

## 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)	486.8%	468.8%	256.2%
Since inception p.a.	9.5%	9.3%	6.7%
Latest 10 year p.a.	7.7%	7.8%	5.4%
Latest 5 year p.a.	7.6%	8.2%	5.2%
Latest 1 year	6.9%	8.4%	3.5%
Year to date	2.3%	0.2%	1.2%
Month	0.7%	(1.7)%	0.3%

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

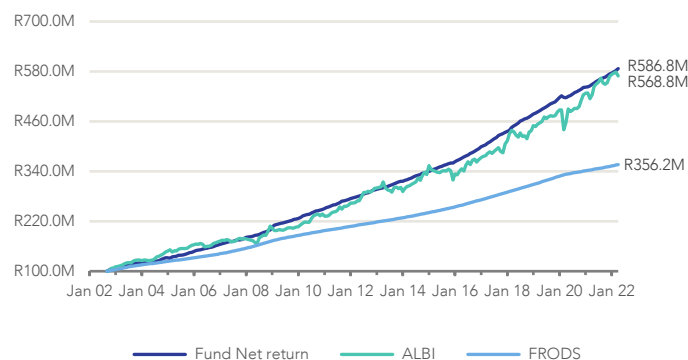
	Fund	ALBI	FRODS
Average Annual Return	9.3%	9.2%	6.7%
Highest Annual Return	17.3%	23.6%	12.3%
Lowest Annual Return	4.1%	(5.6)%	3.3%
Annualised Standard Deviation	1.7%	7.2%	0.6%
Downside Deviation	1.2%	5.2%	
Maximum Drawdown	(1.2)%	(9.8)%	
Sharpe Ratio	1.61	0.36	
Sortino Ratio	2.37	0.50	
% Positive Months	98.7%	70.2%	100.0%
Correlation (ALBI)	0.10		
99% Value at Risk (P&L %)	(0.3)%		

## GENERAL INFORMATION

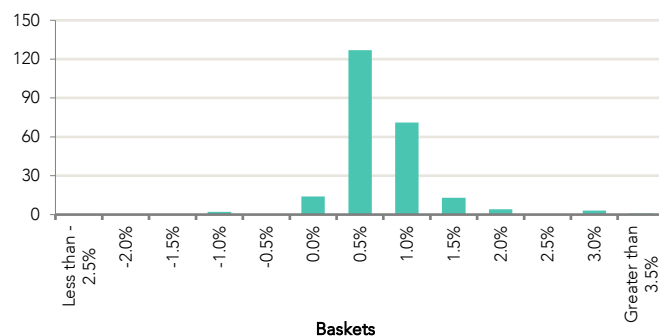
<b>Investment Structure</b>	Limited liability en commandite partnership
<b>Disclosed Partner</b>	Coronation Management Company (RF) (Pty) Ltd
<b>Inception Date</b>	01 October 2002
<b>Hedge Fund CIS launch date</b>	01 October 2017
<b>Year End</b>	30 September
<b>Fund Category</b>	South African Fixed Income 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>	2.05% (including a performance fee of 0.67%)
<b>Transaction Costs (TC)<sup>†</sup></b>	0.03%
<b>Fund Size (R'Millions)<sup>‡</sup></b>	R320.44
<b>Fund Status</b>	Open
<b>NAV (per unit)</b>	310.84 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 March 2022. 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 April 2022.

## GROWTH OF R100m INVESTMENT



## HISTOGRAM OF MONTHLY NET RETURNS



## PORTFOLIO LIQUIDITY

	Days to Trade
Long	15.6
Short	3.7

## 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	63
Number of short positions	8

## MONTHLY COMMENTARY

The Fund returned 0.7% in April taking the one-year return to 6.9%. This places the Fund 3.2% ahead of cash over 12 months.

Headline inflation accelerated to 5.9% year on year (y/y) in March from 5.7% y/y in February. Core inflation increased to 3.8% y/y in March from 3.5% y/y in February, as both rentals and a mix of core goods and services increased. In addition, headline increases reflect resilient food inflation and an uptick in transport costs – mostly reflecting fuel and public transport price increases. The outlook for inflation remains biased to the upside, given elevated global commodity prices and mounting supply chain price pressure. March PPI inflation hit 11.9% y/y from 10.5% y/y in February. As global and domestic price pressures build, we expect the South African Reserve Bank (SARB) to continue increasing the repo rate by 50 basis point increments, following the half point hike to 4.75% at the May Monetary Policy Committee meeting.

Geopolitical tensions have increased the risk of higher global inflation and a faster normalisation in global monetary policy. South Africa (SA) has benefited from a significant terms of trade boost that provides more breathing room for the fiscus but will place pressure on the SARB to normalise rates at a pace similar to that of major global central banks. SA government bonds still trade at historically high yields and are elevated compared to their emerging market counterparts. The current market pricing of interest rate normalisation in SA also suggests that the embedded inflation premium in bond yields remains excessive and yields have a significant risk buffer to absorb higher local inflation and higher US bond yields.

The Fund had another solid month in April. The active overlay wasn't concentrated in any particular direction, but rather benefited from a wide range of diverse tactical trades spread out across the month and implemented at manageable sizes. With continued flux in both external and domestic fixed interest markets, this approach is likely to remain the most prudent way to incrementally add gains through the active overlay, despite significantly large premia that have arisen across local rates markets persisting in their temptation for more assertive, strategic exposures to be taken.

## REGULATORY DISCLOSURE AND DISCLAIMER

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