

The Coronation Optimum Growth Fund appreciated by 12.5% for the first 6 months of 2006 and 25.9% for the year to end June, which is well ahead of its target of inflation plus 5%. Over the past 5 years the fund has produced an average annual return of 18.1%.

The decision earlier in the year to increase offshore exposure to 60% from a level of just under 50% benefited the fund over the past few months as the rand depreciated by almost 20% against the dollar. Our international equity exposure held up well during the global market declines in May and June as a result of being focused in more defensive areas (telecommunications, beverages and food), with strong valuation underpins in the form of forward P/E and P/FCF multiples in the 8-12 range and/or dividend yields north of 3% or 4%. The fund's SA equity exposure has been a detractor of performance in recent months as the emerging markets sell-off, rand depreciation and expectation for higher SA interest rates impacted the industrial and financial stocks in particular. The price declines in this particular area resulted in some attractive buying opportunities where we both added to existing positions (Naspers, Woolworths, Telkom and Standard Bank) and established new positions (Mr Price and MTN).

The decline in global markets also provided opportunities to add to existing positions and to buy several new international stocks at very attractive valuations. Most of these new purchases were in developed markets but the extent of declines in emerging markets also provided a few opportunities in this area. As a result of the buying of both SA and international stocks the total equity exposure of the fund increased significantly over the past few months from around 70% to slightly over 80%, with 35% of this being invested in SA equities and 47% in international equities and equity mutual funds. The balance of the fund is invested in cash and bonds, predominantly offshore, with a 6.5% position in US 5-year Treasuries and 7.5% in offshore cash, in a mix of foreign currencies.

The depreciation of the rand coupled with the emerging markets sell-off resulted in declines of 20% or 25% in many SA industrial and financial stocks. Naspers, the fund's largest holding, is trading on a normalised free cash flow multiple of below 10, after stripping out the cash and the associate holding in the Chinese internet company, Tencent. For a business that derives over 90% of its free cash flow from Pay-TV (in a dominant South African market and growing African markets), we consider this to be a steal and the fund added to its position. Telkom declined to the extent where the fixed-line business, after stripping out our valuation for Vodacom, was trading on a normalised free cash flow multiple of around 3. Again, this is far too cheap and assumes a severe deterioration in the fixed-line business. The fund bought more Telkom, having sold a large part of its holding in March. Standard Bank declined to the extent where the company was trading on a forward P/E multiple of close to 8 at which stage the fund purchased more.

The sell-off amongst retailers was indiscriminate, with cash-based retailers like Woolworths and Mr Price declining to the same extent as the credit clothing and furniture retailers. In our view this created an opportunity for the fund to buy more Woolworths at a price which implied a P/E of 10 and a dividend yield of 6%, as well as to initiate a position in Mr Price on a forward multiple of around 7.5 and dividend yield of over 7%.

MTN announced the acquisition of Investcom, an Africa and Middle East mobile operator with businesses in several countries with mobile penetration of below 10% including Sudan, Syria and Ghana. Our view is that the acquisition is attractive from a long-term point of view and the sell-off in May and June enabled us to buy MTN on a P/E of around 9 on normalised earnings.

It is our view that European equities are the most attractive from a valuation point of view within the developed world and as a result 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. We also increased our European equity exposure by adding to the fund's Telefonica and Nestle positions and buying small positions in Unilever and Unicredito Italiano. As we have stated before, we believe that telecommunications stocks globally are very attractively valued and Telefonica is no exception. The company is the incumbent fixed-line and mobile operator in Spain, but also has significant operations in higher growth Latin American countries and recently bought O₂, the UK's Number 3 mobile operator. The mobile operations contribute over half of group free cash flow, yet the group is valued on a free cash multiple of 9, which in our view is more consistent with a fixed-line valuation. A similar argument applies to France Telecom. The positions in these two European mobile/fixed-line hybrid stocks (France Telecom and Telefonica) now make up 5% of the fund.

Within emerging markets we added to the fund's Samsung (Korea) and Petrobras (Brazil) positions, with both stocks trading on single digit multiples, and bought new holdings in Turkcell (Turkey), MTS (Russia) and Cemex (Mexico). Turkcell and MTS are the dominant mobile operators in Turkey and Russia respectively, and whilst subscriber growth in these markets is slowing, both of these businesses generate significant free cash flows which in turn has the potential to be returned to shareholders. The valuations of both at the time of purchase was very attractive, with Turkcell on a FCF yield of around 13% and MTS 12%. Cemex, whilst based in Mexico, is the world's 3rd largest cement producer behind Lafarge and Holcim, and only derives 20% of its revenue from Mexico, with the balance coming from the US, Europe and South America. The stock declined by 25% to the point where it could be bought on a P/E multiple of just over 8.

The fund also added a few US stocks, particularly in the large cap area including Citigroup (the world's largest financial services company, with a strong emerging market franchise and trading on a P/E of 10), Dell (global leading PC distributor trading on a P/E of 14 excluding the significant net cash position) and the NYSE Group (operator of the New York Stock Exchange with operating margins of 6% being significantly behind the 30%-60% operating margin level of other stock exchanges internationally and potential to reduce this differential over time).

The fund's equity exposure is now at what we would consider to be a high level, but it is our view that the opportunities created over recent months, both in South Africa and internationally, justify this position. We expect the fund to enjoy the benefits of significant price appreciation from these holdings in the future.

Gavin Joubert
Portfolio Manager

Fund category	Worldwide Asset Allocation Flexible
Launch date	15 March 1999
Portfolio manager	Gavin Joubert
Fund size	R844.1 million
NAV	3129.07 cents
Annual management fee	1.00% (ex VAT)
Performance fee	15% ex VAT (above hurdle, capped at 2,5% p.a.)

Benchmark	CPIX
Performance fee hurdle	CPIX + 5%
Fund description	Aims to deliver long-term growth by investing in a combination of local and international investments across all asset classes.

ASSET AND SECTOR ALLOCATION

Sector	30 Jun 2006
Domestic Assets	39.06%
Equity	34.78%
Basic Materials	2.24%
Industrials	0.98%
Consumer Goods	2.93%
Consumer Services	16.84%
Telecommunications	5.13%
Financials	10.96%
Derivatives	(4.30%)
Cash	4.28%
International Assets	60.94%
Equity	47.16%
Fixed Interest	6.35%
Cash	7.43%

TOP 10 HOLDINGS

As at 30 June 2006	% of Fund
Naspers Ltd – N ordinary shares	8.24%
Remgro Ltd	7.10%
Sasol Ltd – ADR	5.89%
Standard Bank Group Ltd	3.86%
Woolworths Ltd	3.78%
Telkom SA Ltd	3.76%
France Telecom SA	3.32%
Edinburgh Partners Euro Fund	3.01%
Harley Davidson	2.31%
Comgest Nouvelle Asie	2.31%
Total	43.58%

INCOME DISTRIBUTIONS

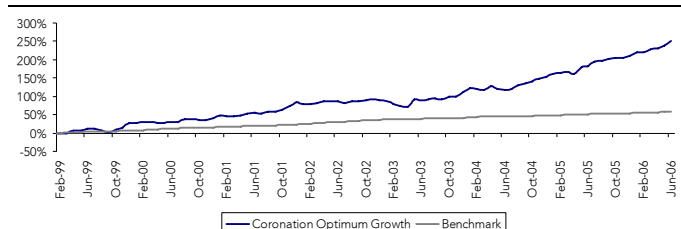
Declaration	Payment	Amount	Dividend	Interest
31/03/2006	01/04/2006	38.44	36.19	2.25
30/09/2005	01/10/2005	0.00	0.00	0.00
31/03/2005	01/04/2005	0.00	0.00	0.00
30/09/2004	01/10/2004	0.00	0.00	0.00

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Fund 2006	3.19%	-0.07%	2.05%	0.99%	2.17%	3.60%						
B'mark 2006	0.73%	0.22%	0.43%	0.43%	0.57%	0.50%						
Fund 2005	2.48%	1.20%	0.77%	-1.62%	6.58%	1.02%	4.34%	1.14%	1.84%	0.80%	0.15%	3.17%
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	12.49%	2.93%
Latest 12 months	25.91%	4.84%
Latest 36 months (annualised)	23.37%	4.44%
Latest 60 months (annualised)	18.11%	5.65%
Since inception (annualised)	19.07%	6.30%
Annual deviation since inception	10.79%	1.39%
Downside deviation	5.60%	0.39%
Sharpe ratio	0.80	N/A
Maximum gain	28.71%	N/A
Maximum drawdown	-11.72%	N/A
Positive months	71.26%	N/A

CUMULATIVE PERFORMANCE SINCE INCEPTION**ANNUAL RETURNS SINCE INCEPTION**

	Fund	Benchmark	Active Return
2005	23.91%	4.03%	19.87%
2004	19.54%	4.44%	15.10%
2003	13.37%	4.21%	9.15%
2002	2.12%	10.50%	-8.38%
2001	30.55%	6.52%	24.03%
2000	11.61%	8.21%	3.40%
1999	26.15%	5.20%	20.94%