

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 Coronation Strategic Income Fund is designed to avoid the downturns in the fixed interest market, and subsequently achieved a very pleasing total return for the year of 10.4%, comfortably beating the benchmark which did 5.7%. The fund continues to successfully achieve its objectives of high yield with some capital protection. Due to good timing on the overall bonds, careful selection of corporate bonds and a buoyant listed property market, the fund was able to achieve better than normal capital gains for investors this year.

The bond market's most recent rally in December was fuelled by the better than expected November CPIX and PPI figures. CPIX 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 and property holdings were increased during the month. Bonds via the re-entry into the government bond market and property via selected undervalued stocks. We also switched within the property sector as some strong price rises led us to take profits, investing the proceeds into those that still offered better value. The property holdings have contributed positively to fund performance over the last few months. Similarly, our re-entry into the bond market in September at the higher levels noted above, has paid off.

It's been a good year for the Coronation Strategic Income Fund which has now grown to over R3.5 billion in size, and we thank all our investors for supporting us during 2006 and look forward to an exciting and rewarding 2007.

Mark le Roux and Tania Miglietta
Portfolio Managers

Fund category	Domestic Fixed Interest Varied Specialist
Launch date	2 July 2001
Portfolio manager	Mark le Roux and Tania Miglietta
Fund size	R3.5 billion
NAV	1303.15 cents
Annual management fee	1.00% (ex VAT)

Benchmark	BEASSA ALBI (1 - 3 year) TR Index
Fund description	A widely diversified, actively managed fund that aims to provide a higher level of income than a pure income fund.

ASSET ALLOCATION

Sector	31 Dec 2006
Domestic Assets	100.0%
Cash/Money Market	50.3%
Bonds	32.6%
Listed Property	8.8%
Preference Shares	3.4%
Other investments*	4.9%
International Assets	0.0%

* Makalani Holdings Ltd: High yielding, listed and mezzanine debt

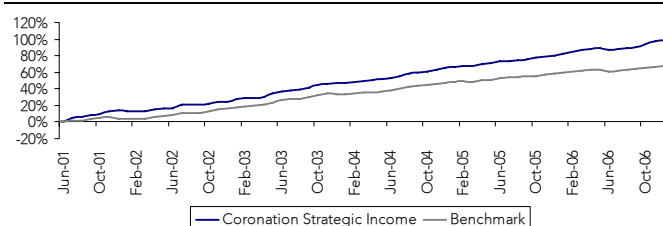
PERFORMANCE AND RISK STATISTICS

	Fund	Benchmark
Year to date	10.40%	5.65%
Latest 12 months	10.40%	5.65%
Latest 36 months (annualised)	10.71%	7.82%
Latest 60 months (annualised)	11.92%	9.96%
Since inception (annualised)	13.47%	9.86%
Annual deviation since inception	3.56%	2.80%
Sharpe ratio	1.07	0.08
Maximum gain	29.19%	15.89%
Maximum drawdown	-1.05%	-1.54%
Positive months	92.42%	86.36%

ANNUAL RETURNS SINCE INCEPTION

	Fund	Benchmark	Active Return
2005	9.85%	7.70%	2.16%
2004	11.88%	10.17%	1.71%
2003	18.09%	15.02%	3.07%
2002	9.58%	11.50%	-1.92%
2001	13.98%	4.34%	9.64%

CUMULATIVE PERFORMANCE SINCE INCEPTION



INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
31/12/2006	01/01/2007	21.56	1.00	20.56
30/09/2006	01/10/2006	20.18	-	20.18
30/06/2006	01/07/2006	16.06	0.21	15.85
31/03/2006	01/04/2006	21.54	2.57	18.97

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2006	1.17%	1.61%	0.87%	0.66%	0.42%	-1.05%	0.73%	0.78%	0.70%	1.78%	1.33%	0.96%
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	0.70%	0.92%	0.26%	0.88%	1.16%	0.76%	0.48%	0.73%	0.68%	0.65%	0.87%	1.35%
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%