

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)	225.7%	179.5%	46.3%
Since Inception p.a.	7.9%	6.8%	1.1%
Latest 15 years p.a.	7.9%	6.8%	1.1%
Latest 10 years p.a.	7.2%	5.9%	1.2%
Latest 5 years p.a.	7.6%	6.2%	1.4%
Latest 3 years p.a.	7.0%	5.6%	1.3%
Latest 1 year	4.7%	3.5%	1.2%
Year to date	2.6%	1.7%	0.8%
Month	0.4%	0.3%	0.1%

ASSET ALLOCATION

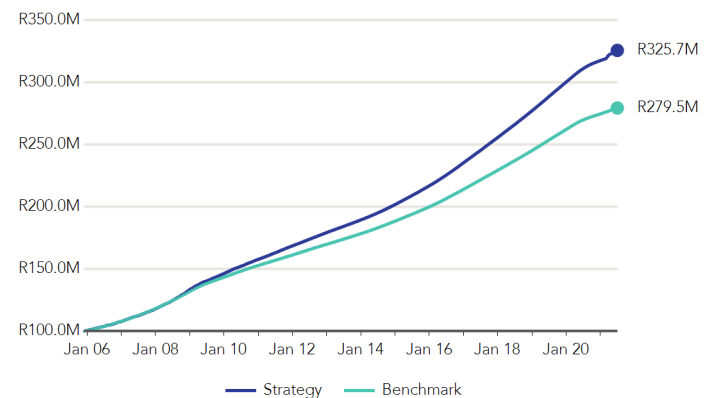
Asset Type	% Strategy
Floating Rate NCDs	40.7%
Cash	34.3%
Floating Rate Corporate Bonds	15.0%
Corporate ILBs	8.2%
Fixed Rate NCDs	1.5%
Fixed Rate Corporate Bonds	0.3%

GENERAL INFORMATION

Inception Date	01 December 2005
Strategy Size *	R263.1 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	15.8%
0 to 2 months	5.5%
2 to 4 months	6.2%
4 to 6 months	7.2%
6 to 9 months	30.2%
9 to 12 months	5.8%
1 to 3 years	29.3%

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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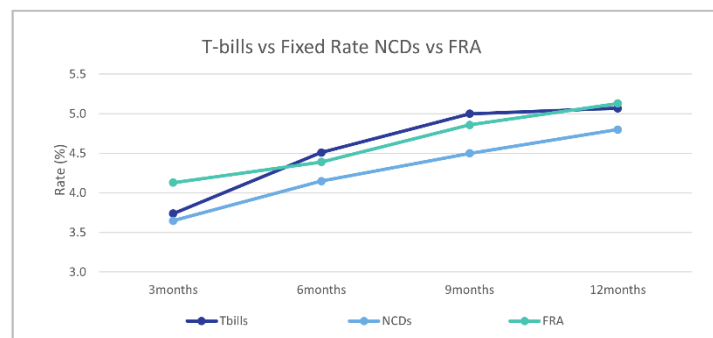
REVIEW FOR THE QUARTER

The Strategy generated a positive return for the second quarter of 2021 (Q2-21) and remains ahead of the benchmark over a 12-month period.

The South African economy grew by 4.6% quarter on quarter (q/q) seasonally adjusted annualised (saa) in Q2-21, compared to a revised growth of 5.8% q/q saa in Q4-20. Positive contributions came from the financial and business services, mining, manufacturing, transport and trade sectors. From the demand side, household and government spending slowed down but remained positive contributors to GDP, while inventories provided a strong boost as these were drawn down at a slower pace than before. The new restrictions could dampen third-quarter GDP this year, despite efforts made to limit the impact on the broader economy. Another threat to economic recovery is the slow pace of the Covid-19 vaccine rollout programme.

The South African Reserve Bank (SARB) Monetary Policy Committee (MPC) unanimously voted to leave the repo rate unchanged at 3.5% at the last meeting. The MPC also revised 2021 growth upwards to 4.2% from a previous forecast of 3.8%. The upward revision was prompted by higher commodity prices and improved trade data, and better prospects for the global growth recovery. While growth outlook risks are 'balanced', the MPC sees inflation risks on the upside. On the interest rate side, the SARB's Quarterly Projection Model (QPM) continues to signal a 25bps rate hike in Q4-21.

The market has become more hawkish with the Forward Rate Agreements (FRA) curve pricing in two 25bps rate hikes before the end of the year. We have seen this hawkishness flow through to fixed-rate NCD and Treasury bill markets, with the nine-month T-bill now yielding 5% from 4.8% in the last quarter. Our T-bill allocation has remained unchanged from the previous quarter, and we are taking a prudent stance because liquidity is limited in these instruments.



Source: Bloomberg, SARB

We saw some corporates, namely MTN and Growthpoint, return to the primary debt capital markets in the last quarter. The auctions were well supported, with both entities getting oversubscribed auction results and pricing clearing at the lower end of price guidance. Local banks issued capital and senior unsecured bonds, receiving strong support and clearing below price guidance. Supply and demand dynamics continue to drive pricing in the debt capital markets, and pricing is slowly getting back to pre-Covid-19 levels. 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.