

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 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 NET OF FEES

	Fund	ALBI	FRODS
Since inception (cumulative)	386.1%	357.2%	213.4%
Since inception p.a.	10.0%	9.6%	7.1%
Latest 10 year p.a.	8.6%	8.6%	5.9%
Latest 5 year p.a.	8.6%	8.4%	6.3%
Latest 1 year p.a.	8.2%	5.0%	6.4%
Year to date	2.5%	4.6%	2.1%
Month	0.6%	0.7%	0.5%

PERFORMANCE & RISK STATISTICS (Since inception)

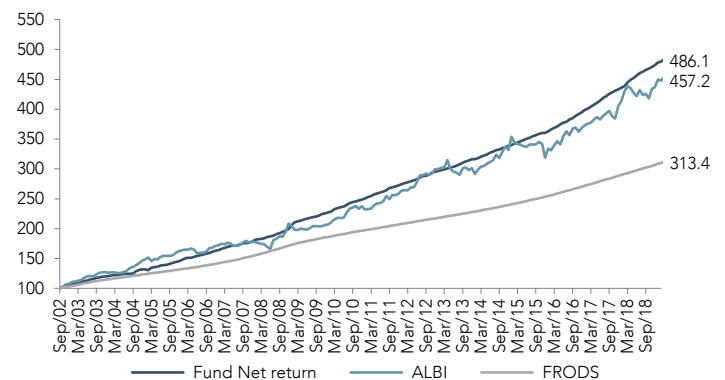
	Fund	ALBI	FRODS
Average Annual Return	9.8%	9.2%	7.0%
Highest Annual Return	17.3%	23.6%	12.3%
Lowest Annual Return	6.4%	(5.6)%	4.8%
Annualised Standard Deviation	1.8%	6.9%	0.6%
Downside Deviation	1.1%	4.4%	
Maximum Drawdown	(1.2)%	(9.8)%	
Sharpe Ratio	1.63	0.36	
Sortino Ratio	2.63	0.57	
% Positive Months	99.5%	69.8%	100.0%
Correlation (ALBI)	0.04		
99% Value at Risk (P&L %)	(0.3)%		

GENERAL INFORMATION

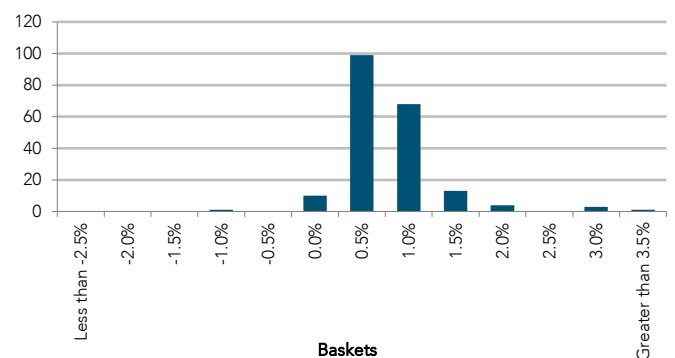
Investment Structure	Limited liability en commandite partnership
Disclosed Partner	Coronation Management Company (RF) (Pty) Ltd
Inception Date	01 October 2002
Hedge Fund CIS launch date	01 October 2017
Year End	30 September
Fund Category	Domestic Fixed Income Hedge
Target Return	Cash + 3%
Performance 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 (TER)*	2.15% (including a performance fee of 0.43%)
Transaction Costs (TC)*	0.15%
Fund Size (R'Millions)	R119.77
Fund Status	Open
NAV (per unit)	324.80 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 Alternative Investment Managers (Pty) Ltd (FSP 49893)
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	Nishan Maharaj, Adrian van Pallander, and Seamus Vasey

*Data is provided for the 1 year ending 31 March 2019. TER excludes manufactured dividend expenses and scrip borrowing costs, in line with the revised ASISA TER Hedge Fund Disclosure Standard.

GROWTH OF R100m INVESTMENT



HISTOGRAM OF MONTHLY NET RETURNS





PORTFOLIO LIQUIDITY

	Days to Trade
Long	2.1
Short	1.5

STRATEGY STATISTICS

Number of long positions	60
Number of short positions	3

MONTHLY COMMENTARY

The fund returned 0.6% in April, taking the one-year return to 8.2%. This places the fund 0.9% ahead of cash over 12 months.

The performance of local bonds moderated after a strong March. The All Bond Total Return Index was up 0.7%, with the best performance coming from the belly of the curve (7-12 years), which returned 1.0%. In contrast, the long-end (12+ years) underperformed, returning only 0.6% as the yield curve steepened. After a poor start to the year, inflation linkers returned a strong 3.3% for March as real yields rallied. Cash returned 0.6% for the month.

While global data showed some improvement in April, with activity data picking up at the margin, the growth outlook remains constrained and fragile. This was reaffirmed by the IMF, which in its latest World Economic Outlook, revised its global growth projection down to 3.3% for 2019 from 3.5%. In conjunction with inflation pressures remaining subdued, most major central banks continued to deliver a dovish message helping support risk assets. Beyond ongoing US-China trade negotiations, the month's headlines were dominated by the news of Brexit being granted a further six-month extension, while a resurgence of fault lines in Turkey and Argentina also garnered attention. In South Africa, moribund activity data took second place to the market's increased focus on the upcoming national elections.

Growth prospects for SA remain weak after continued soft high frequency data, exacerbated by unexpected country-wide electricity outages. Mining and manufacturing production contracted in annual terms over the past two months and retail sales continue to be weak. It is most likely that the economy contracted in Q1 and this poses a risk to the SARB's forecasted 1.3% annual growth expected for 2019.

Headline inflation printed 4.5% in March vs 4.1% in February. The increase was due to high fuel prices, increased public transport costs and various excise cost increases following the release of the National Budget. Continued exchange rate weakness, higher than expected global oil prices, and a surprise in food inflation are upside risks that could change the inflation forecast numbers.

Chronic load shedding and poor local sentiment will continue to weigh on SA's growth outcomes. Inflation should remain under control, allowing policy rates in SA to, at worse, remain stable. Global monetary policy has once again turned more supportive for risk sentiment, which should help buoy emerging market valuations over the shorter term. At current levels, SA government bonds trade close to fair value estimates. However, given the longer-term risks posed to the economy from a further SOE deterioration, additional caution needs to be applied.

April saw a pick-up in activity in the active overlay. However, modest market volatility for the bulk of the month meant that short-term opportunities were relatively thin on the ground. The most favourable trades were those involving inflation-linkers. Both long and short positions in break-even trades paid off, against a backdrop of a substantial rally in real yields across the month. Risk usage was – once again – deliberately contained as non-committal market moves overall and the approaching national elections motivated for a prudent approach. With rising external risks and increasingly less generous domestic fixed interest valuations, the potential for more frequent short-term opportunities appears to be expanding, which is positive news for this fund.

DISCLAIMER

The content of this document and any information provided may be of a general nature and is not based on any analysis of the investment objectives, financial situation or particular needs of any potential investor. As a result, there may be limitations as to the appropriateness of any information given. It is therefore recommended that any potential investor first obtain the appropriate legal, tax, investment or other professional advice and formulate an appropriate investment strategy that would suit the risk profile of the potential investor prior to acting upon such information and to consider whether any recommendation is appropriate considering the potential investor's own objectives and particular needs. Neither Coronation Fund Managers Limited nor any subsidiary of Coronation Fund Managers Limited (collectively "Coronation") is acting, purporting to act and nor is it authorised to act in any way as an adviser. Any opinions, statements or information contained herein may change and are expressed in good faith. Coronation does not undertake to advise any person if such opinions, statements or information should change or become inaccurate. Coronation Management Company (RF) (Pty) Ltd is an approved manager of Collective Investments Schemes. Collective Investment Schemes are generally medium to long-term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future performance of the fund. Hedge Fund strategies can result in losses greater than the market value of the fund, however investor's losses are limited to capital invested or contractual commitments. Hedge Funds may invest into illiquid instruments which may result in longer periods for investors to redeem units in a portfolio. The ability of a portfolio to repurchase is dependent upon the liquidity of the portfolio and cash of the portfolio. All income, capital gains and other tax liabilities that may arise as a result of participating in this investment structure remain that of the investor. Coronation reserves the right to close the Fund to new investors in order to ensure the Fund is more efficiently managed in line with our clients' mandates. The investor acknowledges the inherent risk associated with an investment in the Fund and agrees that Coronation will not be liable for the consequences of the market influences and consequent changes in unit prices. Collective Investments are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the Manager. The Manager provides no guarantee either in respect of capital preservation or investment return. The Fund's net asset value and price per participatory interest is available at any time on request as well as published monthly in the Fund Fact Sheet, available on www.coronation.com. Investors and potential investors may contact the Manager for the latest version of the application form, annual report, and any additional information required on the Fund, free of charge. Coronation Fund Managers Limited is a full member of the Association for Savings and Investment SA (ASISA). Coronation Asset Management (Pty) Ltd (FSP 548), Coronation Investment Management International (Pty) Ltd (FSP 45646) and Coronation Alternative Investment Managers (Pty) Ltd (FSP 49893) are authorised financial services providers.