

The Coronation Balanced Plus Fund generated a return of 9.32% for the first quarter of 2006. Over the 12-month period to 31 March 2006 the fund, with a return of 42.44%, has convincingly outperformed its benchmark return of 40.07%.

The bull market continued unabated with the All Share Index returning 13%, and 57% for the rolling 12 months. The past three years have generated an extraordinary amount of wealth for ordinary South Africans as asset prices have re-priced for the lower level of interest rates. Our experience closely mirrors that of other countries which have moved from high to low inflation environments and enjoyed a commensurate decrease in interest rates.

Over three years property unit trusts have returned 44% per annum, the All Share Index 43% per annum, the average house 24% per annum (ABSA House Price index) and the bond market 14% per annum. Adjusting for inflation of 4% per annum, real returns have been nothing short of exceptional - making this the third largest equity bull market in our history. Only the bull markets of the late 1960s and the 1970s eclipse the returns achieved thus far. However, these returns have been well earned; the base was low, with investors having endured poor returns for the three preceding years and growth has been strong as the economy has benefited from a cyclical upturn, underpinned by some very real structural changes in the economy.

Within the fund, we have invested close to the maximum weighting offshore. In our opinion, the rand is overvalued at current levels and, while it will remain strong for as long as commodity prices remain high and emerging market sentiment remains positive, it should in time depreciate. The opportunity afforded by rand strength to diversify one's holdings is even more compelling when one considers the outperformance of emerging market equities to developed markets. Stocks in emerging markets no longer trade at material discounts to their peers in the developed markets.

Local equities remain our preferred asset class in domestic mandates. Bonds and property have been fully re-priced for the current low inflation, low interest rate environment. However, this is not quite yet the case for equities. Although we are concerned at the extent to which foreign holdings of South African shares has increased, we remain confident that there are sufficient stock-picking opportunities to enable us to continue to deliver good returns to clients over the medium term.

Looking more closely at the underlying sectors, Resources performed in line with the broader market, returning 13% for the quarter. Impala performed strongly once again while Sasol detracted from overall performance. Platinum is a market with very strong fundamentals. In the commodities market a rising tide is lifting all boats and we believe that, in time, supply will respond to high prices and that prices will decline. In the case of platinum, an undisciplined supply response is unlikely and demand will continue to grow with legislated demand for autocatalysts. Impala is a quality company with a shareholder-friendly management team that trades on an undemanding rating. Sasol is a world class company that has taken a knock with the windfall tax announcement in the 2006 budget.

South Africa has gone to tremendous lengths to create an investor-friendly climate and this gives us confidence that we will ultimately see a rational outcome. In the interim, we gain comfort from the fact that we use a conservative normal oil price of US\$32 per barrel to value the company.

Industrials performed in line with the broader market, also returning 13% for the quarter. Lewis, New Clicks, Bidvest, Tiger Brands and Netcare were positive contributors while SABMiller and Pick 'n Pay detracted from performance. Looking specifically at Pick 'n Pay, if one adjusts for the loss-making Australian operations, then the core business trades at a significantly lower premium rating than it has for much of the last decade. While Woolworths, Spar and Shoprite are undoubtedly more formidable competitors than they were in the past, we believe that Pick 'n Pay is a business with real franchise value and an unrivalled track record that trades at an undemanding rating.

Financials also performed in line with the broader market, returning 14% for the period. Discovery Holdings has disappointed the market with the losses incurred in the US. The local business is high quality, enjoys significant barriers to entry and should continue to grow market share. Thus we believe that this disappointment presents the kind of buying opportunity rarely found in companies of this quality.

Bonds had a reasonable quarter, returning 1.5%, while inflation linkers once again outperformed with a return of 2.7%. The bond market has shrugged off rising yields in the US, Europe and Japan and is, in our view, priced for perfection. When compared to US yields, current yields imply either zero sovereign spread or significantly lower levels of inflation than what we believe will be achieved over the duration of South African bonds. With a very strong rand in the base and government having communicated its intention to pursue stimulatory macro policies, the risk of capital losses for investors is high.

**Louis Stassen & Karl Leinberger**  
Portfolio Managers

<b>Fund category</b>	Domestic Asset Allocation Prudential Medium Equity
<b>Launch date</b>	15 April 1996
<b>Portfolio manager</b>	Louis Stassen & Karl Leinberger
<b>Fund size</b>	R1.23 billion
<b>NAV</b>	3625.00 cents
<b>Annual management fee</b>	1.25% (ex VAT)

<b>Benchmark</b>	Composite benchmark (63% equity, 22% bonds, 10% international, 5% cash)
<b>Fund description</b>	A fully managed investment solution diversified across the various asset classes and sectors. Its asset allocation is compliant with Regulation 28 of the Pension Funds Act.

**ASSET AND SECTOR ALLOCATION**

Sector	31 Mar 2006
<b>Domestic Assets</b>	<b>85.97%</b>
<b>Equity</b>	<b>67.93%</b>
Oil & Gas	4.55%
Basic Materials	10.91%
Industrials	0.37%
Consumer Goods	9.24%
Healthcare	0.76%
Consumer Services	20.11%
Telecommunications	1.92%
Financials	17.72%
Technology	0.14%
Derivatives	2.21%
<b>Real Estate</b>	<b>0.83%</b>
<b>Fixed Interest</b>	<b>10.06%</b>
<b>Cash</b>	<b>7.15%</b>
<b>International Assets</b>	<b>14.03%</b>
<b>Equity</b>	<b>6.87%</b>
<b>Cash</b>	<b>7.16%</b>

**TOP 10 SHARE HOLDINGS**

As at 31 March 2006	% of Fund
Standard Bank Group Ltd	6.49%
Naspers Ltd – N ordinary shares	6.11%
Remgro Ltd	4.71%
Sasol Ltd	4.55%
Impala Platinum Holdings Ltd	4.46%
Woolworths Ltd	3.04%
ABSA Group Ltd	3.04%
Richemont Securities AG	2.52%
Tiger Brands Ltd	2.22%
CF Morant Wright Japan Fund	2.20%
<b>Total</b>	<b>39.34%</b>

**INCOME DISTRIBUTIONS**

Declaration	Payment	Amount	Dividend	Interest
31/03/2006	01/04/2006	43.76	32.20	11.56
30/09/2005	01/10/2005	47.16	35.29	11.87
31/03/2005	01/04/2005	25.23	10.35	14.88
30/09/2004	01/10/2004	40.68	23.25	17.43

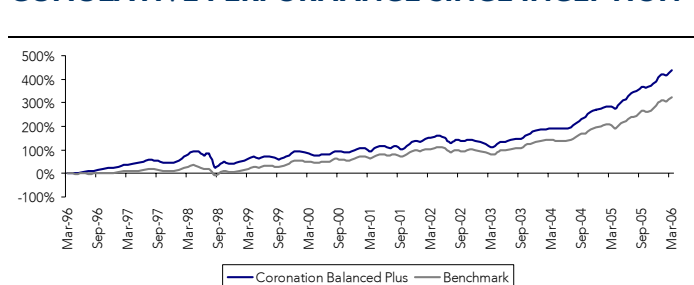
**PERFORMANCE RETURNS**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Fund 2006	6.22%	-1.10%	4.06%										9.32%
B'mark 2006	6.13%	-1.74%	4.68%										9.16%
Fund 2005	1.24%	2.58%	-0.24%	-2.07%	7.22%	2.58%	6.69%	1.94%	3.79%	-0.60%	2.09%	5.61%	35.00%
B'mark 2005	0.93%	3.32%	-1.66%	-3.10%	7.40%	2.48%	4.97%	1.21%	6.38%	-1.04%	1.86%	5.61%	31.59%

**PERFORMANCE AND RISK STATISTICS**

	Fund	Benchmark
Latest 12 months	42.44%	40.07%
Latest 36 months (annualised)	36.89%	33.29%
Latest 60 months (annualised)	22.75%	21.09%
Since inception (annualised)	18.52%	15.68%
Annual deviation since inception	16.87%	15.16%
Sharpe ratio	0.35	0.20
Maximum gain	57.74%	29.32%
Maximum drawdown	-29.84%	-23.24%
Positive months	67.50%	63.33%

**CUMULATIVE PERFORMANCE SINCE INCEPTION**



**ANNUAL RETURNS SINCE INCEPTION**

	Fund	Benchmark	Active Return
2005	35.00%	31.59%	3.41%
2004	32.01%	26.41%	5.61%
2003	17.68%	18.15%	-0.47%
2002	0.26%	-0.37%	0.63%
2001	20.28%	21.48%	-1.20%
2000	1.15%	5.30%	-4.15%
1999	36.68%	46.67%	-9.99%
1998	-1.51%	-3.15%	1.64%
1997	17.85%	7.21%	10.64%