CORONATION PROPERTY EQUITY FUND

Fund Information as at 30 June 2020

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
TRUST IS EARNED™

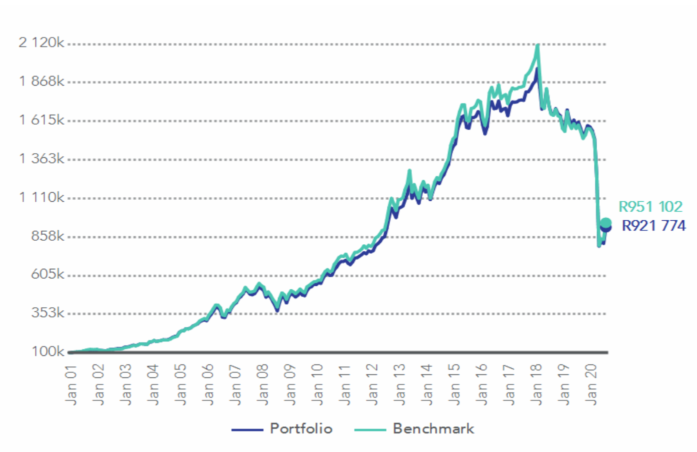
CLASS A as at 30 June 2020

Fund category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R778.15 million
NAV	2733.39 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%	1.44%
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%	1.50%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2020
Domestic Assets	100.0%
Equities	0.1%
Financials	0.1%
Real Estate	97.8%
Cash	2.0%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	821.8%	851.1%	(29.3)%
Since Launch (annualised)	12.0%	12.2%	(0.2)%
Latest 15 years (annualised)	8.2%	8.4%	(0.2)%
Latest 10 years (annualised)	4.2%	4.1%	0.1%
Latest 5 years (annualised)	(10.1)%	(10.1)%	0.0%
Latest 3 years (annualised)	(19.3)%	(19.8)%	0.6%
Latest 1 year	(42.8)%	(40.2)%	(2.5)%
Year to date	(40.7)%	(38.3)%	(2.4)%

TOP 10 HOLDINGS

As at 30 Jun 2020	% of Fund
Nepi Rockcastle Plc	19.0%
Growthpoint Properties Ltd	12.5%
Redefine Income Fund	9.8%
Fortress Income Fund Ltd A	5.1%
Mas Real Estate Inc	4.7%
Vukile Property Ltd	4.1%
Capital & Counties Properties Plc	4.1%
Equites Property Fund Ltd	3.6%
Hyprop Investments Ltd	3.4%
Investec Limited	3.4%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	16.4%	17.0%
Sharpe Ratio	0.24	0.24
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(59.3)%	(62.1)%
Positive Months	65.1%	64.7%

	Fund	Date Range
Highest annual return	53.6%	Apr 2005 - Mar 2006
Lowest annual return	(49.9%)	Apr 2019 - Mar 2020

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Taxable Income
30 Jun 2020	01 Jul 2020	29.95	0.00	29.95
31 Mar 2020	01 Apr 2020	52.15	27.17	24.98
31 Dec 2019	02 Jan 2020	131.91	13.20	118.71
30 Sep 2019	01 Oct 2019	27.94	4.51	23.43

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2020	(3.5)%	(15.9)%	(36.8)%	4.4%	(2.0)%	13.0%							(40.7)%
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)%

Issue date: 2020/07/14

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.

After an initial volatile start to the second quarter of 2020 (Q2-20), the listed property sector (ALPI), maintained the positive momentum of the last two weeks of May into June, delivering the best quarterly return since the third quarter of 2008, which followed the interest rate hiking cycle of 2007/2008. The sector delivered a total return of 18.7% for the quarter, resulting in it returning 37.7% since the lows experienced in March.

The ALPI's year-to-date (YTD) total return is still, however, -38.3%, with the challenges related to Covid-19 still lingering in the background. The partial recovery came about as some certainty regarding rent collection, deferrals and discounts gradually returned as companies released trading or pre-close updates towards the end of the quarter. Providing some additional comfort is that landlords representing the South African Real Estate Investment Trust (SA REIT) Association, South African Property Owners Association (SAPOA) and the South African Council of Shopping Centres (SACSC) have joined forces to form the SA Property Industry Group, which is able to negotiate with stakeholders, may it be tenants, banks or regulators, with one voice. This is key in ensuring that solutions are found to ensure the sustainability of the commercial property sector for the longer term beyond the existing Covid-19-related challenges. Despite the sector's strong showing during the quarter, its 12-month rolling underperformance versus the Africa All Share Index (ALSI) widened further to -37%, with a marginal inroad into the underperformance versus the All Bond Index (ALBI) to -43%. Post the first quarter, we have cut our dividend expectations for the sector even further, assuming for some companies no dividend payment in the 2020 financial year. Thereby, the current forward yield of the ALPI is 7.6%, down from 14% prior to the first round of dividend adjustments, with the forward yield gap at -179 basis points (bps).

With a return of 15.6% during Q2-20, the fund underperformed the benchmark. 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 Fairvest, Emira and Octodec added value during Q2-20, while value detraction came from the relative positioning in Investec Australia Property, Dipula A and Lighthouse. During the period, the Fund increased exposure to Investec Property, Growthpoint and Equites, while reducing exposure to Liberty Two Degrees, Stor-Age and SA Corporate, to mention some of the repositioning.

Considering all the companies that have now reported for their February and March reporting periods (a few utilising the JSE extension for reporting time periods), distributable earnings in reporting currencies were down 6.1% year-on-year (y/y). Excluding the offshore-focused companies, distributable earnings were 8.0% lower. Dividend growth was much lower, with many companies, especially those reporting interim results, not declaring a dividend. Most of the results had no or minimal impact from Covid-19 and thus the low single-digit distributable earnings growth, excluding Redefine (Redefine was 31.9% lower due to not recognising any income from listed holdings EPP or RDI for the first half of 2020, as the companies did not declare any dividends) is not a reflection of the rent collection for the past three months. Over this period, rent collection seems to have averaged at between 70% and 80% per month with a combination of rent deferral and discounts making up the balance.

Most rental discounts or deferrals are being provided to smaller independent retailers and food and beverage operators. Within the current Covid-19 trading period, retail rent collection has improved from initial collections of circa 50% in April to mid-70% at present, while both office and industrial have deteriorated from levels above 80% to levels closer to 70%. On the office and industrial side, tenants dependent on severely impacted sectors such as travel, tourism and hospitality, have started to feel the bite of negatively impacted cash flow. Thus far, on average, rental discounts for the quarter should result in a 2% to 3% loss of annual rental income for more diversified portfolios and between 5% and 6% for more retail heavy landlords. This is excluding the impact of a failed Edcon, although most landlords believe that both Edgars and Jet will be sold (partially or wholly) with the profitable stores continuing to trade. For the space given up, landlords mostly feel that rental is at an already discounted level and should provide some upside when leased. Many landlords will use the additional space to add grocers in centres in which another food anchor can be justified.

Some companies have already indicated distributable earnings to be more than 15% lower for the June reporting period, even reporting annual results, thus reporting for periods ending May and June coming up the next few months will be a better reflection of the impact of Covid-19.

Balance sheet risk, with most of this associated with potential property value write-downs, remains very topical for the sector. Investors have become much more focused on see-through gearing levels, cross-currency swap risk and refinancing risk. Announcements such as that of Redefine's disposal of its Australian student accommodation developments and RDI holding, as well as that from Vukile of its stake in Atlantic Leaf (both stocks with concerns over elevated see-through gearing levels) are therefore very important for the sector to regain some broader investor support.

Uncertainty still exists as to what extent REIT rules and tax dispensation will be relaxed to accommodate those REITs with cash flow pressure due to rental discounts and deferrals, allowing them to pay out less than the required 75% of distributable earnings to ensure balance sheet management. Accompanying management commentaries with recent results releases caution on general operating conditions post the transition period beyond Covid-19 lockdown trading. No company is prepared to commit to any guidance of medium- to longer-term relevance. Uncertainty remains over dividend payments, as many companies continue to rather postpone any dividend declaration to the full year if reporting interim results, with most rather managing short-term liquidity. As previously mentioned, we will support companies with legitimate liquidity concerns in their decisions to withhold dividends if this will put the company in a meaningfully improved balance sheet position. With this as background, stock selection remains difficult, as it is all about how one is pricing risk at present. Risk is associated with balance sheet pressure, property values and loss of income. We recognise that meaningful risks continue to exist, but see continued selective value from the sector, despite the strong quarterly move in some share prices, with some companies already successful in derisking balance sheets.

Portfolio manager
Anton de Goede
as at 30 June 2020

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

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