CORONATION PROPERTY EQUITY FUND

Fund Information as at 31 December 2017

CORONATION
TRUST IS EARNED™

WHAT IS THE FUND'S OBJECTIVE?

The Property Equity Fund seeks to maximise long-term growth from investing in South African listed property companies. The fund aims to outperform the JSE SA Listed Property Index.

WHAT DOES THE FUND INVEST IN?

The fund primarily invests in companies that earn the main part of their revenue from owning, managing or developing properties.

It only invests in companies listed on the Johannesburg Stock Exchange, which may include foreign property companies that are listed locally. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS

Risk Profile

8/10
Aggressive

Maximum growth/
minimum income exposures

Growth Assets: 100%
Income Assets: 0%

The fund's investment returns come from both growth in the share prices of property companies, and income (primarily earned from rentals) paid out by these companies.

Property shares are carefully selected to offer sustainable income and superior capital growth over the long term.

Shares can be volatile investments and there is a risk of capital loss over the short term. The fund's income distributions may also fluctuate due to a number of factors, including changes in the property market and interest rates.

It should typically be viewed as a component of an overall investment portfolio, and not as an investor's only investment.

HOW LONG SHOULD INVESTORS REMAIN INVESTED?

The recommended investment term is three years and longer.

WHO SHOULD CONSIDER INVESTING IN THE FUND?

Investors who are building wealth, and who

- require exposure to property as part of a diversified investment portfolio;
- are comfortable with being fully invested in property companies listed in SA;
- accept the volatility and possible short-term losses associated with an investment in shares;
- seek a regular income.

WHAT COSTS CAN I EXPECT TO PAY?

An annual fee of 1.25% (excl. VAT) is payable.

Fund expenses that are incurred in the fund include trading, custody and audit charges. All performance information is disclosed after deducting all fees and other portfolio costs.

We do not charge fees to access or withdraw from the fund.

More detail is available on www.coronation.com.

WHO ARE THE FUND MANAGERS?

ANTON DE GOEDE
CFA, FRM

KANYANE MATLOU
BBusSc (Hons)

GENERAL FUND INFORMATION

Launch Date	20 November 2000
Fund Class	A
Benchmark	FTSE/JSE SA Listed Property Index
Fund Category	South African – Real Estate – General
Regulation 28	Does not comply
Income Distribution	Quarterly (March, June, September, December)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORPPEQ
ISIN Code	ZAE000026993
JSE Code	CPEF

CORONATION PROPERTY EQUITY FUND

CLASS A as at 31 December 2017

CORONATION
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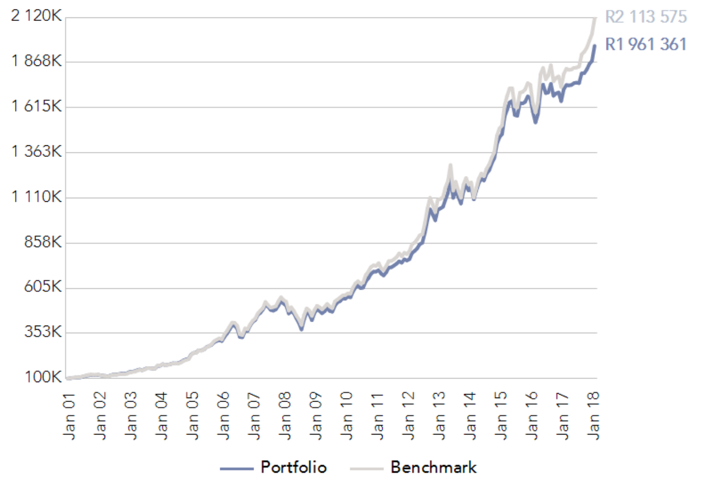
Fund category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R 2.41 billion
NAV	6829.81 cents
Benchmark/Performance	FTSE/JSE SA Listed Property Index
Fee Hurdle	
Portfolio manager/s	Anton de Goede and Kanyane Matlou

	1 Year	3 Year
Total Expense Ratio	1.43%	1.43%
Fund management fee	1.25%	1.25%
Fund expenses	0.01%	0.01%
VAT	0.17%	0.17%
Transaction costs (inc. VAT)	0.06%	0.05%
Total Investment Charge	1.49%	1.48%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2017
Domestic Assets	**100.0%**
Real Estate	98.8%
Cash	1.2%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1861.4%	2013.6%	(152.2)%
Since Launch (annualised)	19.0%	19.6%	(0.5)%
Latest 15 years (annualised)	19.3%	20.1%	(0.7)%
Latest 10 years (annualised)	14.5%	14.8%	(0.4)%
Latest 5 years (annualised)	13.3%	13.9%	(0.6)%
Latest 3 years (annualised)	10.2%	11.7%	(1.6)%
Latest 1 year	14.1%	17.2%	(3.1)%
Year to date	14.1%	17.2%	(3.1)%

TOP 10 HOLDINGS

As at 31 Dec 2017	% of Fund
Growthpoint Properties Ltd	15.2%
Redefine Income Fund	12.6%
NEPI Rockcastle PLC	10.9%
Fortress Income Fund Ltd A	9.0%
Hyprop Investments Ltd	6.4%
Resilient Property Income	5.8%
Atterbury Investment Holdings	5.0%
Vukile Property Ltd	3.8%
Investec	3.5%
SA Corporate Real Estate Fund	3.1%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.0%	13.7%
Sharpe Ratio	0.83	0.83
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(29.7)%	(28.0)%
Positive Months	69.8%	69.8%

	Fund	Date Range
Highest annual return	53.6%	Apr 2005 - Mar 2006
Lowest annual return	(22.6%)	Jul 2007 - Jun 2008

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Dec 2017	02 Jan 2018	70.97	2.43	68.54
29 Sep 2017	02 Oct 2017	87.45	3.88	83.57
30 Jun 2017	03 Jul 2017	62.60	2.43	60.17
31 Mar 2017	03 Apr 2017	76.24	1.38	74.86

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2017	1.3%	(0.1)%	0.1%	0.6%	0.2%	(0.2)%	3.2%	0.1%	1.2%	1.7%	0.9%	4.5%	14.1%
Fund 2016	(3.7)%	3.1%	8.4%	1.9%	(2.7)%	0.2%	2.8%	(3.8)%	0.8%	0.3%	(2.9)%	4.1%	8.0%
Fund 2015	6.8%	2.3%	2.6%	0.5%	(4.8)%	(0.3)%	4.6%	(0.1)%	0.5%	1.9%	(0.6)%	(4.6)%	8.5%

Issue date: 2018/01/18

Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

Please note that the commentary is for the retail class of the fund.

The listed property sector delivered a total return of 8.3% for the quarter, outperforming the All Bond Index's (ALBI) 2.2% and the All Share Index' (ALSI) 7.4% return. The correlation between bonds and listed property was not that strong during the quarter: the SA 10-year government bond yield increased to 8.8% at end-December from 8.7% a quarter earlier, while the forward yield of the SA listed property sector saw a compression to 7.9% from 8.2% at the end of September. The historical yield of the SAPY decreased to 5.8% at the end of the quarter, from 6.2% three months earlier. This saw the historical yield gap relative to bonds move out to 304bps at the end of December from 248bps at end-September. Listed property's total return for the 2017 calendar year came in at 17.2%, ahead of bonds at 10.2% but behind the ALSI's 21%.

The fund's return of 7.2% during the quarter was less than the 8.3% delivered by the benchmark, however the fund's performance over periods between five and 10 years compares favourably to peers and the benchmark. The underperformance during the quarter was due to value detraction from the fund's relative exposure to Nepi Rockcastle, Growthpoint, Resilient, Fortress B and Greenbay. These were enough to offset the value-add coming from the fund's relative positioning in Investec Property Fund, Capital & Counties, Stor-Age and Attacq. During the period, the fund increased exposure to Fortress A, Liberty Two Degrees, SA Corporate and Stor-Age, while reducing exposure to a handful of names, including Growthpoint, Resilient, Fortress B and Redefine.

As is usual in the listed property sector, the quarter saw just over R9.1 billion in primary capital raises across three companies. Nepi Rockcastle saw outsized appetite for its capital raise, which in the end saw R5.2 billion raised compared to an initial target of R3 billion. Stor-Age was another company to tap equity investors for capital during the quarter; a total of R1.3 billion was raised towards the company's acquisition of the UK self-storage business, Storage King. MAS Real Estate was the third company to issue equity, raising R2.6 billion during the quarter. These brought the total amount of capital raised by the sector during 2017 to R35.5 billion.

On the corporate action front, following numerous months where UK-listed property names traded at substantial discounts to their Net Asset Values (NAVs), Hammerson announced its intended takeover of rival Intu Properties. Some shareholder support has already been received by each company for the deal, which if successful would result in one of the largest pan-European retail landlords. In other activity, Emira announced its foray into the US market with the establishment of a partnership in which it will have a 49% stake. As it stands, the US business will amount to 2% of the company's asset base and will take total offshore exposure to 8%. Meanwhile, EPP announced a three-tranche acquisition of a portfolio of shopping centres and retail parks in Poland from a consortium comprising Oaktree, PIMCO and Redefine. The portfolio is being acquired for just under €700 million or a 7% yield, and represents a further move in strengthening EPP's pure retail focus subsequent the disposal of their office portfolio to Globalworth.

Meanwhile, Nepi Rockcastle acquired four shopping centres across three countries – Poland, Bulgaria and Hungary – in a period of two months for a total of €870 million, funded in part by the equity issuance mentioned above. Greenbay, in the meantime, made an offer (which lapsed in the end) to acquire Group Five's offshore concession assets which would have represented the company's first direct infrastructure holdings. Remaining in Eastern Europe, Accelerate announced the acquisition of a portfolio of five single tenanted, light industrial properties in Poland for €40.2 million. In management changes during the quarter, Attacq announced the departure of its CEO Morné Wilken, who assumed the reins at MAS Real Estate from January 2018. In the interim, Attacq CFO Melt Hamman will be interim CEO until a more permanent appointment has been made by the Attacq board.

SAPOA released its quarterly office vacancy survey for the third quarter of 2017 during the final quarter of the year. The release showed that office vacancies decreased to 11.2% in September 2017 from 11.8% a quarter earlier. All four office grades saw improved vacancy trends, with P- and C-grade space in particular seeing large reversals in the deterioration recorded in the prior quarter. All five metropolitan areas registered improvements in occupancies. Growth in asking rents over the last 12 months recorded a slowdown to 2.7% versus 4.1% recorded in the previous quarter. Office space under development amounts to 3.6% of existing stock (with 69.9% of this pre-let). A high degree of concentration remains – with 10/53 nodes accounting for 91% of all developments. 45% of this space is in the Sandton node.

The past quarter also saw the conclusion of the last reporting period of the year. The results confirmed the trends coming out of the sector in the earlier reporting season and were in line with the broader economic backdrop. In general, while DPS growth for the past reporting period was in line with expectations, for a number of counters it was the lower end of guidance that was realised. Furthermore, a few counters' management guidance for the upcoming year was below expectations, with the likes of Arrowhead guiding to negative growth in distributions (in part due to no longer paying out once-offs), while Octodec, Accelerate and Delta (the latter two confirming previous guidance) guided to flat growth for the upcoming year. The retail sector continues to exhibit a weakening trend with regard to trading density growth and renewal growth; the office sector remains in the doldrums; while logistics continue to hold up in line with global trends. Inner city residential portfolios have also come under strain as oversupply in some nodes, coupled with bumping against affordability thresholds, diminish rental growth. Suburban residential stock within other portfolios, however, appears to be holding up better (but not immune to the downward pressure on rental growth).

Following the outcome of the ANC's elective conference in December 2017, early indications point to an improvement in general sentiment in the economy. With the reaction of listed property already pricing some of this improvement in, the sector has rerated somewhat from previously cheap levels. Notwithstanding, there remain some SA-focused companies that continue to trade on high single-digit initial yields, with distribution growth prospects that should at least equal inflation over the medium term. These are underpinned by high-quality portfolios and excellent management teams that deliver good quality earnings streams. As a result, we still see the sector providing double-digit total returns that should exceed those coming from cash and government bonds through the cycle.

Portfolio manager
Anton de Goede
as at 31 December 2017

IMPORTANT INFORMATION THAT SHOULD BE CONSIDERED BEFORE INVESTING IN THE CORONATION PROPERTY EQUITY FUND

The Property Equity Fund should be considered a medium- to long-term investment. The value of units may go down as well as up, and therefore Coronation does not make any guarantees with respect to the protection of capital or returns. Past performance is not necessarily an indication of future performance. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Services Board in terms of the Collective Investment Schemes Control Act. Portfolio managed by Coronation Asset Management (Pty) (FSP 548) Ltd, an authorised financial services provider. The Management Company reserves the right to close the fund to new investors if we deem it necessary to limit further inflows in order for it to be managed in accordance with its mandate. Unit trusts are allowed to engage in scrip lending and borrowing. Standard Chartered has been appointed as trustees for the fund (www.sc.com/za; 011-2176600). Coronation is a full member of the Association for Savings & Investment SA (ASISA).

HOW ARE UNITS PRICED AND AT WHICH PRICE WILL MY TRANSACTION BE EXECUTED?

Unit trusts are traded at ruling prices set on every trading day. Fund valuations take place at approximately 15h00 each business day, except at month end when the valuation is performed at approximately 17h00 (JSE market close) and forward pricing is used. Instructions must reach the Management Company before 14h00 (12h00 for the Money Market Fund) to ensure same day value. The payment of withdrawals may be delayed in extraordinary circumstances, when the manager with the consent of the fund trustees deem this to be in the interest of all fund investors. These circumstances may include periods when significant underlying markets suspend trading which will prevent accurate valuation of the instruments held in the fund. When the suspension of trading relates to only certain assets held by the fund, these assets may be side-pocketed. This process allows normal liquidity on the assets that can be valued, but will delay liquidity on the affected portion of the fund. If the fund is faced with excessive withdrawals, the affected withdrawals may be ring-fenced, which is the separation and delayed sale of the assets reflecting the interest of the liquidity seeking investors. It ensures that the sale of a large number of units will not force Coronation to sell the underlying investments in a manner that may have a negative impact on remaining investors of the fund.

HOW WAS THE PERFORMANCE INFORMATION INCLUDED IN THIS FACT SHEET CALCULATED?

Performance is calculated by Coronation as at the last day of the month for a lump sum investment using Class A NAV prices with income distributions reinvested. All underlying price and distribution data is sourced from Morningstar. Performance figures are quoted after the deduction of all costs (including manager fees and trading costs) incurred within the fund. Note that individual investor performance may differ as a result of the actual investment date, the date of reinvestment of distributions and dividend withholding tax, where applicable. Annualised performance figures represent the geometric average return earned by the fund over the given time period. Unannualised performance represents the total return earned by the fund over the given time period, expressed as a percentage.

WHAT IS THE TOTAL EXPENSE RATIO (TER) AND TRANSACTION COSTS (TC)?

TER is calculated as a percentage of the average net asset value of the portfolio incurred as charges, levies and fees in the management of the portfolio. The TER charged by any underlying fund held as part of a fund's portfolio is included in the fund expenses portion of the TER, but trading and implementation costs incurred in managing the fund are excluded. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. The 1 year TER is for the 12 months to end of September 2017 (updated annually). The 3 year TER is for a rolling 36-month period to the last quarter end (December, March, June and September).

Transaction costs are a necessary cost in managing a fund and impacts the fund's return. They should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER.

The Total Investment Charge is the sum of the Total Expense Ratio (TER) and transaction costs.

ADVICE AND PLATFORM COSTS

Coronation does not provide financial advice. If you appoint an advisor, advice fees are contracted directly between you and the advisor. We will facilitate the collection of advice fees only upon receiving your instruction, up to a maximum of an initial fee of 3.00% and an ongoing fee of 1.00% per annum (where an initial advice fee of more than 1.50% is selected, the maximum annual advice fee that we will collect is 0.50%). Advice fees are usually collected through the redemption of units. You may cancel the instruction to facilitate the payment of advice fees at any time. Advisors will only share in Coronation fees subject to prior approval by and/or disclosure to the investor. A portion of Coronation's annual management fee may be paid to administration platforms such as Linked Investment Service Providers (LISPs) as a payment for administration and distribution services.

WHERE CAN I FIND ADDITIONAL INFORMATION?

Additional information such as daily fund prices, brochures, application forms and a schedule of fund fees and charges is available on our website, www.coronation.com

IMPORTANT INFORMATION REGARDING TERMS OF USE

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