

INVESTMENT OBJECTIVE

The Coronation Granite Hedge Fund is managed as a long/short fixed income fund, investing in a diversified portfolio of securities, including derivative instruments, bonds and cash. The Coronation Granite Hedge Fund makes use of six core and distinct fixed income strategies, namely: Directional View Taking, Yield Curve Positioning, Corporate Credit Opportunities, Arbitrage Strategies, Quantitative and Relative Value Trades in the pursuit of producing consistent absolute returns independent of general market direction.

The fund is expected to have low volatility with a very low correlation to the All Bond Index (ALBI). Investment decisions are driven by fundamental proprietary in-house research. The fund's target return is cash plus 3%. The objective is to achieve this return with low risk, providing attractive risk-adjusted returns through a low fund standard deviation.

The fund may make use of derivative instruments for efficient portfolio management purposes.

INVESTMENT PARAMETERS

The Coronation Granite Hedge Fund may invest in international investments. The fund may use leverage but such leverage shall be limited to 5 (five) times. The fund is precluded from raising any debt funding over and above that achieved in terms of the long/short process. Value at risk is monitored on a daily basis and is subject to an internal limit of 6% at a 95% confidence level, and 10% at a 99% level. The maximum modified duration of the fund may not exceed that of the ALBI. The portfolio will have maximum credit exposure limits with reference to credit classification bands, determined in accordance with the fund's Credit Exposure Guidelines. Limits per issuer within each credit classification band exist and are monitored on a daily basis. No writing of uncovered options will be permitted. The fund employs stop-loss strategies to facilitate capital preservation. The intention is to invest the majority of the fund in liquid tradable securities that are listed on BESA or the JSE. The fund may invest in unlisted vehicles, in particular money market investment and exposure to small capitalisation shares may be achieved in this way. Investment in derivatives is permitted for efficient investment management of the fund.

FUND RETURNS

	Fund*	ALBI	Cash**
Since inception (cumulative)	774.1%	871.3%	371.8%
Since inception p.a.	9.6%	10.1%	6.8%
Latest 10 year p.a.	8.8%	11.0%	6.1%
Latest 5 year p.a.	9.6%	12.3%	6.5%
Latest 3 year p.a.	11.6%	19.0%	7.5%
Latest 1 year p.a.	10.1%	22.4%	6.7%
Year to date	2.3%	2.7%	2.7%
Month	1.1%	2.9%	0.5%

*Fund Returns since inception to 30 September 2023 are for the A class (the most expensive fee class prior to the A class being closed on 30 September 2023) and were calculated net of fees and net of fund expenses. Fund Returns from 1 October 2023 to date are for the Z class. Fund Returns for the Z class are calculated net of fund expenses and gross of investment management and performance fees. Investment management and performance fees are individually agreed with each Qualified Investor prior to investment and are levied outside of the fund. Each Qualified Investor receives a monthly report indicating performance net of their individual fees and expenses.

**South Africa Rand Overnight Deposit Rate.

PERFORMANCE & RISK STATISTICS (Since inception)

	Fund*	ALBI	Cash**
Average Annual Return	9.5%	9.8%	6.7%
Highest Annual Return	17.3%	28.2%	12.3%
Lowest Annual Return	4.1%	(5.6)%	3.3%
Annualised Standard Deviation	1.8%	7.4%	0.6%
Downside Deviation	1.5%	5.5%	
Maximum Drawdown	(1.5)%	(9.8)%	
Sharpe Ratio	1.53	0.44	
Sortino Ratio	1.82	0.60	
% Positive Months	97.2%	71.1%	100.0%
Correlation (ALBI)	0.22		
99% Value at Risk (P&L %)	(0.3)%		

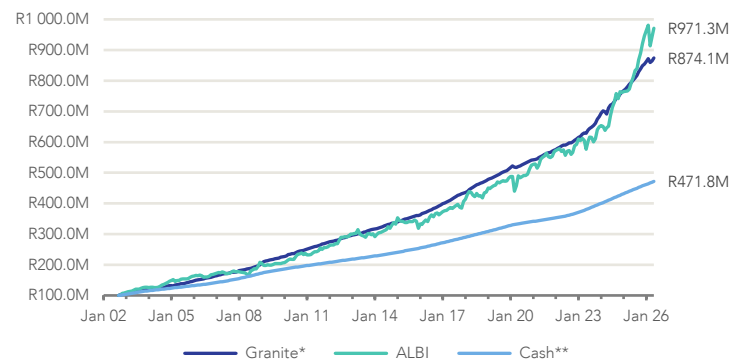
GENERAL INFORMATION

Investment Structure	Limited liability en commandite partnership
Disclosed Partner	Coronation Management Company (RF) (Pty) Ltd
Inception Date	01 October 2002
Hedge Fund CIS launch date	01 October 2017
Year End	30 September
Fund Category	South African Fixed Income Hedge Fund
Benchmark ±	Cash
Target Return	Cash + 3%
Annual Management & Performance Fees	Annual Management and Performance Fees are agreed and levied outside of the Fund.
Total Expense Ratio (TER)†	0.07% (excluding management and performance fees)
Transaction Costs (TC)†	0.02%
Fund Size (R'Millions)‡	R289.35
Fund Status	Open
NAV (per unit)	108.40 cents
Base Currency	ZAR
Dealing Frequency	Monthly
Income Distribution	Annual (with all distributions reinvested)
Minimum Investment	R1 million
Notice Period	5 business days
Investment Manager	Coronation Alternative Investment Managers (Pty) Ltd (FSP 49893)
Auditor	KPMG Inc.
Prime Brokers	Absa Bank Ltd and FirstRand Bank Ltd
Custodian	Standard Chartered Bank
Administrator	JP Morgan Chase Bank, N.A., London Branch
Transfer Agency	Intembeko Investment Administrators
Portfolio Managers	Nishan Maharaj, Adrian van Pallander, and Seamus Vasey

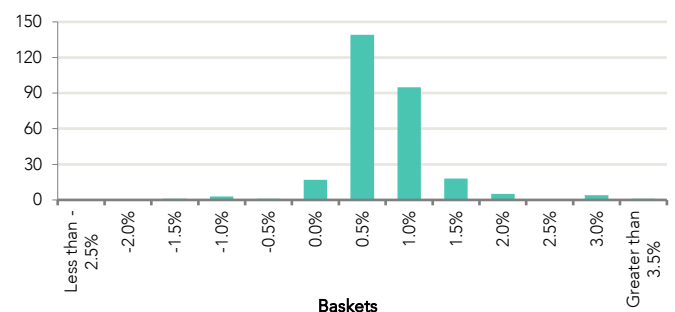
±The benchmark of the hedge fund has been included to align with industry standards.

†TER and TC data is provided for the 1 year ending 30 April 2026. TER excludes manufactured dividend expenses and scrip borrowing costs, in line with the revised ASISA TER Hedge Fund Disclosure Standard. ‡Fund assets under management as at 31 May 2026.

GROWTH OF R100m INVESTMENT



HISTOGRAM OF MONTHLY NET RETURNS



PORTFOLIO LIQUIDITY

	Days to Trade
Long	7.8
Short	1.9

INCOME DISTRIBUTIONS (cents per unit)

Declaration Date	Amount	Dividend	Interest
30-Sep-25	9.57	0.01	9.56

STRATEGY STATISTICS

Number of long positions	42
Number of short positions	12

MONTHLY COMMENTARY

The Fund returned 1.1%* in May, taking the one-year return to 10.1%. This places the Fund 3.3% ahead of cash over 12 months.

The global macroeconomic landscape remained mired in uncertainty in May as the Middle East conflict and elevated energy prices continued to dominate the inflation narrative. Data released during the month confirmed that the energy shock was feeding into headline inflation across major economies, while underlying activity remained resilient, but less uniform. The coming months will be critical for assessing whether the energy-driven inflation spike proves transitory or triggers second-round effects that force central banks to tighten.

The South African Reserve Bank (SARB) raised policy rates by 25 basis points, moving the repo rate to 7.00% from 6.75% at the May Monetary Policy Committee (MPC) meeting. Governor Kganyago noted that hopes for a swift end to the Middle East conflict had faded, with oil fluctuating around US\$100 a barrel, and that the SARB had lifted its 2026 inflation forecast to 4.4% from 3.7% in March and lowered its growth projections. The MPC reiterated its commitment to returning inflation to the 3% target over time. The SARB also flagged upside scenarios, which include a prolonged conflict, El Niño, and non-linear pass-through effects as potential catalysts for further tightening.

South African headline inflation jumped to 4.0% y/y in April from 3.1% y/y in March, while core increased to 3.6% y/y from 3.2% y/y. The fuel price surge was the main contributor to the uptick in inflation, while inflation in food and non-alcoholic beverages slowed. Services inflation picked up again, reflecting an acceleration in transport, funeral, insurance, and communications service costs. Core inflation firmed, suggesting that some indirect effects from higher operating and transport costs were starting to emerge.

SA duration has shifted from a story of stretched valuations and narrow upside to one of renewed opportunity borne out of geopolitical disruption. The Middle East conflict and the closure of the Strait of Hormuz have repriced risk across the curve, and in doing so, have restored a more appropriate margin of safety. Crucially, the domestic reform thesis, namely fiscal consolidation, contained inflation expectations, and SARB credibility remains fundamentally intact, even as the near-term inflation impulse from the oil shock clouds the path for monetary policy.

In this environment, one should favour the belly of the nominal yield curve, where carry and rolldown are most robust, and maintain selective exposure to front-end ILBs, where high real yields offer genuine inflation protection and superior risk-adjusted returns. The trajectory of the conflict will ultimately determine whether this repricing proves a compelling entry point or merely a waystation to further volatility.

For the Fund itself, interest rate volatility remained high during May, as wildly oscillating headlines and sentiment dictated risk appetite and macro-asset pricing. This was reflected across interest rate markets globally – both in monetary policy expectations, as well as long-dated real yields. The Fund's fine-tuned risk management approach adopted in prior weeks continued to prove its utility during May, as tactical opportunities did present themselves, but were often curtailed or outright reversed within days and even hours. The necessary extra nimbleness to navigate this – as well as a much more prudent use of the available risk budget – stood the Fund in good stead. In addition, some of the Fund's longer-held risk allocations, which had become temporarily dislocated during the market fall-out seen in March and April, had started to recover during May. While their medium-term prospects remain attractive, some of these exposures were trimmed into their recoveries to continue dampening the Fund's overall market risk in the face of an unresolved crisis in the Middle East. The longer this remains unresolved, the more probable for a non-linear step-shock to global growth through a more pronounced and destructive energy price shock. This potential risk outcome deserves particular watchfulness from Granite due to the potentially very large interest rate responses to such a scenario unfolding.

*The Fund return is net of expenses and gross of fees.

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