

The first quarter of 2006 started pretty much like the last quarter of 2005, with a raging equity market fuelled by international investment flows into emerging market currencies and commodities. The Coronation Market Plus Fund returned 10.4% for the period, comfortably beating its benchmark of 9.2%.

Our overweight position in equities helped greatly while stock selection underperformed slightly due to our lower weighting in resources. Our low weighting in bonds in preference for cash has not been a big winner or loser, but property continues to do exceptionally well, despite ratings looking a little stretched.

The debate on the allocation to equities is, needless to say, quite intense given the recent strength in equities. Ratings have moved up, although a lot of the return has come from exceptional earnings growth. This has raised the question of whether or not margins are too high. Any way you look at it the risks involved in holding equities have increased although this does not mean they are not still the preferred asset class. Our view on domestic equities is that there are still good returns to be earned, predominantly from continued earnings strength due to the benign local conditions. That said, the influence of foreign investors on the local market has been huge and will result in far greater volatility in the returns over the year. Foreign investors tend to buy in large size and are generally less price sensitive, this tends to cause markets to increase as they buy up their positions but likewise can lead to sharp sell offs when they decide to close out their positions. Estimates differ but foreigners could have bought up to R70 billion in domestic equities in the last five quarters.

Bonds continue to look expensive, especially when the sell off in US treasuries is factored in, the relative rating differential is looking very thin. Due to revenue overruns government has not been issuing much debt which has meant supply has not kept up with demand but we expect lots more debt to come to the market in order for parastatals to fund the infrastructure roll out and as banks optimise their balance sheets after the massive loan growth experienced over the last few years.

Similarly, property yields relative to bonds do not factor in much risk and, as a result, they look expensive relative to an already expensive asset class.

The net result is that we are still overweight SA equity and underweight bonds and property. We have decided to take this opportunity of current rand strength and high relative SA ratings to move some money into international equity. We believe the ratings on international companies are not too demanding and it is likely that, over time, we will see some rand weakness in order for our economy to remain competitive and our current account deficit to stop ballooning. We believe this will add significantly to our long-term outperformance objectives.

**Neville Chester**  
Portfolio Manager

Fund category	Domestic Asset Allocation Flexible
Launch date	2 July 2001
Portfolio manager	Neville Chester
Fund size	R898.4 million
NAV	2831.33 cents
Annual management fee	1.25% (ex VAT)
Performance fee	20% ex VAT (above hurdle, capped at 2.5% p.a.)

Benchmark	Composite Benchmark (65% equity, 25% bonds, 10% cash)
Performance fee hurdle	Composite Benchmark + 2%
Fund description	Invests across various South African asset classes, with a bias towards the equity market over the cycle with the aim of achieving real returns over the long term.

## ASSET AND SECTOR ALLOCATION

Sector	31 Mar 2006
<b>Domestic Assets</b>	<b>100.00%</b>
<b>Equity</b>	<b>76.23%</b>
Oil & Gas	3.78%
Basic Materials	11.21%
Industrials	1.18%
Consumer Goods	10.06%
Consumer Services	23.07%
Telecommunications	2.92%
Financials	24.01%
Preference Shares & Other Securities	7.97%
Real Estate	5.43%
Fixed Interest	2.47%
Cash	7.90%
<b>International Assets</b>	<b>0.00%</b>

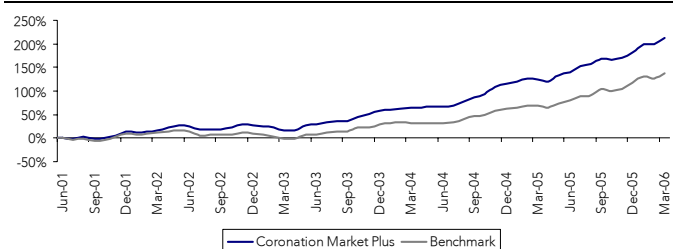
## PERFORMANCE AND RISK STATISTICS

	Fund	Benchmark
Latest 12 months	41.44%	41.12%
Latest 36 months (annualised)	39.73%	34.02%
Since inception (annualised)	27.43%	19.93%
Annual deviation since inception	11.47%	11.88%
Sharpe ratio	1.53	0.85
Maximum gain	36.32%	31.00%
Maximum drawdown	-9.98%	-10.44%
Positive months	71.93%	68.42%

## TOP 10 SHARE HOLDINGS

As at 31 March 2006	% of Fund
Standard Bank Group Ltd	6.07%
Remgro Ltd	5.92%
Naspers Ltd – N ordinary shares	4.66%
Liberty International plc	4.47%
SABMiller plc	4.25%
Makalani Holdings Ltd	3.88%
Sasol Ltd	3.78%
Bidvest Group Ltd	3.35%
Woolworths Holdings	3.16%
Richemont Securities AG	3.00%
<b>Total</b>	<b>42.54%</b>

## CUMULATIVE PERFORMANCE SINCE INCEPTION



## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/03/2006	01/04/2006	38.93	30.49	8.44
30/09/2005	01/10/2005	38.96	28.47	10.49
31/03/2005	01/04/2005	0.29	0.12	0.17
30/09/2004	01/10/2004	21.62	13.22	8.40

## ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2005	33.05%	33.69%	-0.64%
2004	35.91%	26.41%	9.50%
2003	24.90%	18.15%	6.75%
2002	11.40%	-0.37%	11.76%
2001	13.87%	9.15%	4.73%

## PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	YTD
Fund 2006	6.30%	-0.01%	3.86%										10.39%
B'mark 2006	6.30%	-1.85%	4.67%										9.20%
Fund 2005	1.69%	3.26%	-1.11%	-1.82%	6.36%	2.30%	6.19%	1.55%	4.03%	-0.70%	1.95%	5.61%	33.05%
B'mark 2005	0.93%	3.32%	-1.66%	-2.28%	6.29%	2.72%	5.29%	1.44%	6.45%	-1.38%	2.07%	5.83%	33.69%