

June was not a good month for bonds and other interest rate sensitive investments. A general sell-off took place as inflation and interest rate worries filtered through. The 1- 3 year bond index, returned 0.7% for the quarter, underperforming cash.

The interest rate picture took a turn for the worse in second quarter as inflation data exceeded expectations. CPIX breached the 6% upper end of the target range and the SARB responded by raising the repo rate another 50 basis points in June (having been on hold at the February and April meetings). Pipeline pressure continues to be evident in PPI, and CPIX is expected to remain above 6% for most of the next three quarters. This, and the potential effect of higher inflation on inflation expectations, means it is likely that the SARB (also with an eye on its credibility) will raise rates again at the August MPC.

However, it is noteworthy that while consumer demand data are generally still strong, there are clear signs of the peak having passed. Car sales are slumping, while other spending and consumer credit are starting to slow, hit by a perfect storm of higher rates, higher prices and (in June) the introduction of the National Credit Act. A consumer slowdown will help ease concerns both over the current account deficit and inflation further down the line, while the latter will also be helped by the recently stronger rand. Thus, if the SARB does raise rates in August, there is a good chance that would be the end of the cycle.

1 - 3 year money market investments continue to provide very attractive yields of well over 10%. The market has been very bearish, pricing in up to two more interest rate hikes of 50 basis points each. Low risk money market returns are showing exceptional value relative to other asset classes over the next 12 months.

The bond market sell-off that ensued this past month gave us renewed opportunity to buy more bonds after having held off for the last few weeks.

The fund continues to look for pockets of opportunity to enhance returns at the right price and strives to minimise downside risk where possible. For the quarter, the fund returned 0.88%, outperforming the index.

**Tania Miglietta**  
**Portfolio Manager**

# CORONATION INCOME

**Class A**  
as at 30 June 2007

**CORONATION**  
FUND MANAGERS

**Fund category** Domestic Fixed Interest Income  
**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.  
**Launch date** 3 April 2000

**Portfolio manager** Tania Miglietta  
**Fund size** R130.2 million  
**NAV** 1089.10 cents  
**Benchmark/performance fee hurdle** BEASSA ALBI (1 – 3 year) TR Index

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Maturity Band	30 Jun 2007
0 – 12 months	38.16%
1 – 3 years	35.80%
3 – 7 years	24.71%
7 – 12 years	1.33%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest
30/06/2007	01/07/2007	22.86	22.86
31/03/2007	01/04/2007	22.27	22.27
31/12/2006	01/01/2007	32.10	32.10
30/09/2006	01/10/2006	17.91	17.91

### MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2007	0.66%	0.82%	0.42%	0.86%	0.27%	-0.26%						
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%
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%

## FEES (excl. VAT)

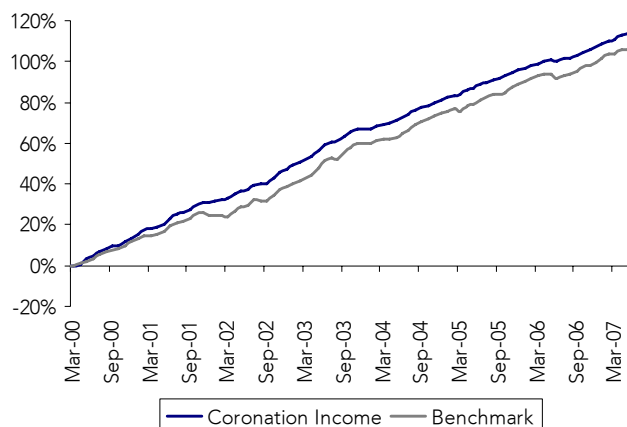
<b>Initial Fee</b>	Coronation: 0.00%
<b>Annual Management Fee**</b>	0.75%
* A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.	
<b>Total Expense Ratio (TER)<sup>2</sup></b>	0.90% per annum

### Advice Costs (excluding VAT)

- Initial and ongoing advice fees may be facilitated on agreement between the Client and Financial Advisor.
- An initial advice fee may be negotiated to a maximum of 0.75% and is applied to each contribution and deducted before investment is made.
- Ongoing advice fees may be negotiated to a maximum of 0.50% per annum charged by way of unit reduction and paid to the Financial Advisor monthly in arrears. This annual advice fee is not part of the normal annual management fee as disclosed above.
- Where commission and incentives are paid, these are included in the overall costs.

## PERFORMANCE AND RISK STATISTICS<sup>1</sup>

### CUMULATIVE PERFORMANCE SINCE INCEPTION



### PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	2.80%	2.84%	-0.04%
Latest 12 months (annualised)	6.19%	6.98%	-0.79%
Latest 36 months (annualised)	7.34%	7.73%	-0.39%
Latest 60 months (annualised)	9.18%	9.70%	-0.52%
Since inception (annualised)	11.02%	10.46%	0.56%
2006	5.93%	5.65%	0.28%
2005	8.16%	7.70%	0.46%
2004	8.52%	10.17%	-1.64%
2003	13.64%	15.02%	-1.38%

### RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	1.93%	2.68%
Sharpe ratio	0.60	0.23
Maximum gain	101.41%	26.14%
Maximum drawdown	-0.25%	-1.54%
Positive months	95.40%	88.51%