CORONATION PROPERTY EQUITY FUND

Fund Information as at 30 June 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. 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 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

TRUST IS EARNED™

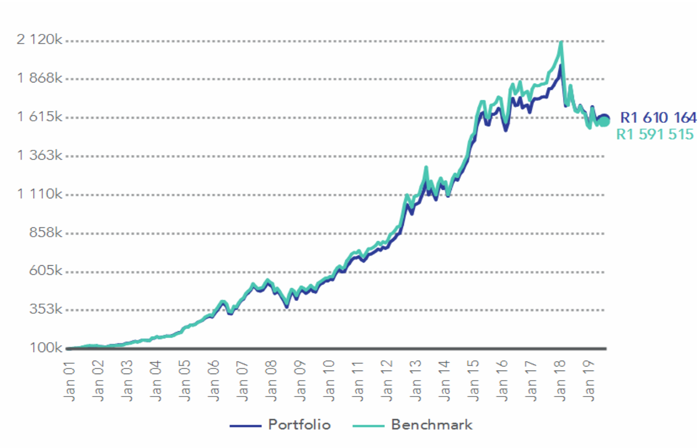
CLASS A as at 30 June 2019

Fund category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R 1.66 billion
NAV	5143.81 cents
Benchmark/Performance Fee Hurdle	FTSE/JSE All Property Index
Portfolio manager/s	Anton de Goede and Kanyane Matlou

	1 Year	3 Year
Total Expense Ratio	1.44%	1.44%
Fund management fee	1.25%	1.25%
Fund expenses	0.01%	0.01%
VAT	0.18%	0.18%
Transaction costs (inc. VAT)	0.08%	0.06%
Total Investment Charge	1.52%	1.50%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2019
Domestic Assets	100.0%
Real Estate	98.4%
Cash	1.6%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1510.2%	1491.5%	18.6%
Since Launch (annualised)	16.1%	16.1%	0.1%
Latest 15 years (annualised)	15.5%	15.5%	0.0%
Latest 10 years (annualised)	13.0%	12.4%	0.6%
Latest 5 years (annualised)	5.3%	4.6%	0.7%
Latest 3 years (annualised)	(1.8)%	(3.9)%	2.1%
Latest 1 year	(3.6)%	(4.2)%	0.7%
Year to date	2.6%	2.8%	(0.2)%

TOP 10 HOLDINGS

As at 30 Jun 2019	% of Fund
Nepi Rockcastle Plc	15.3%
Redefine Income Fund	11.1%
Growthpoint Properties Ltd	9.8%
Fortress Income Fund Ltd A	5.7%
Hyprop Investments Ltd	5.4%
Vukile Property Ltd	4.7%
Atterbury Investment Holdings	4.6%
Capital & Counties Properties Plc	3.9%
Resilient Property Income	3.4%
Echo Polska Properties N.V	3.2%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.3%	14.2%
Sharpe Ratio	0.60	0.55
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(29.7)%	(28.0)%
Positive Months	66.8%	66.4%

	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	Taxable Income
28 Jun 2019	01 Jul 2019	96.35	9.74	86.60
29 Mar 2019	01 Apr 2019	44.99	4.99	40.00
31 Dec 2018	02 Jan 2019	105.72	12.69	93.03
28 Sep 2018	01 Oct 2018	93.97	25.11	68.86

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%							**2.6%**
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%**

Issue date: 2019/07/12

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 All Property Index (ALPI) delivered a total return of 1.5% in the second quarter of 2019 (Q2-19). This return lagged that of the FTSE/JSE All Share Index (3.9%) and the All Bond Index (3.7%). The correlation between bonds and listed property held up for the better part of the quarter, but dissipated somewhat in the latter part. The South African 10-year government bond yield compressed to 8.7% from 9.0% in the first quarter, while the forward yield of the ALPI saw a marginal uptick to 8.9% from 8.8% as at end-March 2019. The historical yield of the bellwether index increased to 9.9% at the end of Q2-19, up from 9.5% three months earlier. This saw the historical yield gap relative to bonds widen to 126 basis points (bps) at the end of June, from 51bps as at end-March 2019.

The fund's return of 1.1% during Q2-19 lagged the 1.5% delivered by the benchmark, while performance over periods between three and 10 years compares favourably to peers and the benchmark. The fund's relative positioning in Nepi Rockcastle, Liberty Two Degrees, Echo Polska Properties and Redefine added value during Q2-19 – though not enough to offset the value detraction coming from the relative positioning in Growthpoint, Hammerson, Fortress A and Resilient. During the period, the fund increased exposure to Hyprop, SA Corporate Real Estate and Equites Property Fund, while reducing exposure to Growthpoint, Fortress A and Investec Property Fund.

Companies with March/September year ends, representing just under 40% of the sector's market capitalisation, reported financial results during Q2-19, with dividend growth coming in at 2.0% for the domestic names. When including offshore-focused but locally-listed counters, dividend growth sat at -1.4%. The trend coming out of the reporting season continues to be one showing that net property income growth remains under pressure. While vacancies have held up, pressure on escalations and reversions remains and lease incentives are increasing. The cost of replacing a tenant is therefore high, with landlords adopting a 'whatever-it-takes' approach to retain existing tenants. Longer void periods in this environment are having a negative impact on the recovery of municipal charges. On the cost side, pressure emanating from increased rates expenses are seeing an upward trend in cost-to-income ratios.

Vukile was the third counter to come to the market with a capital raise in the year to date. The company raised R700 million in an accelerated bookbuild and a further R400 million in private placements, bringing the total capital raised by the sector this year to R2.4 billion. In corporate activity during the quarter, Gemgrow and Arrowhead announced that Gemgrow would undertake a reverse take-over of Arrowhead to leverage off Gemgrow's dual-class share structure. The boards of these two companies are of the view that there is no longer a clear rationale to retain two separate listings and believe that, in the current challenging operating environment, a simplified group structure would be more efficient and create synergistic benefits for all shareholders. In addition to Arrowhead's support for the merger, Vukile, being Gemgrow's second largest shareholder, has provided an irrevocable undertaking to support the merger.

In other activity, after announcing that Cromwell had made an offer to acquire all outstanding shares in RDI REIT, this offer is now off the table. According to RDI REIT, since the initial unsolicited approach from Cromwell, the Board actively engaged with Cromwell in order to facilitate its due diligence requirements. Following this engagement, the Board received a conditional proposal from Cromwell. However, the RDI REIT Board found that the proposal undervalued the company and its prospects and took the unanimous decision not to support a further period of due diligence. Bolstering this view, RDI REIT received confirmation from its largest shareholder, Redefine, that the proposal was unacceptable.

Meanwhile, there were some management changes during the period. Intu appointed its former CFO, Matthew Roberts as the company's new CEO, while his old role has been filled by Robert Allen; SA Corporate announced that MD Rory Mackey and FD Antoinette Basson had tendered their resignations as executive directors of the company, both of which were accepted by the Board. Meanwhile, Arrowhead CFO Imraan Suleman resigned following allegations of the unauthorised use of company resources.

The Financial Services Conduct Authority (FSCA) provided an update on the ongoing investigations into Nepi Rockcastle. The regulatory body has concluded the investigation into related party share trading between October 2017 and February 2018. It found no substance to the allegations that directors, related parties and other parties believed to be related to either Resilient, Fortress, Lighthouse Capital and NEPI Rockcastle were supporting the NEPI Rockcastle share price. In other activity, Hyprop and Attacq announced the disposal of Achimota Mall in Ghana to Growthpoint Investec African Properties (Growthpoint and Investec's joint venture). This is their first step in recycling capital out of their 'Rest of Africa' investments, an intention that has been well flagged in the past.

The South African Property Owners' Association (SAPOA) released its quarterly office vacancy survey for Q1-19, which shows that office vacancies were down 10bps to 11.0% from a quarter earlier. Of the four office grades, B-grade space was the only one to show an improvement, with vacancies falling 70bps to 13.1%; P-, A- and C-grade spaces recorded vacancy increases of 190bps, 10bps and 20bps, respectively, from the prior quarter, to end the quarter at vacancy rates of 8.0%, 9.2% and 14.9%, respectively. Of the five metropolitan areas, four (Durban, Port Elizabeth, Johannesburg and Cape Town) saw an improvement in occupancies, while Pretoria recorded deterioration. Growth in asking rents over the last 12 months slowed to 0.9% vs. 4.4% in the previous quarter. Office space under development amounts to 2.2% of existing stock (44.5% of this is pre-let). As has been the case for some time now, a high degree of concentration remains, with 56% of all office developments concentrated in three nodes in Gauteng, these being Sandton, Waterfall and Rosebank.

The economic backdrop remains challenged, as evidenced by the Q1-19 GDP growth print of -3.2% (quarter-on-quarter annualised), reflecting constrained domestic demand from both a household consumption and a fixed investment point of view. The feed-through to property fundamentals was confirmed by the recent reporting season, which reflected the various headwinds to organic rental growth within the sector. Continuing a trend seen over the last year or so, negotiating power remains in tenants' favour, with the result that landlords are managing for occupancies rather than rental growth; outside of a recovery in broader economic activity, it will likely be difficult for property fundamentals to rebound from their current levels. Against this backdrop, opportunities within the domestic listed property universe remain limited as dividend growth could still see further pressure going forward, even though initial yields appear attractive.

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