CORONATION

GRANITE HEDGE FUND

QUALIFIED INVESTOR HEDGE FUND FACT SHEET AS AT 31 MARCH 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)	445.3%	414.8%	243.1%
Since inception p.a.	9.6%	9.3%	6.9%
Latest 10 year p.a.	7.9%	8.2%	5.6%
Latest 5 year p.a.	8.1%	8.7%	5.9%
Latest 1 year	5.4%	17.0%	3.5%
Year to date	0.7%	(1.7)%	0.8%
Month	0.4%	(2.5)%	0.3%

PERFORMANCE & RISK STATISTICS (Since inception)

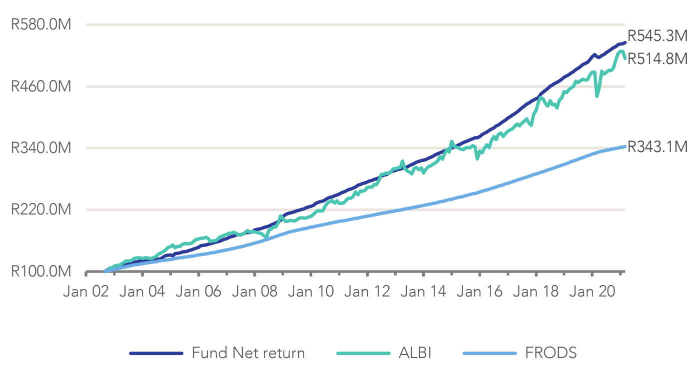
	Fund	ALBI	FRODS
Average Annual Return	9.5%	9.0%	6.9%
Highest Annual Return	17.3%	23.6%	12.3%
Lowest Annual Return	4.1%	(5.6)%	3.5%
Annualised Standard Deviation	1.8%	7.3%	0.6%
Downside Deviation	1.2%	5.3%	
Maximum Drawdown	(1.2)%	(9.8)%	
Sharpe Ratio	1.55	0.32	
Sortino Ratio	2.32	0.45	
% Positive Months	98.6%	69.8%	100.0%
Correlation (ALBI)	0.10		
99% Value at Risk (P&L %)	(0.3)%		

GENERAL INFORMATION

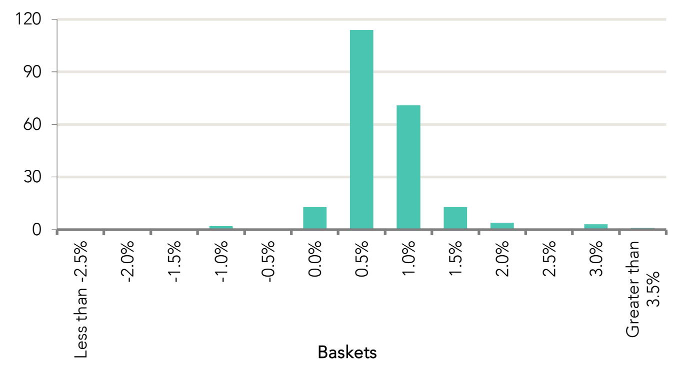
Investment Structure	Limited liability en commandite partnership
Disclosed Partner	Coronation Management Company (RF) (Pty) Ltd
Inception Date	01 October 2002
Hedge Fund CIS launch date	01 October 2017
Year End	30 September
Fund Category	South African Fixed Income Hedge Fund
Target Return	Cash + 3%
Performance 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)†	1.58% (including a performance fee of 0.08%)
Transaction Costs (TC)†	0.03%
Fund Size (R'Millions) ‡	R97.21
Fund Status	Open
NAV (per unit)	302.69 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 28 February 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 March 2021.

GROWTH OF R100m INVESTMENT



HISTOGRAM OF MONTHLY NET RETURNS



PORTFOLIO LIQUIDITY

	Days to Trade
Long	12.2
Short	0.3

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	57
Number of short positions	5

MONTHLY COMMENTARY

The Fund returned 0.4% in March taking the one-year return to 5.4%. This places the Fund 1.4% ahead of cash over 12 months.

South African (SA) headline inflation slowed to 2.9% y/y in February from 3.2% y/y in January. The decline came from a moderation in food prices and a decrease in medical insurance costs. Core inflation fell more sharply, from January's 3.3% y/y to 2.6% y/y in February. Inflation pressure in the economy remains benign and both core and headline inflation are anticipated to remain close to the 4.5% mid-point of the inflation target range.

The South African Reserve Bank (SARB) revised both its growth and inflation forecasts modestly upwards, with the latter moving to 4.3% from a previously reported 4.0% to account for a higher oil price and electricity tariffs. The MPC left the repo rate unchanged in March at 3.5%, by unanimous decision. It further reiterated its commitment to monitor funding stress in financial markets and ability to offer ongoing regulatory relief for banks, should this be required. In the accompanying statement, the Committee highlighted that broader reforms, including a stabilising debt trajectory and an increase in electricity supply, would enhance the effectiveness of monetary policy transmission and improve economic growth – reminding markets of the limits of monetary policy in supporting the economic recovery.

The economy grew by 6.3% quarter on quarter (q/q) seasonally adjusted annualised (saa) for the fourth quarter of 2020 (Q4-20) following revised growth of 67.3% q/q saa in Q3-20. Notable positive contributions to growth came from strong gross fixed capital formation, and consumer and government spending. From a sector look through, strong performance was observed in manufacturing, construction, trade, transport and communication sectors, while mining and financial services contributed negatively to growth in Q4-20. Overall, the SA economy contracted by 7% in 2020. The growth outlook for 2021 largely depends on the successful roll-out of the vaccine and growth recovery from sectors negatively affected by the pandemic.

SA remains in a delicate balancing act. In the short-term, inflation will remain under control and growth will pick up, supporting a cyclically better economic outcome. However, the fiscal accounts are problematic given the high levels of debt. The cyclically better economic outcomes have provided some breathing room, however, there needs to be an acceleration in growth enhancing reforms, more emphasis on reviving private sector confidence to encourage investment and no deviation from current expenditure plans. The recent move higher in DM bond yields has sparked concerns of a replay of the 2013 taper tantrum, however, SA bond valuations are much more generous now with a much-reduced external funding requirement.

The Fund had a reasonable month during March, despite conditions in the trenches remaining tough with respect to intraday liquidity and price behaviour. The re-calibration of active overlay position sizes and composition appears to be bearing fruit, although it's early days yet and March experienced a mixed result from the overlay in terms of contributions from winners and losers. The Fund's underlying holdings remain well-behaved and continue to offer what we judge to be the very best risk-adjusted return profile available from the domestic SA listed credit market. Indeed, while external reflation continues to be priced in by financial markets and SA's post-Covid economic recovery remains broadly on-track, a fair degree of caution towards credit health within the SA context is needed. While the surface waters appear warm and inviting, there are enough dark shadows beneath that warrant additional prudence, especially given the relatively high proportion of the market that's trading at rich-to-fair levels.

DISCLAIMER