

## INVESTMENT OBJECTIVE

The Coronation Granite Plus 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 Plus 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 4%. 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 Plus Hedge Fund may invest in international investments. The fund may use leverage but such leverage shall be limited to 10 (ten) 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 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 where appropriate. Investment in derivatives is permitted for efficient investment management of the fund.

## FUND RETURNS

	Fund*	ALBI	Cash**
Since inception (cumulative)	111.8%	122.3%	52.1%
Since inception p.a.	10.9%	11.6%	6.0%
Latest 5 year p.a.	11.8%	12.5%	6.2%
Latest 3 year p.a.	13.5%	16.9%	7.6%
Latest 1 year p.a.	12.7%	24.2%	7.1%
Year to date	12.7%	24.2%	7.1%
Month	0.8%	2.7%	0.5%

\*Fund Returns 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 investment management fees, performance fees and expenses.

\*\*South Africa Rand Overnight Deposit Rate.

## PERFORMANCE &amp; RISK STATISTICS (Since inception)

	Fund*	ALBI	Cash**
Average Annual Return	10.8%	10.3%	5.9%
Highest Annual Return	19.4%	26.1%	8.1%
Lowest Annual Return	4.9%	(3.0)%	3.3%
Annualised Standard Deviation	3.6%	8.1%	0.5%
Downside Deviation	4.6%	7.0%	
Maximum Drawdown	(5.7)%	(9.8)%	
Sharpe Ratio	1.39	0.71	
Sortino Ratio	1.07	0.81	
% Positive Months	90.8%	73.6%	100.0%
Correlation (ALBI)	0.38		
99% Value at Risk (P&L %)	(0.7)%		

## GENERAL INFORMATION

Investment Structure	Limited liability en commandite partnership
Disclosed Partner	Coronation Management Company (RF) (Pty) Ltd
Inception Date	01 October 2018
Hedge Fund CIS launch date	01 October 2018
Year End	30 September
Fund Category	South African Fixed Income Hedge Fund
Benchmark ±	Cash
Target Return	Cash + 4%
Annual Management & Performance Fees	Annual Management and Performance Fees are agreed and levied outside of the Fund.
Total Expense Ratio (TER)†	0.10% (excluding management and performance fees).
Transaction Costs (TC)†	0.03%
Fund Size (R'Millions)‡	R182.58
Fund Status	Open
NAV (per unit)	118.35 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

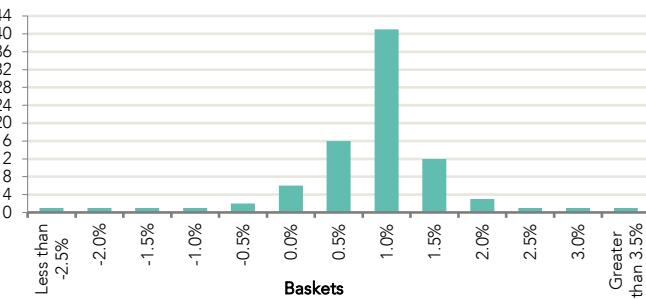
†The benchmark of the hedge fund has been included to align with industry standards.

†TER and TC data is provided for the 1 year ending 30 November 2025. 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 December 2025.

## GROWTH OF R100m INVESTMENT



## HISTOGRAM OF MONTHLY NET RETURNS



**PORTFOLIO LIQUIDITY**

	Days to Trade
Long	4.6
Short	0.1

**INCOME DISTRIBUTIONS (cents per unit)**

Declaration Date	Amount	Dividend	Interest
30-Sep-25	11.06	0.00	11.06

**STRATEGY STATISTICS**

Number of long positions	46
Number of short positions	0

**MONTHLY COMMENTARY**

The Fund returned 0.8\*% in December, taking the one-year return to 12.7%. This places the Fund 5.7% ahead of cash over 12 months.

The South African (SA) economy grew by 0.5% quarter on quarter (q/q) in the third quarter of 2025, following an upwardly revised growth of 0.9% q/q in the second quarter. On the production side, the recovery was relatively broad-based, with a strong recovery in mining and modest improvements in construction and transport, offset by weak utilities. On the demand side, positive contributions came from household spending supported by real wage gains, lower inflation, and easing monetary policy settings. Gross fixed capital formation also improved following weakness in preceding quarters, but net trade detracted from growth. The data suggests an ongoing improvement in the sectoral mix and a signal that structural reforms are beginning to take hold, with private investment set to gain momentum in subsequent quarters.

SA headline inflation slowed at the margin to 3.5% y/y in November from 3.6% y/y in October, while core inflation ticked up slightly to 3.2% y/y from 3.1% y/y. Increases were observed in the food and non-alcoholic beverages category after an outbreak of foot-and-mouth disease drove meat prices up. Restaurants and accommodation prices rose on the back of increasing travel activity. There were price moderations in the transport, energy, and recreation categories.

Globally, December continued to show sticky inflation readings, hovering just above central banks' target ranges. Activity data remains more resilient than forecasters anticipated – prompting some caution from policymakers, who are increasingly shifting to data-dependent guidance. Developed market central banks continued to ease policy rates but were reluctant to guide for more cuts in the coming months. Spread markets generally remained within particularly rich ranges.

As SA enters 2026, local fixed income markets reflect a transition from recovery-driven returns to a more mature phase of the cycle, where valuation discipline and curve selection will be paramount. While the global backdrop remains broadly supportive, much of the easy compression in local yields has already occurred, leaving limited margin for error should growth or reform momentum disappoint. In this environment, consistent with the symbolism of the Chinese Year of the Fire Horse, successful interest rate investing will require measured decisiveness—favouring carry and rolldown in curve bellies, selective exposure to real yields at the front end, and a disciplined approach to risk premia. SA long rates continue to offer value relative to cash (& global peers), but future returns are likely to be earned through careful positioning rather than broad-based yield compression.

The Fund's end to 2025 was mild and controlled. In keeping with the environment of rapidly evaporating liquidity, practically no primary market activity and no undeniably glaring misvaluations that required immediate action, tactical activity across the Fund was tapered sharply over the course of last month. In addition, cash holdings were raised meaningfully as a counterpart to this approach. The only other development of note came from a fairly steep decline in the valuation of an option position held by the Fund, which provided a tangible headwind to the month's overall performance. This isn't concerning, as the structure is held as an insurance policy and still has quite a few months left before expiry. Thus, the Fund still holds the protection provided by the structure, even if market movements over December reduced the carrying value of the insurance over a very compressed timeframe.

The Fund remains well placed to orientate in whichever direction proves most bountiful. Liquidity and risk budgets are ample; strategic buckets are not stretched at all, and the Fund retains a solid insurance structure that provides an additional layer of safety to bolster risk-taking as opportunities arise. There are certainly a lot worse ways to start a new year!

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

**REGULATORY DISCLOSURE AND DISCLAIMER**

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