

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)	222.0%	177.0%	45.0%
Since Inception p.a.	7.9%	6.9%	1.1%
Latest 15 years p.a.	7.9%	6.9%	1.1%
Latest 10 years p.a.	7.2%	6.0%	1.2%
Latest 5 years p.a.	7.8%	6.4%	1.4%
Latest 3 years p.a.	7.3%	5.9%	1.4%
Latest 1 year	5.2%	4.0%	1.2%
Year to date	1.4%	0.8%	0.5%
Month	0.9%	0.3%	0.6%

ASSET ALLOCATION

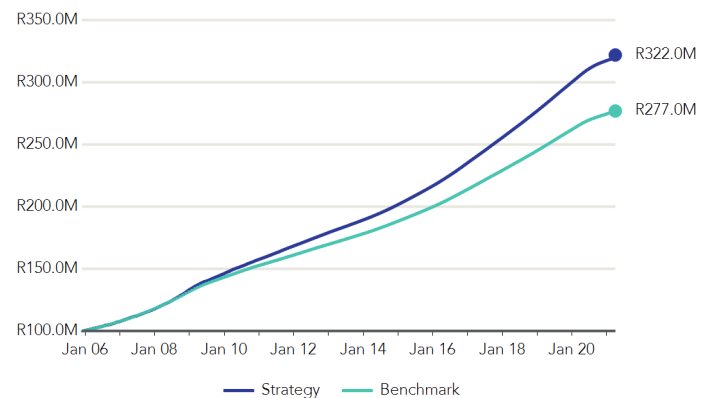
Asset Type	% Strategy
Floating Rate NCDs	40.1%
Floating Rate Corporate Bonds	27.6%
Cash	19.2%
Corporate ILBs	6.9%
Fixed Rate Corporate Bonds	3.8%
Government ILBs	2.4%

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	7.1%
0 to 2 months	7.7%
2 to 4 months	14.2%
4 to 6 months	7.9%
6 to 9 months	5.6%
9 to 12 months	28.6%
1 to 3 years	28.9%

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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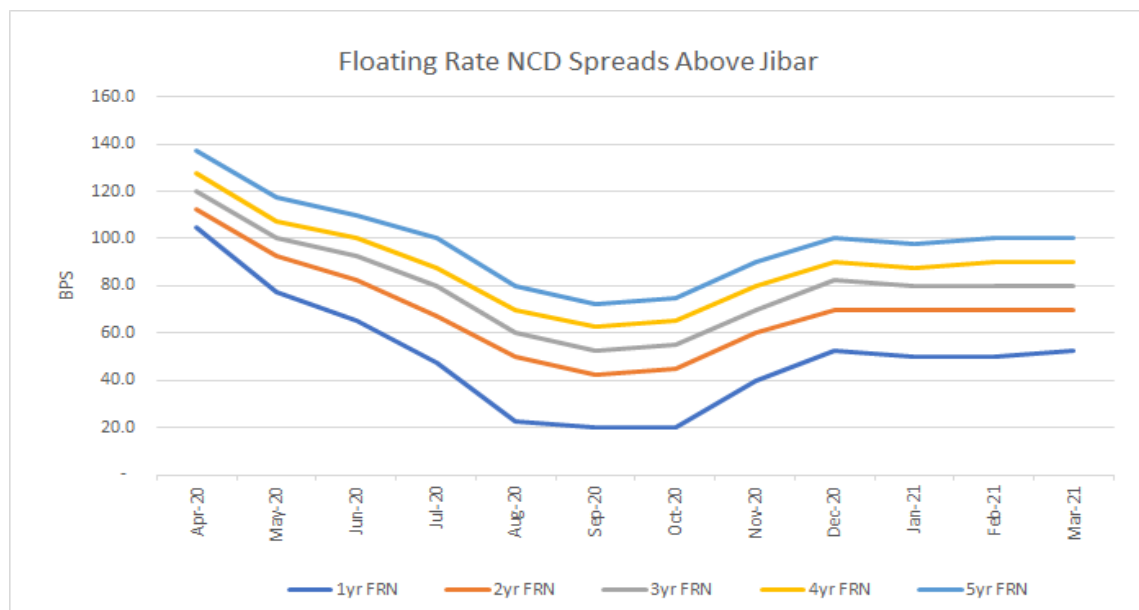
REVIEW FOR THE QUARTER

The Strategy generated a positive return for the first quarter of 2021 (Q1-21) and remains ahead of the benchmark return over a rolling 12-month period

The South African (SA) economy grew by 6.3% quarter on quarter (q/q) seasonally-adjusted annualised (saa) in 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. Overall, the SA economy contracted by 7% in 2020. While we expect growth to rebound strongly in 2021, the extent will depend on the successful rollout of a vaccine.

The SA Reserve Bank (SARB) left the repo rate unchanged at 3.5% at its last monetary policy committee meeting. The committee still sees policy as accommodative and supportive of credit demand. It was once again highlighted that broader reforms, including a debt trajectory that stabilises and an increase in electricity supply, would enhance the effectiveness of monetary policy transmission and improve growth – reminding markets of the limits of monetary policy in supporting the economic recovery. We currently expect the SARB to only embark on a path of interest rate normalisation in the first quarter of 2022. As such, we would expect no further impact from base rates on the Strategy's yield for the balance of the year. Currently, market expectations are more hawkish than this, with nine-month forward rate agreements pricing just under three interest rate hikes.

With market expectations for interest rate hikes becoming more hawkish, we have seen wider yields in both money market NCDs and Treasury bills, with the latter still more attractive in our view. We have subsequently increased our allocation to Treasury bills. Another area offering value for the Strategy in the last quarter has been short-dated inflation-linked bonds. Given our inflation outlook, our total return expectations for these instruments should significantly beat cash and NCD returns over the next year.



Source: Bloomberg

The local banks dominated issuance in Q1-21 and received strong support in primary market auctions, clearing tighter than price guidance and outside our fair value expectations. We continue to see limited activity from corporates but would expect this to improve as the economic recovery gains traction. We were able to participate in the private placement of a Netcare three-year floating rate note during the quarter, which also had the added benefit of being one of the first sustainable finance bonds on the African continent. Given that the economy remains weak, 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.