

The Coronation Capital Plus Fund produced a return of 21% for the one-year period ended 30 June 2006. This is well ahead of its return objective of inflation plus 4% (which has been 8% for the period, with CPIX running at around 4%), but importantly has been achieved without taking undue risk in the fund and with an average equity exposure of around 40%. The 3-year annualised return of the fund is now 22.5% 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 43% over the past few months after being decreased to as low as 35% 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 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/Es on our estimates of normalised earnings. While 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 three 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 fund's 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.

We also added to the fund's 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. Another buying opportunity arose when the price of Richemont 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 under 5% of fund capital) as the result of our view that the individual stocks within the fund are significantly undervalued whilst large parts of the ALSI index, notably the resource shares, are overvalued. The fund also continues to have around 20% of the equity exposure protected through put options.

It has been our view for some time that bonds have been overvalued and as a result the fund has held only a very small bond position over the past few years. With the decline in government bonds over May and June (the yield on the R157 moved from less than 7.5% to almost 9%) we started buying bonds and the fund now has a 12.5% bond position (up from 4.3% at the end of March 2006), with around 4.5% of that exposure being in inflation-linked bonds and the balance in government (mainly the 10 year R157 issue) and corporate bonds.

We also hold the view that international developed markets equities, including the US, Europe and Japan, are very attractive from a valuation point of view and over the past few months have added international equity exposure to the fund. This investment was primarily in the form of a 6.5% position in the Coronation Global Fund, a long-only fund of funds that invests in several underlying managers covering the US, Europe and Japan. It is our view 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. We also bought a 2.5% position in the Edinburgh Partners European Opportunities Fund, a fund 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. We believe the fund is well positioned to generate its target return of inflation plus 4% going forward, whilst at the same time holds a very low probability of losing capital over any rolling 12-month period.

**Edwin Schultz & Gavin Joubert**  
Portfolio Managers

Fund category	Domestic Asset Allocation Targeted Absolute and Real Return
Launch date	2 July 2001
Portfolio manager	Edwin Schultz & Gavin Joubert
Fund size	R2.2 billion
NAV	1947.03 cents
Annual management fee	1.25% (ex VAT)
Performance fee	10% ex VAT (above hurdle, capped at 1.5% p.a.)

Benchmark	CPIX
Performance fee hurdle	CPIX + 4%
Fund description	Focused on the preservation of capital over all rolling 12-month periods. Over the medium term, the objective is to produce real growth of at least 4% per annum.

## ASSET AND SECTOR ALLOCATION

Sector	30 June 2006
<b>Domestic Assets</b>	<b>84.87%</b>
<b>Equity</b>	<b>44.40%</b>
Oil & Gas	4.19%
Basic Materials	5.58%
Industrials	0.66%
Consumer Goods	7.26%
Consumer Services	15.66%
Telecommunications	4.60%
Financials	12.89%
Technology	0.23%
Derivatives	(6.67%)
<b>Preference Shares &amp; Other Securities</b>	<b>3.30%</b>
<b>Real Estate</b>	<b>5.61%</b>
<b>Fixed Interest</b>	<b>12.32%</b>
<b>Cash</b>	<b>19.24%</b>
<b>International Assets</b>	<b>15.13%</b>
<b>Equity</b>	<b>11.62%</b>
<b>Fixed Interest</b>	<b>1.25%</b>
<b>Cash</b>	<b>2.26%</b>

## TOP 10 HOLDINGS

As at 30 June 2006	% of Fund
Coronation Global Equity Fund of Funds	6.74%
Impala Platinum Holdings Ltd	4.26%
Naspers Ltd – N ordinary shares	4.21%
Sasol Ltd	4.19%
Remgro Ltd	3.84%
Standard Bank Group Ltd	3.77%
Telkom SA Ltd	3.32%
Woolworths Ltd	3.22%
Bidbee Ltd	3.19%
Edinburgh Partners Euro Fund	2.51%
<b>Total</b>	<b>39.25%</b>

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/06/2006	01/07/2006	11.89	2.87	9.02
31/03/2006	01/04/2006	20.71	10.92	9.79
31/12/2005	01/01/2006	13.10	3.89	9.21
30/09/2005	01/10/2005	16.07	5.83	10.24

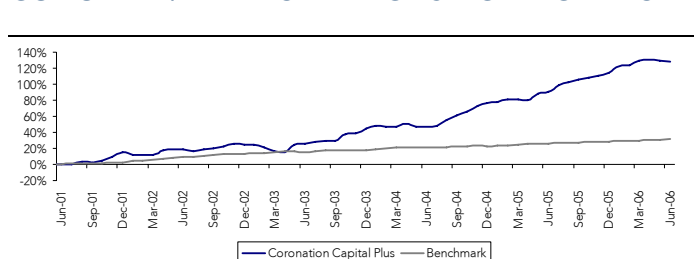
## MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2006	3.70%	0.26%	2.55%	0.53%	-0.42%	-0.57%						
B'mark 2006	0.73%	0.22%	0.43%	0.43%	0.57%	0.50%						
Fund 2005	0.77%	1.87%	-0.18%	-0.46%	4.50%	1.45%	3.85%	1.87%	2.08%	0.71%	1.25%	3.48%
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	6.13%	2.93%
Latest 12 months	20.93%	4.84%
Latest 36 months (annualised)	22.48%	4.44%
Latest 60 months (annualised)	18.22%	5.65%
Since inception (annualised)	18.22%	5.65%
Annual deviation since inception	8.02%	1.45%
Downside deviation	3.93%	0.39%
Sharpe ratio	1.06	N/A
Maximum gain	29.49%	N/A
Maximum drawdown	-8.20%	N/A
Positive months	68.33%	N/A

## CUMULATIVE PERFORMANCE SINCE INCEPTION



## ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2005	23.22%	4.03%	19.19%
2004	22.49%	4.29%	18.20%
2003	15.93%	4.05%	11.89%
2002	8.30%	10.50%	-2.20%
2001	14.81%	2.53%	12.29%