CORONATION PROPERTY EQUITY FUND

Fund Information as at 31 December 2019

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 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.

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

GENERAL FUND INFORMATION

Launch Date	20 November 2000
Fund Class	A
Benchmark	FTSE/JSE All 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

CORONATION

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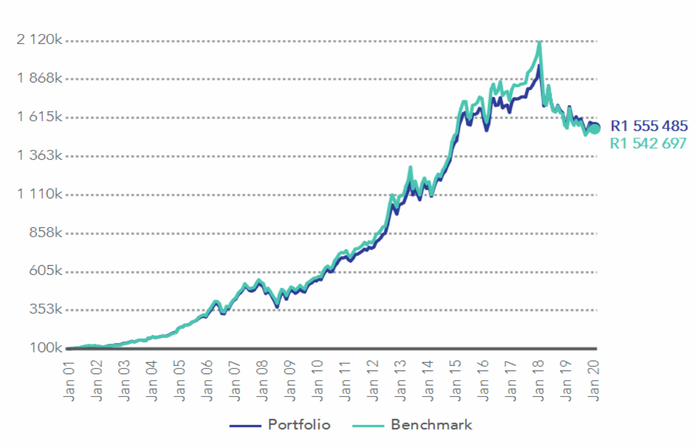
CLASS A as at 31 December 2019

Fund category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R 1.44 billion
NAV	4848.07 cents
Benchmark/Performance Fee Hurdle	FTSE/JSE All Property Index
Portfolio manager/s	Anton de Goede

	1 Year	3 Year
Total Expense Ratio	1.45%	1.43%
Fund management fee	1.25%	1.25%
Fund expenses	0.01%	0.01%
VAT	0.19%	0.18%
Transaction costs (inc. VAT)	0.04%	0.06%
Total Investment Charge	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)	1455.5%	1442.7%	12.8%
Since Launch (annualised)	15.5%	15.4%	0.0%
Latest 15 years (annualised)	13.2%	13.1%	0.1%
Latest 10 years (annualised)	10.8%	10.4%	0.4%
Latest 5 years (annualised)	1.2%	0.3%	0.8%
Latest 3 years (annualised)	(3.3)%	(5.1)%	1.8%
Latest 1 year	(0.9)%	(0.4)%	(0.5)%
Year to date	(0.9)%	(0.4)%	(0.5)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.2%	14.1%
Sharpe Ratio	0.55	0.51
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(29.7)%	(28.9)%
Positive Months	65.9%	65.5%

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

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2019
Domestic Assets	100.0%
Real Estate	99.1%
Cash	0.9%

TOP 10 HOLDINGS

As at 31 Dec 2019	% of Fund
Nepi Rockcastle Plc	14.8%
Redefine Income Fund	11.1%
Growthpoint Properties Ltd	11.0%
Vukile Property Ltd	5.0%
Hyprop Investments Ltd	5.0%
Fortress Income Fund Ltd A	4.8%
Atterbury Investment Holdings	4.8%
Capital & Counties Properties Plc	4.6%
Hammerson Plc	3.8%
Mas Real Estate Inc	3.8%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Taxable Income
31 Dec 2019	02 Jan 2020	131.91	13.20	118.71
30 Sep 2019	01 Oct 2019	27.94	4.51	23.43
28 Jun 2019	01 Jul 2019	96.35	9.74	86.60
29 Mar 2019	01 Apr 2019	44.99	4.99	40.00

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	7.7%	(3.7)%	(2.1)%	1.9%	(2.1)%	1.3%	(2.7)%	(2.9)%	1.4%	2.9%	(0.5)%	(1.5)%	**(0.9)%**
Fund 2018	(6.5)%	(7.6)%	1.0%	6.3%	(5.3)%	(3.1)%	(0.8)%	2.5%	(1.9)%	(0.8)%	(3.9)%	(1.1)%	**(20.0)%**
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%**

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

The All Property Index (ALPI) delivered a total return of 1.2% in the fourth quarter of 2019 (Q4-19). Despite the positive quarter, the sector ended the year with a negative 0.4% return. It underperformed both the FTSE/JSE All Share Index and ALBI over the quarter and for the year, with investor confidence towards the sector not yet returning. The South African rolling 10-year government bond yield, usually a good indicator of the trajectory of property yields, remained fairly stable over the quarter and moved only 6 basis points (bps) out to 9.0%, while the forward yield of the ALPI saw an increase to 9.6% from 9.4% as at end-September 2019. The historical yield of the bellwether index edged higher towards 11.0% at the end of Q4-19, up from 10.7% three months earlier. This saw the historical yield gap relative to bonds expand once more, albeit marginal compared to previous quarters, moving closer to 200bps at the end of December from 187bps as at end-September 2019.

The fund's return of 0.9% during Q4-19 was marginally lower than that of the benchmark; this was the main driver of the 0.5% underperformance relative to the benchmark for 2019. However, the fund's performance over periods between three and 10 years compares favourably to peers and the benchmark. The fund's relative positioning in Growthpoint, Fortress A, Equites, Attacq and MAS added value during Q4-19, while value detraction came from the relative positioning in Hyprop, Redefine, Liberty Two Degrees and Resilient. During the period, the fund increased exposure to Growthpoint while reducing exposure to Capital and Counties, Resilient, Stor-age and Vukile.

For those that reported their August or September results during this past quarter, the average dividend per share growth rate came in at 0.5% compared to distributable earnings per share growth of 2.4%. Excluding offshore-focused companies, the respective growth was -0.1% and 2.7%. Preliminary calculations show that, for 2019, the average dividend per share growth rate came in at 1.3% compared to distributable earnings per share growth of 1.6% (still awaiting the final few companies with December 2019 year-ends). This compares to the historical 10-year average dividend growth per share of 8.3%, which is the lowest sector dividend growth since 2001/2002. As alluded to in last quarter's commentary, dividend payout ratios continue to be the most topical issue in the sector at present, which is why differentiation between the two growth measures is required. In principle, Coronation supports the concept of holding back funds to ensure that there is a buffer from which defensive capital expenditure can be partially funded. However, in our interaction with management teams, there is a clear difference in view from companies within the sector. Those not keeping back income argue at present that their balance sheets are strong enough to absorb any capital spend required to maintain their portfolio quality.

During the quarter, both SAPOA and the MSCI released some relevant physical property industry data. The MSCI provided some indication of the direction of SA direct property returns based on its half-yearly survey. Noticeable trends are increasing repairs and maintenance spend by landlords; better cost recoveries assisting like-on-like net rental income growth; an increase in lease cancellation fees; and valuation risks. Total return for direct property for the first half of 2019 (H1-19) is 3.9%, split between 4% income and -0.1% capital. This compares to a total return of 10% for 2018. Both the income and capital return component have been decreasing over the last three years and one should expect a negative capital return for 2019 (vs. 3.1% in 2017 and 1.6% in 2018).

SAPOA released its quarterly office vacancy survey for the third quarter of 2019. Vacancies improved by 30 basis points to 11.0% compared to the second quarter's figure of 11.3%. While the level of new office development has slowed since 2015, demand for space has slowed at a faster pace. Development activity is at the lowest level since 2005, at 320 000m², or 1.7% of overall activity. SAPOA also published its retail trends report, based on data gathered by MSCI. Shopping centre trading density growth (annualised; sales per square meter) came in at 4.3% year-on-year to September 2019; a marginal improvement in momentum. The growth number, however, masks many anomalies. The growth is driven by smaller format convenience shopping centres where space consolidation (of food retailers, in particular) is resulting in stronger growth. Larger regional shopping centres have not experienced trading density growth above 2% since 2017; this is in line with the numbers being reported by most listed retail landlords and a better reflection of the challenged state of cost of occupancy and the affordability of rentals for retailers. These numbers speak to the key themes playing out in the sector, namely convenience, lower footfall, the rise of mixed use and the need for entertainment and experiential retail. Space growth of the past 20 years is now catching up to the sector. Some reprieve for landlords is second-tier retailers, especially discount fashion players, and, selectively, online-only retailers starting to take up space previously occupied by nationals.

Landlords continue to face one of toughest operating environments since the early 2000's, with the economic backdrop (GDP growth again disappointed in the third quarter) not supporting business confidence and tenant growth ambitions. In general, rentals continue to go backwards, and cost pressure, mostly from increased administered pricing, is not abating. Affordability, with overall occupancy costs as the main determinant, is driving tenant decision making at present, which, on the office and industrial side, also includes space consolidation and in-office user densification. The uncertainty created by the return of load shedding towards the end of 2019 is adding to the current woes of landlords. Balance sheet flexibility and capacity are becoming key considerations in investment decisions. Portfolio quality and defensive lease expiry profiles, portfolio positioning and relative rental levels versus the market will continue to play a key role in how companies weather the current storm. With all of this as a backdrop, we foresee the current cycle of distributable earnings growth pressure (and dividend growth pressure as payout ratios are potentially adjusted) to continue. Despite the improvement in returns experienced this last quarter, we do not foresee this as the start of a meaningful recovery, but rather an environment of selective stock-specific opportunities.

Portfolio manager
Anton de Goede
as at 31 December 2019

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. Taxable income includes interest income and income earned from REITs. 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 2019 (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