

LONG TERM OBJECTIVE

The Coronation Strategic Cash Strategy has a low-risk approach aimed at delivering enhanced cash returns that are superior to those of overnight cash rates while maintaining full capital preservation. 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) | 345.2% | 265.6% | 79.6% |
| Since Inception p.a. | 8.0% | 6.9% | 1.1% |
| Latest 15 years p.a. | 7.8% | 6.5% | 1.3% |
| Latest 10 years p.a. | 7.2% | 5.8% | 1.4% |
| Latest 5 years p.a. | 6.9% | 5.5% | 1.4% |
| Latest 3 years p.a. | 5.8% | 4.6% | 1.2% |
| Latest 1 year | 4.8% | 3.8% | 1.0% |
| Year to date | 2.4% | 2.0% | 0.4% |
| Month | 0.4% | 0.4% | 0.0% |

ASSET ALLOCATION

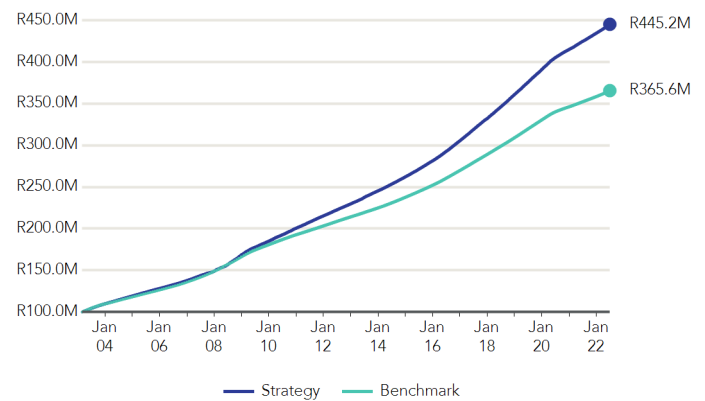
| Asset Type | % Strategy |
|-------------------------------|------------|
| Floating Rate NCDs | 67.2% |
| Cash | 13.1% |
| Floating Rate Corporate Bonds | 11.7% |
| Fixed Rate NCDs | 7.5% |
| Floating Rate Other | 0.5% |

GENERAL INFORMATION

| | |
|-------------------|--|
| Inception Date | 01 March 2003 |
| Strategy Size * | R3.67 billion |
| Strategy Status | Open |
| Mandate Benchmark | Short Term Fixed Interest 3-month Index (STeFI 3m) |
| Dealing Frequency | Daily |
| Base Currency | ZAR |

*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 | 5.9% |
| 0 to 2 months | 21.4% |
| 2 to 4 months | 4.3% |
| 4 to 6 months | 1.0% |
| 6 to 9 months | 15.5% |
| 9 to 12 months | 4.3% |
| 1 to 3 years | 47.6% |

STRATEGY STATISTICS

| | |
|-------------------|-----|
| Modified Duration | 0.1 |
|-------------------|-----|

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 second quarter of 2022 (2Q-22) and remains ahead of the benchmark over a 12-month period.

The South African Reserve Bank (SARB) increased the repo rate by 50 basis points (bps) to 4.75% at the monetary policy meeting in May. The Monetary Policy Committee noted rising inflation expectations and evidence of pipeline price pressures as key reasons for the hike. The SARB also modestly revised its inflation outlook to factor in higher fuel prices and food price pressures, together with a modest increase in core goods inflation. Headline inflation is now expected to average 5.9% in 2022, and to settle at 5.0% in 2023 and 4.7% in 2024.

During Q2-22, the 3-month Johannesburg Interbank Average Rate (Jibar) increased by 0.64% to 5.0%. The market remains hawkish on the outlook for policy rates, with the forward interest rate curve pricing in 150bps of hikes over the remainder of the year. This has contributed to the yield on fixed-rate negotiable certificates of deposit (NCD) increasing, on average, by 100bps, and as such, these instruments continue to trade at a discount relative to treasury bills of the same tenor. However, we have preferred to invest in prime-linked notes in an effort to capture the rise in interest rates more efficiently while keeping duration low.

Over Q2-22, we saw several corporates and banks issue senior unsecured bonds in the primary credit markets. These issuances were well supported, with most clearing within price guidance. We successfully bid for three- and five-year Absa Bank senior unsecured green bond issuance and Standard Bank's senior unsecured bonds. Pricing at these auctions was attractive, and we have seen senior bank paper pricing slightly widening since the beginning of the year and offering 20-30bps pick up relative to floating-rate NCDs. 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 the key focus for this Strategy.