

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)	462.3%	464.1%	247.8%
Since inception p.a.	9.6%	9.6%	6.8%
Latest 10 year p.a.	7.8%	8.3%	5.5%
Latest 5 year p.a.	8.0%	9.6%	5.6%
Latest 1 year	6.3%	14.8%	3.3%
Year to date	3.9%	7.7%	2.2%
Month	0.5%	1.7%	0.3%

PERFORMANCE & RISK STATISTICS (Since inception)

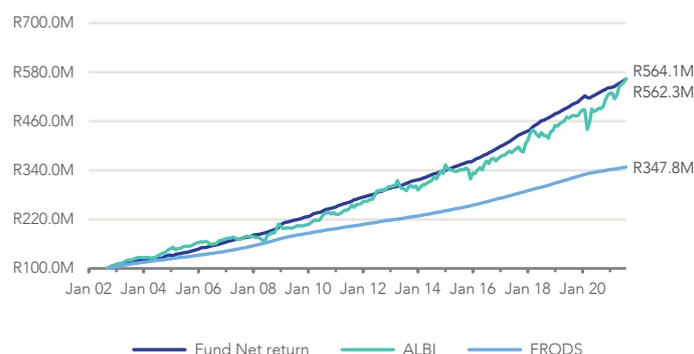
	Fund	ALBI	FRODS
Average Annual Return	9.4%	9.1%	6.8%
Highest Annual Return	17.3%	23.6%	12.3%
Lowest Annual Return	4.1%	(5.6)%	3.3%
Annualised Standard Deviation	1.7%	7.3%	0.6%
Downside Deviation	1.2%	5.3%	
Maximum Drawdown	(1.2)%	(9.8)%	
Sharpe Ratio	1.58	0.38	
Sortino Ratio	2.35	0.53	
% Positive Months	98.7%	70.5%	100.0%
Correlation (ALBI)	0.09		
99% Value at Risk (P&L %)	(0.3)%		

GENERAL INFORMATION

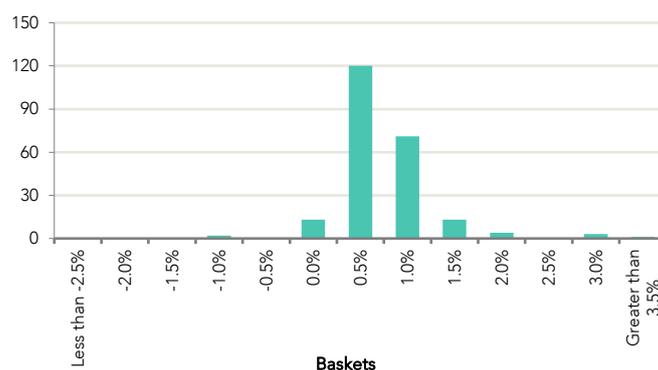
Investment Structure	Limited liability en commandite partnership
Disclosed Partner	Coronation Management Company (RF) (Pty) Ltd
Inception Date	01 October 2002
Hedge Fund CIS launch date	01 October 2017
Year End	30 September
Fund Category	South African Fixed Income Hedge Fund
Target Return	Cash + 3%
Performance 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)[†]	2.11% (including a performance fee of 0.63%)
Transaction Costs (TC)[†]	0.04%
Fund Size (R'Millions)[‡]	R332.46
Fund Status	Open
NAV (per unit)	312.07 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	KPMG 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

[†]TER and TC data is provided for the 1 year ending 31 July 2021. TER excludes manufactured dividend expenses and scrip borrowing costs, in line with the revised ASISA TER Hedge Fund Disclosure Standard. [‡]Fund assets under management as at 31 August 2021.

GROWTH OF R100m INVESTMENT



HISTOGRAM OF MONTHLY NET RETURNS



PORTFOLIO LIQUIDITY

	Days to Trade
Long	57.5
Short	23.5

INCOME DISTRIBUTIONS (cents per unit)

Declaration Date	Amount	Dividend	Interest
30-Sep-20	16.43	0.04	16.39

STRATEGY STATISTICS

Number of long positions	66
Number of short positions	11

MONTHLY COMMENTARY

The Fund returned 0.5% in August, taking the one-year return to 6.3%. This places the Fund 2.8% ahead of cash over 12 months.

The prospects for the local economy have improved as reform progress has gathered momentum and global developments have provided tailwinds to the local recovery. Inflation is moving higher but should remain under control despite uneasiness around global inflation. The recovery in growth should gain more traction and spill into next year, which will provide more breathing space for the fiscus. Despite their recovery in the first quarter of 2021 (Q2-21), South African government bonds (SAGBs), still embed a significant risk premium relative to cash. The steepness of the yield curve makes the 12- to 15-year area attractive, even if the local rate hiking cycle starts sooner than expected. From a long-term valuation perspective, positions in SAGBs focused in the 12- to 15-year area of the curve and allocations to ILBs with a maturity of less than eight years rank the highest for outright SA fixed income exposures.

Statistics SA (StatsSA) published rebased and re-benchmarked GDP statistics to better reflect demand, supply and price interactions in the economy. The re-basing shifted the base year from 2010 to 2015 and has improved the methodology and sample quality of the survey. The new data show that the economy is on average 9.6% larger between 2015 – 2020 than previously estimated, and the contraction of 2020 was less severe. Revised GDP estimates show the economy contracted 6.4% in 2020 versus the 7.0% contraction reported earlier.

Headline inflation came in at 4.6% year-on-year (y/y) in July versus 4.9% y/y in June. Core inflation was broadly stable at 3.0% y/y in July vs 3.2% y/y in June. The main driver of the headline moderation was easing fuel-related base effects, a contained electricity tariff increase relative to expectations and a decline in non-alcoholic beverage inflation. Elsewhere, food inflation and vehicle prices posted a solid monthly gain, along with personal care & recreation and cultural goods & services. The medium-term inflation outlook remains benign, allowing for the SA Reserve Bank to be guarded in their desire to recalibrate real interest rate levels in the quarters ahead. Given that this backdrop is somewhat at odds with rhetoric from the Monetary Policy Committee in recent times, the short-end of SA's interest rate curves is proving a fertile ground for the Fund's tactical activity.

The Fund had a sound month in August. Once again, the active overlay was populated with a multitude of (historically) diminutive trade exposures, refreshed at a more rapid pace. The net result continues to be encouraging - effective market risk remains at lower levels on average, while aggregate active returns harvested retain a good hit ratio and cumulatively provide a very decent uplift for the risk taken.

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