

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 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 NET OF FEES

	Fund	ALBI	FRODS
Since inception (cumulative)	412.2%	382.2%	226.7%
Since inception p.a.	9.9%	9.5%	7.1%
Latest 10 year p.a.	8.5%	8.9%	5.8%
Latest 5 year p.a.	8.6%	7.7%	6.4%
Latest 1 year p.a.	8.0%	10.3%	6.5%
Year to date	8.0%	10.3%	6.5%
Month	1.0%	1.9%	0.5%

PERFORMANCE & RISK STATISTICS (Since inception)

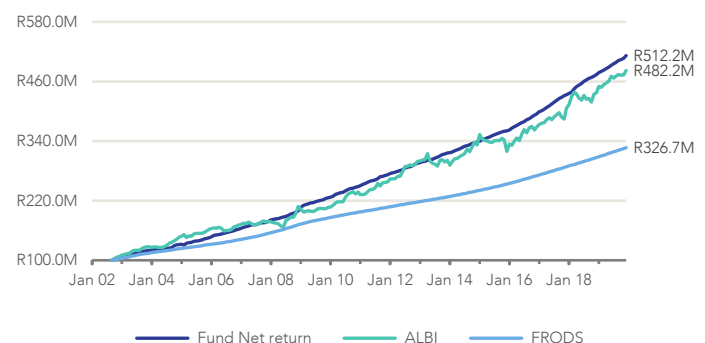
	Fund	ALBI	FRODS
Average Annual Return	9.7%	9.3%	7.0%
Highest Annual Return	17.3%	23.6%	12.3%
Lowest Annual Return	6.4%	(5.6)%	4.8%
Annualised Standard Deviation	1.7%	6.8%	0.6%
Downside Deviation	1.1%	4.3%	
Maximum Drawdown	(1.2)%	(9.8)%	
Sharpe Ratio	1.63	0.36	
Sortino Ratio	2.61	0.57	
% Positive Months	99.5%	70.0%	100.0%
Correlation (ALBI)	0.04		
99% Value at Risk (P&L %)	(0.3)%		

GENERAL INFORMATION

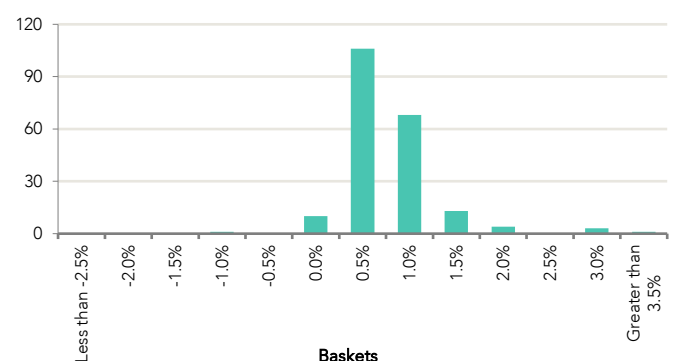
Investment Structure	Limited liability en commandite partnership
Disclosed Partner	Coronation Management Company (RF) (Pty) Ltd
Inception Date	01 October 2002
Hedge Fund CIS launch date	01 October 2017
Year End	30 September
Fund Category	South African Fixed Income Hedge Fund
Target Return	Cash + 3%
Performance 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 0.26%)
Transaction Costs (TC)[†]	0.05%
Fund Size (R'Millions)	R119.75
Fund Status	Open
NAV (per unit)	300.13 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	Ernst & Young 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 November 2019. TER excludes manufactured dividend expenses and scrip borrowing costs, in line with the revised ASISA TER Hedge Fund Disclosure Standard.

GROWTH OF R100m INVESTMENT



HISTOGRAM OF MONTHLY NET RETURNS



PORTFOLIO LIQUIDITY

	Days to Trade
Long	3.6
Short	3.6

INCOME DISTRIBUTIONS (cents per unit)

Declaration Date	Amount	Dividend	Interest
30-Sep-19	41.25	0.00	41.25

STRATEGY STATISTICS

Number of long positions	80
Number of short positions	8

MONTHLY COMMENTARY

The fund returned 1.0% in December, taking the one-year return to 8.0%. This places the fund 1.1% ahead of cash over 12 months.

Local bonds delivered a strong performance in December. The All Bond Index was up 1.9% for the month, with the long end delivering the best return of 2.1%. Bonds with 7- to 12-year maturities were up 1.9%, with mid-dated 3- to 7-year maturities up 1.4%. Inflation-linked bonds did not perform as strongly, up 1.0% for the month. Cash returned 0.6% in December. Overall, December delivered a welcome catch-up after a weak October and a stable November.

Headline inflation moderated to 3.6% year-on-year (y/y) in November from 3.7% in October, with core inflation unchanged at 3.9%. PPI inflation was weaker than expected, at just 2.3% y/y from 3.0%, owing mostly to lower retail fuel prices. Looking ahead, there are few price pressures evident in the economy at this stage, and growth remains very weak, with a nascent Q4-19 recovery undermined by renewed load shedding, further making a case for some monetary support for sentiment and growth.

The deterioration of the country's fiscal position remains a concern for the central bank, but weak growth outcomes and an ongoing under-shoot of headline CPI relative to South African (SA) Reserve Bank forecasts should allow the Monetary Policy Committee to ease in early 2020.

The SA economy has been plagued with low growth, ballooning government deficits and a volatile global geopolitical environment. Low growth and well-contained inflation suggests that the trajectory for SA policy rates will be lower over the next 12 months. In addition, SA bonds have continued to underperform relative to global and emerging market counterparts, suggesting an increased risk premium given SA's precarious economic backdrop.

December was a strong month for the fund. The performance of our underlying credit holdings was relatively static, but this was made up for by the active overlay. Previously accumulated positions during November's curve steepening and retraction of dovish monetary policy expectations worked well. While the fund would normally de-risk significantly over the seasonally illiquid period around year end, the tactical opportunities presented were too attractive to pass by. However, by the beginning of the year these had already been priced out and the short-term outlook for SA fixed income markets became balanced, with limited large risk premia to take advantage of on a tactical basis. The mid-month January MPC will likely provide a new opportunity to accumulate active overlay exposures with reasonable risk/reward profiles.

DISCLAIMER

The content of this document and any information provided may be of a general nature and is not based on any analysis of the investment objectives, financial situation or particular needs of any potential investor. As a result, there may be limitations as to the appropriateness of any information given. It is therefore recommended that any potential investor first obtain the appropriate legal, tax, investment or other professional advice and formulate an appropriate investment strategy that would suit the risk profile of the potential investor prior to acting upon such information and to consider whether any recommendation is appropriate considering the potential investor's own objectives and particular needs. Neither Coronation Fund Managers Limited nor any subsidiary of Coronation Fund Managers Limited (collectively "Coronation") is acting, purporting to act and nor is it authorised to act in any way as an adviser. Any opinions, statements or information contained herein may change and are expressed in good faith. Coronation does not undertake to advise any person if such opinions, statements or information should change or become inaccurate. Coronation Management Company (RF) (Pty) Ltd is an approved manager of Collective Investments Schemes. Collective Investment Schemes are generally medium to long-term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future performance of the fund. Hedge Fund strategies can result in losses greater than the market value of the fund, however investor's losses are limited to capital invested or contractual commitments. Hedge Funds may invest into illiquid instruments which may result in longer periods for investors to redeem units in a portfolio. The ability of a portfolio to repurchase is dependent upon the liquidity of the portfolio and cash of the portfolio. All income, capital gains and other tax liabilities that may arise as a result of participating in this investment structure remain that of the investor. Coronation reserves the right to close the Fund to new investors in order to ensure the Fund is more efficiently managed in line with our clients' mandates. The investor acknowledges the inherent risk associated with an investment in the Fund and agrees that Coronation will not be liable for the consequences of the market influences and consequent changes in unit prices. Collective Investments are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from the Manager. The Manager provides no guarantee either in respect of capital preservation or investment return. The Fund's net asset value and price per participatory interest is available at any time on request as well as published monthly in the Fund Fact Sheet, available on www.coronation.com. Investors and potential investors may contact the Manager for the latest version of the application form, annual report, and any additional information required on the Fund, free of charge. Coronation Fund Managers Limited is a full member of the Association for Savings and Investment SA (ASISA). Coronation Asset Management (Pty) Ltd (FSP 548), Coronation Investment Management International (Pty) Ltd (FSP 45646) and Coronation Alternative Investment Managers (Pty) Ltd (FSP 49893) are authorised financial services providers.

WHO CAN INVEST IN THE CORONATION GRANITE HEDGE FUND (the "Fund")

Qualified investors, as defined in CISA, are eligible to invest in the Fund. A qualified investor is one that meets the following criteria:

- any person who invests a minimum investment amount of R1 million per hedge fund and who;
 - o has demonstrable knowledge and experience in financial and business matters which would enable the investor to assess the merits and risks of a hedge fund investment; or
 - o has appointed a FSP which has demonstrable knowledge and experience to advise the investor regarding the merits and risks of a hedge fund investment.

Please note that in terms of board notice 52 of CISA, a retail investor hedge fund is not permitted to invest in the Fund.

The Fund has a minimum, up front, lump sum investment amount of R1 million.

WHAT IS THE PROCESS THAT MUST BE FOLLOWED IN ORDER TO INVEST?

Investors must:

- complete and sign the Application Form, Deed of Accession and provide FICA, CRS and FATCA documentation, where applicable; and
- pay the investment amount to the relevant Coronation company designated for collection thereof.

WHAT ARE THE CONSEQUENCES OF SIGNING THE DEED OF ACCESSION?

By signing the Deed of Accession, new investors become undisclosed partners in the Fund and agree to the terms and conditions of the partnership, as contained in the Partnership Agreement, for as long as they are investors in the Fund.

The investor's partnership interest is equal to the proportion which their capital contributions (i.e. their investments) over time bears to the aggregate capital contributions at any given time of all investors in the Fund. A copy of the Partnership Agreement will be provided to each new investor so that the investor can familiarize themselves with the Partnership Agreement prior to signing the Deed of Accession.

HOW ARE INVESTORS PROTECTED?

The regulatory framework governing the Fund, being CISA (and specifically Board Notices 52 and 92) provides minimum requirements that must be complied with by the Manager and the Fund in relation to the management of the Fund and the investment activities of the Fund.

The Manager is committed to treating all investors in the Fund equally and fairly in line with the principles established under the Treating Customers Fairly framework.

In addition to the regulatory protections, the Fund's Partnership Agreement offers investors additional protection including but not limited to the following:

- The Manager must give the investors notice of any increase in the charges or fees or any change in the method of calculation thereof;
- The Manager is required to act diligently and with the utmost care in the best interests of the Partnership at all times;
- Limitations are placed on the Manager in terms of the Partnership Agreement in order to manage any conflicts of interest;
- All functions delegated by the Manager to third parties, including the Investment Manager, are regulated by written agreements;
- The Manager has discretion to impose an anti-dilution levy to make provision for market spreads and dealing costs, which levy is paid into the Fund and is designed to protect both the value of the Fund's underlying assets and the current investors' interests in the Fund;
- The Manager is limited from undertaking certain activities without the agreement of the investors. For example, the Manager may not waive any debt owing to or claimed by the Partnership without the consent of all investors;
- In line with CISA, the Manager is required to obtain the approval of both the investors and the Registrar of Collective Investment Schemes if it wishes to change the level of exposure or value-at-risk limits for the Fund.
- All investors will be notified of any material changes to the investment strategy of the Fund; and
- Given that the Fund is structured as a limited liability partnership, the investors in the Fund are never exposed to any risk or liability that is greater than the value of their investment.

While CISA permits the Manager to provide certain investors with preferential treatment, currently there is no preferential arrangement with any investor.

The prime brokerage agreements in place between the Manager and FirstRand Bank Limited as well as Absa Bank Limited (each a "Prime Broker") ensure that:

- the assets of the Fund are separately and independently ring-fenced and/or separately identifiable from any other assets held by the Prime Broker and are not available to settle liabilities of any other hedge fund scheme or third party;
- the Fund's liabilities to the Prime Broker are secured by way of security cessions rather than outright cessions;
- the Prime Broker is obliged to release assets ceded as security if it will continue to hold sufficient collateral to cover any secured liabilities after such release;
- the Prime Broker may not re-use any ceded assets;
- subject to complying with its internal conflicts of interest and/or trading policies, the Prime Broker may purchase or sell any investments for its own account prior to, simultaneously with or subsequent to any dealing on behalf of the Fund.

A detailed quarterly report is sent to investors via email within 15 business days of each quarter end. Investors may request a copy of the latest annual report from Coronation or access it on <http://www.coronation.com/za/personal/company-reports>.

WHAT FEES ARE CHARGED TO INVESTORS?

The Manager's Fee consists of a basic fee and a performance fee as follows:

Basic fee: 1% per annum (excl. VAT) on the terms more fully set out in the Partnership Agreement

Plus performance fee:

15% of out-performance, net of Basic Fee, above the Hurdle, plus VAT thereon. The performance fee is capped at 3% per annum. "Hurdle" means cash as measured by the Rand Overnight Deposit rate Index ("RODI"), a weighted average of the overnight call deposit rates paid by A1-rated local and F1-rated foreign financial institutions where SAFEX places its daily margin deposits received by members ("Hurdle"). The performance fee will be levied annually at the end of each performance period on 30 September ("Crystallisation Date"). It is subject to a 'high-water mark', which means that a performance fee may only be levied if performance of the Fund, as at the end of the performance period, has exceeded the performance of the Hurdle taking into account any previous underperformance.

The performance fee is calculated by applying the series methodology. The first series of participatory interests issued is called the master series of participatory interests. A new series of participatory interests is then issued at each new subscription/contribution date within a performance period. Each new series of participatory interests will therefore have a different gross and net asset value within a performance period. The performance fee will be determined specifically by the outperformance of each series of participatory interests at the Crystallisation Date. A high water mark will be calculated specific to each series of participatory interests and will represent the net asset value of each series of participatory interests on the later of the date on which such series of participatory interests were issued or the date on which the previous performance fee was levied grown by the Hurdle rate. If, at the Crystallisation Date, the high water mark exceeds the net asset value of a series, net of the Basic Fee, no performance fee will be levied. The series will continue until such time as there is a full redemption from the series or the series has, once again, out-performed its specific high water mark at a subsequent Crystallisation Date (after taking into account any prior

underperformance). A performance fee will then be levied. All performance fees will be accrued in the NAV of each series on a monthly basis. This accrual will be limited to the year-to-date cap of 3% per annum. Should any investor redeem from a series that has any performance above the cap, the full performance fee (including any amounts above the cap that have not been accrued in the NAV) will be crystallised and deducted from the redemption proceeds in the form of an Excess Performance Fee. Please note that this is a summary of the fee methodology applicable to the Fund and investors are welcome to request a copy of the full methodology from the Manager.

The Manager may at its discretion impose an anti-dilution levy to make provision for market spreads and dealing costs relating to the acquisition and disposal of assets. Further detail on this levy is set out in the Partnership Agreement. The levy is paid into the Fund for the benefit of all investors and becomes part of the property of the Fund.

WHAT ARE THE FUND'S EXPENSES?

The Manager shall pay all of its own operating and overhead costs as well as all costs and expenses arising from the Partnership business, with the exception of the following which the Partnership (investors) shall pay:

- Investment Manager's management fees (1% basic fee plus a performance fee of 15% of the outperformance above the hurdle, with the performance fee capped at 3% per annum);
- regulatory levies;
- legal fees and costs arising in connection with litigation or regulatory investigations;
- audit costs;
- fees and expenses of the Partnership's attorneys in connection with advice relating to the Partnership's legal affairs;
- fees and expense reimbursements for normal and extraordinary consulting, advisory, legal, custodial, administrative, auditing and accounting services;
- costs and expenses of providing information and reports reasonably requested by any investor;
- any taxes, levies or imposts which may be assessed against the Partnership;
- commissions, brokerage fees, registration expenses and any other expenses incurred in the purchase or sale of investments;
- operating costs in respect of the administration of the Partnership Business;
- any other deductions, fees or charges permissible under CISCA and the Partnership Agreement as introduced by the Manager from time to time and notified to the investors in line with the requirements under CISCA (including but not limited to contribution, withdrawal and early withdrawal fees);
- an anti-dilution levy at the Manager's discretion, which levy will be paid into the Fund and which is aimed at protecting the value of the Fund's underlying assets and the investors' interests in the Fund;
- bank charges; and
- custodian fees.

HOW IS THE FUND PRICED?

The Manager issues participatory interests in the Fund at the net asset value price per participatory interest. The transaction cut-off time for receipt of instructions (both subscriptions and redemptions) is 14h00. The instruction will only be processed once supporting documents are received and the funds reflect in the Coronation bank account, provided that the Manager may impose a minimum notice period in terms of large flows.

The valuation is based on closing prices daily and at month-end.

The price per participatory interest is (the aggregate market value of the assets plus the aggregate of all income accruals and payments from the creation of new participatory interests less all permissible deductions) divided by (the total number of participatory interests).

The assets of the Fund are valued independently by the Fund Administrator. The investor may request the latest values if these are not enclosed with the application form.

HOW WAS THE PERFORMANCE INFORMATION INCLUDED IN THIS MDD CALCULATED?

Performance is calculated by Coronation for the Fund as at the last day of the month for a lump sum investment using the NAV price with income distributions reinvested. Performance figures are quoted after the deduction of all costs (including the Management Fees and trading costs) incurred within the fund. Note that clients' investor performance may differ as a result of the actual investment date, and whether or not they choose to re-invest distributions or not, where applicable. Performance is annualised for performance periods greater than 12 months using monthly compounding. Performances for periods under 12 months are not annualised. The actual annual figures are available from Coronation on request.

HOW IS LIQUIDITY MANAGED?

Investment Liquidity

Liquidity risk is defined as the risk of permanent capital loss that arises when adverse market conditions prevent the trading of an instrument. It can arise from the lack of enough market depth to absorb a given trade quantity without adverse price impacts and/or the lack of market breadth, preventing a trade from being initiated. Liquidity risk is primarily analysed by examining the liquidity risk profile of a fund using days-to-trade and weighted-average days to trade.

Liquidity risk is mitigated by ongoing monitoring of these metrics against firm-wide and portfolio-specific limits during both stressed and normal market conditions. In addition, much of a security's liquidity risk is addressed through the use of appropriate discounts in the valuation of an investment at initiation and in subsequent sizing decisions.

Funding Liquidity

In terms of the Fund's funding liquidity, the Partnership Agreement provides the Manager with sufficient controls to ensure that the Fund's liquidity is adequately protected from any volatility. Under normal circumstances, the Manager will process any ad hoc redemption request from an investor in line with the Partnership Agreement. The Manager may utilize side pocketing, gating and side letters in managing the liquidity of the Fund. This ensures that the sale of a large number of participatory interests will not force the Fund to sell the underlying investments at a price in the market which could have a negative impact on the remaining investors in the Fund. Subject to certain conditions, CISCA allows the Manager to suspend withdrawal requests in circumstances where the aggregate of all withdrawal requests received exceeds a certain percentage of the market value of the Fund.

As stated above, there are currently no special repurchase arrangements and no preferential treatment is given to any investor.

HOW DOES THE FUND USE LEVERAGE?

In terms of the Partnership Agreement, financial gearing may be utilized when appropriate in the discretion of the Investment Manager, as limited by the investment management agreement in place between the Manager and the Investment Manager.

Typically, the Coronation Granite Hedge Fund has a conservative use of leverage with net exposure in the 60% - 100% range and an average gross exposure of approximately 200% since inception.

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