CORONATION FINANCIAL FUND

as at 31 March 2006

CORONATION FUND MANAGERS

The financial sector experienced another strong quarter at the start of 2006, with the index delivering a 14.5% return. Of its primary constituents, the life insurance sector once again outperformed the banks as these stocks continued to benefit from a rising market, and the excessive negativity previously built into life company valuations continued to work its way out following the agreement with National Treasury in December 2005.

During this period, the Coronation Financial Fund returned 11.62%. The fund has underperformed the index for the quarter, and while this does not sit easily with us, we remind investors that we manage this fund with the focus on superior long-term returns.

The big four banks and all of the insurers released 2005 financial results during the quarter. The results from the banks were again driven by strong growth in their retail businesses – both in advances and in non-interest revenue generated by consumer activity. Credit quality remains abnormally good with bad debt write-offs at all time lows. The impact of unprecedented levels of credit extension is starting to be seen on consumer balance sheets, and we expect to see a decline in credit quality to more normalised levels as a result. Corporate business amongst the banks showed a pick-up, driven largely by BEE activity and strong equity markets. The former we expect to continue, and together with infrastructure-related loan growth and private equity gains will drive continued growth in this market segment.

Life insurance company results were characterised by the positive impact of strong investment markets in 2005, a decline in new business profitability as a result of providing improved value for money products, and the return of excess capital from both Liberty Life and Metropolitan, with Sanlam undertaking to do the same within the next six months. The impact of the agreement with National Treasury we believe is largely in the base and we expect the year ahead to be characterised by reasonable growth in new business profitability. In addition, the opportunity for further optimisation of capital structures remains.

After having spent much of our time in the quarter wading through financial company annual results, we use this platform to voice our concern over certain financial reporting requirements applied in terms of International Financial Reporting Standards (IFRS). In our opinion, these standards do not always accurately represent the economic reality of a company's operations and financial position, particularly the treatment of own shares held to back policyholder liabilities. We would urge a rethink on their application so as to ensure that financial statements retain their usefulness for all stakeholders.

One of the main contributors to the underperformance is our large position in Discovery Holdings (8%) – a position we have continued to build during the period. Recent results revealed deepening losses in the US and poor profit growth in the local health administration business, and sentiment towards the stock is negative as a result. Although it may take some time before both of these issues are fully addressed, we view this as an excellent opportunity to buy a high quality business with genuinely good growth prospects (both in SA and the UK) at an attractive price.

Company valuations, particularly those of banks, have run hard, largely on the back of foreign interest in emerging markets and South Africa in particular. While the operational fundamentals for financial stocks remain sound, we caution investors that the exceptional returns of the past two years are unlikely to be repeated.

Neville Chester & Neill Young
Portfolio Managers

CALL CENTRE: 0800 22 11 77 FAX: (021) 680 2500 EMAIL: unittrusts@coronation.co.za WEBSITE: www.coronation.com

CORONATION FINANCIAL FUND
as at 31 March 2006

Fund category	Domestic Equity Financial
Launch date	1 July 1998
Portfolio manager	Neville Chester & Neill Young
Fund size	R1.03 billion
NAV	2312.23 cents
Annual management fee	1.25% (ex VAT)
Benchmark	FTSE/JSE Africa Financial Index
Fund description	Invests in a broad range of financial shares, including banks, insurance and investment companies.

ASSET AND SECTOR ALLOCATION

Sector	31 Mar 2006
Domestic Assets	100.00%
Equity	91.79%
Financials	91.79%
Preference Shares & Other Securities	0.60%
Real Estate	3.13%
Cash	4.48%
International Assets	0.00%

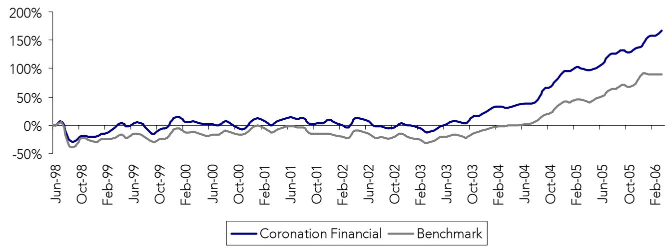
PERFORMANCE AND RISK STATISTICS

	Fund	Benchmark
Latest 12 months	44.87%	52.62%
Latest 36 months (annualised)	48.94%	47.30%
Latest 60 months (annualised)	23.54%	20.39%
Since inception (annualised)	14.59%	10.59%
Annual deviation since inception	22.42%	25.51%
Sharpe ratio	0.14	-0.04
Maximum gain	53.63%	80.40%
Maximum drawdown	-30.89%	-39.78%
Positive months	60.22%	61.29%

TOP 10 SHARE HOLDINGS

As at 31 March 2006	% of Fund
Standard Bank Group Ltd	20.35%
Liberty Group Ltd	13.37%
FirstRand Ltd	11.50%
Absa Group Ltd	11.04%
Remgro Ltd	10.86%
Metropolitan Holdings Ltd	10.66%
Discovery Holdings Ltd	8.44%
Liberty International Plc	3.13%
Old Mutual Plc	2.50%
Sanlam Ltd	2.06%
Total	93.91%

CUMULATIVE PERFORMANCE SINCE INCEPTION



INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2006	01/04/2006	13.80	12.45	1.35
30/09/2005	01/10/2005	34.72	32.20	2.52
31/03/2005	01/04/2005	11.18	10.55	0.63
30/09/2004	01/10/2004	25.12	23.98	1.14

ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2005	32.02%	34.69%	-2.67%
2004	57.09%	52.38%	4.71%
2003	25.19%	17.92%	7.28%
2002	-9.27%	-8.24%	-1.03%
2001	2.90%	-9.53%	12.43%
2000	-5.55%	2.93%	-8.48%
1999	42.51%	29.83%	12.68%
1998	-21.13%	-29.04%	7.91%

PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Fund 2006	7.01%	0.60%	3.69%										11.62%
B'mark 2006	7.74%	0.08%	6.19%										14.50%
Fund 2005	0.30%	3.52%	-2.03%	-0.91%	2.54%	3.02%	8.57%	0.52%	2.04%	-1.46%	3.14%	9.55%	32.02%
B'mark 2005	-0.44%	2.83%	-1.29%	-1.39%	4.45%	2.37%	7.76%	1.35%	3.58%	-1.29%	2.77%	10.16%	34.69%

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