CORONATION PROPERTY EQUITY FUND

Fund Information as at 31 May 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

CLASS A as at 31 May 2019

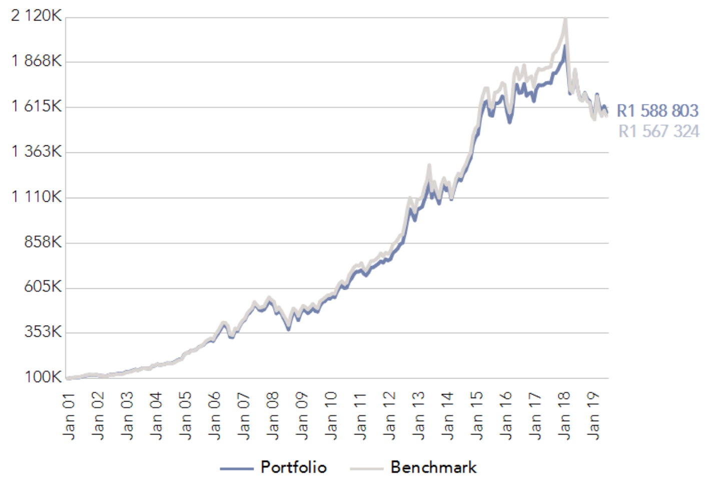
CORONATION
TRUST IS EARNED™

Fund category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R 1.65 billion
NAV	5075.56 cents
Benchmark/Performance	FTSE/JSE All Property Index
Fee Hurdle	
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)



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1488.8%	1467.3%	21.5%
Since Launch (annualised)	16.1%	16.0%	0.1%
Latest 15 years (annualised)	15.5%	15.4%	0.1%
Latest 10 years (annualised)	12.8%	12.0%	0.7%
Latest 5 years (annualised)	5.6%	4.9%	0.7%
Latest 3 years (annualised)	(2.2)%	(4.0)%	1.9%
Latest 1 year	(7.8)%	(9.0)%	1.2%
Year to date	1.2%	1.2%	0.0%

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	66.7%	66.2%

	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 May 2019
Domestic Assets	**100.0%**
Real Estate	**99.0%**
Cash	**1.0%**

TOP 10 HOLDINGS

As at 31 Mar 2019	% of Fund
NEPI Rockcastle PLC	13.6%
Redefine Income Fund	11.6%
Growthpoint Properties Ltd	9.9%
Fortress Income Fund Ltd A	6.2%
Atterbury Investment Holdings	5.1%
Hyprop Investments Ltd	4.7%
Vukile Property Ltd	4.7%
Capital & Counties Properties PLC	4.5%
Hammerson PLC	3.6%
Echo Polska Properties N.V	3.0%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Taxable Income
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
29 Jun 2018	02 Jul 2018	70.12	4.73	65.40

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)%								1.2%
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: 2019/06/11

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 listed property sector (ALPI) delivered a total return of 1.3% in the first quarter of 2019 (Q1-19), following a strong performance in January but subsequent reversal in February and March. This return lagged that of the FTSE/JSE All Share Index (+8.0%) and the All Bond Index (+3.8%). The correlation between bonds and listed property held up for the better part of the quarter, though dissipating somewhat in the latter part. The South African 10-year government bond yield compressed to 9.0% from 9.2% a quarter earlier, while the forward yield of the ALPI saw a decrease to 8.8% from 9.4% as at end-December 2018 (including index changes).

The historical yield of the bellwether index[1] decreased to 9.5% at the end of Q1-19, from 9.6% three months earlier. This saw the historical yield gap relative to bonds widen to 51 basis points (bps) at the end of March from 38bps as at end-December 2018.

The fund's return of 1.5% during Q1-19 was ahead of the 1.3% 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 Hyprop, Investec Property Fund, Hammerson and Nepi Rockcastle added value during Q1-19–enough to offset the value detraction coming from the relative positioning in Liberty Two Degrees, Redefine, Resilient and Growthpoint. During the period, the fund increased exposure to Vukile, Hyprop, MAS and SA Corporate while reducing exposure to Growthpoint, Redefine, Investec Australia Property Fund and Investec Property Fund.

Companies with June/December year ends, representing just under 60% of the sector's market capitalisation, reported financial results during Q1-19, with dividend growth coming in at 1.1% for the domestic names. When including offshore-focused but locally-listed counters, dividend growth sat at 8.3%. This was supported by the weaker rand over the 12 months to end-March 2019. As was to be expected given the challenged macroeconomic environment, underlying operational results generally reflected strain, manifesting in pressure on rental growth even as vacancies for now remain generally stable. With this being a tenants' market, retailers are pressing for larger reversions and lower escalations, while on the office side, a limited pool of occupiers continues to see landlords use various avenues to compete. Following on from last year, an increase in municipal rates remain a key driver of cost growth, offsetting growth in gross rental income which is already under pressure.

Just under R1.3 billion of equity was raised in accelerated bookbuilds during the quarter. Equites was the first company to come to market for the year, raising R710 million. Stor-Age followed with a R585 million bookbuild following small acquisitions of self-storage assets in the UK. Meanwhile, in corporate activity announced during the period, Safari and Fairvest said that the parties had agreed to engage with each other regarding a potential friendly merger, though the expression of interest signed remains non-binding. After announcing an asset swap deal that would have seen Fortress acquire various shopping centres from Resilient in return for Resilient shares owned by Fortress, a stake in Lighthouse Capital and a minority stake in two shopping centres, Fortress announced that the proposed deal had been pulled, citing limited prospects of reaching consensus on all aspects of the proposed transaction. Redefine announced that it had increased its stake in listed Polish retail landlord, Echo Polska Properties, from 39% to 44%. This latest transaction will see Redefine's Polish exposure tick even higher following the acquisition of the direct logistics platform into the country during 2018.

Following limited information at the beginning of the year, Edcon finally made public its recapitalisation deal with stakeholders that will reportedly allow it a few years of breathing room. Of relevance to landlords, a handful of options are on the table. Of these, the most prevalent include a straightforward 41% rental cut for two years, with the cut accruing monthly into a trust account which will then be used to subscribe for equity in Edcon every six months. The other option is an upfront equity contribution by the landlord equal to the present value of the rental holiday, with the rental payable unchanged. It will be up to individual landlords as to how this latter option will be treated for distributable income purposes: some have indicated they would only distribute the circa 59% of rental after the 'cut', while others plan to pay out the entire amount, with the distribution adjusted by interest costs related to the debt used to subscribe for the equity.

In management changes during the month, former Hyprop CFO, Laurence Cohen was appointed as the new CFO for Vukile Property Fund. Meanwhile, Resilient announced the appointment of former Mr Price CEO Stuart Bird to its board as a non-executive director following the retirement of long-serving director, Bryan Hopkins. In sector news during the month, the Financial Services Conduct Authority announced that it had closed its investigation into allegations of insider trading against Resilient, Fortress and Nepi Rockcastle, though investigations into share price manipulation remain ongoing.

SAPOA released its quarterly office vacancy survey for the fourth quarter of 2018 during Q1-19. The release showed that office vacancies were down 17 basis points (bps) to 11.1% in December 2018 from a quarter earlier. Of the four office grades, A-grade space was the only one to show a deterioration, climbing 30 bps to 9.1%; P-, B- and C-grade space recorded declines of 60 bps, 40 bps and 70 bps respectively from the prior quarter, to end the quarter at vacancy rates of 6.1%, 13.8% and 14.7% respectively. Of the five metropolitan areas, three (Durban, Port Elizabeth and Cape Town) saw a deterioration in occupancies, while two recorded an improvement (Pretoria and Johannesburg). Growth in asking rents over the last 12 months recorded a slowdown to 4.4% (versus 5.3% in the previous quarter). Office space under development amounts to 2.3% of existing stock (with 53.2% 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 91% of all developments, with Sandton, Waterfall and Rosebank accounting for a combined 58% of total office development.

As illustrated by the recently concluded results season, numerous headwinds to organic rental growth remain in place, stemming from broad-based weakness in underlying domestic fundamentals. Across the major sub-sectors, negotiating power has tilted in tenants' favour, with the result that landlords are managing for occupancies rather than rental growth. Some uncertainty will likely remain until after this year's National Elections in May; however, a sustained rebound in the economy will be needed before fundamentals return in favour of landlords. Against this backdrop, we see selective opportunities within the domestic listed property universe, where the headwinds from muted dividend growth are sufficiently priced into initial yields.

Portfolio manager
Anton de Goede and Kanyane Matlou
as at 31 March 2019

[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. 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

This document is for information purposes only and does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.