

LONG TERM OBJECTIVE

The Coronation Strategic Cash Strategy has a low-risk approach aimed at delivering enhanced cash returns that are superior to those of overnight cash rates while maintaining full capital preservation. The portfolio duration is limited to 180 days and the maximum term to maturity of an individual instrument does not exceed 3 years.

INVESTMENT APPROACH

Coronation is a long-term, valuation-driven investment house. Our aim is to identify mispriced assets trading at discounts to their fair value through extensive proprietary research. The fixed income portfolios are positioned on a long term strategic market view, but this is balanced by taking advantage of shorter-term tactical opportunities when the market lags or runs ahead of that strategic view. As active managers, we consider investment decisions across the full spectrum of potential return enhancers. These include duration and yield curve positions, inflation-linked assets as well as yield enhancement through credit enhanced assets. We aim to maximise returns by actively combining both a top-down and a bottom-up approach to portfolio construction.

STRATEGY RETURNS GROSS OF FEES

Period	Strategy	Benchmark	Active Return
Since Inception (cumulative)	267.9%	214.3%	53.6%
Since Inception p.a.	8.4%	7.4%	1.0%
Latest 15 years p.a.	8.2%	7.1%	1.1%
Latest 10 years p.a.	7.8%	6.3%	1.5%
Latest 5 years p.a.	8.1%	6.7%	1.4%
Latest 3 years p.a.	8.7%	7.1%	1.6%
Latest 1 year	8.6%	6.9%	1.7%
Year to date	2.0%	1.7%	0.3%
Month	0.6%	0.6%	0.0%

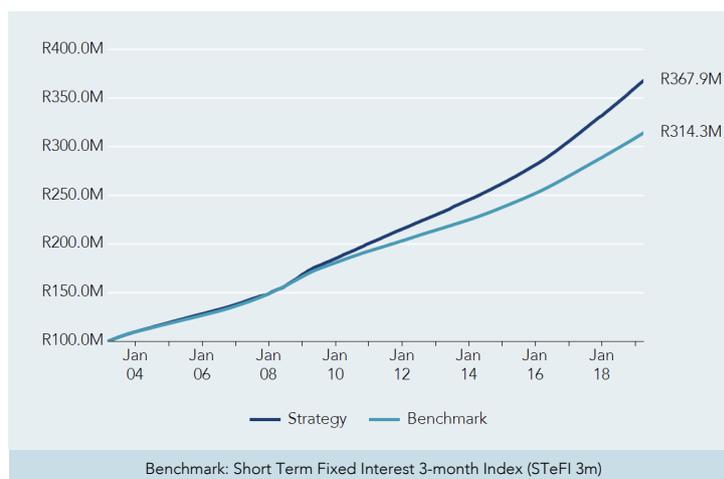
ASSET ALLOCATION

Asset Type	% Strategy
Floating Rate NCDs	58.8%
Floating Rate Corporate Bonds	23.8%
Fixed Rate NCDs	10.1%
Fixed Rate Corporate Bonds	3.9%
Cash	3.4%

GENERAL INFORMATION

Inception Date	01 March 2003
Strategy Size	R3.90 billion
Strategy Status	Open
Mandate Benchmark	Short Term Fixed Interest 3-month Index (STeFI 3m)
Dealing Frequency	Daily
Base Currency	ZAR

GROWTH OF R100M INVESTMENT



EFFECTIVE MATURITY PROFILE

Term	% Strategy
Call	3.4%
0 to 2 months	0.7%
2 to 4 months	3.4%
4 to 6 months	7.4%
6 to 9 months	8.3%
9 to 12 months	4.6%
1 to 3 years	72.2%

STRATEGY STATISTICS

Modified Duration	0.2
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PORTFOLIO MANAGERS**Nishan Maharaj - BSc (Hons), MBA**

Nishan is head of Fixed Interest and responsible for the investment unit's process and performance across all strategies. He also manages the majority of fixed interest assets. Nishan has 16 years' investment experience.

**Mauro Longano - BScEng (Hons), CA (SA)**

Mauro joined Coronation's Fixed Interest investment unit in 2014 and is responsible for co-managing the Strategic Cash and Medical Aid Cash strategies. In addition to this, he is involved in credit research and pricing. Mauro has 8 years' investment experience.

**Sinovuyo Ndaleni - BBusSc**

Sinovuyo is a portfolio manager within the Coronation Fixed Interest investment unit, where she co-manages the Coronation Strategic Cash and Medical Aid Cash strategies. She also has various analytical responsibilities. Sinovuyo joined Coronation in January 2016.

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REVIEW FOR THE QUARTER

The strategy delivered strong returns over the last quarter. Over the three-year period, the performance of the strategy is well ahead of its benchmark.

In its last meeting, the South African Reserve Bank's Monetary Policy Committee (MPC) left the repo rate unchanged at 6.75%. Despite revising its inflation forecasts slightly upwards to reflect higher domestic fuel prices, food inflation and electricity tariffs, the outlook remains relatively benign. It is, however, important to note that the tone of the MPC statement remains cautious, with fiscal slippage and currency vulnerability highlighted as potential risks going forward. Given the inflation outlook in the context of weaker domestic growth and a more supportive global environment, it is our view that rate hikes will remain on hold for the foreseeable future. The market largely reflects this view, with no further rate hikes being priced for the balance of the year.

CPI decreased in February 2019 to 4.1% year-on-year (y/y), which was largely due to a moderation in food inflation. Our current expectation is for CPI to average 4.9% in 2019. The slightly higher revision is on the back of lower food prices being offset by a fuel price hike anticipated for April. Longer term, the risk of higher oil prices, tariff increases, currency risk, and higher food inflation should be moderated by the weaker growth environment.

Growth is expected to remain subdued as a result of low consumer and business confidence, and we expect it to average 1.3% for 2019. Load shedding could cause further downside pressure, with industrial output and confidence being affected. It is also worth mentioning that Moody's decided not to comment on South Africa's credit rating as was scheduled at the end of March 2019. South Africa is still rated Baa3 with a stable outlook. The next review is expected to be in November 2019.

The last quarter has seen spreads on Negotiable Certificates of Deposit (NCDs) remain largely constant. One-year fixed-rate NCDs are being offered at 8.17%, which is attractive given the return profile of the strategy (providing the duration restriction of the mandate is not breached). The contraction in NCD credit spreads, which we witnessed over 2018, will continue to be positive for the strategy, although the benefit is only received when an NCD is sold back to the issuing bank. As such, there is no immediate yield uplift, but the benefit should materialise over time as the strategy routinely creates liquidity by trading in these instruments. Going forward, we continue to see the risks to NCD spreads as being broadly balanced, with the strategy being well-placed to handle adverse market moves.

The first quarter of 2019 has seen robust issuance from the 'big four' banks which raised R12 billion worth of senior unsecured bonds. We have, however, also seen property companies, insurers and state-owned enterprises being active. Most of the issuance has been a result of refinancing redemptions rather than new funds being raised, and issuance spreads still remain tight relative to our fair value expectations. We expect credit issuance to remain muted for the balance of the year, in line with our growth expectations.

We remain cautious and continue to invest only in instruments which are attractively priced relative to their underlying risk profile. Capital preservation and liquidity remain our key focus areas.