

The Coronation Income Fund only participates in bonds and money market investments, designed to achieve a high yield for investors. It is lower risk than a bond fund.

The fund produced 5.9% for the year and has since inception returned 11.4% per annum.

At the close of the year we saw bonds record new lows of 8.01% (R157, 2015). Given where bond yields were in September 2006 (8.90%), the market corrected substantially, taking bonds back down to what we term fair value. In recent months, rising short-term interest rates dominated the fixed interest market causing the yield curve to rise, especially short-term interest rates and volatility. This resulted in poor bond performance for much of that time, but some of this has since reversed. Inflation worries are subsiding given that the repo rate was hiked four times from June to December 2006. The bond market views this positively and subsequently traded better towards the end of the year. For 2006 the All Bond Index achieved a return of 5.5%.

The bond market's most recent rally in December was fuelled by the better than expected November CPI and PPI figures. CPI came out at 5.0%, unchanged from October and below forecasts of 5.4%, while PPI was 10% year on year, also better than expected. Part of the reason for the lower than expected figures was a muted increase in fresh food prices, which is an important component of the inflation measure. The oil price remained flat for the year and the currency, although depreciating at one point turned around and made back some of its losses. These two factors, as we've noted before, are important for the direction of inflation.

Money market interest rates rose on the news that the South African Reserve Bank hiked the repo rate to 9%. However, looking forward, the market is no longer expecting interest rates to continue rising, instead, it sees a possible pause in the interest rate hiking cycle and possibly a repo rate cut within 18 months to 2 years.

In the portfolio, bond holdings were increased around September when the market sold-off as explained earlier. With the re-entry into the government bond market the fund duration was increased to 1.5 years versus that of its benchmark of 1.1 years.

Tania Miglietta
Portfolio Manager

Fund category	Domestic Fixed Interest Income
Launch date	3 April 2000
Portfolio manager	Tania Miglietta
Fund size	R142.7 million
NAV	1113.31 cents
Annual management fee	0.75% (ex VAT)

Benchmark	BEASSA ALBI (1 – 3 year) TR Index
Fund description	Aims to provide a high level of current income with moderate levels of capital growth. Stability of capital invested is of prime focus.

ASSET ALLOCATION

Maturity Band	31 Dec 2006
0 – 12 months	32.39%
1 – 3 years	52.93%
3 – 7 years	14.68%
7 – 12 years	0.00%
12+ years	0.00%

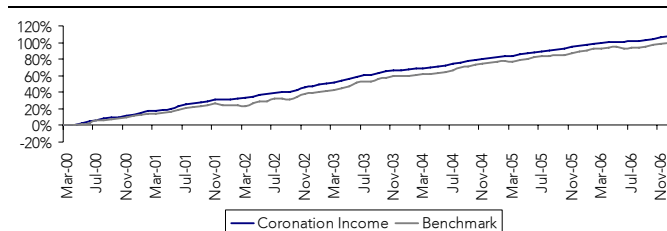
PERFORMANCE AND RISK STATISTICS

	Fund	Benchmark
Year to date	5.93%	5.65%
Latest 12 months	5.93%	5.65%
Latest 36 months (annualised)	7.53%	7.82%
Latest 60 months (annualised)	9.65%	9.96%
Since inception (annualised)	11.42%	10.82%
Annual deviation since inception	1.93%	2.71%
Sharpe ratio	0.81	0.35
Maximum gain	101.41%	26.14%
Maximum drawdown	-0.25%	-1.54%
Positive months	96.30%	88.89%

ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2005	8.16%	7.70%	0.46%
2004	8.52%	10.17%	-1.64%
2003	13.64%	15.02%	-1.38%
2002	12.16%	11.50%	0.66%
2001	15.75%	11.56%	4.19%
2000	13.14%	11.54%	1.60%

CUMULATIVE PERFORMANCE SINCE INCEPTION



INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest
31/12/2006	01/01/2007	32.10	32.10
30/09/2006	01/10/2006	17.91	17.91
30/06/2006	01/07/2006	17.67	17.67
31/03/2006	01/04/2006	17.85	17.85

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2006	0.56%	0.60%	0.53%	0.60%	0.48%	-0.25%	0.60%	-0.13%	0.61%	0.83%	0.71%	0.64%
B'mark 2006	0.74%	0.74%	0.35%	0.73%	0.09%	-1.09%	0.60%	0.38%	0.66%	1.02%	0.42%	0.89%
Fund 2005	0.64%	0.67%	0.27%	0.93%	0.68%	0.90%	0.49%	0.57%	0.59%	0.52%	0.91%	0.70%
B'mark 2005	0.34%	0.96%	-1.05%	1.69%	0.41%	1.25%	0.75%	0.31%	0.18%	0.24%	1.40%	0.99%