

The Coronation Absolute Fund produced a return of 26.3% for the one-year period ended 30 June 2006. This is well ahead of its return objective of inflation plus 6% (which has been 10% for the period, with CPI running at around 4%), but importantly has been achieved without taking undue risk in the fund and with an average equity exposure of around 60%. The 3-year annualised return of the fund is now 31% per annum.

The first four months of the year saw a significant increase in emerging market equity markets globally, followed by a significant decline in May and June as fears of global inflation and slower global economic growth set in. At the same time as this market sell-off, the rand depreciated by 20% against the US dollar and concerns surfaced about further interest rate increases in South Africa. Surprisingly, global commodity prices did not decline significantly over this period. The result of these factors was that while resource stocks continued to appreciate, industrial and financial stocks, property stocks and bonds all experienced sharp declines. In our view, these declines created opportunities and the fund added significantly to its industrial and financial equity exposure in the months of May and June and started buying selected property stocks and bonds over this period.

The fund's net effective SA equity exposure was increased to around 68% over the past few months after being decreased to as low as 55% earlier in the year before the market declines. We added significantly to several existing local industrial and financial positions including Woolworths, Mr Price, Standard Bank and Telkom and also established new positions in MTN, Edcon and Distell/KWV. Most of these stocks declined by 20% or 25% during May and June and at the time of purchase, all were trading on single digit P/E's on our estimates of normalised earnings. Whilst the one year outlook for all of these locally orientated stocks may be slightly worse than what was expected several weeks ago, we do not believe that the longer term outlook for these companies has changed significantly, and as a result neither have their business values. Three months ago when Woolworths was trading at R 17 a share we held the view that the business was worth R 20 a share. Today, Woolworths is trading at around R 13 and we still hold the view that the business is worth R 20 a share. Only two things have changed over the past 3 months: firstly the share price of Woolworths (from R 17 to R 13) and secondly, and more importantly, the return (before earnings growth and the dividend yield) we believe we will ultimately make from the funds holding in Woolworths, which has increased from 18% (R 17 to R 20) to 54% (R 13 to R 20). A similar picture can be painted for all the stocks mentioned above.

The fund also added to its SABMiller position over the past few months. SABMiller's operations are predominantly focused in emerging markets, including South Africa, other African countries, Colombia and Eastern Europe. Emerging markets offer great long-term prospects for dominant brewers like SABMiller as a result of growing economies and rising disposable incomes in these countries. The emerging market sell-off however resulted in a decline of around 20% of SABMiller's share price in London, which we felt was unjustified given the company's longer-term prospects.

A buying opportunity also arose in Richemont after the stock fell significantly as a result of the global equity market decline and worse than expected (short-term) results. It is our view that the results were on balance very positive, including management's outlook and evidence of turnarounds in several unprofitable brands including, Van Cleef and Arpels, Chloe and Lancel, and as a result we added to the fund's Richemont position. We also sold ALSI futures against our equity exposure (to the extent of just under 5% of fund capital) as the result of our view that the individual stocks within the fund are significantly undervalued while large parts of the ALSI index, notably the resource shares, are overvalued. The fund also continues to have around 15% of the equity exposure protected through put options.

We have held the view for some time that bonds are overvalued and listed property had become far less attractive as share prices in this sector continued to increase. As at the end of March 2006 the fund held negligible positions in both bonds (1.7% of total fund) and listed property (1.6% of total fund). As the long-bond yield (R 157) moved from 7.5% to close to 9% and as property stocks declined by 15% over the past few months, we started to buy both of these instruments and bonds now make up 3.7% of the portfolio and listed property around 4%.

We view international developed markets equities, including the US, Europe and Japan, as being very attractive from a valuation point of view and therefore, over the past few months, have added to the fund's international equity exposure. We believe that European equities, on a forward P/E multiple of around 12, are the most attractive from a valuation point of view within the developed world and the fund bought a 3% position in the Edinburgh Partners European Opportunities Fund. This fund is managed by a boutique investment house of predominantly ex-Templeton investment professionals with a valuation driven, disciplined investment process.

The recent sell-off in equities, property stocks and bonds has in our view created good opportunities for the fund to take advantage of, and we hold the view that the fund is well positioned to generate its target return of inflation plus 6%.

Edwin Schultz & Gavin Joubert
Portfolio Managers

Fund category	Domestic Asset Allocation Flexible
Launch date	2 December 2002
Portfolio manager	Edwin Schultz & Gavin Joubert
Fund size	R1.4 billion
NAV	2216.98 cents
Annual management fee	1.25% (ex VAT)
Performance fee	20% ex VAT (above hurdle, capped at 2.5% p.a.)

Benchmark	CPIX
Performance fee hurdle	CPIX + 6%
Fund description	Aims to maintain a real growth rate of 6% per annum, and preserve capital over any rolling 36-month period.

ASSET AND SECTOR ALLOCATION

Sector	30 Jun 2006
Domestic Assets	82.60%
Equity	66.33%
Oil & Gas	5.32%
Basic Materials	6.12%
Industrials	1.43%
Consumer Goods	12.60%
Consumer Services	26.99%
Telecommunications	8.15%
Financials	13.61%
Derivatives	(7.89%)
Preference Shares & Other Securities	0.33%
Real Estate	4.14%
Fixed Interest	3.72%
Cash	8.08%
International Assets	17.40%
Equity	13.27%
Fixed Interest	2.24%
Cash	1.89%

TOP 10 HOLDINGS

As at 30 June 2006	% of Fund
Telkom SA Ltd	5.59%
Woolworths Ltd	5.59%
Sasol Ltd	5.32%
Standard Bank Group Ltd	5.30%
Naspers Ltd – N ordinary shares	5.29%
Remgro Ltd	5.08%
Impala Platinum Holdings Ltd	4.58%
Richemont Securities AG	4.32%
SABMiller Plc	4.26%
Edinburgh Partners Euro Fund	3.13%
Total	48.46%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2006	01/04/2006	37.06	26.03	11.03
30/09/2005	01/10/2005	30.13	19.88	10.25
31/03/2005	01/04/2005	0.00	0.00	0.00
30/09/2004	01/10/2004	0.00	0.00	0.00

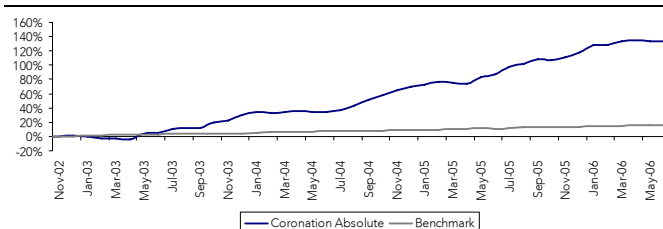
MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2006	4.95%	-0.12%	2.28%	1.00%	-0.84%	-0.11%						
B'mark 2006	0.73%	0.22%	0.43%	0.43%	0.57%	0.50%						
Fund 2005	2.01%	2.04%	-0.69%	-0.78%	5.58%	2.01%	5.60%	2.16%	2.70%	-0.40%	2.22%	4.43%
B'mark 2005	0.46%	0.08%	1.06%	0.52%	0.22%	-0.22%	1.04%	0.37%	0.22%	0.22%	-0.07%	0.07%

PERFORMANCE AND RISK STATISTICS

	Fund	Benchmark
Year to date	7.26%	2.93%
Latest 12 months	26.35%	4.84%
Latest 36 months (annualised)	31.02%	4.44%
Since inception (annualised)	27.23%	4.32%
Annual deviation since inception	8.95%	1.30%
Sharpe ratio	2.00	N/A
Maximum gain	31.34%	N/A
Maximum drawdown	-5.23%	N/A
Positive months	67.44%	N/A

CUMULATIVE PERFORMANCE SINCE INCEPTION



ANNUAL RETURNS SINCE INCEPTION

	Fund	CPIX	Active Return
2005	30.13%	4.03%	26.09%
2004	30.91%	4.29%	26.62%
2003	28.65%	4.05%	24.60%
2002	0.83%	0.17%	0.66%