CORONATION INCOME

Class A
as at 30 June 2008

CORONATION FUND MANAGERS

The past quarter can only be termed as the bad news quarter, which came through in big waves, bringing with it higher price volatility and ever decreasing confidence. Compared to a year ago, there is not much to be happy about. But knowing that markets work in cycles and always bounce back, the current market presents a great buying opportunity for long-term investors.

Bonds sold-off in dramatic fashion over the quarter as inflation worries escalated. The All Bond Index lost 4.9% and 6.7% for the year-to-date. The R157 (2015 maturity) opened the quarter in April at 9.2% and sold-off, with the yield to maturity moving all the way up to 10.85% - levels not seen since 2002. The benchmark returned -1.3% for the quarter versus the Coronation Income Fund which outperformed with a return of 1.01%. The safest place to be this quarter was in cash and the fund has been relatively heavily invested in this sector all year.

We saw the repo rate being raised by a further 1% over the period (0.5% in April and June), taking it to 12%. Short term interest rates have more than doubled since the beginning of this interest rate cycle, with deposit rates now at 14%, compared to 7% in 2006. We have been switching into floating rate money market investments given the uncertainty of the interest rate outlook. The fund's duration has been around 1 during this time, which is half that of its benchmark. We look to increase this over time.

With the bond market sell-off, bonds have become increasingly attractive and our fair value models are signalling that value is starting to return to this area of the market. However, given the negative backdrop and the risk of the oil price continuing to push inflation higher, we are erring on the side of caution and await confirmation that we are indeed at the top of the interest rate cycle before adding bonds.

Eskom's tariff increase for this year of 27.5% was confirmed in June. When factored into inflation, the CPIX forecast peaks at over 12% - clearly a worrying figure. Once again, inflation is a cycle and the ten interest rate hikes to-date are designed to bring down inflation. Economists furthermore expect the decline in inflation to be aided by the 5-yearly re-weighting of the CPIX basket in January 2009.

The rand price of oil is up more than 100% from a year ago. The direct contribution to inflation from oil has been huge, which is quite clearly visible in the petrol price. But the indirect impact of higher oil prices is also notable, take for example the price of maize. Two important inputs into maize production are diesel and fertiliser, both oil by-products which are now causing a renewed surge in the maize price. It would appear that inflation and interest rates will deteriorate further before declining.

Money market rates have topped out but the FRA curve continues to price in a further 1% hike in interest rates (reflected in the 1 year NCD rate of 14%). 53% of the Coronation Income Fund is invested in floating rate investments which reset every 3 months as interest rates move higher. These act as an interest rate hedge and provide an average yield of 0.5% over JIBAR, which equates to approximately 13%.

The Coronation Income Fund has a running yield of 12.4% (before costs).

Tania Miglietta
Portfolio Manager

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CORONATION FUND MANAGERS

Fund category	Domestic Fixed Interest Income	Portfolio manager	Tania Miglietta
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.	Fund size	R81.4 million
		NAV	1070.26 cents
		Benchmark	BEASSA ALBI (1 – 3 year) TR Index
Launch date	3 April 2000		

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

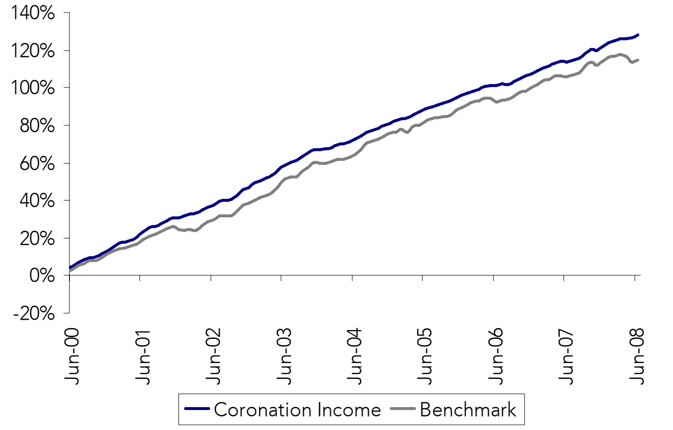
Maturity Band	30 June 2008
0 – 12 months	10.63%
1 – 3 years	66.20%
3 – 7 years	22.02%
7 – 12 years	1.16%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Interest
30/06/2008	01/07/2008	26.43	26.43
31/03/2008	01/04/2008	24.32	24.32
31/12/2007	01/01/2008	24.23	24.23
30/09/2007	01/10/2007	19.34	19.34

PERFORMANCE AND RISK STATISTICS[1]

CUMULATIVE PERFORMANCE SINCE INCEPTION



PERFORMANCE FOR VARIOUS PERIODS

	Fund	Benchmark	Out-performance
Year to date	2.89%	0.27%	2.62%
Latest 12 months	6.89%	4.39%	2.50%
Latest 36 months (annualised)	6.52%	5.63%	0.89%
Latest 60 months (annualised)	7.49%	7.23%	0.26%
Since inception (annualised)	10.51%	9.70%	0.81%
2007	6.79%	7.07%	-0.28%
2006	5.93%	5.65%	0.28%
2005	8.16%	7.70%	0.46%
2004	8.52%	10.17%	-1.64%

RISK STATISTICS SINCE INCEPTION

	Fund	Benchmark
Annualised deviation	1.91%	2.75%
Sharpe ratio	0.26	-0.12
Maximum gain	101.41%	26.14%
Maximum drawdown	-0.26%	-1.85%
Positive months	94.95%	86.87%

MONTHLY PERFORMANCE RETURNS

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Fund 2008	0.95%	0.54%	0.36%	0.12%	0.14%	-0.75%						
Fund 2007	0.66%	0.82%	0.42%	0.86%	0.27%	-0.26%	0.59%	0.58%	1.12%	0.89%	-0.23%	0.88%
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%

FEES (excl. VAT)

Initial Fee	Coronation: 0.00%
Annual Management Fee**	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.	
Total Expense Ratio (TER)[2]	0.88% 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.

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Unit trusts should be considered a medium- to long-term investment. The value of units may go down as well as up. Past performance is not necessarily an indication of future performance. Unit trusts are traded at ruling prices and can engage in scrip lending and borrowing. Fluctuations or movements in exchange rates may cause the value of underlying investments to go up or down. Instructions must reach the Management Company before 2pm (12pm for the Money Market Fund) to ensure same day value. Forward pricing is used. A member of the Association of Collective Investments, South Africa. [1]Performance is quoted from Morningstar as at 30 June 2008 for a lump sum investment using Class A NAV prices with income distributions reinvested. [2]The TER is calculated as a percentage of the average NAV of the portfolio incurred as charges, levies and fees in the management of the portfolio for a rolling 12-month period to end March 2008. A higher TER ratio does not necessarily imply a poor return nor does a low TER imply a good return. The current disclosed TER cannot be regarded as an indication of future TER's.