

## 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 unlisted 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)	470.2%	453.1%	250.7%
Since inception p.a.	9.5%	9.3%	6.8%
Latest 10 year p.a.	7.7%	8.0%	5.5%
Latest 5 year p.a.	7.8%	8.8%	5.5%
Latest 1 year	6.0%	8.1%	3.3%
Year to date	5.3%	5.6%	3.0%
Month	0.7%	0.7%	0.3%

## PERFORMANCE &amp; RISK STATISTICS (Since inception)

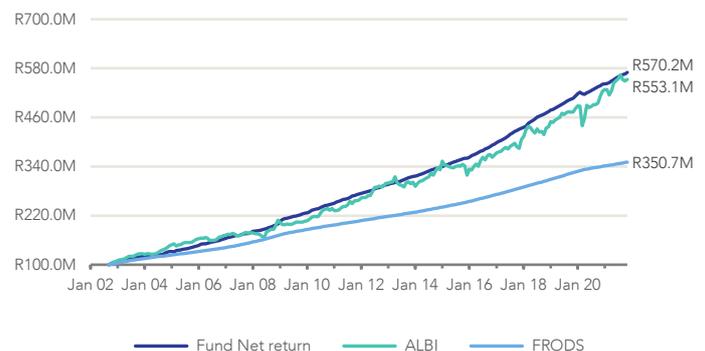
	Fund	ALBI	FRODS
Average Annual Return	9.4%	9.2%	6.7%
Highest Annual Return	17.3%	23.6%	12.3%
Lowest Annual Return	4.1%	(5.6)%	3.3%
Annualised Standard Deviation	1.7%	7.3%	0.6%
Downside Deviation	1.2%	5.2%	
Maximum Drawdown	(1.2)%	(9.8)%	
Sharpe Ratio	1.59	0.35	
Sortino Ratio	2.36	0.49	
% Positive Months	98.7%	70.0%	100.0%
Correlation (ALBI)	0.10		
99% Value at Risk (P&L %)	(0.3)%		

## GENERAL INFORMATION

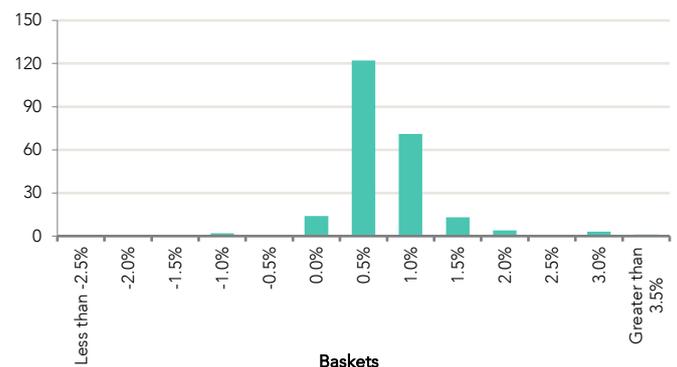
<b>Investment Structure</b>	Limited liability en commandite partnership
<b>Disclosed Partner</b>	Coronation Management Company (RF) (Pty) Ltd
<b>Inception Date</b>	01 October 2002
<b>Hedge Fund CIS launch date</b>	01 October 2017
<b>Year End</b>	30 September
<b>Fund Category</b>	South African Fixed Income Hedge Fund
<b>Target Return</b>	Cash + 3%
<b>Performance Fee Hurdle Rate</b>	Cash + high-water mark
<b>Annual Management Fee</b>	1% (excl. VAT)
<b>Annual Outperformance Fee</b>	15% (excl. VAT) of returns above cash, capped at 3%
<b>Total Expense Ratio (TER)<sup>†</sup></b>	1.96% (including a performance fee of 0.52%)
<b>Transaction Costs (TC)<sup>†</sup></b>	0.04%
<b>Fund Size (R'Millions)<sup>‡</sup></b>	R312.00
<b>Fund Status</b>	Open
<b>NAV (per unit)</b>	302.01 cents
<b>Base Currency</b>	ZAR
<b>Dealing Frequency</b>	Monthly
<b>Income Distribution</b>	Annual (with all distributions reinvested)
<b>Minimum Investment</b>	R1 million
<b>Notice Period</b>	1 month
<b>Investment Manager</b>	Coronation Alternative Investment Managers (Pty) Ltd (FSP 49893)
<b>Auditor</b>	KPMG Inc.
<b>Prime Brokers</b>	Absa Bank Ltd and FirstRand Bank Ltd
<b>Custodian</b>	Nedbank Ltd
<b>Administrator</b>	Sanne Fund Services SA (Pty) Ltd
<b>Portfolio Managers</b>	Nishan Maharaj, Adrian van Pallander, and Seamus Vasey

<sup>†</sup>TER and TC data is provided for the 1 year ending 31 October 2021. TER excludes manufactured dividend expenses and scrip borrowing costs, in line with the revised ASISA TER Hedge Fund Disclosure Standard. <sup>‡</sup>Fund assets under management as at 30 November 2021.

## GROWTH OF R100m INVESTMENT



## HISTOGRAM OF MONTHLY NET RETURNS



## PORTFOLIO LIQUIDITY

	Days to Trade
Long	20.1
Short	5.0

## INCOME DISTRIBUTIONS (cents per unit)

Declaration Date	Amount	Dividend	Interest
30-Sep-21	14.30	0.03	14.28

## STRATEGY STATISTICS

Number of long positions	65
Number of short positions	8

## MONTHLY COMMENTARY

The Fund returned 0.7% in November, taking its one-year return to 6.0%. This places the Fund 2.5% ahead of cash over 12 months.

November was dominated by surging inflation reports as energy prices continue to increase across the globe. Medium-term inflation risks have shifted to the upside, exacerbated by constrained supply chains, a new Covid-19 variant, high primary commodity prices and labour shortages in the US and parts of Europe. While the full impact of the new variant is unclear, the impact is likely to pose a headwind to the ongoing recovery.

In South Africa, the Minister of Finance, Mr Enoch Godongwana, tabled the Medium-Term Budget Policy Statement (MTBPS) in early November after an election-related delay. The MTBPS made reasonable revenue and growth assumptions, but very few new baseline expenditure allocations. An 'unallocated reserve' was put in place to provide a cushion for expenditure risk and possibly strengthen National Treasury's bargaining position. Nonetheless, all big decisions were deferred to the February 2022 Budget. The main budget deficit as a percentage of GDP is now projected at 6.6% for 2021/2022, down from 9.9% in 2020/2021, and is expected to narrow to 4.9% of GDP by 2024/2025. National Treasury's estimated debt to GDP ratio remains elevated and above consensus, with a primary budget surplus forecast for 2024/2025, and debt stabilisation only thereafter. The medium-term outlook remains constrained by large spending commitments and weak economic growth.

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 very accommodative monetary policy settings and risks associated with tighter global monetary conditions. The SARB 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 upside risk to its broader inflation forecast. Despite this, risks to the growth outlook are assessed to be to the downside, stemming mostly from uncertainty related to electricity supply and the July unrest's impact on business confidence and job creation. The SARB is expected to follow a gradual rate hiking cycle aimed at keeping inflation expectations anchored.

Both headline and core inflation were unchanged from the previous month at 5.0% y/y in October, and 3.2% y/y, respectively. October was a low survey month, and the data reflect moderate price increases for food and energy.

Looking ahead, we expect price pressures from food and energy to persist, and some price increases in goods affected by supply constraints is also increasingly likely.

The prospects for the local economy have improved as reform progress has gathered momentum and global developments have provided tailwinds to the local recovery. Inflation is moving higher but should remain under control despite uneasiness around global inflation. The recovery in growth should gain more traction and spill into next year, which will provide more breathing space for the fiscus.

If October in the South African fixed income markets was a knife fight, then November was the revenge attack. While much of the market at the end of the month landed up relatively close to where it began, the intervening weeks were witness to substantial volatility and wide trading ranges. The Fund experienced a fair amount of this volatility throughout the month, despite carrying relatively low outright directional exposure in the active overlay. Fortunately, the combination of well-sized positions and a range of relative-value exposures ensured that the Fund could weather the sharp swings experienced without needing to resort to risk curtailment. And with the opportunities presented, the overall result was a strong month. On an annualised basis, the Fund's net performance amounted to 3m Jibar + 500 bps – a resounding bounce-back after the travails of October.

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