

CORONATION PROPERTY EQUITY FUND

Fund Information as at 31 July 2018

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 All 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.

Benchmark change – The fund benchmark has changed to FTSE/JSE All Property Index effective 01 August 2018.

IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS



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	CORPEQ
ISIN Code	ZAE000026993
JSE Code	CPEF

CORONATION PROPERTY EQUITY FUND

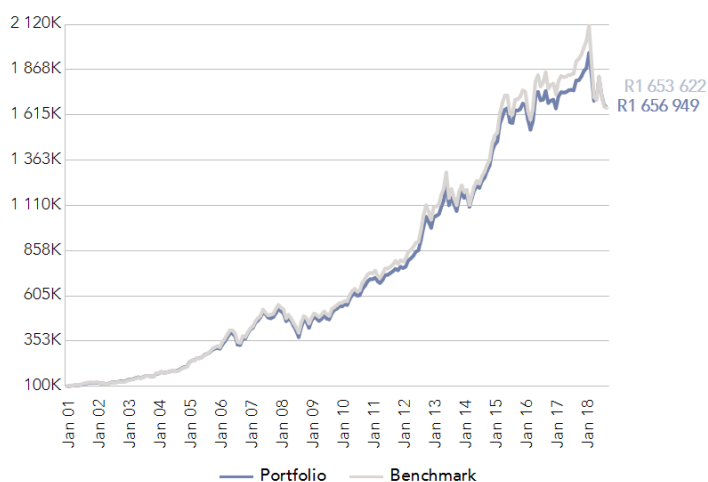
CLASS A as at 31 July 2018

Fund category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R 1.93 billion
NAV	5546.34 cents
Benchmark/Performance	FTSE/JSE SA Listed Property Index
Fee Hurdle	
Portfolio manager/s	Anton de Goede and Kanyane Matlou

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.43%	1.43%
Fund expenses	1.25%	0.21%
VAT	0.01%	1.20%
Transaction costs (inc. VAT)	0.17%	0.03%
Total Investment Charge	0.06%	0.06%
	1.49%	1.49%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1557.0%	1553.6%	3.3%
Since Launch (annualised)	17.2%	17.2%	0.0%
Latest 15 years (annualised)	17.0%	17.0%	0.0%
Latest 10 years (annualised)	14.4%	13.7%	0.7%
Latest 5 years (annualised)	8.2%	7.5%	0.7%
Latest 3 years (annualised)	0.3%	(0.9)%	1.2%
Latest 1 year	(8.3)%	(13.6)%	5.3%
Year to date	(15.5)%	(21.8)%	6.2%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.3%	14.2%
Sharpe Ratio	0.67	0.63
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(29.7)%	(28.0)%
Positive Months	68.4%	67.9%

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

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2018	(6.5)%	(7.6)%	1.0%	6.3%	(5.3)%	(3.1)%	(0.8)%						(15.5)%
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%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Jul 2018
Domestic Assets	100.0%
■ Real Estate	98.9%
■ Cash	1.1%

TOP 10 HOLDINGS

As at 30 Jun 2018	% of Fund
Redefine Income Fund	13.1%
Growthpoint Properties Ltd	12.5%
NEPI Rockcastle PLC	12.1%
Hyprop Investments Ltd	6.2%
Atterbury Investment Holdings	5.3%
Fortress Income Fund Ltd A	4.5%
SA Corporate Real Estate Fund	3.7%
Fortress Income Fund Ltd B	3.7%
Vukile Property Ltd	3.3%
Investec Limited	3.3%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
29 Jun 2018	02 Jul 2018	70.12	4.73	65.40
29 Mar 2018	03 Apr 2018	96.69	20.91	75.78
29 Dec 2017	02 Jan 2018	70.97	2.43	68.54
29 Sep 2017	02 Oct 2017	87.45	3.88	83.57

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

The listed property sector delivered a total return of -2.2% for the quarter, ahead of the All Bond Index's (ALBI) -3.8% but behind the All Share Index' (ALSI) 4.5% return. The correlation between bonds and listed property returned somewhat as global risk-off sentiment dominated. The South African 10-year government bond yield increased to 9.0% at end-June from 8.2% a quarter earlier while the forward yield of the South African listed property sector saw an increase to 9.7% from 9.3% at the end of March. The historical yield of the bellwether index¹ increased to 8.2% at the end of the quarter, from 7.5% three months earlier. This saw the historical yield gap relative to bonds widen to 79bps at the end of June from 70bps at end-March.

The fund's return of -2.5% during the quarter was behind the -2.2% delivered by the benchmark. The fund's performance over periods between three and 10 years compares favourably to peers and the benchmark. Value detracted during the quarter came from the fund's relative positioning in Resilient and its sister companies, which saw some recovery from the lows of the first quarter. These were enough to offset the value add coming from the fund's relative positioning in Capital & Counties, Hammerson, Growthpoint and Redefine. During the period, the fund increased exposure to Liberty Two Degrees, Investec Australia and Dipula A, while reducing exposure to a handful of names, including Growthpoint, Redefine, Investec Property, Hyprop and Vukile.

Equity issuance continued to trickle following the hiatus of the first quarter. Stor-Age did a small placement of R52m to fund a recent acquisition, while Dipula raised R790m towards its acquisition of the R1.2bn predominantly industrial acquisition previously announced, ahead of its targeted R600m. Fairvest raised R250m, also higher than the R200m the company was looking to raise while Hyprop also saw outsized appetite for its capital raise, which yielded R780m. In other activity, Equites saw good appetite for its scrip, eventually raising R800m from an initial target of R500m, while Spear REIT undertook a private placement of R118.5m. Meanwhile, Exemplar, the vehicle housing the McCormick property portfolio listed on the JSE without raising capital, while the listing of Hyprop's European vehicle, Hystead, did not go ahead owing to what management perceives to be sub-optimal market conditions for pricing.

On the corporate action front, Liberty Two Degrees announced a corporate restructure that would see its external MANCO internalized, while the put option that Liberty Holdings has will be done away with. As things stand, it is expected that the exercise will be broadly earnings neutral. In other activity, after almost a year post the merger of Nepi and Rockcastle that saw a dual CEO structure, the company announced that Alex Morar would remain the sole CEO going forward, while Spiro Nouisis would remain an executive director (with an offer to be CIO made to him). In management changes during the quarter, Rebois announced the resignation of its CEO, Andile Mazwai, who left his post with immediate effect. The company's former CEO, Sisa Ngebulana, returned to his old post on an interim basis, after which a more permanent replacement will be sought. Meanwhile, Texton announced that the vehicle housing the Wiese family holdings in the company had disposed of its stake to an entity owned by Marcel Golding.

Moving to acquisitions, following a month-long cautionary, Investec Property Fund announced the acquisition of a 43% stake in a Pan-European logistics portfolio for €75m. This transaction takes the fund's offshore exposure to 11%, and management has committed a total of €150m to the platform. Remaining with offshore acquisitions, Emira acquired its fourth retail centre in the US, taking the company's US exposure to 3%. MAS also acquired another shopping centre in Eastern Europe, this time a 55 000m² shopping centre in Bucharest for €95m. In the meantime, Ingenuity announced the sale of almost R1bn of its Century City properties to Sanlam, the proceeds of which will be used to strengthen its balance sheet. Spear REIT also transacted in a Century

City asset, buying The Estuaries building for R98m. Meanwhile, Nepi Rockcastle announced its entry into the Baltic region with the acquisition of a portfolio that included a 60 000m² centre in Vilnius, Lithuania for €125m (7.0% acquisition yield). Its other asset is a 25 000m² centre in Olsztyn, Poland, acquired for €65m (at an 8.1% yield). Still in the region, EPP announced the acquisition of Marcelin shopping centre in Poznan for €91.1m. The 45 000m² centre will be part funded with a €45m equity raise underwritten by Redefine.

SAPOA released its quarterly office vacancy survey for the first quarter of 2018. Office vacancies increased to 11.5% in March 2018 from 11.2% a quarter earlier. Of the four office grades, B- and C-grade space saw improved vacancy trends, while P- and A-grade space experienced declines in occupancy. Three of the five metropolitan areas (Durban, Port Elizabeth and Johannesburg) registered declines in occupancies, while two saw vacancies improve (Pretoria and Cape Town). Growth in asking rents over the last 12 months recorded an improvement to 3.1% vs. 2.0% in the previous quarter. Office space under development amounts to 3.1% of existing stock (with 50.5% of this pre-let). A high degree of concentration remains – with 10/53 nodes accounting for 94% of all developments- 26.3% of this space is in the Sandton node.

The second results reporting season of the year took place during the quarter. No major surprises were delivered, though underlying metrics show that the economy is still undergoing strain. While vacancy trends are generally stabilising, renewals remain under pressure, with landlords choosing to maintain occupancy with some concessions on rentals. National retailers continue to put pressure on landlords regarding annual escalations, pushing for levels closer to inflation. Meanwhile, the Edcon group is looking to aggressively cut its GLA footprint across the country by discontinuing some brands while reducing the size of the Edgars boxes. While a handful of retail landlords have high single digit exposure to the group, the advantage they sit with is their exposure to prime boxes in good centres, where Edcon is unlikely to want to cut space, or if it did, the boxes are in such prime location as to attract replacements with relative ease.

Outside of sector-specific events related to the Resilient group of companies, the rest of the South African property sector had initially rerated in line with other geared plays on the local economy since the beginning of the year. However, recent global risk-off sentiment on the back of trade wars has seen an erosion of these gains. While the underlying economy remains challenged (as evidenced by negative Q1 GDP figures), capping DPS growth prospects to broadly in line with inflation in the short term, some good quality counters trade on appealing initial yields. As a result, we still see the sector providing double-digit total returns that should exceed those from cash and government bonds through the cycle.

Portfolio manager
Anton de Goede and Kanyane Matlou
 as at 30 June 2018

¹ Index comprising the following counters: Growthpoint, Redefine, Hyprop, Vukile, SA Corporate and Investec Property Fund

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. Asset allocation and top 10 holdings are reflected on a look-through basis. Coronation Management Company (RF) (Pty) Ltd is a Collective Investment Schemes Manager approved by the Financial Sector Conduct Authority 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 adviser, advice fees are contracted directly between you and the adviser. For more information please contact the relevant platform (Linked Investment Service Provider or Life Assurance Provider).

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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