATION

Sector	30 Sep 2005	30 Jun 2005
<b>Domestic Assets</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Equity</b>	<b>84.02%</b>	<b>78.62%</b>
Resources	9.90%	9.09%
Basic Industries	1.48%	1.58%
General Industrials	1.12%	1.42%
Cyclical Consumer Goods	3.07%	2.93%
Non Cyclical Consumer Goods	7.43%	7.35%
Cyclical Services	19.38%	19.34%
Non Cyclical Services	5.95%	6.58%
Financials	27.06%	22.84%
Information Technology	0.12%	0.00%
Specialist Securities	7.98%	7.49%
Futures	0.53%	0.00%
<b>Listed Property</b>	<b>5.98%</b>	<b>9.41%</b>
<b>Fixed Interest</b>	<b>2.90%</b>	<b>1.88%</b>
<b>Cash</b>	<b>7.10%</b>	<b>10.09%</b>
<b>International Assets</b>	<b>0.00%</b>	<b>0.00%</b>

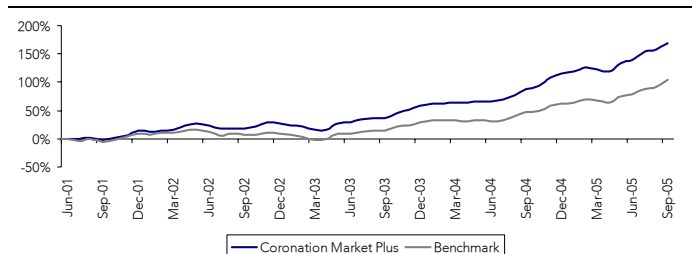
### PERFORMANCE & RISK STATISTICS

	Fund	Benchmark
Latest 12 months	42.67%	38.69%
Latest 36 months (annualised)	31.51%	24.02%
Since inception (annualised)	26.10%	18.24%
Annual deviation since inception	11.68%	11.87%
Sharpe ratio	1.43	0.75
Maximum gain	36.32%	31.00%
Maximum drawdown	-9.98%	-10.44%
Positive months	72.55%	68.63%

### TOP 10 SHARE HOLDINGS

As at 30 September 2005	% of Fund
Makalani Holdings Ltd	5.74%
Liberty International Plc	5.53%
Remgro Ltd	5.47%
Telkom SA Ltd	4.74%
Standard Bank Group Ltd	4.52%
Naspers Ltd – N Ordinary Shares	4.16%
SABMiller Plc	4.10%
Investec Non Red Preference Shares	3.89%
Bidvest Group Ltd	3.16%
Richemont Securities AG	3.07%
<b>Total</b>	<b>44.38%</b>

### CUMULATIVE PERFORMANCE SINCE INCEPTION



### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/09/2005	01/10/2005	38.96	28.47	10.49
31/03/2005	01/04/2005	0.29	0.12	0.17
30/09/2004	01/10/2004	21.62	13.22	8.40
31/03/2004	01/04/2004	23.81	13.53	10.28

### ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2004	35.91%	26.41%	9.50%
2003	24.90%	18.15%	6.75%
2002	11.40%	-0.37%	11.76%
2001	13.87%	9.15%	4.73%

### PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Fund 2005	1.69%	3.26%	-1.11%	-1.82%	6.36%	2.30%	6.19%	1.55%	4.03%				24.44%
B'mark 2005	0.93%	3.32%	-1.66%	-2.28%	6.29%	2.72%	5.29%	1.44%	6.45%				25.50%
Fund 2004	1.86%	0.41%	1.21%	0.48%	0.71%	-0.06%	1.93%	4.83%	5.97%	2.83%	8.06%	3.18%	35.91%
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%