

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)	305.2%	240.2%	65.1%
Since Inception p.a.	8.4%	7.3%	1.1%
Latest 15 years p.a.	8.2%	7.0%	1.2%
Latest 10 years p.a.	7.7%	6.2%	1.6%
Latest 5 years p.a.	8.4%	6.8%	1.5%
Latest 3 years p.a.	8.3%	6.8%	1.5%
Latest 1 year	7.9%	6.4%	1.5%
Year to date	3.7%	2.9%	0.7%
Month	0.5%	0.4%	0.1%

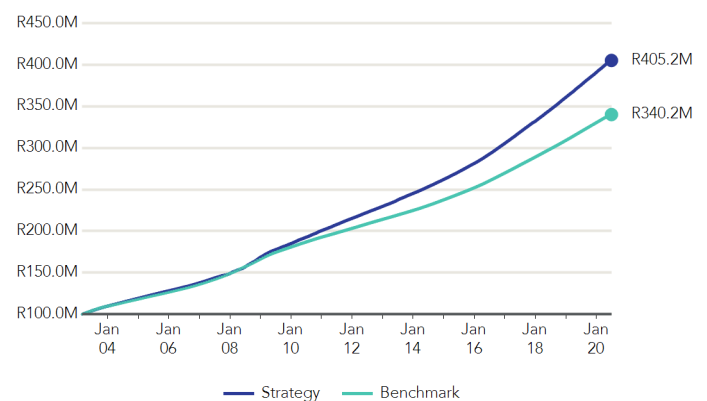
ASSET ALLOCATION

Asset Type	% Strategy
Floating Rate NCDs	53.3%
Floating Rate Corporate Bonds	15.8%
Cash	15.4%
Fixed Rate NCDs	11.1%
Fixed Rate Corporate Bonds	4.4%

GENERAL INFORMATION

Inception Date	01 March 2003
Strategy Size	R4.84 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



Benchmark: Short Term Fixed Interest 3-month Index (STeFI 3m)

EFFECTIVE MATURITY PROFILE

Term	% Strategy
Call	15.4%
0 to 2 months	11.0%
2 to 4 months	11.3%
4 to 6 months	4.6%
6 to 9 months	10.1%
9 to 12 months	18.8%
1 to 3 years	28.9%

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 17 years' investment experience.

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

Mauro is head of Fixed Interest research and a portfolio manager within the team. He co-manages the Strategic Cash Strategy along with the Strategic Income and Money Market unit trust funds. Mauro is also involved in credit research and pricing. He has nine 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 co-manages the Coronation Jibar Plus and Money Market unit trust funds and has various analytical responsibilities. Sinovuyo joined Coronation in January 2016.

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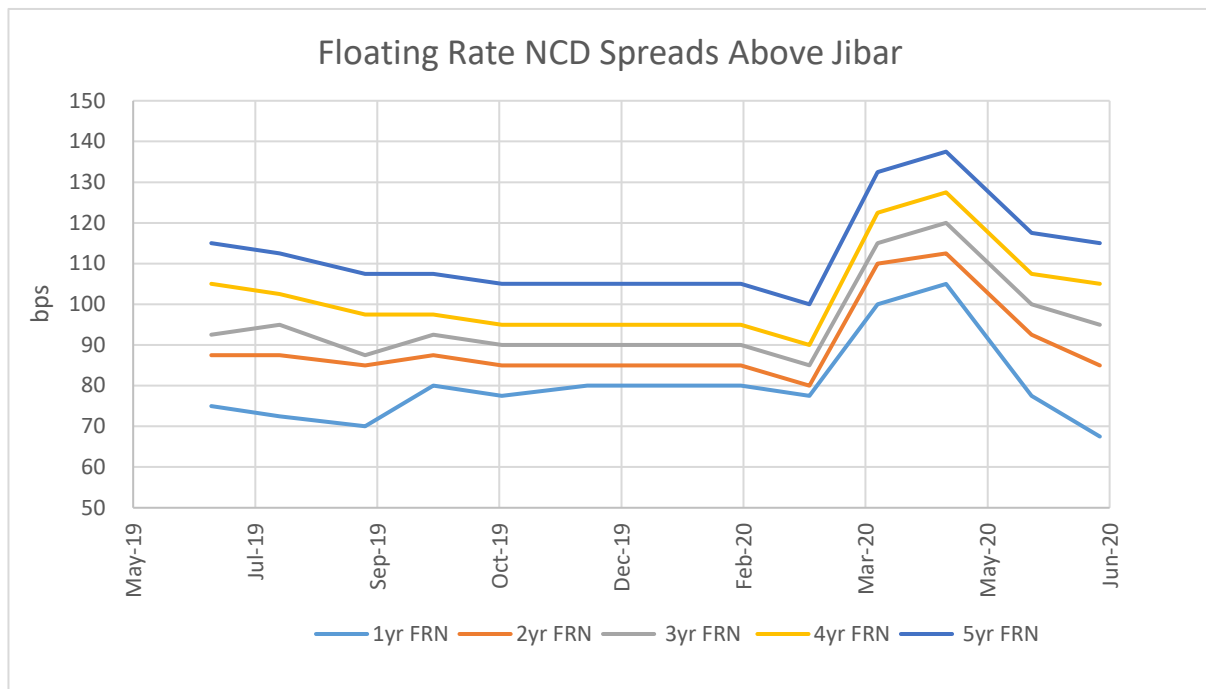
REVIEW FOR THE QUARTER

The strategy generated a positive return for the second quarter of 2020 (Q2-20) and is ahead of the benchmark return over a rolling 12-month period.

The South African (SA) first-quarter 2020 (Q1-20) GDP print was weak, at -2.0% quarter-on-quarter (q/q), seasonally adjusted average (saa) versus a revised fourth-quarter (Q4-19) print of -1.4% q/q, saa. The SA economy is expected to contract further in 2020 owing to the negative economic impact of the Covid-19 outbreak.

The South African Reserve Bank (SARB) cut the repo rate by 50 basis points (bps) to 3.75% at its May Monetary Policy Committee meeting. The vote was split, with three members voting for a 50bps cut and two members preferring 25bps. This could signal a moderation in the increment of rate cuts going forward. Given the benign inflation outlook and the weak outlook for growth, we believe there is a room for further rate cuts.

Over the last quarter, the 3-month Johannesburg Interbank Average Rate (Jibar) index decreased by 1.7%, from 5.6% to 3.9%. This is reflective of the decrease in repo rate and further interest rate cut expectations priced in by the market. Fixed-rate negotiable certificates of deposit (NCD) yields and treasury bill yields also decreased following the rate cut. Floating-rate NCD spreads above Jibar tightened, reflecting the return of liquidity in the market. Given our lower interest rate expectations, the absolute yield of the strategy is expected to decrease, as the majority of the strategy is invested in floating rate instruments.



Source: Bloomberg

Corporate issuance has been limited over the last quarter and corporates opted to raise debt through private placements. We are expecting corporate credit spreads to start increasing to reflect increased credit risk and more muted liquidity in what remains a strained economic environment. 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 for the strategy.