

## INVESTMENT OBJECTIVE

The Coronation Granite Plus 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 Plus 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 4%. 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 Plus Hedge Fund may invest in international investments. The fund may use leverage but such leverage shall be limited to 10 (ten) 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 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 where appropriate. Investment in derivatives is permitted for efficient investment management of the fund.

## FUND RETURNS

	Fund*	ALBI	Cash**
Since inception (cumulative)	98.7%	96.0%	48.0%
Since inception p.a.	10.6%	10.3%	5.9%
Latest 5 year p.a.	11.3%	11.4%	5.9%
Latest 3 year p.a.	12.9%	13.5%	7.5%
Latest 1 year p.a.	11.7%	17.0%	7.5%
Year to date	5.8%	9.5%	4.2%
Month	0.6%	2.7%	0.6%

\*Fund Returns 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 investment management fees, performance fees and expenses.

\*\*South Africa Rand Overnight Deposit Rate.

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

	Fund*	ALBI	Cash**
Average Annual Return	10.7%	9.7%	5.8%
Highest Annual Return	19.4%	26.1%	8.1%
Lowest Annual Return	4.9%	(3.0)%	3.3%
Annualised Standard Deviation	3.6%	8.1%	0.5%
Downside Deviation	4.6%	7.0%	
Maximum Drawdown	(5.7)%	(9.8)%	
Sharpe Ratio	1.28	0.55	
Sortino Ratio	1.01	0.63	
% Positive Months	90.2%	72.0%	100.0%
Correlation (ALBI)	0.37		
99% Value at Risk (P&L %)	(0.7)%		

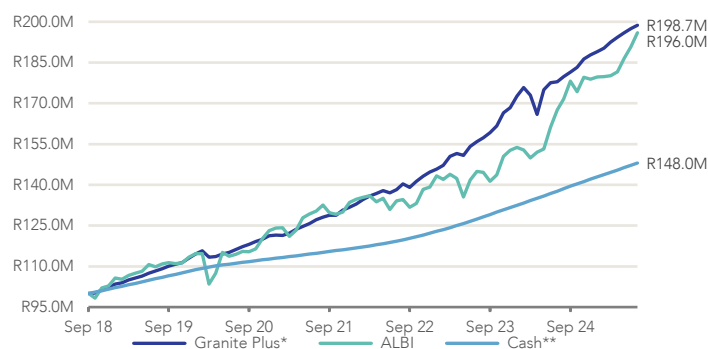
## GENERAL INFORMATION

<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 2018
<b>Hedge Fund CIS launch date</b>	01 October 2018
<b>Year End</b>	30 September
<b>Fund Category</b>	South African Fixed Income Hedge Fund
<b>Benchmark ±</b>	Cash
<b>Target Return</b>	Cash + 4%
<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)†</b>	0.10% (excluding management and performance fees).
<b>Transaction Costs (TC)†</b>	0.02%
<b>Fund Size (R'Millions) ‡</b>	R172.37
<b>Fund Status</b>	Open
<b>NAV (per unit)</b>	121.83 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>	5 business days
<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>	Standard Chartered Bank
<b>Administrator</b>	JP Morgan Chase Bank, N.A., London Branch
<b>Transfer Agency</b>	Intembeko Investment Administrators
<b>Portfolio Managers</b>	Nishan Maharaj, Adrian van Pallander, and Seamus Vasey

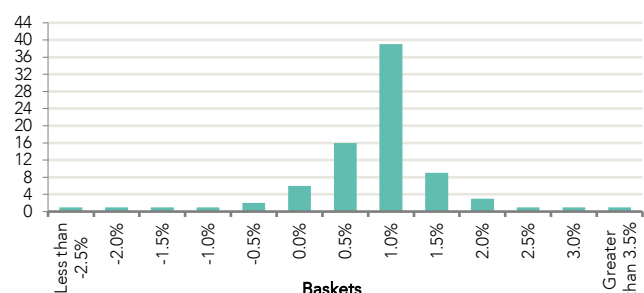
±The benchmark of the hedge fund has been included to align with industry standards.

†TER and TC data is provided for the 1 year ending 30 June 2025. 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 July 2025.

## GROWTH OF R100m INVESTMENT



## HISTOGRAM OF MONTHLY NET RETURNS



## PORTFOLIO LIQUIDITY

	Days to Trade
Long	11.3
Short	4.8

## INCOME DISTRIBUTIONS (cents per unit)

Declaration Date	Amount	Dividend	Interest
30-Sep-24	10.15	0.00	10.15

## STRATEGY STATISTICS

Number of long positions	55
Number of short positions	4

## MONTHLY COMMENTARY

The Fund returned 0.6%\* in July taking the one-year return to 11.7%. This places the Fund 4.2% ahead of cash over 12 months.

The South African Reserve Bank (SARB) voted unanimously to cut the repo rate by 25bps to 7.0% at the July Monetary Policy Committee (MPC) meeting. Furthermore, Governor Lesetja Kganyago announced that the MPC was shifting to a 3.0% preferred inflation target from the current 4.5%. The official target range is still 3%-6% and will only change once an agreement is reached with National Treasury, and it is announced by the Minister of Finance, potentially at the medium-term budget policy speech in October. The accompanying modelling also revised the inflation baseline significantly lower to reach 3.0% by end-2027 and now centres at a 3.0% steady state. The driver of the lower forecast is a combination of an assumed wider output gap (lower growth), a stronger currency, and a downward adjustment in unit labour costs (wages) as lower inflation expectations are embedded within the South African price-setting dynamic.

SA headline inflation ticked up to 3.0% y/y in June from 2.8% y/y in May, while core inflation slowed to 2.9% y/y from 3.0% y/y. The data reflected a rise in food prices (meat and dairy), which were partly offset by falling fuel prices. The latter is set to change in July as the higher oil price will see retail fuel prices increase after a long decline. Food and fuel prices are likely to push headline inflation higher in coming months, but core pressures remain benign.

The global landscape remains uncertain; however, emerging markets have continued to outperform developed markets. South African government bonds have flourished as local anxiety has eased and expectations for a lower inflation target have bolstered prospects for a lower repo rate. SA government bonds are now trading at or close to fair value and to see a further rerating one would need to see a significant change in fiscal prospects or monetary policy accommodation. Indeed, anchoring inflation at 3.0% may take longer than the SARB suggests, thus delaying any tailwinds for bonds from further policy easing. Achieving substantial fiscal consolidation would require growth in excess of 2%-3% p.a; also not an imminent outcome. Global bond flows have turned more supportive of emerging markets, given their relatively cleaner balance sheets, and could support further compression in bond yields if that trend gains momentum. From an outright perspective, valuation suggests that the best value on the yield curve sits in the 10- to 15-year band and in inflation-linked bonds (ILB's) with a maturity of less than six years.

The Fund hit a bonanza of asset accumulation over the past several weeks – an extremely fortuitous turn of events. This was really the highlight of July, more so than anything that occurred within the active overlay strategies. It will also have far-reaching implications for sustained, ongoing returns for the portfolio over the coming months, as increasing the core holding of desirable, diversified and reasonably priced yielding assets is a reliable way to enhance performance for the Fund.

For what seemed like an extremely long time, the Fund had been winding down its aggregate effective domestic credit exposure through asset sales, maturities and the passage of time. Limited attractive opportunities was the main constraint, as spreads compressed and domestic funding markets remained under-supplied and over-demanded, whether that was in the debt-capital markets, bank funding arena, private markets – and whether domestic or offshore. We would argue that the Fund's patience and steadfast resolve around maintaining appropriate valuation standards has been rewarded with the sizeable accumulation of both new and existing exposures during July.

Against this backdrop, outright interest rates in SA have had a particularly strong run. Whether more is deserved rests on deeper developments surrounding the conduct of monetary policy, structural inflation or the course of fiscal balances over the coming years. That said, real yields (ILB's) continue to flag as attractive over the medium-term, while the yield curve retains a substantial term premium that can be harvested in a multitude of different ways.

The second half of 2025 for the Fund is already starting to look very appealing – after a long period of reserved risk-taking and particularly vigilant position management, the step-accumulation in attractive yield assets for the portfolio is exactly the tonic required for the Fund to lengthen its stride.

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

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