CORONATION
GRANITE HEDGE FUND
QUALIFIED INVESTOR HEDGE FUND FACT SHEET AS AT 30 NOVEMBER 2017

CORONATION
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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 not invest in international investments. The fund may use leverage but such leverage shall be limited to 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. Directional exposure is limited to 100% of current underlying capital. Individual stock exposure is unlimited for government and parastatal (government guaranteed) bonds, but is constrained for banks and corporate bonds with reference to exposures to credit ratings bands. Limits per issuer within each credit rating band exist and are monitored on a daily basis. No sub-investment grade instruments may be held in the fund. No writing of uncovered options will be permitted. Cash on hand shall at all times exceed all outstanding settlement liabilities, with a minimum balance of 5% of current underlying capital. 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 unitised 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 NET OF FEES

	Fund	ALBI	FRODS
Since inception (cumulative)	331.1%	284.2%	186.8%
Since inception p.a.	10.1%	9.3%	7.2%
Latest 10 year p.a.	9.4%	8.1%	6.5%
Latest 5 year p.a.	8.0%	5.6%	5.8%
Latest 1 year p.a.	10.0%	6.0%	6.7%
Year to date	9.2%	4.3%	6.1%
Month	0.7%	-1.0%	0.5%

PERFORMANCE & RISK STATISTICS (Since inception)

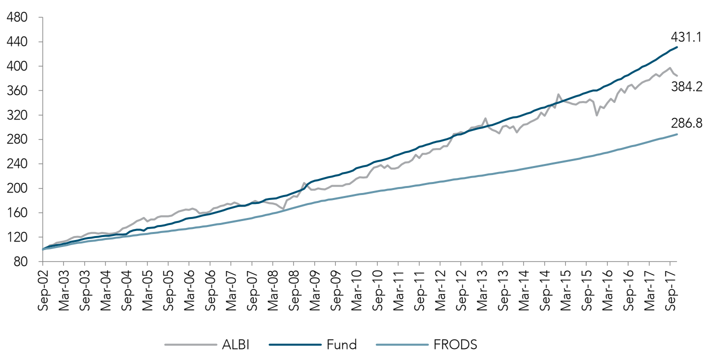
	Fund	ALBI	FRODS
Average Annual Return	9.9%	9.2%	7.1%
Highest Annual Return	17.3%	23.6%	12.3%
Lowest Annual Return	6.4%	-5.6%	4.8%
Annualised Standard Deviation	1.8%	6.8%	0.6%
Downside Deviation	1.1%	4.5%	
Maximum Drawdown	-1.2%	-9.8%	
Sharpe Ratio	1.60	0.30	
Sortino Ratio	2.63	0.47	
% Positive Months	99.5%	70.3%	100.0%
Correlation (ALBI)	0.04		
99% Value at Risk (P&L %)	-0.3%		

GENERAL INFORMATION

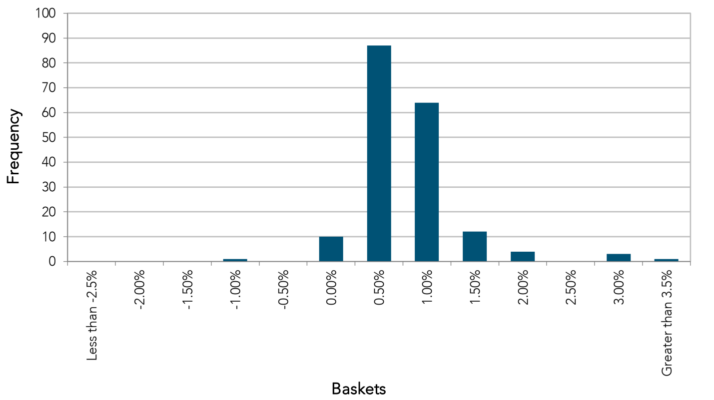
Investment Structure	Limited liability en commandite partnership
Disclosed Partner	Coronation Management Company (RF) (Pty) Ltd
Inception Date	01 October 2002
Hedge Fund CIS launch date	01 October 2017
Year End	30 September
Fund Category	Domestic Fixed Income Hedge
Target Return	Cash + 3%
Performance Fee Hurdle Rate	Cash + high-water mark
Annual Management Fee	1% (excl. VAT)
Annual Outperformance Fee	15% (excl. VAT) of returns above cash, capped at 3%
Total Expense Ratio*	Not available
Transaction Costs*	Not available
Fund Size (R'Millions)	R 36.57
Fund Status	Open
NAV (per unit)	309.26 cents
Base Currency	ZAR
Dealing Frequency	Monthly
Income Distribution	Annual (with all distributions reinvested)
Minimum Investment	R1 million
Notice Period	1 month
Investment Manager	Coronation Asset Management (Pty) Ltd (FSP 548)
Auditor	Ernst & Young Inc.
Prime Brokers	Absa Bank Ltd and FirstRand Bank Ltd
Custodian	Nedbank Ltd
Administrator	Sanne Fund Services SA (Pty) Ltd
Portfolio Managers	Mark le Roux, Adrian van Pallander & Nishan Maharaj

This information is not currently available and will be disclosed for the period ending 31 December 2017.

GROWTH OF R100m INVESTMENT



HISTOGRAM OF MONTHLY NET RETURNS



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EXPOSURE BY UNDERLYING STRATEGY

	Rand per Point
Directional Strategy	-
Relative Value Strategy	-
Yield Curve Strategy	-
Credit Strategy	512
Quantitative Strategy	-
Arbitrage Strategy	-
Prime Broking (Multi-strategies)	-

PORTFOLIO LIQUIDITY

	Days to Trade
Long	2.6
Short	3.6

STRATEGY STATISTICS

Number of long positions	32
Number of short positions	5

INCOME DISTRIBUTIONS

Declaration Date	Amount	Dividend	Interest
30-Sep-18	n/a	n/a	n/a

No declarations to date.

MONTHLY COMMENTARY

The fund returned 0.68% in November, taking the one-year return to 10.0%. This places the fund 2.8% ahead of cash over 12 months.

	1 month	3 months	6 months	12 months	Year-to-Date
All Bond	-0.97%	-2.2%	-0.6%	6.0%	4.3%
GOVI	-1.00%	-2.3%	-0.7%	6.0%	4.4%
OTHI	-0.89%	-1.9%	-0.6%	5.7%	4.1%
Bonds 1 - 3 Years	0.00%	0.4%	2.8%	8.1%	7.3%
Bonds 3 - 7 Years	-0.38%	-1.1%	1.4%	8.6%	7.3%
Bonds 7 - 12 Years	-0.71%	-2.3%	-0.2%	7.0%	5.5%
Bonds 12+ Years	-1.21%	-2.6%	-1.5%	4.9%	3.1%
Cash	0.55%	1.7%	3.5%	7.2%	6.5%
Preference Share Index	-1.79%	-2.6%	-3.0%	-1.0%	-0.7%
BEASSA Composite Inflation-Linked All Bond Index	-3.00%	-2.6%	-2.4%	-2.3%	-1.8%
Barclays Global Aggregate Bond Index (ZAR)	-2.19%	4.8%	7.0%	3.3%	6.8%
Barclays Global Aggregate Bond Index ($)	1.11%	-0.2%	2.4%	6.50%	7.0%
South African CPI	0.20%	1.0%	1.6%	4.7%	4.3%

Source: Deutsche Securities

In South Africa, activity data suggest the third-quarter GDP growth slowed from 2.5% q/q saa in Q2-17 to about 1.8%, and just below 1% for the year as a whole. PMI data have improved steadily off a very weak base following the cabinet reshuffle in April. Still, at 48.6 in November, it remains below the expansionary 50 boundary. A weaker currency and resilient oil prices are re-exerting some pressure on monthly inflation data, which are now unlikely to fall significantly over the next three months. Nonetheless, base effects should keep headline inflation at about 5% y/y until mid-2018, after which we expect CPI to start accelerating again. The SA Reserve Bank's monetary policy committee introduced its new quarterly projection model as the main forecasting model used by the committee at the November meeting. The model solves for interest rates linked to a long-term inflation rate, with output suggesting that to reach CPI of 4.5% over the next five years, interest rates – all things equal – should rise 75bps between now and the end of 2019. Despite the model pointing to higher rates next year (and given very weak growth), the committee voted unanimously to leave the repo rate unchanged at 6.75% in November.

Local bonds have long been supported by short-term cyclical factors in SA and a positive risk environment abroad, including lower inflation, growth and low global bond yields, which have kept the asset class on the expensive side of fair value. These supportive factors have started to dissipate, especially as SA harsh economic reality becomes more evident. SA government bonds have seen a widening in yields to levels that are closer to their fair value but still only offer a limited margin of safety against further deterioration. Although further caution is warranted, current levels in the bond market suggest parity between risk and reward.

November proved a difficult period to navigate as the fallout from the Medium Term Budget Policy Statement (MTBPS), which detailed a material deterioration in South Africa's fiscal metrics and medium-term expenditure framework, dominated domestic fixed-income markets throughout the month. Re-positioning among all segments of local interest rate markets resulted in a de-coupling of established relationships across the term structure and between curves.

Active positioning in the fund reflected this new reality. Exposures were downscaled and directional risk was deliberately curtailed. Despite this, performance of active risk during the month was disappointing. Fortunately these drawdowns were limited due to stricter-than-normal stops and a lower level of absolute risk assumed across the board after the MTBPS. As a helpful offset, several of the fund's credit holdings experienced meaningful spread compression, with the final result being a reasonable performance on the month despite unusually testing circumstances.

Looking to the immediate future, the fund is strategically positioned without any active risk over the course of December and maintains ample cash buffers. This defensiveness is prudent in the face of particularly extreme event risk, while the cash buffer offers a cost-efficient capacity to quickly access opportunities, if they were to arise.

DISCLAIMER