CORONATION PROPERTY EQUITY FUND

Fund Information as at 30 November 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™

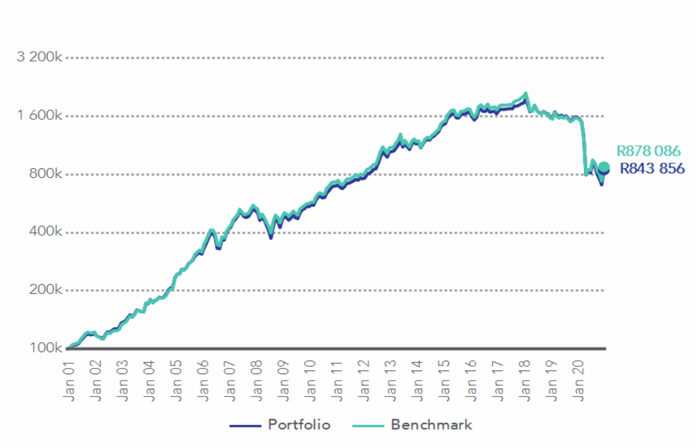
CLASS A as at 30 November 2020

Fund category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R679.58 million
NAV	2474.01 cents
Benchmark/Performance	FTSE/JSE All Property Index
Fee Hurdle	
Portfolio manager/s	Anton de Goede

	1 Year	3 Year
Total Expense Ratio	1.44%	1.44%
Fund management fee	1.24%	1.25%
Fund expenses	0.02%	0.02%
VAT	0.19%	0.19%
Transaction costs (inc. VAT)	0.05%	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 Nov 2020
Domestic Assets	100.0%
Equities	1.0%
Financials	1.0%
Real Estate	98.0%
Cash	0.9%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	743.9%	778.1%	(34.2)%
Since Launch (annualised)	11.3%	11.5%	(0.2)%
Latest 20 years (annualised)	11.3%	11.5%	(0.2)%
Latest 15 years (annualised)	6.9%	7.0%	(0.1)%
Latest 10 years (annualised)	1.9%	1.9%	0.1%
Latest 5 years (annualised)	(12.7)%	(12.8)%	0.1%
Latest 3 years (annualised)	(23.4)%	(24.3)%	1.0%
Latest 1 year	(46.6)%	(44.0)%	(2.6)%
Year to date	(45.7)%	(43.1)%	(2.7)%

TOP 10 HOLDINGS

As at 30 Sep 2020	% of Fund
Nepi Rockcastle Plc	19.1%
Growthpoint Properties Ltd	13.2%
Fortress Income Fund Ltd A	11.0%
Redefine Income Fund	9.8%
Investec Limited	4.7%
Mas Real Estate Inc	4.5%
Equites Property Fund Ltd	4.3%
Vukile Property Ltd	3.5%
Resilient Property Income	3.2%
Dipula Income Fund	2.9%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.0%	17.6%
Sharpe Ratio	0.19	0.20
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(63.9)%	(64.9)%
Positive Months	64.2%	63.8%

	Fund	Date Range
Highest annual return	53.6%	Apr 2005 - Mar 2006
Lowest annual return	(55.4%)	Nov 2019 - Oct 2020

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Taxable Income
30 Sep 2020	01 Oct 2020	0.74	0.11	0.62
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

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%	(4.4)%	(8.7)%	(5.4)%	(7.0)%	19.2%		**(45.7)%**
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: 2020/12/09

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 -15.4% in the third quarter of 2020 (Q3-20). After the partial recovery experienced in the second quarter of the year, results releases and trading updates during Q3-20 were in line with general expectations. However, negative management commentaries relating to the uncertain economic backdrop and when a likely return to pre-Covid-19 distributable earnings levels will materialise spooked the market. In addition, discussions between the SA Real Estate Investment Trust (REIT) Association, the JSE and Financial Sector Conduct Authority (FSCA) on any potential leniency on REIT status qualification paying out lower than the required 75% of distributable profit to still qualify could not be resolved. Despite being already wide at the start of Q3-20, the sector's 12-month rolling underperformance vs. the All Share Index (ALSI) and All Bond Index (ALBI) widened even further to -49% (vs ALSI) and -51% (vs ALBI). The current forward yield of the ALPI is 13.2%, assuming dividend payments from most REITs, which we previously anticipated might be cancelled across the sector, albeit with the introduction of dividend pay-out ratios.

With a return of -17.4% during Q3-20, the Fund underperformed the benchmark, resulting in some ground being lost on most time periods between 12 months and 10 years. The Fund's relative positioning in Fairvest, Fortress A and Investec Property added value during Q3-20, while value detraction came from the relative positioning in NEPI Rockcastle, Investec Australia Property, Dipula A, RDI REIT, Stenprop and Attacq. During the period, the largest increase in exposure occurred in Fortress A, Redefine and Spear, while the largest reduction in exposure occurred in Capital & Counties, Fortress B and Hyprop.

Due to the impact of Covid-19, distributable earnings for the companies that reported during the quarter was 25.6% lower year-on-year in reporting currency, with the number being -22.4% if the offshore focused stocks are excluded. The six-month period that included trading under Covid-19 lockdown restrictions experienced distributable earnings going backwards by 38.3%. Dividend growth was lower, with those companies declaring dividends (rather than pushing the decision out to a full year results release) producing dividend growth of -33.6%. Lower-than-average rent collection is the biggest culprit behind the negative growth, with most companies providing more rental discounts than deferrals for tenants not able to optimally trade during the Covid-19 lockdown period. Last quarter, we referred to rental collections during the lockdown period ranging between 70% and 80% compared to contracted rentals. Collections post June have improved to mostly beyond 90%, while small discounts continue to be provided for tenants having practical limitations to trade even under lockdown level 1 i.e. cinemas, some food and beverage services and associated office or industrial tenants operating in the broader hospitality or travel industries.

Looking at the results releases and trading updates of the last quarter, it is interesting to see how the companies approach reporting, with Covid-19 relief (especially deferrals) either coming through as revenue and debtors or loss of income. Some broader sector trends prevalent from the results releases are:

- After the sale of individual elements of Edcon, most existing Edgars and Jet stores are being kept on by Retailability and The Foschini Group, the respective acquirers, with a mixed bag on the relative rentals vs. previous Edcon-negotiated rentals. The few stores not being taken on by the new owners are being taken up by national grocers, pharmacies or specialist retailers such as OBC or Studio 88;
- Significant single-tenant exposure and new lease deals on a portfolio level could have a negative impact on rentals and vacancies. Massmart has been keen to do single portfolio deals in exchange for what seems mostly lower rental renewals for mostly new 10-year leases;
- As seen globally, more rural and secondary-located retail with a convenience element is performing much better than urban and larger regional shopping centres;
- Debt funding remains available, even in the Domestic Medium-Term Note market, but more selectively than traditional bank funding, while margins are expanding by circa 50 basis points;
- Portfolio values are down 5%-15%, depending on the sector profile and exposure within a sector; most of the pain is being taken on the discount cash flow input variables and short-term cash flow impact from Covid-19 rather than capitalisation rates;
- Most REITs are now including all derivative liabilities in loan-to-value calculations, making it a more robust ratio, especially when it comes to cross-currency swap balance sheet risk when these expire;
- REITs continue to simplify the earnings base on which dividends are based, with the gradual potential exclusion of capitalised interest cost in distributable earnings. Also, there is some propensity not to increase cross-currency swap exposure, but rather decrease or exit it as the differential between local and offshore interest rates makes it less attractive for the currency risk being taken on;
- Black economic-empowerment deals are under severe pressure where any third-party funding was provided, with either the company standing in as guarantor or the original funders becoming the holders of the equity.

Although uncertainty still exists on how individual REITs will approach dividend payments, the decision by the FCSA that no leniency will be provided to REITs in terms of the minimum payout ratio of distributable profit required to qualify as a REIT does put a peg in the sand. Companies remain undecided in how they will approach dividend payments, but our expectations are for dividends to be 30% lower in FY2020 vs. FY2019. Most REITs will likely work towards maintaining REIT status and, therefore, it does provide some underpin to the sector in terms of at least income return expectations. Referencing the results announced in this quarter, most rental discounts and deferments seem to be in the earnings base, although the certainty of this remains fluid. What remains key is where asset values will settle. With the economy under pressure, further valuation adjustments beyond that already announced in the recent results season may come, which could put further pressure on already stretched balance sheets. We are selectively positive on a few individual companies where we deem this specific risk/return payoff to provide potential upside from current share price levels, but it remains a broader sector risk, which will continue to put a dampener on short-term upside.

Portfolio manager
Anton de Goede
as at 30 September 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 2020 (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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