

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.

During the quarter the interest rate picture took a turn for the worse as inflation data exceeded expectations. In response to CPIX breaching the 6% upper end of the target range the SARB raised the repo rate another 50bp 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 50bp each.

The bond market sell-off that ensued this past month provided us renewed opportunity to buy more bonds.

Property stocks came under pressure as the bond market sold-off. These are very interest rate sensitive investments and will respond to fluctuations in the interest rate cycle. We continue to hold those shares which we believe are likely to outperform cash over a three-year horizon.

Preference shares have continued to deliver good yields, currently providing over 9.4% yield, which is non-taxable. Prices are likely to respond positively when the peak of the interest rate cycle is within our sights. Preference share volumes have also been increasing as certain banks are actively issuing more shares to the market on an ongoing basis. This should lessen their problematic illiquidity.

Liberty International plc was introduced to the fund this quarter but has not yet delivered the performance that we would like. The stock is showing better value than a year ago and over the longer term should provide investors with good returns.

The Coronation Strategic Income Fund continues to look for pockets of opportunities to enhance returns at the right price and strives to minimise downside risk where possible. The fund returned 0.80% for the quarter, somewhat disappointing given its sterling performance to date, but still outperforming the index.

Mark le Roux and Tania Miglietta
Portfolio Managers

CORONATION STRATEGIC INCOME

Class A
as at 30 June 2007

CORONATION
FUND MANAGERS

Fund category
Fund description

Domestic Fixed Interest Varied Specialist
A widely diversified, actively managed fund that aims to provide a higher level of income than a pure income fund.

Launch date

2 July 2001

Portfolio manager/s

Mark le Roux and Tania Miglietta

Fund size

R5.4 billion

NAV

1311.42 cents

Benchmark/performance fee hurdle

BEASSA ALBI (1 - 3 year) TR Index

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2007
Domestic Assets	100.0%
Cash/Money Market	54.3%
Bonds	25.6%
Listed Property	10.3%
Preference Shares	7.3%
Other investments	2.5%
International Assets	0.0%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
30/06/2007	01/07/2007	23.45	1.10	22.35
31/03/2007	01/04/2007	21.66	0.30	21.36
31/12/2006	01/01/2007	21.56	1.00	20.56
30/09/2006	01/10/2006	20.18	-	20.18

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2007	1.69%	0.79%	0.67%	1.70%	0.18%	-1.06%						
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%
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%

FEES (excl. VAT)

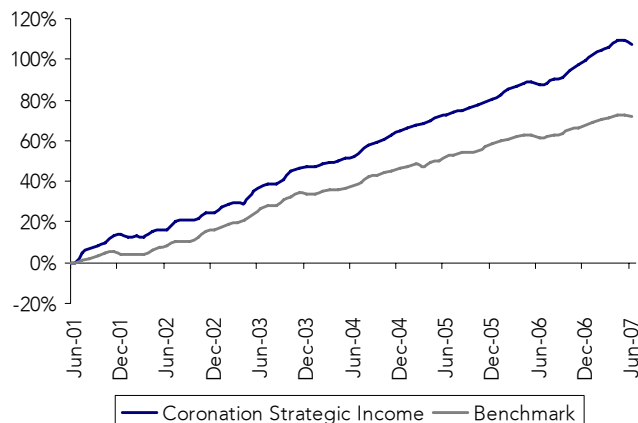
Initial Fee	Coronation: 0.00%
Annual Management Fee*	1.00%
* A portion of Coronation's annual management fee may be paid to administration platforms like LISP's as a payment for administrative and distribution services.	
Total Expense Ratio (TER) ²	1.13% per annum

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 3% and is applied to each contribution and deducted before investment is made.
- Ongoing advice fees may be negotiated to a maximum of 1% per annum (if initial advice fee greater than 1.5% is selected, then the maximum annual advice fee is 0.5%), 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 STATISTICS¹

CUMULATIVE PERFORMANCE SINCE INCEPTION



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	4.01%	2.84%	1.17%
Latest 12 months (annualised)	10.71%	6.98%	3.73%
Latest 36 months (annualised)	10.97%	7.73%	3.24%
Latest 60 months (annualised)	12.34%	9.70%	2.64%
Since inception (annualised)	13.00%	9.51%	3.49%
2006	10.40%	5.65%	4.75%
2005	9.85%	7.70%	2.16%
2004	11.88%	10.17%	1.71%
2003	18.09%	15.02%	3.07%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	3.56%	2.74%
Sharpe ratio	0.94	-0.04
Maximum gain	29.19%	15.89%
Maximum drawdown	-1.05%	-1.54%
Positive months	91.67%	86.11%