

## 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)	497.9%	472.4%	261.8%
Since inception p.a.	9.4%	9.2%	6.7%
Latest 10 year p.a.	7.6%	7.1%	5.4%
Latest 5 year p.a.	7.2%	7.8%	5.1%
Latest 1 year	6.3%	1.5%	4.0%
Year to date	4.3%	0.8%	2.8%
Month	0.8%	0.3%	0.4%

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

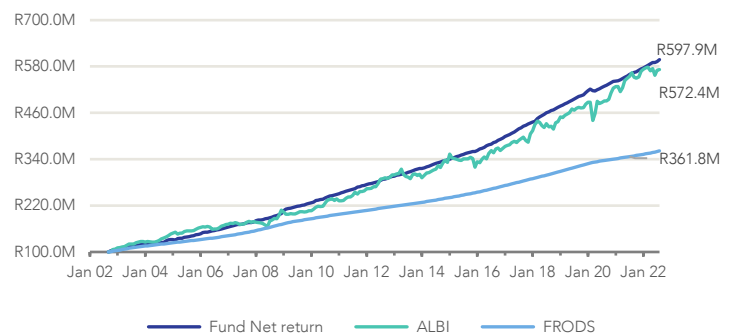
	Fund	ALBI	FRODS
Average Annual Return	9.3%	9.0%	6.6%
Highest Annual Return	17.3%	23.6%	12.3%
Lowest Annual Return	4.1%	(5.6)%	3.3%
Annualised Standard Deviation	1.7%	7.2%	0.6%
Downside Deviation	1.2%	5.2%	
Maximum Drawdown	(1.2)%	(9.8)%	
Sharpe Ratio	1.59	0.34	
Sortino Ratio	2.37	0.48	
% Positive Months	98.7%	70.3%	100.0%
Correlation (ALBI)	0.11		
99% Value at Risk (P&L %)	(0.3)%		

## GENERAL INFORMATION

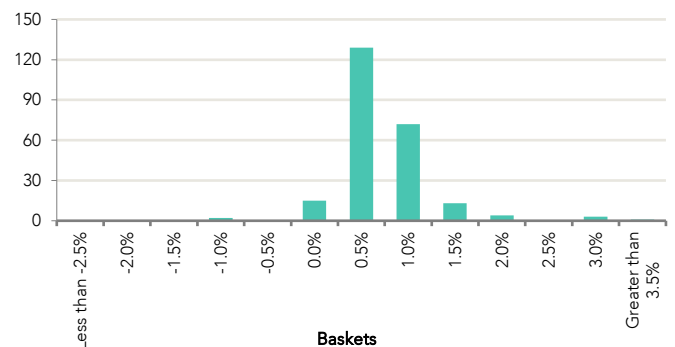
<b>Investment Structure</b>	Limited liability en commandite partnership
<b>Disclosed Partner</b>	Coronation Management Company (RF) (Pty) Ltd
<b>Inception Date</b>	01 October 2002
<b>Hedge Fund CIS launch date</b>	01 October 2017
<b>Year End</b>	30 September
<b>Fund Category</b>	South African Fixed Income 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>	1.78% (including a performance fee of 0.43%)
<b>Transaction Costs (TC)<sup>†</sup></b>	0.02%
<b>Fund Size (R'Millions)<sup>‡</sup></b>	R327.14
<b>Fund Status</b>	Open
<b>NAV (per unit)</b>	316.69 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 July 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 31 August 2022.

## GROWTH OF R100m INVESTMENT



## HISTOGRAM OF MONTHLY NET RETURNS



## PORTFOLIO LIQUIDITY

	Days to Trade
Long	12.4
Short	7.4

## 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	59
Number of short positions	8

## MONTHLY COMMENTARY

The Fund returned 0.8% in August, taking the one-year return to 6.3%. This places the fund 1.3% ahead of cash over 12 months.

In South Africa (SA), headline inflation accelerated to 7.8% y/y in July from 7.4% y/y in June, while core inflation increased to 4.6% y/y in July 4.4% y/y in June. The main inflation drivers remain rising transport costs and the prices of food and non-alcoholic beverages. Looking ahead, moderating pump prices for fuel should see headline inflation pressures ease, although we expect core inflation to rise slowly from here, underpinned by gains in both goods and services inflation.

Central banks globally have started down a path of rapid monetary policy normalisation in the wake of much higher and persistent inflation. In many cases, policy rates are expected to move into restrictive territory, which carries the risk of sending the global economy into recession. There has been a profound impact on global risk sentiment and expectations are for emerging market central banks to adopt a similar stance. In SA, the market has priced a much more aggressive monetary policy normalisation cycle, despite a more gradual rise in local inflation. Bond yields have widened in line with the deterioration in global risk sentiment and a repricing of global bond yields, but still encapsulate a significant risk premium.

Wide ranges and extremely sharp moves continue to characterise SA fixed income markets, often reflecting the substantial swings seen within G3 interest rates. Intraday moves continue to be exceptionally tricky to navigate, especially when managing monthly drawdown thresholds and adopting strict stop-loss protocols. That said, August was a strong month for the fund. As mentioned a little while back, exposures implemented immediately prior to the particularly turbulent moves experienced in the last quarter have borne fruit and provided a welcome contribution to overall performance. This was despite risk-taking within the active overlay being tactically conservative over the month, in the face of elevated flux. A continuation of this approach – accessing attractive yielding domestic assets, often relatively shorter-dated, whilst keeping the active overlay on a firm leash – remains appealing in the current environment and will be pursued as necessary.

## REGULATORY DISCLOSURE AND DISCLAIMER

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