

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)	237.5%	187.1%	50.4%
Since Inception p.a.	7.7%	6.7%	1.0%
Latest 15 years p.a.	7.7%	6.6%	1.1%
Latest 10 years p.a.	7.0%	5.8%	1.2%
Latest 5 years p.a.	7.0%	5.7%	1.3%
Latest 3 years p.a.	6.1%	4.8%	1.3%
Latest 1 year	4.8%	3.6%	1.2%
Year to date	1.2%	0.9%	0.3%
Month	0.4%	0.3%	0.1%

ASSET ALLOCATION

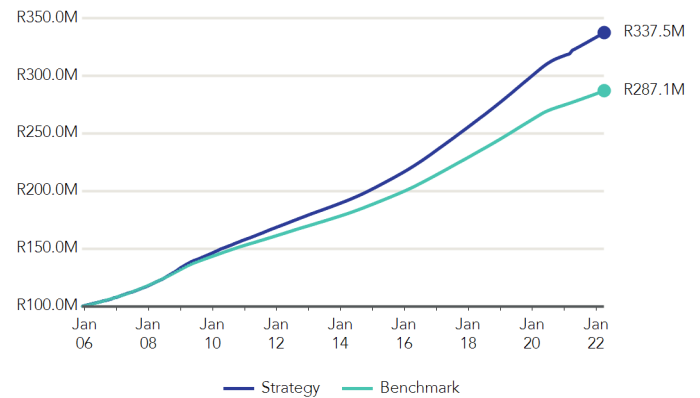
Asset Type	% Strategy
Floating Rate NCDs	61.1%
Cash	22.6%
Fixed Rate NCDs	8.2%
Floating Rate Corporate Bonds	7.9%
Corporate ILBs	0.2%

GENERAL INFORMATION

Inception Date	01 December 2005
Strategy Size *	R209.5 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	4.4%
0 to 2 months	8.0%
2 to 4 months	13.7%
4 to 6 months	12.7%
6 to 9 months	4.8%
9 to 12 months	15.2%
1 to 3 years	41.1%

STRATEGY STATISTICS

Modified Duration	0.2
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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 first quarter of 2022 (1Q-21) 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 4.25% over the quarter. In line with our expectations, the SARB continued on its path of monetary policy normalisation while noting the upside risk for local inflation together with a more positive outlook on growth. At the March MPC meeting, the SARB took the opportunity to revise their forecasts for both growth and inflation higher, with inflation now expected to be 5.8% in 2022 (from a previous forecast of 4.9%), and real growth expected to be 2.0% over the same period (from a previous forecast of 1.7%). While our growth forecast remains in line with the SARB's revised expectations, we forecast inflation to peak slightly higher at around 6.0% over the next year. What does bear watching, however, is the impact that higher food and fuel prices may have on disposable incomes and hence consumption expenditure.

Given that inflationary pressures are likely to persist together with more restrictive global monetary policy settings, our current expectation is for the SARB to begin front-loading the hiking cycle and rather move in 50bps increments (two members of the MPC voted for a 50bps hike at the March meeting). The shift to a more hawkish voting pattern, coupled with upside risks to both outcomes and the SARB forecasts suggests the risk of a shift to 50bps increments has increased. We expect the repo rate to end 2022 at 5.75% and rise a further 75bps in 2023, taking the repo rate to 6.5% by the middle of the year.

Over the last quarter, the 3-month Johannesburg Interbank Average Rate (Jibar) increased by 0.48% to 4.37%, in line with the repo rate hikes. The market remains hawkish on the outlook for policy rates, with the forward interest rate curve pricing in 200bps of hikes over the remainder of the year. This has contributed to the yield on fixed-rate negotiable certificates of deposit increasing on average by 80bps, and as such, we are finding that these instruments remain attractive relative to Treasury bills of the same tenor. The Strategy has also been investing in prime-linked notes in an effort to more efficiently capture the rise in interest rates while keeping duration low.

Over Q1-22, we saw local banks issue subordinated and senior unsecured bonds in the primary credit markets, with auctions receiving strong support and clearing well within price guidance. We did, however, manage to successfully bid in a three-year Investec Bank Limited green bond and five-year Fortress sustainability-linked note. We have seen an increase in offerings of sustainability-linked and green bonds and will continue to support these markets subject to meeting our stringent pricing expectations. More generally, 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.