

## 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)	90.3%	79.8%	43.8%
Since inception p.a.	10.5%	9.6%	5.8%
Latest 5 year p.a.	10.5%	9.4%	5.6%
Latest 3 year p.a.	12.3%	9.9%	7.1%
Latest 1 year p.a.	8.2%	17.6%	7.8%
Year to date	1.3%	0.5%	1.2%
Month	0.7%	0.1%	0.5%

\*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	10.5%	9.0%	5.6%
Highest Annual Return	19.4%	26.1%	8.1%
Lowest Annual Return	4.9%	(3.0)%	3.3%
Annualised Standard Deviation	3.7%	8.3%	0.5%
Downside Deviation	4.6%	7.1%	
Maximum Drawdown	(5.7)%	(9.8)%	
Sharpe Ratio	1.26	0.45	
Sortino Ratio	1.03	0.53	
% Positive Months	89.6%	70.1%	100.0%
Correlation (ALBI)	0.38		
99% Value at Risk (P & L %)	(0.7)%		

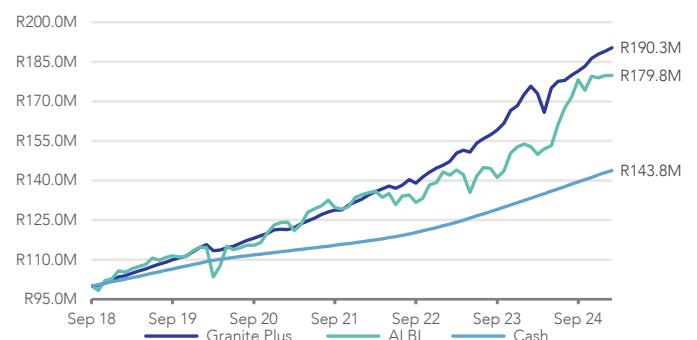
## GENERAL INFORMATION

<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>	0.11% (excluding management and performance fees).
<b>Transaction Costs (TC)†</b>	0.04%
<b>Fund Size (R'Millions) ‡</b>	R160.12
<b>Fund Status</b>	Open
<b>NAV (per unit)</b>	116.68 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>	Standard Chartered Bank
<b>Administrator</b>	JP Morgan Chase Bank, N.A., London Branch
<b>Portfolio Managers</b>	Nishan Maharaj, Adrian van Pallander, and Seamus Vasey

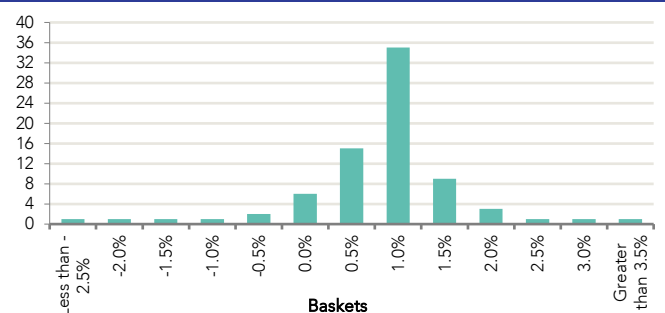
±The benchmark of the hedge fund has been included to align with industry standards.

†TER and TC data is provided for the 1 year ending 31 January 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 28 February 2025.

## GROWTH OF R100m INVESTMENT\*



## HISTOGRAM OF MONTHLY NET RETURNS



## PORTFOLIO LIQUIDITY

	Days to Trade
Long	7.3
Short	0.0

## 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	35
Number of short positions	3

## MONTHLY COMMENTARY

The Fund returned 0.7%\* in February, taking the one-year return to 8.2%. This places the Fund 0.4% ahead of cash over 12 months.

The domestic economy grew just 0.6% q/q in Q4-24 from a revised contraction of 0.1% in Q3-24 (previously -0.3%). This brought overall growth in 2024 to 0.6% from 0.7% in 2023. From the production side, recovery was concentrated in a rebound in agricultural output, and growth in financial and business services, and trade. This was offset by weakness in mining, manufacturing, utilities, and transport. From the expenditure side, consumer spending and exports both recovered, but this was offset by ongoing weakness in gross fixed capital formation and an increase in imports. Annual data broadly reflected these trends, with a nascent consumer recovery undermined by weak capital expenditure and the inability of trade to provide a fillip.

SA headline inflation accelerated to 3.2% y/y in January from 3.0% y/y in December, while core inflation slowed to 3.5% y/y from 3.6% y/y. The uptick was due to price increases in household contents and equipment, healthcare services, and a seasonal rise in hotel prices. Elsewhere, soft price increases were observed for food and non-alcoholic beverages, while apparel prices remained unchanged. The inflation outlook has improved at the margin, with the reweighting of the basket and a recent easing in retail fuel prices.

But the big news in February in SA was what didn't happen. The Budget for FY2025/26 was cancelled and postponed (until 12 March) at the eleventh hour due primarily to disagreements among the GNU partners about an unexpected VAT hike. The longer-term consequences for collective policymaking generally, the cohesiveness of the coalition government and very importantly, the stance of fiscal policy, all remain uncertain.

After a solid 2024, the road ahead is less certain. Inflation has remained well-behaved and is expected to stay close to the midpoint of the current target band, however, the South African Reserve Bank's reluctance to ease rates might prove a headwind to bond yields and the economy going forward. In addition, local growth has remained lacklustre, and the growth required to shed the burden of our current debt load remains much higher than baseline forecasts. The risk premium on SA bonds has been much reduced and is commensurate, if not a little optimistic, with SA's economic future. In addition, global risks remain high as the incoming US president's policy direction might stoke inflation and push global bond yields even higher still, or even simultaneously accelerate a slowdown in the US through cratering consumer and business confidence. The bouquet of substantial and wide-ranging global risks for financial markets on offer at the moment is unusually abundant.

The Fund struggled to make much headway during February – not for a lack of volatility or risk events! Indeed, the onslaught on financial markets from policy and political manoeuvring out of the US, alongside meaningful ructions to the domestic political landscape, generated a vexing environment to navigate. That said - as we noted last month - provided one calibrates risk effectively, Granite can retain its flexibility and manage short-term drawdowns even in such a chaotic setting. And this has been the experience in the past few weeks. While attractive tactical opportunities may be completely reversed in the course of hours, let alone days, careful trade sizing and blending have allowed Granite to extricate itself efficiently from adverse developments. The cost of this has been a limited ability to extract more performance from winning positions. But this is also what Granite is meant to do: provide steadiness and reliability under all circumstances. As such – even if the fluid fixed income landscape is providing for a multitude of potential opportunities that Granite can't wholeheartedly attach itself to – the bigger purpose that the Fund serves remains faithfully adhered to.

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

## REGULATORY DISCLOSURE AND DISCLAIMER

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