

## 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)	610.8%	551.5%	310.6%
Since inception p.a.	9.5%	9.0%	6.7%
Latest 10 year p.a.	8.2%	7.8%	5.9%
Latest 5 year p.a.	7.8%	7.2%	5.4%
Latest 1 year	13.0%	13.0%	8.1%
Year to date	4.1%	0.3%	3.3%
Month	2.8%	0.8%	0.7%

\*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)\*

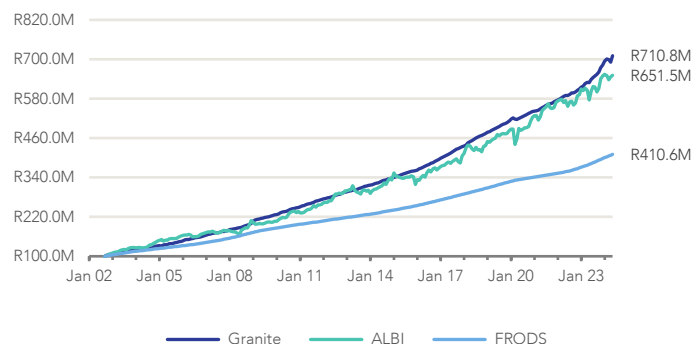
	Fund	ALBI	FRODS
Average Annual Return	9.2%	8.8%	6.6%
Highest Annual Return	17.3%	23.6%	12.3%
Lowest Annual Return	4.1%	(5.6)%	3.3%
Annualised Standard Deviation	1.8%	7.3%	0.6%
Downside Deviation	1.4%	5.2%	
Maximum Drawdown	(1.5)%	(9.8)%	
Sharpe Ratio	1.49	0.32	
Sortino Ratio	2.01	0.44	
% Positive Months	97.3%	69.6%	100.0%
Correlation (ALBI)	0.16		
99% Value at Risk (P&L %)	(0.3)%		

## GENERAL INFORMATION

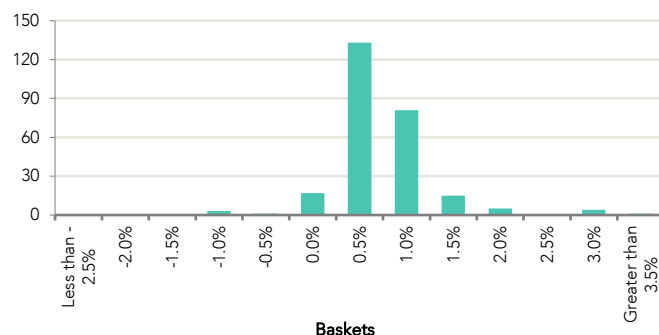
<b>Investment Structure</b>	Limited liability en commandite partnership
<b>Disclosed Partner</b>	Coronation Management Company (RF) (Pty) Ltd
<b>Inception Date</b>	01 October 2002
<b>Hedge Fund CIS launch date</b>	01 October 2017
<b>Year End</b>	30 September
<b>Fund Category</b>	South African Fixed Income 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>	0.16% (excluding management and performance fees)
<b>Transaction Costs (TC)<sup>†</sup></b>	0.03%
<b>Fund Size (R'Millions)<sup>‡</sup></b>	R223.58
<b>Fund Status</b>	Open
<b>NAV (per unit)</b>	105.50 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 30 April 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 31 May 2024.

## GROWTH OF R100m INVESTMENT\*



## HISTOGRAM OF MONTHLY NET RETURNS



## PORTFOLIO LIQUIDITY

	Days to Trade
Long	14.8
Short	1.9

## 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	45
Number of short positions	1

## MONTHLY COMMENTARY

The Fund\* returned 2.8% in May taking the one-year return to 13.0%. This places it 4.9% ahead of cash over 12 months.

The SA economy contracted by 0.1% quarter on quarter (q/q) in the first quarter of 2024 from revised growth of 0.3% q/q in the fourth quarter of last year (Q4-23). From the production side, seven out of 11 subsectors saw growth contract, contributing negatively to overall GDP. This was only partly offset by the agricultural sector, which posted significant gains after contracting in Q4-23. When measured from the expenditure side, household consumption, government spending, gross fixed capital formation, and exports all contracted. A reduction in imports provided a positive offset to the drag from all other components. Looking ahead, the easing of loadshedding should help support the figure the second quarter of 2024, but a revival in confidence will be critical to sustaining the higher rates of consumption and investment needed to boost overall growth.

The South African Reserve Bank (SARB) left the repo rate unchanged at 8.25% at the May Monetary Policy Committee (MPC) meeting. The MPC statement's tone was less cautious than before, with the SARB acknowledging that the easing in near-term inflation forecasts and improvements in energy and logistics constraints are supportive of economic growth. Headline inflation is expected to reach 4.5% in the second quarter of 2025 and to remain within range until the end of 2026. Among the concerns of the MPC are ongoing geopolitical tensions, a volatile exchange rate, domestic policy uncertainty, unusually elevated financial markets uncertainty, and elevated inflation expectations.

Headline inflation eased to 5.2% year on year (y/y) in April from 5.3% y/y in March, while core inflation slowed to 4.6% y/y from 4.9% y/y. The main trends remain intact – food inflation continues to moderate in annual terms, fuel prices have picked up and there was a smattering of other components. These included insurance and public transport costs, which helped core prices ease.

The significant reduction in rate cut expectations over the last quarter has tainted the enthusiasm for risk assets. However, the monetary policy pivot remains in play and, as such, emerging markets should continue to see supportive flows into their markets. Idiosyncratic South African (SA) factors have led to further underperformance by local assets relative to our emerging markets peer group. Low growth, sticky inflation and burgeoning deficits will continue to weigh on the longer-term outlook for SA, unless reform implementation is accelerated through increased private sector participation.

After the vicious swing in implicit monetary policy expectations seen in April, this was quickly reversed in May. Understandably, as it was clear that this was a period of predominantly technical distortion, rather than a wholesale manifest change in belief towards an extended hiking cycle in SA. The Fund, despite bearing the full brunt of the violent positioning shakeout, maintained its composure and allowed this episode to play-out. The net result is an overall favourable performance outcome over the past few months, with longer-term returns continuing to be respectable.

Looking ahead, the prevailing environment certainly has the capacity to further excite exceptional volatility in fixed income markets. Domestically, the election results and follow-through developments have the potential to surprise (in either direction) and for SA interest rates to respond vigorously as risk premia are adjusted. And if that isn't enough, the global fixed income context remains unstable, with a cocktail of significant political surprises emerging, as well as a continuation of the elevated uncertainty surrounding late-stage monetary policy cycles in key economies. The appropriate response for the Fund is to recognise the substantial capacity for potential distortions to arise – and be alive to taking advantage of these – but to do so in a careful and measured way. And, while near-term performance (i.e. over a couple of months) may become less uniform than the long-term average history of Granite's monthly run-rate, this is occasionally necessary to see through the realisation of value created through market distortions in a particularly capricious environment.

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

## REGULATORY DISCLOSURE AND 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](http://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. Coronation Life Assurance Company Limited is a licenced insurer under the Insurance Act, No.18 of 2017.