CORONATION PROPERTY EQUITY FUND

Fund Information as at 31 May 2018

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 May 2018

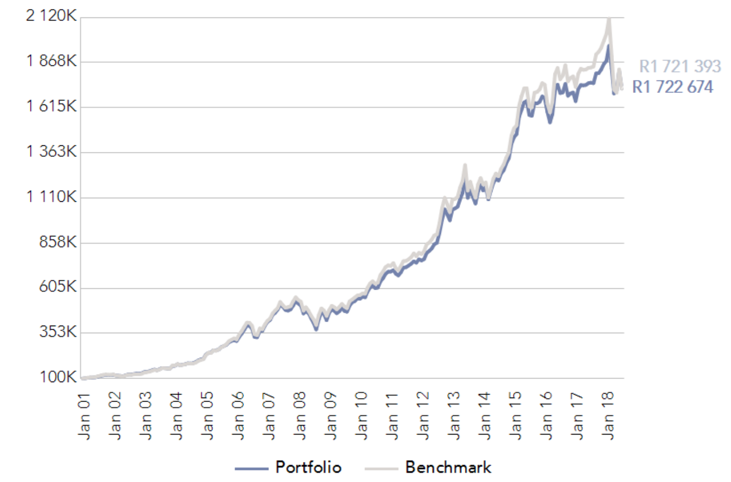
CORONATION
TRUST IS EARNED™

Fund category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R 2.05 billion
NAV	5838.92 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%	0.11%
Fund expenses	0.01%	1.31%
VAT	0.17%	0.01%
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 May 2018
Domestic Assets	**100.0%**
Real Estate	99.2%
Cash	0.8%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1622.7%	1621.4%	1.3%
Since Launch (annualised)	17.7%	17.7%	0.0%
Latest 15 years (annualised)	17.6%	17.6%	(0.1)%
Latest 10 years (annualised)	15.4%	14.9%	0.5%
Latest 5 years (annualised)	9.2%	8.4%	0.8%
Latest 3 years (annualised)	3.1%	2.0%	1.1%
Latest 1 year	(1.9)%	(6.5)%	4.6%
Year to date	(12.2)%	(18.6)%	6.4%

TOP 10 HOLDINGS

As at 31 Mar 2018	% of Fund
Redefine Income Fund	14.6%
Growthpoint Properties Ltd	13.4%
NEPI Rockcastle PLC	10.7%
Hyprop Investments Ltd	6.9%
Atterbury Investment Holdings	5.8%
Investec	4.2%
Fortress Income Fund Ltd A	4.1%
SA Corporate Real Estate Fund	4.1%
Vukile Property Ltd	3.9%
Fortress Income Fund Ltd B	2.5%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.3%	14.2%
Sharpe Ratio	0.71	0.66
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(29.7)%	(28.0)%
Positive Months	69.0%	68.6%

	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 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
30 Jun 2017	03 Jul 2017	62.60	2.43	60.17

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)%								(12.2)%
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%

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

The listed property sector delivered a total return of -19.6% for the first quarter of the year, lagging both the All Bond Index's 8.1% and the All Share Index's -6.0% return. The correlation between bonds and listed property broke down during the quarter due to sector-specific developments around Resilient and its sister companies. The SA 10-year government bond yield decreased to 8.2% at end-March from 8.8% a quarter earlier following a 25 basis points (bps) interest rate cut by the South African Reserve Bank, while the forward yield of the SA listed property sector saw an increase to 9.3% from 7.9% at the end of December. The historical yield of the listed property index (SAPY) increased to 7.3% at the end of the quarter, from 5.8% three months earlier. This saw the historical yield gap relative to bonds compress to 91 bps at the end of March from 304 bps at end-December.

The fund's return of -12.7% during the quarter was better than the -19.6% delivered by the benchmark, with the fund gaining momentum relative to the benchmark over all time periods. The fund's performance over periods between three and 10 years compares favourably to peers and the benchmark. The outperformance during the quarter was due to the fund's relative exposure to the Resilient group of companies, which saw share price declines of between 40% and 70% during the quarter. These were enough to offset the value-detraction coming from the fund's relative positioning in Equites, Vukile, Sirius and Growthpoint. During the period, the fund increased exposure to Nepi Rockcastle, Hammerson and Echo Polska Properties, while reducing exposure to a handful of names, including Growthpoint, Emira and Vukile.

Unlike in the past, where companies came to the market with ease to raise equity, the first quarter saw muted activity on this front given the turmoil in the sector. Only three companies came to the market with placements, raising just over R5 billion between them. Growthpoint did a secondary placement of R4.5bn worth of shares (5.4% of shares outstanding) on behalf of its BEE shareholder, Southern Palace Properties, while Sirius Real Estate came to the market with a R580 million equity raise. Stor-Age did a small placement of R52 million to fund a recent acquisition.

With the topical developments around the Resilient group of companies, news flow out of the stable remained steady throughout the quarter. Most notable was the announcement of the decision to set up an independent review of trading in the companies' shares since July 2017, the results of which will be made public to address allegations of share price manipulation. Additionally, the companies also announced a restructure of the Siyakha Education Trust following the adverse movements in the Trust's assets (i.e. the shares in the companies). Due to the restructure, both Fortress and Resilient adjusted distribution growth guidance lower owing to the loss of the bulk of interest income from the Trust. Both companies also indicated that their respective loan-to-values would remain below the 35% level (compared to c.20% as at December 2017) because of the restructure.

Meanwhile, Tsogo announced its intention to split its operations into an operating company ('opco') and a property company ('propco'), with the propco to be sold into Hospitality Property Fund in return for Hospitality shares. Subsequent to that, Hospitality shares would be unbundled to Tsogo shareholders. This transaction will require shareholder approval. In other activity, Redefine announced a sell down of the bulk of its stake in Australian-listed fund Cromwell to ARA (a Singaporean investor), with Redefine left holding 3% of the company (from over 20% before). The company intends to use the proceeds to reduce gearing. Stor-Age acquired a small asset in Cape Town's Northern Suburbs, further increasing its scale and presence since listing and post the expansion into the UK. Equites, in the meantime acquired its fifth asset in the UK, this being a forward agreement for a DSV development in Peterborough, while Schroder European Real Estate widened its footprint in Europe with the acquisition of a data centre in the Netherlands.

Remaining offshore, Hyprop announced the acquisition of two shopping centres in Croatia via its JV vehicle, Hystead, for €280m (for a 90% stake). This transaction takes Hystead's asset base to €740m, and brings it closer to its own listing, which management has already started preparing the market for via an early look roadshow. Still in Eastern Europe, Tower Property Fund announced that Oryx (the Namibian fund) has invested R300m in the offshore vehicle housing Tower's Croatian exposure. Tower will utilise part of the proceeds to pay down debt with the rest going to increase the offshore vehicle's asset base.

SAPOA released its quarterly office vacancy survey for the fourth quarter of 2017 during the quarter. The release showed that office vacancies remained unchanged at 11.2% in December 2017 from a quarter earlier. Of the four office grades, there was an even split between those that deteriorated and those that improved; P- and B-grade space recorded increases to 4.9% and 14.4% respectively from the prior quarter, while A- and C-grade space improved to 8.8% and 16.4% respectively. Of the five metropolitan areas, three (Durban, Port Elizabeth and Cape Town) saw a deterioration in occupancies, one an improvement (Pretoria) while Johannesburg was flat. Growth in asking rents over the last 12 months recorded a slowdown to 2.0% vs. 2.7% in the previous quarter. Office space under development amounts to 3.6% of existing stock (with 69.9% of this pre-let). As has been the case for some time now, a high degree of concentration remains, with 10 out of 53 nodes accounting for 92% of all developments. 31% of this space is in the Sandton node.

The past quarter also saw the first reporting season of the year. The results were in general mixed, illustrating that the positive sentiment following changes in the country's leadership is yet to filter through to the underlying economy. DPS growth of 7.8% (excluding locally-listed offshore counters) was reported, while DPS growth excluding counters with the highest offshore exposure came in at 6.3% (these compare to 9.5% and 6.8% respectively for the reporting season in the second half of last year). Underlying trends still indicate challenging conditions across the various sub-sectors, with a recovery in economic growth key to seeing a return in demand (though some supply pressures have also contributed to weakness in some sectors).

While the SAPY has shown substantial weakness at the headline level in the first quarter of the year, this has generally been limited to a few (but sizeable) names; the rest of the sector has to some extent rerated in line with other geared plays on the SA economy as positive sentiment abounds following changes in the Presidency. Notwithstanding, there remain some SA-focused companies that continue to trade on attractive initial yields, with distribution growth prospects that should at least equal inflation over the medium term. These should see some support from the favourable interest rate cycle. 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 March 2018

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 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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