

LONG TERM OBJECTIVE

The Coronation Medical Aid Cash Strategy complies with Regulation 30 of the Medical Schemes Act. The Strategy has a low-risk approach suitable for medical aid schemes seeking returns that are superior to those of overnight cash rates, while taking into consideration capital protection and liquidity requirements. 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)	233.6%	184.5%	49.1%
Since Inception p.a.	7.8%	6.7%	1.1%
Latest 15 years p.a.	7.8%	6.7%	1.1%
Latest 10 years p.a.	7.1%	5.8%	1.3%
Latest 5 years p.a.	7.2%	5.8%	1.4%
Latest 3 years p.a.	6.4%	5.1%	1.3%
Latest 1 year	5.0%	3.6%	1.4%
Year to date	5.0%	3.6%	1.4%
Month	0.4%	0.3%	0.1%

ASSET ALLOCATION

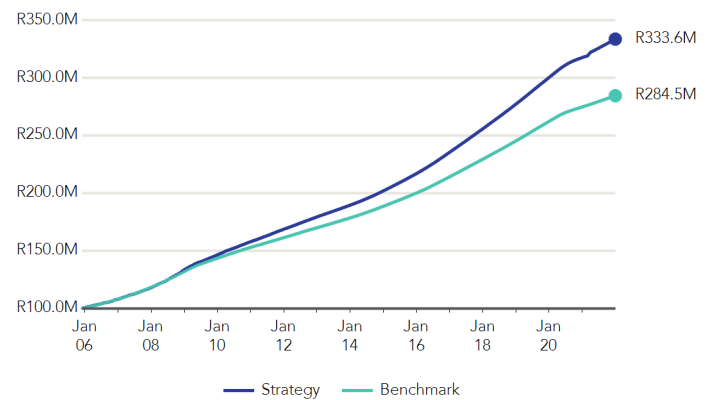
Asset Type	% Strategy
Floating Rate NCDs	61.3%
Cash	22.9%
Fixed Rate NCDs	6.4%
Floating Rate Corporate Bonds	5.5%
Corporate ILBs	3.9%

GENERAL INFORMATION

Inception Date	01 December 2005
Strategy Size *	R217.7 million
Strategy Status	Open
Mandate Benchmark	Short Term Fixed Interest 3-month Index (STeFI 3m)
Dealing Frequency	Daily
Base Currency	ZAR
Regulation 30	Yes

*Strategy assets under management as at the most recent quarter end.

GROWTH OF R100M INVESTMENT



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

EFFECTIVE MATURITY PROFILE

Term	% Strategy
Call	4.5%
0 to 2 months	18.2%
2 to 4 months	6.9%
4 to 6 months	11.1%
6 to 9 months	12.4%
9 to 12 months	4.5%
1 to 3 years	42.3%

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 all fixed interest assets. Nishan has 18 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, and recently started co-managing the Property Equity Unit Trust. Mauro has 10 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 fourth quarter of 2021 (Q4-21) and remains ahead of the benchmark over a 12-month period.

At its November meeting, the South African Reserve Bank (SARB) hiked the repo rate by 25 basis points (bps), moving it from 3.5% to 3.75%. The hike reflects the Monetary Policy Committee's concerns about upside risks to the inflation outlook against accommodative monetary policy settings and risks associated with tighter global monetary conditions. The SARB also revised its inflation forecasts marginally upwards to factor in the short-term rising fuel prices and, to a lesser degree, the weak currency, but sees risk to its broader inflation forecast to be on the upside. The SARB is expected to follow a gradual rate hiking cycle to keep inflation expectations anchored.

Over the last quarter, the fixed-rate Negotiable Certificate of Deposit (NCD) curve increased by 35bps, with treasury bills continuing to trade at a yield discount to this. While we look to take advantage of elevated treasury bill yields, we need to be cognisant of our overall allocation to these instruments, given their liquidity is more limited than NCDs. We expect three-month Jibar to increase as the SARB embarks on a rate hiking cycle. This will be a favourable outcome for the Strategy's yield, given that most of the instruments reference three-month Jibar.

We saw local banks issue subordinated and senior unsecured bonds on the corporate credit front, which received strong support and cleared below price guidance. Limited issuance and overwhelming demand continue to drive pricing in the debt capital markets, which are not supported by underlying fundamentals. We remain cautious and continue to invest only in instruments that are attractively priced relative to their underlying risk profiles. Capital preservation and liquidity remain our key focus areas for the Strategy.