GRANITE HEDGE FUND

QUALIFIED INVESTOR HEDGE FUND FACT SHEET AS AT 31 JANUARY 2021

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)	442.4%	427.9%	241.3%
Since inception p.a.	9.7%	9.5%	6.9%
Latest 10 year p.a.	8.0%	8.6%	5.6%
Latest 5 year p.a.	8.4%	9.6%	6.0%
Latest 1 year	4.8%	8.2%	3.9%
Year to date	0.2%	0.8%	0.3%
Month	0.2%	0.8%	0.3%

PERFORMANCE & RISK STATISTICS (Since inception)

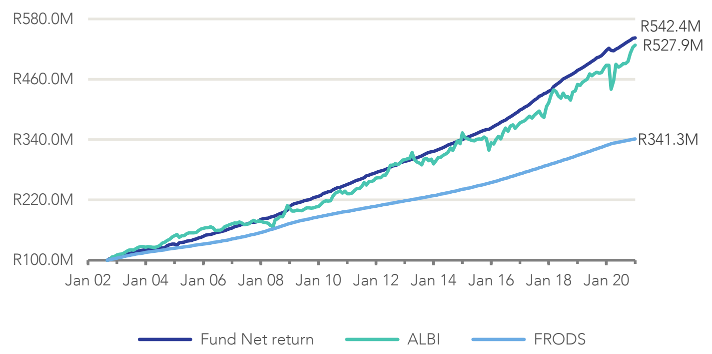
	Fund	ALBI	FRODS
Average Annual Return	9.5%	9.0%	6.9%
Highest Annual Return	17.3%	23.6%	12.3%
Lowest Annual Return	4.8%	(5.6)%	3.9%
Annualised Standard Deviation	1.8%	7.3%	0.6%
Downside Deviation	1.2%	5.3%	
Maximum Drawdown	(1.2)%	(9.8)%	
Sharpe Ratio	1.56	0.35	
Sortino Ratio	2.33	0.49	
% Positive Months	98.6%	70.0%	100.0%
Correlation (ALBI)	0.09		
99% Value at Risk (P&L %)	(0.3)%		

GENERAL INFORMATION

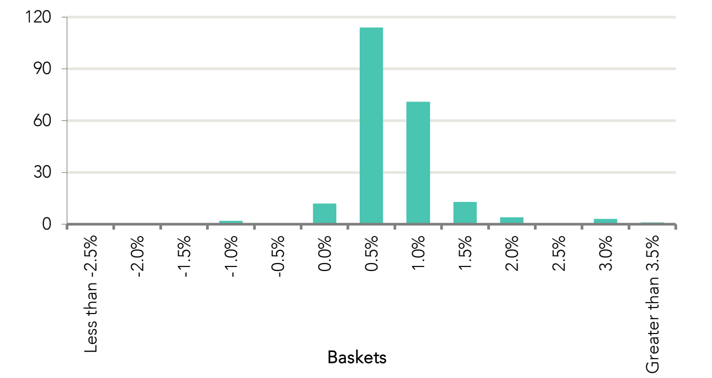
Investment Structure	Limited liability en commandite partnership
Disclosed Partner	Coronation Management Company (RF) (Pty) Ltd
Inception Date	01 October 2002
Hedge Fund CIS launch date	01 October 2017
Year End	30 September
Fund Category	South African Fixed Income Hedge Fund
Target Return	Cash + 3%
Performance 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)†	1.80% (including a performance fee of 0.30%)
Transaction Costs (TC)†	0.04%
Fund Size (R'Millions) ‡	R96.69
Fund Status	Open
NAV (per unit)	301.06 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

†TER and TC data is provided for the 1 year ending 31 December 2020. 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 January 2021.

GROWTH OF R100m INVESTMENT



HISTOGRAM OF MONTHLY NET RETURNS



PORTFOLIO LIQUIDITY

	Days to Trade
Long	7.7
Short	0.2

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	55
Number of short positions	2

MONTHLY COMMENTARY

The Fund returned 0.2% in January, taking the one-year return to 4.8%. This places the Fund 0.3% ahead of cash over 12 months.

South African growth momentum slowed in Q4-20 and will probably remain soft in the first quarter of 2021, but prospects are quite good for a relatively strong recovery as global tailwinds and domestic vaccine rollout gains traction. The South African Reserve Bank (SARB) left the repo rate unchanged at 3.5% at its Monetary Policy Committee (MPC) meeting in January, with the statement reiterating that the current monetary stance is accommodative, with the real policy rate at 0.2%. Furthermore, risks to inflation and growth are assessed to be "balanced". The hurdle to further easing remains uncertain currency risk associated with a weak fiscal position.

Headline inflation slowed moderately to 3.1% y/y in December from 3.2% y/y in November, bringing the annual average to just 3.3%. The slowdown was driven by a moderation in food prices and a decline in housing and utilities inflation. Core inflation was unchanged at 3.3% y/y. Even with inflation expected to accelerate to an average of 3.8% in 2021, this still represents very benign inflation pressure in the economy, with both headline and core readings well below the mid-point of the SARB's target range.

Underlying economic conditions are easing but remain challenging, given South Africa's poor starting point. Inflation will remain under control, but a stronger shift needs to be made towards higher growth without pushing the country further into a debt trap. Progress has been made by reallocating expenditure away from a bloated wage bill towards pro-growth elements; however, further unpalatable austerity might be required if reforms are not accelerated. SAGBs, despite their rally at the end of 2020, still encapsulate a significant risk premium that provides a decent offset to the underlying fundamental backdrop. Shorter-dated ILBs, with their elevated real yields and inherent inflation protection, also provide an attractive allocation opportunity.

The Fund had a challenging start to the year, mainly due to a ceaseless short squeeze. Dovish positioning within the market and the SARB's relatively less balanced MPC Statement placed significant – and unexpectedly so – pressure on the short-end of interest rate curves. The immediate, sharp response to the MPC's hawkish stance meant that the Fund's active overlay positions met their stop-losses abruptly. Consequently, due to risk management controls, uncorrelated exposures taken within the overlay were also prematurely closed out. This had the unfortunate effect of curtailing tactical trading advances. Nonetheless, such a response is ultimately seen as necessary to ensure adequate controls around short-term performance targets and to manage further potential downside when positions turn against the Fund. As such, January provided a timely reminder that domestic fixed income markets remain altered in the wake of the 2020 Covid shock with respect to intra-day volatility and risk-absorption capacity across key market participants. This means that – even as the opportunity set remains abundant – navigating this post-Covid landscape demands more finesse than ever.

DISCLAIMER