

## 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.

## 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](http://www.coronation.com).

## WHO ARE THE FUND MANAGERS?



**ANTON DE GOEDE**  
CFA, FRM



**KANYANE MATLOU**  
BBusSc (Hons)

## GENERAL FUND INFORMATION

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

# CORONATION PROPERTY EQUITY FUND

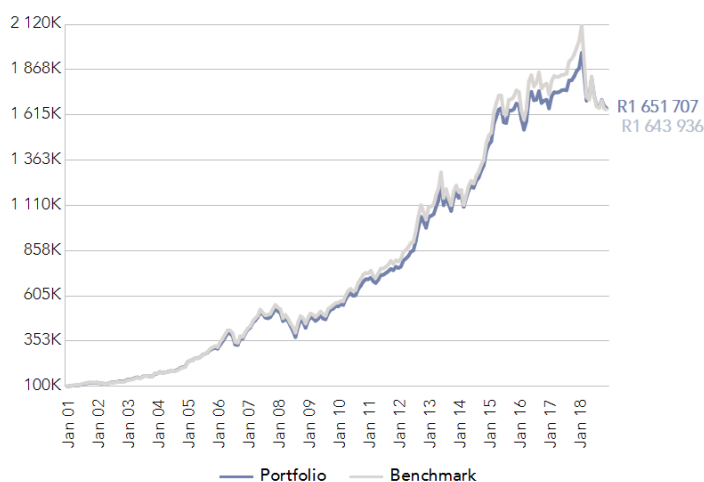
CLASS A as at 31 October 2018

Fund category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R 1.84 billion
NAV	5435.59 cents
Benchmark/Performance	FTSE/JSE All 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%	1.25%
VAT	0.01%	0.01%
Transaction costs (inc. VAT)	0.17%	0.17%
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)	1551.7%	1543.9%	7.8%
Since Launch (annualised)	16.9%	16.9%	0.0%
Latest 15 years (annualised)	16.3%	16.2%	0.2%
Latest 10 years (annualised)	14.5%	13.8%	0.7%
Latest 5 years (annualised)	6.9%	6.1%	0.8%
Latest 3 years (annualised)	(0.5)%	(2.1)%	1.6%
Latest 1 year	(11.2)%	(17.4)%	6.2%
Year to date	(15.8)%	(22.2)%	6.4%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.2%	14.2%
Sharpe Ratio	0.66	0.61
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(29.7)%	(28.0)%
Positive Months	67.9%	67.4%

	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)%	2.5%	(1.9)%	(0.8)%			(15.8)%
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 Oct 2018
<b>Domestic Assets</b>	<b>100.0%</b>
■ Real Estate	<b>98.8%</b>
■ Cash	<b>1.2%</b>

### TOP 10 HOLDINGS

As at 30 Sep 2018	% of Fund
NEPI Rockcastle PLC	13.0%
Redefine Income Fund	10.6%
Growthpoint Properties Ltd	9.4%
Hyprop Investments Ltd	5.7%
Atterbury Investment Holdings	5.0%
Fortress Income Fund Ltd A	5.0%
Capital & Counties Properties PLC	4.2%
Vukile Property Ltd	3.5%
Fortress Income Fund Ltd B	3.5%
SA Corporate Real Estate Fund	3.3%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Interest
28 Sep 2018	01 Oct 2018	93.97	25.11	68.86
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

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

The listed property sector, through the All Property Index (ALPI), delivered a total return of -1.5% for the quarter, ahead of the All Share Index's (ALSI) -2.1% return but behind the All Bond Index's (ALBI) 0.8%. The correlation between bonds and listed property was once again in play following an emerging market sell-off during the quarter. The South African 10-year government bond yield increased to 9.2% at end-September from 9.0% a quarter earlier, while the forward yield of the ALPI saw an increase to 8.8% from 8.6% at the end of June. The historical yield of the bellwether index increased to 9.1% at the end of the quarter, from 8.2% three months earlier. This saw the historical yield gap relative to bonds narrow to 15 bps at the end of September from 79 bps at end-June.

The fund's return of -0.3% during the quarter was ahead of the -1.5% delivered by the benchmark. The fund's performance over periods between three and 10 years compares favourably to peers and the benchmark. Value add during the quarter came from the fund's relative positioning in Growthpoint, Redefine, Hyprop, Stor-Age and Nepi Rockcastle. These were enough to offset the value detractor coming from the fund's relative positioning in Attacq, Liberty Two Degrees, Hammerson and Investec Property Fund. During the period, the fund increased exposure to Intu, Capital & Counties, Sirius, MAS Real Estate and Hammerson, while reducing exposure to a handful of names, including Growthpoint, Redefine, Equites and Fortress B.

Though limited in terms of number of counters, equity issuance during the quarter came in at R2.7 billion. EPP raised R700 million on the back of its acquisition of King Cross Marcelin in Poland, which was fully underwritten by the main shareholder, Redefine. Vukile raised R1.63 billion related to its acquisition of ex-Unibail assets in Spain, while Stor-Age raised R400 million following its acquisition of the managed portfolio. Unlike in the past where equity issuance was the norm, the opposite was the case as Greenbay announced a return of €300 million in capital to shareholders, as well as a repurchase of shares in the market representing 3.2% of the issued share capital. The company has committed to realise profits on its listed equity holdings and have direct and indirect property holdings constitute the majority of its investments, a pivot from having shown keen interest in infrastructure assets in the past, following a declassification of the counter as a real estate company by the JSE.

In management changes during the quarter, Nepi Rockcastle announced that former Rockcastle CEO Spiro Noussis and COO Nick Matulovich would be leaving the company at the end of 2018. This follows the board appointing Alex Morar as the company's sole CEO in recent months following a joint-CEO setup since the merger. Meanwhile, Investec Property Fund announced that Nick Riley would be stepping down as CEO from 1st December 2018 to take up a broader role within Investec Bank, with current CFO Andrew Wooler and Darryl Mayers (from within the bank) taking over as co-CEOs. In other activity, Vukile announced the appointment of Elton Bosch, ex-CFO of Clover, as CFO designate. He will take over upon the retirement of current CFO Mike Potts, in the coming year.

Moving to acquisitions, Vukile acquired a portfolio of four shopping centres valued at €460 million in Spain from Unibail, taking the company's Spanish exposure to 43% of its asset base. In other activity, Redefine acquired a portfolio of nine logistics assets in Poland from a US fund manager. Redefine's 95% stake was bought for €185.8 million at an acquisition yield of 7.1%. Still in Central and Eastern Europe (CEE), Nepi Rockcastle announced its second acquisition in Hungary, this time a controlling stake in Mammut Shopping Centre in Budapest for €254 million. Meanwhile, after flagging it for some time, Stor-Age announced its acquisition of its managed portfolio of 12 assets that were in a state of infancy at the time of listing. These assets come with a rental underpin that reduces the dilution in the REIT. Stenprop continued its push into multi-let industrial with the acquisition of another MLI asset, this time a 32 622ft<sup>2</sup> estate acquired for £3.25 million at a yield of 8.15%.

The South African Property Owners Association released its quarterly office vacancy survey for the second quarter of 2018 during the quarter. Office vacancies decreased to 11.1% in June 2018 from 11.5% a quarter earlier. Of the four office grades, A-, B- and C-grade space saw improved vacancy

trends, while P-grade space experienced a decline in occupancy. Three of the five metropolitan areas (Durban, Pretoria and Johannesburg) registered improvements in occupancies, while two saw vacancies deteriorate (Port Elizabeth and Cape Town). Growth in asking rents over the last 12 months recorded an improvement to 6.3% vs. 3.1% in the previous quarter. Office space under development amounts to 2.8% of existing stock. A high degree of concentration remains – with four nodes accounting for 69% of all developments, with a third of this space in the Sandton node.

The month saw the third reporting season of the year, with counters accounting for up to 60% of the sector's market cap releasing results. Distribution growth inclusive of the companies with full offshore exposure came in at 13.4%, on the back of the weaker rand in recent months. Excluding these offshore names, companies with a predominantly South Africa focus delivered dividend per share growth of 5.0%, while growth came in at 5.5% excluding the Resilient group of companies. The underlying environment remains tough, with very little new demand for rental space coming through. The retail sector has shown deterioration on the back of continued pressure on trading density growth, in turn limiting renewals to the low single digits, and even negative in some instances. The industrial sector is also seeing pressure on reversions as long-term leases which have escalated above market come to renewal in this environment. Offices, which were the first to be negatively impacted by the challenged macro, remain in the doldrums. Landlords have continued to sacrifice renewal growth to defend occupancy. On the expenses side, landlords have highlighted rates increases coming from the municipalities. While the bulk of these can be passed onto tenants, the increase in cost of occupancy isn't to the tenants' benefit.

The underlying economic backdrop remains challenged, as evidenced by the negative second quarter South African GDP number. While this weakened environment has started to show up in property fundamentals, it remains unclear to what extent this can still filter through. As a result, there remain selective opportunities within the South African listed property universe. While initial yields appear attractive, already under-pressure distribution growth could see further headwinds, making the attractiveness of the sector less than it appears.

**Portfolio manager**  
**Anton de Goede and Kanyane Matlou**  
 as at 30 September 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. 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](http://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](http://www.coronation.com)

### IMPORTANT INFORMATION REGARDING TERMS OF USE

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