CORONATION
GRANITE HEDGE FUND
QUALIFIED INVESTOR HEDGE FUND FACT SHEET AS AT 31 OCTOBER 2022

CORONATION
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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)	501.0%	466.3%	265.2%
Since inception p.a.	9.3%	9.0%	6.7%
Latest 10 year p.a.	7.5%	6.9%	5.4%
Latest 5 year p.a.	7.0%	7.9%	5.1%
Latest 1 year	6.2%	3.1%	4.4%
Year to date	4.8%	(0.3)%	3.8%
Month	0.6%	1.1%	0.5%

PERFORMANCE & RISK STATISTICS (Since inception)

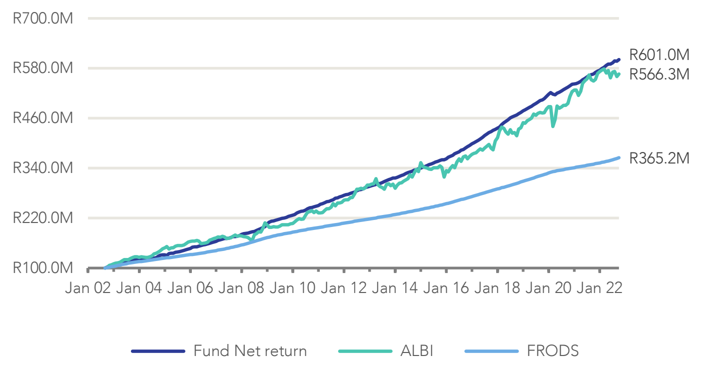
	Fund	ALBI	FRODS
Average Annual Return	9.2%	9.0%	6.6%
Highest Annual Return	17.3%	23.6%	12.3%
Lowest Annual Return	4.1%	(5.6)%	3.3%
Annualised Standard Deviation	1.7%	7.2%	0.6%
Downside Deviation	1.1%	5.2%	
Maximum Drawdown	(1.2)%	(9.8)%	
Sharpe Ratio	1.56	0.33	
Sortino Ratio	2.34	0.45	
% Positive Months	98.3%	70.1%	100.0%
Correlation (ALBI)	0.11		
99% Value at Risk (P&L %)	(0.3)%		

GENERAL INFORMATION

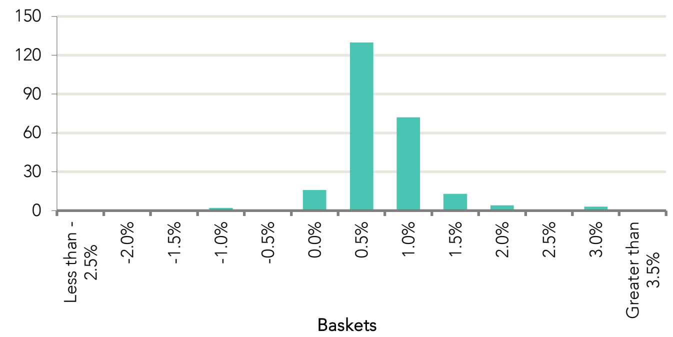
Investment Structure	Limited liability en commandite partnership
Disclosed Partner	Coronation Management Company (RF) (Pty) Ltd
Inception Date	01 October 2002
Hedge Fund CIS launch date	01 October 2017
Year End	30 September
Fund Category	South African Fixed Income Hedge Fund
Target Return	Cash + 3%
Performance 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)†	1.69% (including a performance fee of 0.33%)
Transaction Costs (TC)†	0.01%
Fund Size (R'Millions) ‡	R328.84
Fund Status	Open
NAV (per unit)	299.63 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 30 September 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 October 2022.

GROWTH OF R100m INVESTMENT



HISTOGRAM OF MONTHLY NET RETURNS



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PORTFOLIO LIQUIDITY

	Days to Trade
Long	50.5
Short	2.6

INCOME DISTRIBUTIONS (cents per unit)

Declaration Date	Amount	Dividend	Interest
30-Sep-22	18.58	0.09	18.49

STRATEGY STATISTICS

Number of long positions	59
Number of short positions	2

MONTHLY COMMENTARY

The Fund returned 0.6% in October, taking the one-year return to 6.2%. This places it 1.8% ahead of cash over 12 months.

The Minister of Finance presented the Medium-Term Budget Policy Statement in October. The speech focused on the challenges faced by the global and domestic economy, and the efforts being made to address weak domestic growth and social vulnerability. Spending has been allocated in line with these priorities, with significant allocations to crumbling State-owned enterprises to address balance sheet weakness and network industry failures, additional funding for infrastructure, and an extension of social support. These allocations have been financed through ongoing outperformance of revenues relative to budget expectations. National Treasury expects the main budget deficit to moderate from 5.1% of GDP in 2021/2022 to 3.3% of GDP by 2025/2026. As a percentage of GDP, debt forecasts were revised significantly lower, with debt-to-GDP seen peaking at 70.4% in 2022/2023 and moderating through the baseline.

Headline inflation moderated to 7.5% year on year (y/y) in September from 7.6% y/y in August. Upward pressure remains relatively broad based, with a strong contribution from transport costs, accelerating food inflation, and emerging pressure in core goods and services prices. The South African Reserve Bank is expected to continue normalising monetary policy with another 75 basis point rate hike at the November meeting, which will bring the year-end repo rate to 7.0%

Global monetary policy normalisation has gathered pace to combat the highest inflation seen in decades. Central banks are willing to sacrifice growth by taking policy rates into restrictive territory to ensure inflation does not become entrenched. This has pushed global bond yields to levels that have not been seen since before the 2008/2009 Global Financial Crisis. Risk sentiment has soured as volatility has soared and asset prices have tumbled. SA fixed income markets have fallen victim to this global fallout but still embed a significant buffer - both from an inflation and a risk premium perspective. The uncertainty around global inflationary outcomes will ensure that volatility remains elevated – as recent developments firmly attest to – but, over the longer term, valuations should provide a reasonable buffer, since most term South African fixed-income assets trade at significant discounts to fair value.

October was a good bounce-back month for Granite after the weakness seen in September. The active overlay held a variety of exposures, ensuring that additional performance came from a variety of different sources. This was a fruitful approach, as continued volatility alongside overall modest directional moves across the month on aggregate, provided little room for strategies based on secular themes to materialise. In particular, the Fund successfully employed multiple break-even and other inflation-related trades to take advantage of mispricing within this particular market. With Jibar continuing to drift upwards amid expectations for further rate hikes, aggregate carry being generated by the Fund continues to increase. Not only does this add to expected returns in and of itself, but also provides additional risk budget on a monthly basis for the active overlay. Thus, while tighter monetary policy tends to prove challenging for fixed-income markets – something experienced globally in recent months – the flipside to this part of the cycle for Granite in particular, is that this sets up an attractive base to garner higher returns in absolute & relative terms over the coming quarters.

REGULATORY DISCLOSURE AND DISCLAIMER