

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

Maximum growth/
minimum income exposures

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

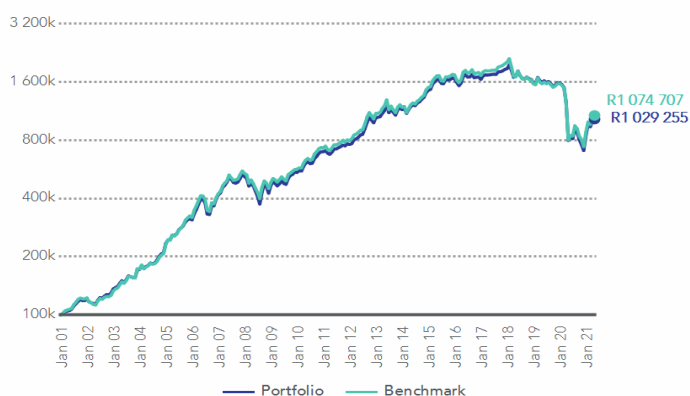
CLASS A as at 31 March 2021

Fund category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R787.37 million
NAV	2975.88 cents
Benchmark/Performance	FTSE/JSE All Property Index
Fee Hurdle	
Portfolio manager/s	Anton de Goede

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.44%	1.45%
Fund expenses	1.24%	1.25%
VAT	0.02%	0.01%
Transaction costs (inc. VAT)	0.19%	0.18%
Total Investment Charge	0.05%	0.06%
	1.49%	1.51%

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)	929.3%	974.7%	(45.4)%
Since Launch (annualised)	12.1%	12.4%	(0.2)%
Latest 20 years (annualised)	12.1%	12.2%	(0.2)%
Latest 15 years (annualised)	6.6%	6.6%	0.0%
Latest 10 years (annualised)	4.0%	3.9%	0.1%
Latest 5 years (annualised)	(9.7)%	(9.8)%	0.1%
Latest 3 years (annualised)	(15.6)%	(14.2)%	(1.4)%
Latest 1 year	29.1%	34.2%	(5.1)%
Year to date	6.2%	8.1%	(1.9)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.2%	17.8%
Sharpe Ratio	0.24	0.25
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(63.9)%	(64.9)%
Positive Months	64.3%	63.9%

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

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%										6.2%
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)%

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Mar 2021
Domestic Assets	100.0%
Equities	0.8%
Real Estate	0.8%
Real Estate	97.5%
Cash	1.6%

TOP 10 HOLDINGS

As at 31 Mar 2021	% of Fund
Nepi Rockcastle Plc	19.4%
Growthpoint Properties Ltd	12.7%
Fortress Income Fund Ltd A	10.2%
Redefine Income Fund	9.3%
Mas Real Estate Inc	6.3%
Equites Property Fund Ltd	4.7%
Atterbury Investment Holdings	4.5%
Vukile Property Ltd	4.5%
Investec Limited	4.2%
Resilient Property Income	3.4%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Taxable Income
31 Mar 2021	01 Apr 2021	18.70	12.32	6.37
31 Dec 2020	04 Jan 2021	38.41	0.81	37.60
30 Sep 2020	01 Oct 2020	0.74	0.11	0.62
30 Jun 2020	01 Jul 2020	29.95	0.00	29.95

Please note that the commentary is for the retail class of the fund.

Against our expectations, the property sector surprisingly maintained the momentum of the last quarter of 2020 into the first quarter of 2021, delivering a quarterly return of 8.1% for Q1-21. With the initial Covid-19 sector sell-off occurring in March 2020, this subsequent recovery led the 12-month return to a strong 34.2%. However, the sector is still down 30.3% since the start of 2020, illustrating the severity of the initial sell-down.

Like Q4-20, this past quarter was dominated by the so-called recovery trade into sectors that should benefit more from an economic recovery. Within property, this was skewed towards retail landlords, but also the larger, more liquid names and those stocks with UK exposure, where the vaccination roll-out has thus far been more successful than most other larger economies. While sector specialist unit trusts experienced outflows at the start of the quarter, reversing the strong flows into the sector towards the end of 2020, it seems that selective positive capital flow momentum returned as the quarter progressed. The sector gained ground against both the ALSI and ALBI, not only on a rolling 12-month basis (even turning positive vs the ALBI), but also mostly over three and five years. The ALPI's one-year forward dividend yield is 9.6%.

With a return of 6.2% during Q1-20, the Fund underperformed the benchmark, losing some ground on most time periods. The key reason for this underperformance is the limited exposure to UK-focused companies, which related strongly as a result of the recovery trade. The Fund's relative positioning in A shares, especially Dipula A and Fortress A, also detracted from performance as an increase in sector risk appetite continued to benefit stocks more sensitive to the underlying economy. Our positioning in MAS, Attacq, Fairvest and Growthpoint added value during Q1-20. During the period, the largest increase in exposure occurred in Growthpoint and Irongate (previously named Investec Australia Property Fund). The largest reduction in exposure occurred in Redefine and Hyprop, while the Fund's positions in SA Corporate, Capital & Counties and Tsogo Sun Hotels were reduced to zero.

The quarter saw the first new listing of a property stock on the JSE since 2018, with the inward listing of already Frankfurt-listed German landlord Deutsche Konsum. No capital was raised in South Africa (SA) as part of the listing. The company focuses on the convenience retail segment of the German market with smaller assets either anchored by a grocer, DIY operator or non-food discounter. On the potential of broader corporate activity in the sector, both Tower and Rebasis are now trading under cautionary. Tower is likely entertaining an external offer to be taken private, while Rebasis is likely to get an external capital injection to improve its balance sheet. With regards to further expansion offshore, both Tradehold and Fortress announced transactions where exposure to direct European property has been gained. In turn, Attacq continued to decrease its exposure to MAS to strengthen its balance sheet and Resilient reduced NEPI Rockcastle exposure, partly to support its holding in Lighthouse and thus indirectly Hammerson.

With the November and December financial period reporting now concluded, the weighted-average distributable earnings per share growth came in at -30.7%, dividend per share growth at -52.2% and the average dividend pay-out ratio at 65.8%. Albeit Covid-19 rental discounts are much less than initially granted at the height of the first lockdown in SA, the comparable period is still pre-Covid.

- There are some noticeable trends coming out of this reporting season: Flat to negative like-for-like NRI growth (depending if the reporting period includes the hard lockdown at the start of Covid-19) with continued pressure on revenue and costs.
- Vacancies mostly only marginally higher on a portfolio level, with retail vacancies bucking this trend and mostly lower, seeing most pressure in office vacancies and an increase in industrial/logistics vacancies.
- Covid-19 discounts have continued, but to a lesser extent than at the start of Covid-19 lockdowns, for mostly hospitality, gym and restaurant-linked tenants.
- Reversions are where landlords are taking the biggest hit to keep vacancies intact – it has moved clearly into negative double-digit territory with the pain not necessarily over.
- Landlords are actively managing the Edgars space, where replacement leases were not concluded, or room was left in leases to take space back where tenant mix can be improved if the Edgars space is reduced by mostly bringing in additional grocer, pharmacy or value fashion tenants.
- Escalation rates continue to be under pressure, with most landlords reporting a lower portfolio escalation rate than that of the corresponding reporting period; portfolio averages on retail dominated portfolios are moving to below 7% and will likely continue to move lower as existing leases are renewed.
- Portfolio values seem to have settled after the write-downs experienced last year; it is likely that marginal, low single-digit write-downs will be experienced in 2021.
- The various measures taken by companies to bolster balance sheets, ranging from an equity raise to withholding dividends with deeply discounted scrip dividends in between, have brought some stability in balance sheets, with the general trend being either flat or a decrease in gearing levels.
- With local interest rates being at historic lows, companies are gradually reducing their dependencies on offshore funding by either existing cross-currency swaps or bringing back debt onto the local balance sheet to reduce foreign exchange risk.

The focus on the sector has shifted away from balance sheet concerns to the potential of an earnings recovery. Muddling through stretched balance sheets, with mostly cash conservation methods, looks like the norm for the sector for at least the next 12 months. With regards to the potential of an earnings recovery, there is a risk that the positive economic recovery trade currently boosting the sector globally may play out differently in SA. There were earnings constraining factors already at play for local landlords in the few years preceding Covid-19, which will make a return to normality from an earnings perspective, with 2019 as the base year, a much longer road than just the next year or two. Covid-19 has resulted, together with continued cost pressure and the prevalence of negative reversions, in a permanent rebasing of earnings and especially dividends (with the introduction of pay-out ratios). Therefore, despite the current momentum in the sector, we believe that we should see some settling in share prices as the full, permanent impact of Covid-19 on sector dynamics are assessed.

Portfolio manager
Anton de Goede
as at 31 March 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.

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

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.