CORONATION

GRANITE HEDGE FUND

QUALIFIED INVESTOR HEDGE FUND FACT SHEET AS AT 31 MARCH 2022

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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 unitised 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)	482.6%	478.5%	255.0%
Since inception p.a.	9.5%	9.4%	6.7%
Latest 10 year p.a.	7.7%	8.1%	5.4%
Latest 5 year p.a.	7.6%	8.9%	5.3%
Latest 1 year	6.8%	12.4%	3.5%
Year to date	1.6%	1.9%	0.9%
Month	0.6%	0.5%	0.3%

PERFORMANCE & RISK STATISTICS (Since inception)

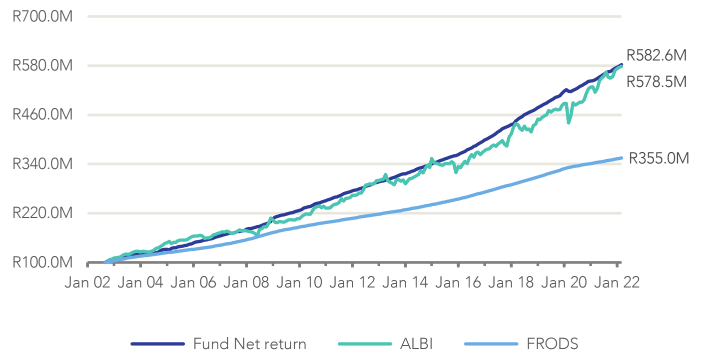
	Fund	ALBI	FRODS
Average Annual Return	9.3%	9.2%	6.7%
Highest Annual Return	17.3%	23.6%	12.3%
Lowest Annual Return	4.1%	(5.6)%	3.3%
Annualised Standard Deviation	1.7%	7.2%	0.6%
Downside Deviation	1.2%	5.2%	
Maximum Drawdown	(1.2)%	(9.8)%	
Sharpe Ratio	1.60	0.38	
Sortino Ratio	2.36	0.52	
% Positive Months	98.7%	70.5%	100.0%
Correlation (ALBI)	0.10		
99% Value at Risk (P&L %)	(0.3)%		

GENERAL INFORMATION

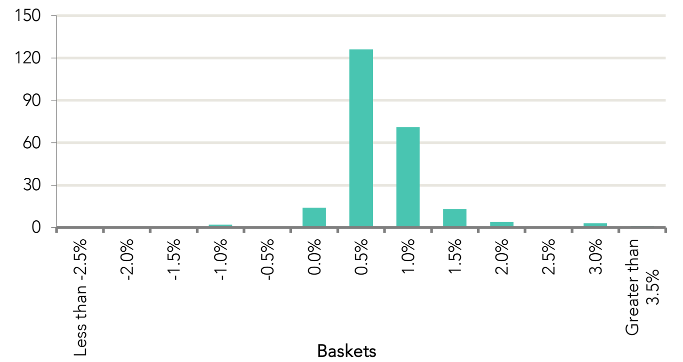
Investment Structure	Limited liability en commandite partnership
Disclosed Partner	Coronation Management Company (RF) (Pty) Ltd
Inception Date	01 October 2002
Hedge Fund CIS launch date	01 October 2017
Year End	30 September
Fund Category	South African Fixed Income Hedge Fund
Target Return	Cash + 3%
Performance Fee Hurdle Rate	Cash + high-water mark
Annual Management Fee	1% (excl. VAT)
Annual Outperformance Fee	15% (excl. VAT) of returns above cash, capped at 3%
Total Expense Ratio (TER)†	2.04% (including a performance fee of 0.65%)
Transaction Costs (TC)†	0.03%
Fund Size (R'Millions)‡	R319.73
Fund Status	Open
NAV (per unit)	308.58 cents
Base Currency	ZAR
Dealing Frequency	Monthly
Income Distribution	Annual (with all distributions reinvested)
Minimum Investment	R1 million
Notice Period	1 month
Investment Manager	Coronation Alternative Investment Managers (Pty) Ltd (FSP 49893)
Auditor	KPMG Inc.
Prime Brokers	Absa Bank Ltd and FirstRand Bank Ltd
Custodian	Nedbank Ltd
Administrator	Sanne Fund Services SA (Pty) Ltd
Portfolio Managers	Nishan Maharaj, Adrian van Pallander, and Seamus Vasey

†TER and TC data is provided for the 1 year ending 28 February 2022. TER excludes manufactured dividend expenses and scrip borrowing costs, in line with the revised ASISA TER Hedge Fund Disclosure Standard. ‡Fund assets under management as at 31 March 2022.

GROWTH OF R100m INVESTMENT



HISTOGRAM OF MONTHLY NET RETURNS



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PORTFOLIO LIQUIDITY

	Days to Trade
Long	12.5
Short	1.1

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	62
Number of short positions	12

MONTHLY COMMENTARY

The Fund returned 0.6% in March, taking the one-year return to 6.8%. This places the fund 3.2% ahead of cash over 12 months.

The economy grew by 1.2% quarter on quarter (q/q) in the fourth quarter of 2021 (Q4-21) from a revised contraction of 1.7% q/q in the third quarter of 2021. Overall, the economy grew by 4.9% in 2021 from a contraction of 6.4% in 2020. Household expenditure contributed the most to Q4-21 GDP growth due to improvement in household income growth and easing of lockdown restrictions towards the end of 2021. Other growth contributions came from an increase in gross fixed capital formation, while government expenditure remained muted and net exports were negative. Looking ahead, the heightened global uncertainty will affect domestic growth. However, the impact may be nuanced – the rising price of commodity prices, especially food and fuel will undermine real incomes and put pressure on consumer spending. We also expect the South African Reserve Bank (SARB) to continue steadily raising interest rates in response to higher inflation and for electricity availability to remain a constraint to growth and confidence.

The SARB increased the repo rate by 25bps to 4.25% at the March Monetary Policy Committee meeting. The vote was mixed, with three committee members voting for a 25bps hike and two members voting for a 50bps hike. The move to increase rates reflects concerns about the upside risk to the local inflation outlook, rising global inflation exacerbated by the war in Ukraine, and the increase in less accommodative monetary policy settings globally. The SARB also revised its inflation forecast upward to reflect the short-term upward price pressure associated with rising fuel prices, increasing food inflation and global price pressures. Average inflation is now expected to rise to 5.1% in 2022 from a previous forecast of 4.8%. Headline inflation for February was unchanged from 5.7% y/y reported in January. Core inflation also remained unchanged at 3.5% y/y. The moderation in inflation over the month came from softer price increases for transport, food and household utilities.

Geopolitical tensions have increased the risk of higher global inflation and a faster normalisation in global monetary policy. 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 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. As such, SA fixed income markets continue to offer substantial risk premia and provide plentiful opportunities for productive and fruitful tactical exposures.

The Fund had a good month in March. The active overlay had been particularly busy in terms of volumes of tactical trades that were implemented. These were predominantly scaled to a reduced risk size, reflecting the elevated potential for meaningful interest rate moves in the current environment. This was an appropriate stance given the very sharp weakness seen at the start of the month, as well as the subsequent volatility in the wake of this.

REGULATORY DISCLOSURE AND DISCLAIMER