CORONATION PROPERTY EQUITY FUND

Fund Information as at 31 December 2021

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

MAURO LONGANO
BScEng (Hons), CA(SA)

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™

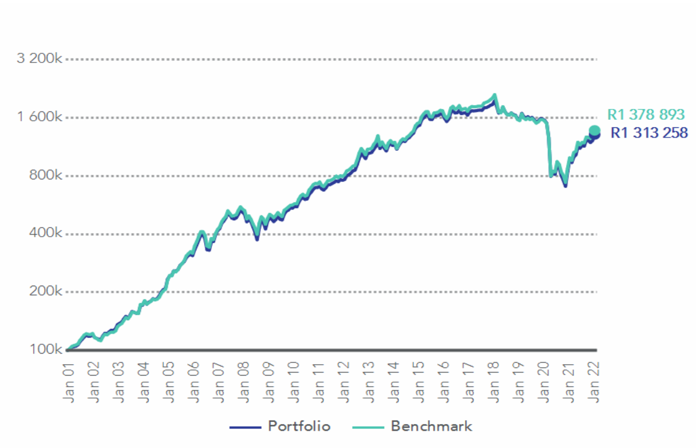
CLASS A as at 31 December 2021

Fund category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R948.36 million
NAV	3662.91 cents
Benchmark/Performance Fee Hurdle	FTSE/JSE All Property Index
Portfolio manager/s	Anton de Goede and Mauro Longano

	1 Year	3 Year
Total Expense Ratio	1.45%	1.45%
Fund management fee	1.24%	1.24%
Fund expenses	0.02%	0.02%
VAT	0.19%	0.19%
Transaction costs (inc. VAT)	0.07%	0.05%
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)	1213.3%	1278.9%	(65.6)%
Since Launch (annualised)	13.0%	13.3%	(0.3)%
Latest 20 years (annualised)	12.9%	13.2%	(0.3)%
Latest 15 years (annualised)	7.8%	8.0%	(0.2)%
Latest 10 years (annualised)	5.5%	5.4%	0.1%
Latest 5 years (annualised)	(5.2)%	(5.2)%	0.0%
Latest 3 years (annualised)	(5.8)%	(3.8)%	(2.0)%
Latest 1 year	35.5%	38.6%	(3.2)%
Year to date	35.5%	38.6%	(3.2)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.2%	17.8%
Sharpe Ratio	0.30	0.31
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(63.9)%	(64.9)%
Positive Months	64.0%	63.6%

	Fund	Date Range
Highest annual return	68.5%	Nov 2020 - Oct 2021
Lowest annual return	(55.4%)	Nov 2019 - Oct 2020

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2021
Domestic Assets	100.0%
Real Estate	96.8%
Cash	3.2%

TOP 10 HOLDINGS

As at 31 Dec 2021	% of Fund
Nepi Rockcastle Plc	17.1%
Growthpoint Properties Ltd	15.7%
Equites Property Fund Ltd	8.3%
Redefine Income Fund	7.9%
Fortress Income Fund Ltd A	7.9%
Mas Real Estate Inc	6.0%
Atterbury Investment Holdings	4.9%
Investec Limited	4.5%
Vukile Property Ltd	3.6%
Dipula Income Fund	3.2%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Taxable Income
31 Dec 2021	03 Jan 2022	96.09	0.00	96.09
30 Sep 2021	01 Oct 2021	53.63	23.11	30.52
30 Jun 2021	01 Jul 2021	45.26	0.00	45.26
31 Mar 2021	01 Apr 2021	18.70	12.32	6.37

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2021	(3.1)%	6.6%	2.7%	10.2%	(1.8)%	3.3%	(0.8)%	7.4%	(0.5)%	(2.3)%	2.4%	7.6%	**35.5%**
Fund 2020	(3.5)%	(15.9)%	(36.8)%	4.4%	(2.0)%	13.0%	(4.4)%	(8.7)%	(5.4)%	(7.0)%	19.2%	14.9%	**(37.7)%**
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)%**
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: 2022/01/13

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 a strong and somewhat surprising run into the end of the year, listed property delivered a total return of 8.4% for the quarter, resulting in the asset class returning 38.6% for 2021. This has now been the fifth consecutive quarter of positive returns for the sector as it continues to recover from the Covid-19 induced operating pressures. The good return in 2021 follows the -35.5% return of 2020, making up for most of the losses experienced in that year. However, it is still down 10.6% since the start of 2020 from a total return perspective, illustrating the severity of the initial selloff in the first quarter of 2020 (Q1-20). From a relative performance viewpoint, the sector continues to gradually gain ground against both the JSE All Share Index (ALSI) and All Bond Index (ALBI) over the medium and long term and, due to the recovery from the post-Covid-19 lows, has outperformed both indices handsomely in 2021, especially the ALBI, with an outperformance of 30%. However, the underperformance over two years is still substantial, at 23% and 14% respectively on an annualised basis. The ALPI's one-year forward dividend yield is 7.7%, and that of the Property Equity Fund is 7.6%.

Besides the August/September results season concluding in early December, which generally provided support for the sector, the most relevant news flow out the sector related to the continued potential restructuring of the A & B capital structures, with Dipula dominating these headlines at present. Corporate action or capital injections remain on the radar, with the acquisition by Sirius of Bizspace and subsequent capital raise, Growthpoint supporting the Capital & Regional capital raise, Redefine offering a swap ratio to take EPP internal (with a complicated restructure) and the Arrowhead and Fairvest merger likely to be concluded soon (with smaller listings Heriot and Safari also working towards a merger). In turn, in Australia Irongate continues to defend a potential takeover from 360 Capital. The first Covid-19 'casualty', Tower Property Fund, delisted at the end of December after shareholders approved the company's take-out offer.

Delivering a return of 7.6% during Q4-21, the Fund underperformed the benchmark, with the bulk of the underperformance occurring early in the quarter due to, among other things, its A share exposure. The Fund lost marginal ground against the benchmark over return periods of more than 12 months. For 2021, it delivered a return of 35.5%, with the negative impact of the underweight in UK dominant companies in Q1-21 becoming the biggest detractor as these companies benefitted from the reopening trade at the time. For the quarter, the Fund benefitted from its overweight positioning in Equites, Investec Property, MAS and Attacq. The non-benchmark position in Arrowhead A also supported performance. Our relative positioning in Hyprop, Dipula A, Fortress A, Sirius and NEPI Rockcastle detracted value during Q4-21. During the period, the largest increase in exposure occurred in Capital & Counties, Attacq and SA Corporate. The largest reduction in exposure occurred in EPP and Redefine after the details of their prospective restructurings were announced, as well as Hyprop and Irongate. We also sold out of our positions in Spear REIT and Liberty 2 Degrees.

The reporting season during the quarter brought distributable earnings per share growth of 11.4% year on year (y/y) (excluding outlier Accelerate), with dividend per share growth at 8.5%, with an average payout ratio of 88.9%. The calculation is done in rands, so all euro or pound reported earnings have been converted by the exchange rate determined by the company. Although things remain tough operationally, there seems to be some light at the end of the tunnel. This contrasts with the risks that we pointed out last quarter, especially related to the lack of demand for office space and large negative reversion potential in, especially, the industrial/logistics sector. In our dealings with third-party sector participants, green shoots are appearing on the vacancy front, albeit still very limited, while many are referencing flat market rentals across the board rather than the declining rentals that have been experienced in the recent past, especially the last 18 months.

Two things stand out from the results season. First, although balance sheet risk has decreased substantially over the last 12 months, which we also referenced in last quarter's commentary, companies continue to actively look at various ways to derisk this element of their operations. This is not only in actual gearing levels (most commonly still via dividend reinvestment offerings or disposals) but also via looking to decrease the implied offshore gearing a company may have despite the negative impact this should have on distributable earnings. Secondly, some expansionary talk is starting to filter through once more now that Covid-19-related crisis management is not the sole focus of most management teams.

MSCI released its Bi-Annual Property Index for South Africa for H1-21 during the quarter. This Index captures the return of direct commercial property in the country. The total return for H1-21 came in at 1.3% (6 months' return), with capital growth at -2.6% and income return at 4.0%. This compares to the full year 2020 numbers of -3.0% total return, 7.2% income return and -9.6% capital return. What came through were better y/y total returns versus 2020, with smaller retail format especially strong, as were some industrial formats. There is an improvement in capital growth momentum, although still negative, but better than H1-20. Vacancies continue to increase (from 8.7% to 9.6%), and rental levels decrease.

Going forward, the sector has surprised with the strong run into the end of year as earnings are still lagging that of pre-Covid-19. Although global inflation pressure should be beneficial for property as an asset class, a period of share price consolidation should be expected as three sticking points remain besides rental levels and tenant demand. Costs have been very well contained over the last 18 months and, with a return to normality, we may see pressure start to creep in once more. The interest rate cycle has already turned into a hiking cycle, and although there should still be some benefit from higher hedges rolling off in the immediate future, the overall interest rate profile could start to creep higher. And lastly, although our base case is that property value write-downs are mostly out of the system, some more recent comments reflect a view that valuers have not been ruthless enough in reducing valuation assumptions, especially those related to market rentals. And that discounted cash flow valuations, which are still the most widely used, are not very relevant when buyers focus on year one yield or the value sitting in the actual bricks and mortar.

Portfolio managers
Anton de Goede and Mauro Longano
as at 31 December 2021

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.

BENCHMARK DETAILS

The benchmark used for performance purposes is FTSE/JSE All Property Index.

Note that we use the formal SA – Real Estate – General category benchmark as specified in the ASISA Standard on Fund Classification, which is currently the FTSE/JSE SA Listed Property Index, for compliance monitoring purposes.

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 the current financial year (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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