

## 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 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 unlisted 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\*

	Fund	ALBI	FRODS
Since inception (cumulative)	601.4%	550.4%	302.7%
Since inception p.a.	9.5%	9.1%	6.7%
Latest 10 year p.a.	8.2%	8.1%	5.8%
Latest 5 year p.a.	7.9%	7.8%	5.4%
Latest 1 year	13.4%	7.6%	7.9%
Year to date	2.7%	0.1%	1.3%
Month	1.0%	(0.6)%	0.6%

\*Fund Returns since inception to 30 September 2023 are for the A class (the most expensive fee class prior to the A class being closed on 30 September 2023) and was calculated net of fees and net of fund expenses. Fund Returns from 1 October 2023 to date are for the Z class. Fund Returns for the Z class are calculated net of fund expenses and gross of investment management and performance fees. Investment management and performance fees are individually agreed with each Qualified Investor prior to investment and are levied outside of the fund. Each Qualified Investor receives a monthly report indicating performance net of their individual fees and expenses.

## PERFORMANCE &amp; RISK STATISTICS (Since inception)\*

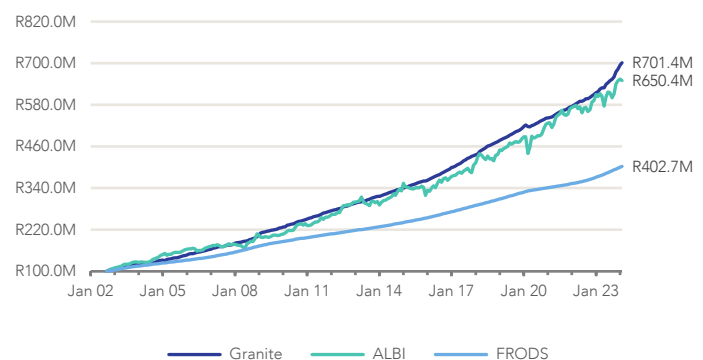
	Fund	ALBI	FRODS
Average Annual Return	9.2%	8.8%	6.6%
Highest Annual Return	17.3%	23.6%	12.3%
Lowest Annual Return	4.1%	(5.6)%	3.3%
Annualised Standard Deviation	1.7%	7.3%	0.6%
Downside Deviation	1.1%	5.2%	
Maximum Drawdown	(1.2)%	(9.8)%	
Sharpe Ratio	1.62	0.33	
Sortino Ratio	2.44	0.46	
% Positive Months	98.1%	69.6%	100.0%
Correlation (ALBI)	0.16		
99% Value at Risk (P&L %)	(0.3)%		

## GENERAL INFORMATION

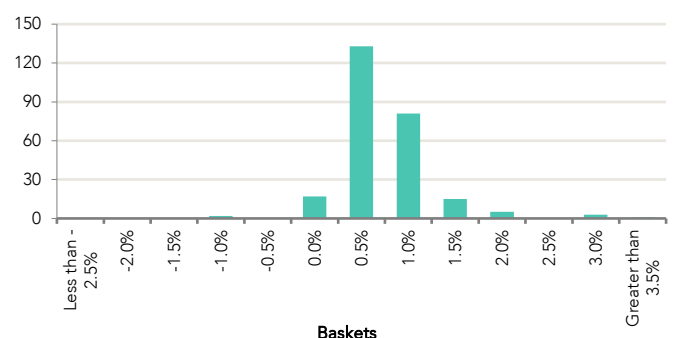
<b>Investment Structure</b>	Limited liability en commandite partnership
<b>Disclosed Partner</b>	Coronation Management Company (RF) (Pty) Ltd
<b>Inception Date</b>	01 October 2002
<b>Hedge Fund CIS launch date</b>	01 October 2017
<b>Year End</b>	30 September
<b>Fund Category</b>	South African Fixed Income Hedge Fund
<b>Target Return</b>	Cash + 3%
<b>Annual Management &amp; Performance Fees</b>	Annual Management and Performance Fees are agreed and levied outside of the Fund.
<b>Total Expense Ratio (TER)<sup>†</sup></b>	0.20% (excluding management and performance fees)
<b>Transaction Costs (TC)<sup>†</sup></b>	0.02%
<b>Fund Size (R'Millions) <sup>‡</sup></b>	R220.95
<b>Fund Status</b>	Open
<b>NAV (per unit)</b>	104.11 cents
<b>Base Currency</b>	ZAR
<b>Dealing Frequency</b>	Monthly
<b>Income Distribution</b>	Annual (with all distributions reinvested)
<b>Minimum Investment</b>	R1 million
<b>Notice Period</b>	1 month
<b>Investment Manager</b>	Coronation Alternative Investment Managers (Pty) Ltd (FSP 49893)
<b>Auditor</b>	KPMG Inc.
<b>Prime Brokers</b>	Absa Bank Ltd and FirstRand Bank Ltd
<b>Custodian</b>	Nedbank Ltd
<b>Administrator</b>	JP Morgan Chase Bank, N.A., London Branch
<b>Portfolio Managers</b>	Nishan Maharaj, Adrian van Pallander, and Seamus Vasey

<sup>†</sup>TER and TC data is provided for the 1 year ending 31 January 2024. TER excludes manufactured dividend expenses and scrip borrowing costs, in line with the revised ASISA TER Hedge Fund Disclosure Standard. <sup>‡</sup>Fund assets under management as at 29 February 2024.

## GROWTH OF R100m INVESTMENT\*



## HISTOGRAM OF MONTHLY NET RETURNS



PORTFOLIO LIQUIDITY

	Days to Trade
Long	8.4
Short	3.3

INCOME DISTRIBUTIONS (cents per unit)

Declaration Date	Amount	Dividend	Interest
30-Sep-23	11.42	0.00	11.42

STRATEGY STATISTICS

Number of long positions	42
Number of short positions	19

MONTHLY COMMENTARY

The Fund\* returned 1.0% in February, taking the one-year return to 13.4%. This places the Fund 5.5% ahead of cash over 12 months.

The Minister of Finance, Enoch Godongwana, delivered the National Budget Speech for 2024 at the end of February. One particular highlight for the FI markets was the utilization of the Gold and Foreign Exchange Contingency Reserve Account (GFECRA) balance to help reduce SA’s near-term borrowing requirements, largely through a R100 billion withdrawal in 2024/2025, followed by R25 billion per annum over the next two years. On the expenditure side, the Budget reallocated funds to accommodate the 2023/2024 wage agreement and higher allocation to ‘goods and services’ than envisaged. Increases in social grants are expected to be below inflation and no allocations were made to State-owned entities and National Health Insurance. On the revenue side, a rebound in tax collections is supported by personal income tax brackets which have not been adjusted to accommodate inflation, higher wage assumptions, and some windfall from the introduction of the two-pot retirement system.

SA’s headline inflation increased to 5.3% y/y in January from 5.1% y/y in December, while core inflation was marginally higher at 4.6% y/y from 4.5% y/y. The main contributor to the increase in inflation came from the rising price of fuel, while the prices of food and non-alcoholic beverages eased, and apparel and household utilities prices remained unchanged.

The aggressive rate-hiking campaigns across most developed and emerging nations have helped inflation moderate. This should allow central banks to begin easing monetary policy in the second half of 2024. This monetary policy pivot should help support emerging markets as capital flows towards the higher yields on offer. SA, specifically, is in dire need of funding for its burgeoning deficits as growth falters and inflation remains towards the upper end of targets. This reprieve will prove temporary unless reform implementation is accelerated through increased private sector participation. For now, SA’s longer-maturity fixed income assets still provide an attractive alternative to cash given their high embedded risk premium, despite the reduction in this buffer recently.

Directionally, interest rate markets in SA were under pressure over February, with little respite. The strong undercurrent of this move lay with a continued recalibration of US monetary policy expectations, with Fed rate cuts pushed further outwards and the overall cycle priced to be shallower. Unsupportive domestic data-flow and some elevated caution in the build-up to the Budget 2024 delivery helped to keep SA rates on a weaker path. In addition, favourable inflation accrual dynamics switched around and became sizeable headwinds in February. All these factors added up to a relatively challenging operating backdrop for the Fund, although the silver lining was that the shake-out created new opportunities for favourable strategic entry points of various exposures.

\*The Fund return is net of expenses and gross of fees.

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