

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)	253.4%	198.2%	55.2%
Since Inception p.a.	7.7%	6.6%	1.1%
Latest 15 years p.a.	7.6%	6.4%	1.2%
Latest 10 years p.a.	7.0%	5.8%	1.2%
Latest 5 years p.a.	6.7%	5.4%	1.3%
Latest 3 years p.a.	5.6%	4.4%	1.2%
Latest 1 year	5.9%	4.8%	1.1%
Year to date	5.9%	4.8%	1.1%
Month	0.6%	0.5%	0.1%

ASSET ALLOCATION

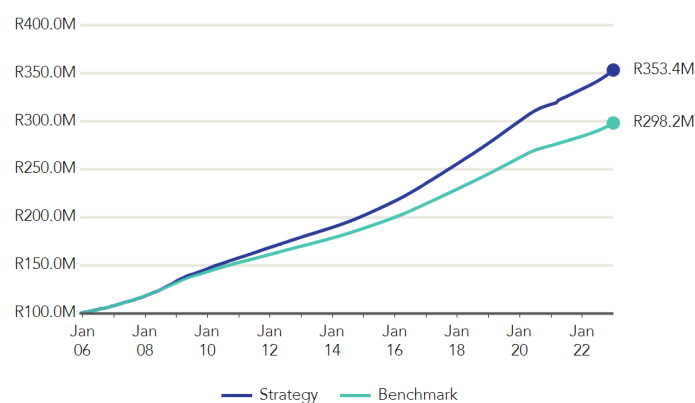
Asset Type	% Strategy
Floating Rate NCDs	67.2%
Floating Rate Corporate Bonds	15.0%
Cash	7.6%
Fixed Rate NCDs	7.3%
Floating Rate Other	1.1%
Government ILBs	1.0%
Fixed Rate Corporate Bonds	0.5%
Corporate ILBs	0.3%

GENERAL INFORMATION

Inception Date	01 December 2005
Strategy Size *	R183.2 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	3.0%
0 to 2 months	14.9%
2 to 4 months	3.0%
4 to 6 months	5.7%
6 to 9 months	12.3%
9 to 12 months	4.3%
1 to 3 years	56.9%

STRATEGY STATISTICS

Modified Duration	0.1
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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 19 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 11 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 fourth quarter of 2022 (Q4-22), and over the 12-month period, remaining ahead of the 3-month Short-Term Fixed Interest (SteFI) benchmark return.

The South African Reserve Bank (SARB) increased the repo rate by 75 basis points (bps) at the November monetary policy committee (MPC) meeting, moving the repo rate to 7%. The SARB has cumulatively increased rates by 350bps since the commencement of the rate hiking cycle. The tone at the last meeting was less hawkish, signalling that the MPC will become more sensitive to underlying growth and inflation developments. We expect overall inflation to have averaged 6.9% for 2022. We expect inflation to average at 5.2% in 2023 on the back of an early and substantial fuel price cut in January 2023, which should see a faster-than-expected slowing in headline inflation. Despite this, we expect the SARB to raise the repo rate by 50bps in January, to a peak rate of 7.5%.

During the last quarter, the 3-month Johannesburg Interbank Average Rate (Jibar) increased by 0.79% to 7.26% factoring in the increases in the repo rate. The market is less hawkish on the outlook for rates, with the forward rate curve flattening out in the 6-12 months tenors. This suggests expectations of the repo rate peaking in the first half of 2023. The 6- and 9-months Treasury Bills (T-Bill) remain attractive relative to NCDs and warrant a position in the Strategy. We will be looking to increase our T-Bill and 1-year NCD positions when the opportunity arises.

We saw several corporates and banks issue senior unsecured bonds in the primary credit markets, albeit for refinancing purposes. Corporate issuers continued to receive support with oversubscribed auction bids and auctions clearing at mid-level or below the lower end of price guidance. The banks returned to the debt capital market with capital instruments that are more suited to funds with medium- to high-risk budgets. We have been successful in getting credit in the secondary market for the Strategy. We continue to remain cautious and invest only in instruments that are attractively priced relative to their underlying risk profiles. Capital preservation and liquidity remain the key focus for this Strategy.