CORONATION

GRANITE HEDGE FUND

QUALIFIED INVESTOR HEDGE FUND FACT SHEET AS AT 31 MARCH 2019

CORONATION
TRUST IS EARNED™

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 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)	383.1%	353.8%	211.7%
Since inception p.a.	10.0%	9.6%	7.1%
Latest 10 year p.a.	8.6%	8.7%	5.9%
Latest 5 year p.a.	8.6%	8.3%	6.2%
Latest 1 year p.a.	8.5%	3.5%	6.4%
Year to date	1.9%	3.8%	1.6%
Month	0.6%	1.3%	0.5%

PERFORMANCE & RISK STATISTICS (Since inception)

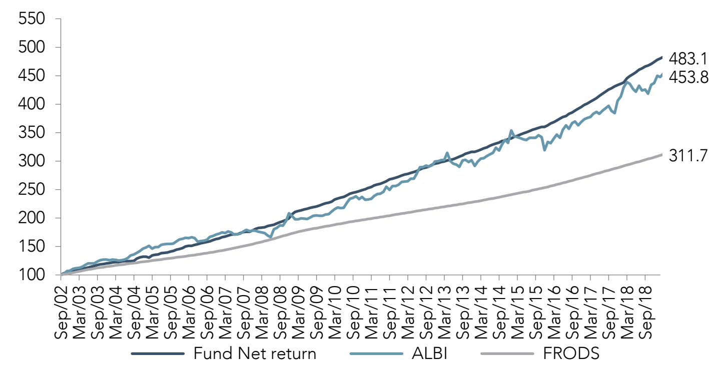
	Fund	ALBI	FRODS
Average Annual Return	9.8%	9.2%	7.0%
Highest Annual Return	17.3%	23.6%	12.3%
Lowest Annual Return	6.4%	(5.6)%	4.8%
Annualised Standard Deviation	1.8%	6.9%	0.6%
Downside Deviation	1.1%	4.4%	
Maximum Drawdown	(1.2)%	(9.8)%	
Sharpe Ratio	1.63	0.36	
Sortino Ratio	2.64	0.56	
% Positive Months	99.5%	69.7%	100.0%
Correlation (ALBI)	0.04		
99% Value at Risk (P&L %)	(0.3)%		

GENERAL INFORMATION

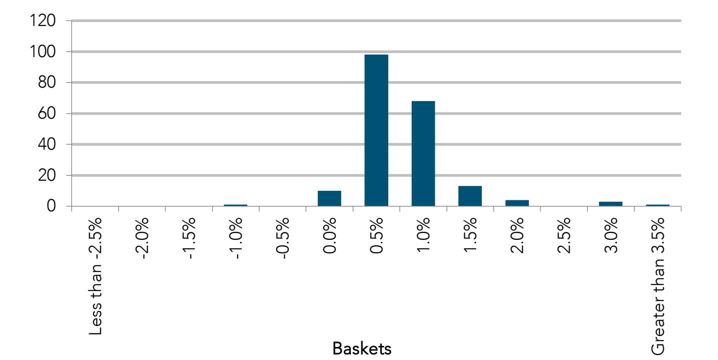
Investment Structure	Limited liability en commandite partnership
Disclosed Partner	Coronation Management Company (RF) (Pty) Ltd
Inception Date	01 October 2002
Hedge Fund CIS launch date	01 October 2017
Year End	30 September
Fund Category	Domestic Fixed Income Hedge
Target Return	Cash + 3%
Performance 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)	R116.91
Fund Status	Open
NAV (per unit)	320.70 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	1.1
Short	0.3

INCOME DISTRIBUTIONS

Declaration Date	Amount	Dividend	Interest
30-Sep-18	0.23	0.00	0.23

STRATEGY STATISTICS

Number of long positions	60
Number of short positions	1

MONTHLY COMMENTARY

The fund returned 0.6% in March, taking the one-year return to 8.5%. This places the fund 2.1% ahead of cash over 12 months.

March was a decent month for local bonds after a weak February. The All Bond Index was up 1.3%, with the best performance coming from long-dated bonds (12+ years), which returned 1.4%. This was followed by the belly of the curve (7-12 years), which was up 1.2%, while shorter-dated bonds (3-7 years) returned a positive 0.9%. The short end (1-3 years) faired similarly, up 0.7%, while inflation-linked bonds fell 0.8% and cash returned 0.6% in March.

Global data remained mixed in March, with some tentative signs of a stabilisation in growth momentum but ongoing weakness in global trade and manufacturing. The month's news was dominated the UK's messy Brexit process, following an extension from the European Union in late March to a May 22nd deadline. The issue remains unresolved. Elsewhere, very dovish outlook statements from both the US Federal Reserve and the European Central Bank continue to be supportive of risk assets.

In South Africa, a sharp escalation in Eskom's load shedding towards the end of the month from Schedule 2 to Schedule 4 outages cast a pall over activity as well as confidence and raised fears that additional government funding would be needed. While the impact is limited for now by the relatively short outage period, the concerns of renewed load-shedding linger, amidst greater concern that the state of the underlying generation fleet could be significantly worse than expected. This has undermined some emerging stability in consumer indicators, including better final quarter of 2018 formal employment data and an acceleration in household credit growth to 5.9% year-on-year (y/y) in February. External indicators, as well as the March PMI at 45.0 (46.2), remain under pressure. Taken together, growth is likely to remain fragile in 2019, hostage to Eskom outages and related uncertainty.

Domestic inflation remained low at 4.1% y/y in February from 4.0% y/y in January on unchanged retail fuel prices and contained food inflation. Core was unchanged at 4.4% y/y. Higher retail fuel inflation will push March and April annual inflation up, and the Eskom electricity tariff increase will be felt in July. Despite this, the South African Reserve Bank made minor adjustments to their inflation profile, and still see CPI comfortably within target in 2020 (5.3%) and 2021 (4.8%). Subdued core inflation and a moderation in long-term inflation expectations to 5.1% – the lowest forecast since the survey started in 2011 - suggest the repo rate will remain unchanged for the foreseeable future.

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, local government bonds are trading cheap to fair value estimates, however given the longer-term risks posed to the economy from further state-owned enterprise deterioration, allocations should be kept at a neutral level.

March was a low activity month for the fund, reflecting reduced conviction around domestic fundamental developments, relatively neutral valuations and a potentially significant move from Moody's. The decision to only lightly deploy active overlay risk during the month was largely vindicated, given the mostly non-committal market moves seen across the domestic fixed interest market. The primary opportunity cost came from not having more explicit carry trades over what turned out to be a comparatively stable period. However, given market pricing, such carry trades are not generating particularly high risk-adjusted returns and have been mostly avoided. Looking ahead, the foundations for a more constructive domestic backdrop are slowly being built. This should allow for better risk-adjusted opportunities to arise, especially if the external environment remains supportive towards risk assets and emerging markets in particular.

DISCLAIMER