

This quarter marks the tenth anniversary of the launch of the Coronation Equity Fund (formerly the Coronation High Growth Fund). The fund has enjoyed a phenomenally successful ten years, delivering an annualised return of 19.5% to investors and ranked second out of all funds over this period.

If there is one certainty in investing, it is that equity markets are volatile, and that equity markets in emerging markets are even more so. In a volatile environment it is very difficult to consistently call the short term direction of different equity classes. Thus what is crucial is to be able to take long term views based on solid convictions and this can only be achieved by bottom up stock picking. Forecasting interest rates, currencies and all the attendant macro factors is extremely difficult, they don't call economics the 'dismal science' for nothing!

The fund is run on the principles of bottom up stock picking, where we choose the best stocks from the Coronation houseview and back them fully with large positions to achieve maximum returns over the longer term for our investors. By nature, this approach may result in short-term underperformance, such as the fund is experiencing now. Our strongly held view that it is virtually impossible to accurately forecast the gold price, coupled with our aversion to investing in shares priced at 2 or 3 times net present value and on PE multiples which are headed for the stratosphere, has meant that the fund had very little exposure to Gold shares this year. This has detracted from performance as the increasingly hot and excited speculators continue to pour money into physical gold and the available gold miners.

As Warren Buffet sagely pointed out in his most recent AGM: *'..in metals and oil there's been a terrific [price] move. It's like most trends: At the beginning, it's driven by fundamentals, then speculation takes over. As the old saying goes, what the wise man does in the beginning, fools do in the end. With any asset class that has a big move, first the fundamentals attract speculation, then the speculation becomes dominant.'* and as Charlie Munger would say *'I have nothing to add to that!'*

For the quarter the equity market returned 4.9%, driven by very strong returns from resource shares. The rapidly depreciating rand more than offset the commodity weakness of late May and early June, which has subsequently been retraced. The hike in interest rates by the Reserve Bank appeared to shock the market, causing investors to start dumping interest rate sensitive stocks with little appreciation of what the longer term impact would be. This was repeated even more vehemently when the current account deficit for the first quarter was announced and was ahead of expectations. The net result was a severe de-rating of domestic industrial stocks and a sharp re-rating of resource counters which was extremely punishing to stock-pickers who had not been playing 'macro' themes.

The Fund managed a total return of -3.6 % for the quarter due to its bias towards domestic companies, which were predominantly negative over the period, and non-resource based rand hedges. We remain extremely comfortable with these companies and in fact used the weakness to add to some of the bank and credit retail holdings as panicked sellers offloaded at low levels. As the market normalised in the last few days of June this seemed to have been the most appropriate action.

At quarter end the top 10 holdings were trading on an average forward PE of 10.7 and on a dividend yield of 3.6%, both metrics indicating good value. Investors need to be aware that we have moved into a period of high volatility. Foreign investors are feeling more risk averse and could have a significant influence on short term price moves, as well as local investors attempting to time the market. In the short term equity prices could go anywhere but in the long term we are very comfortable with the return potential of equities in general, and our fund specifically.

Neville Chester & Charles de Kock
Portfolio Managers

Fund category	Domestic Equity General
Launch date	15 April 1996
Portfolio manager	Neville Chester & Charles de Kock
Fund size	R1.5 billion
NAV	4837.87 cents
Annual management fee	1.25% (ex VAT)

Benchmark	FTSE/JSE Capped All Share Index Capped at 10%
Fund description	An emphasis on active stock selection and will remain fully invested in domestic equities at all times.

ASSET AND SECTOR ALLOCATION

Sector	30 Jun 2006
Domestic Assets	100.00%
Equity	99.01%
Oil & Gas	7.62%
Basic Materials	17.73%
Industrials	0.58%
Consumer Goods	12.33%
Consumer Services	29.66%
Telecommunications	5.94%
Financials	25.57%
Derivatives	(0.42%)
Preference Shares & Other Securities	0.19%
Cash	0.80%
International Assets	0.00%

TOP 10 HOLDINGS

As at 30 June 2006	% of Fund
Standard Bank Group Ltd	9.33%
Sasol Ltd	7.62%
Naspers Ltd – N ordinary shares	7.24%
Impala Platinum Holdings Ltd	5.69%
Remgro Ltd	5.67%
Woolworths Ltd	4.64%
SABMiller Plc	4.46%
Richemont Securities AG	4.09%
BHP Billiton Plc	3.48%
Liberty Group Ltd	3.47%
Total	55.69%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2006	01/04/2006	59.63	58.09	1.54
30/09/2005	01/10/2005	72.44	69.72	2.72
31/03/2005	01/04/2005	26.89	24.59	2.30
30/09/2004	01/10/2004	36.48	33.75	2.73

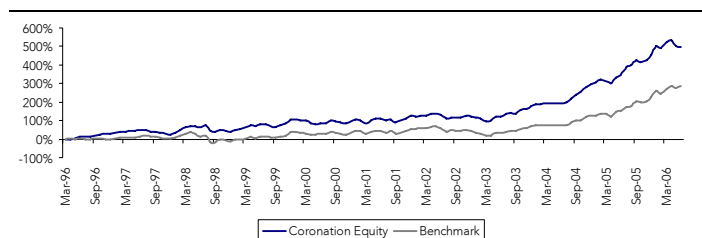
MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2006	8.44%	-1.14%	4.59%	1.97%	-5.11%	-0.38%						
B'mark 2006	9.22%	-3.22%	7.18%	4.11%	-2.81%	3.01%						
Fund 2005	2.09%	4.21%	-2.31%	-2.36%	7.10%	3.55%	9.62%	2.17%	4.98%	-1.82%	2.07%	7.12%
B'mark 2005	0.78%	4.26%	-0.88%	-4.98%	9.63%	3.06%	7.19%	2.11%	9.82%	-2.46%	2.18%	8.13%

PERFORMANCE AND RISK STATISTICS

	Fund	Benchmark
Year to date	8.08%	18.10%
Latest 12 months	36.41%	53.00%
Latest 36 months (annualised)	39.97%	42.50%
Latest 60 months (annualised)	23.79%	21.60%
Since inception (annualised)	19.46%	14.02%
Annual deviation since inception	16.82%	21.30%
Sharpe ratio	0.42	0.07
Maximum gain	47.40%	37.58%
Maximum drawdown	-20.49%	-31.35%
Positive months	64.75%	59.84%

CUMULATIVE PERFORMANCE SINCE INCEPTION



ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2005	42.04%	44.86%	-2.82%
2004	42.87%	33.90%	8.98%
2003	25.33%	18.24%	7.08%
2002	-2.90%	-8.55%	5.65%
2001	16.41%	15.91%	0.50%
2000	-4.76%	-1.99%	-2.77%
1999	45.92%	53.25%	-7.33%
1998	12.24%	-11.32%	23.59%
1997	-1.91%	1.39%	-3.31%