CORONATION PROPERTY EQUITY FUND

Fund Information as at 30 November 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

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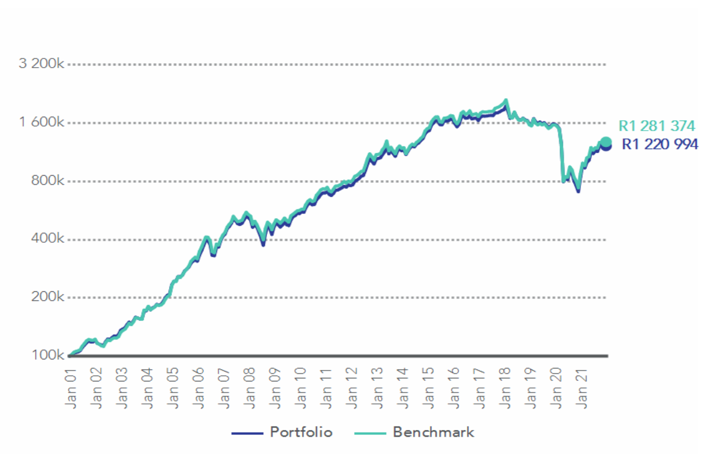
CLASS A as at 30 November 2021

Fund category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R885.34 million
NAV	3405.57 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)	1121.0%	1181.4%	(60.4)%
Since Launch (annualised)	12.7%	12.9%	(0.3)%
Latest 20 years (annualised)	12.3%	12.5%	(0.2)%
Latest 15 years (annualised)	7.4%	7.7%	(0.2)%
Latest 10 years (annualised)	4.9%	4.9%	0.0%
Latest 5 years (annualised)	(5.9)%	(5.8)%	0.0%
Latest 3 years (annualised)	(8.4)%	(6.5)%	(1.9)%
Latest 1 year	44.7%	45.9%	(1.2)%
Year to date	25.9%	28.8%	(2.9)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.2%	17.8%
Sharpe Ratio	0.28	0.29
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(63.9)%	(64.9)%
Positive Months	63.9%	63.5%

	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	30 Nov 2021
Domestic Assets	100.0%
Real Estate	98.3%
Cash	1.7%

TOP 10 HOLDINGS

As at 30 Sep 2021	% of Fund
Nepi Rockcastle Plc	17.2%
Growthpoint Properties Ltd	15.1%
Redefine Income Fund	10.0%
Fortress Income Fund Ltd A	9.1%
Equites Property Fund Ltd	7.5%
Mas Real Estate Inc	5.6%
Vukile Property Ltd	4.3%
Investec Limited	4.1%
Echo Polska Properties N.V	3.9%
Atterbury Investment Holdings	3.5%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Taxable Income
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
31 Dec 2020	04 Jan 2021	38.41	0.81	37.60

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%		**25.9%**
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: 2021/12/09

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 Fund returned 6.1% for the quarter, resulting a return of 60.4% over the last year. The Fund benefited from its overweight positioning in Equites, EPP and MAS. We also have non-benchmark positions in Fairvest, which performed strongly after a good set of results, and Arrowhead A, which reacted positively after the successful conclusion of merger talks with Fairvest. Our relative positioning in Resilient, Sirius, Attacq, Investec Property and Growthpoint detracted value during Q3-21. During the period, the largest increase in exposure occurred in Equites, Redefine and Growthpoint. We once again initiated a position in Hammerson. The largest reductions in exposure occurred in Vukile, Irongate and Attacq. We also sold out of our positions in Stor-Age and Accelerate Property Fund.

Although the listed property sector experienced some stutters during the quarter, strong support, especially during August, propelled the sector forward to once again deliver a good quarter. The past quarter delivered a total return of 6%, resulting in a year-to-date return of 28%. This has now been the fourth consecutive quarter of positive returns. As a result, the sector has returned 58% over a rolling 12-month period. However, it is still down 18% since the start of 2020 from a total return perspective, illustrating the severity of the initial selloff in 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 over a 12-month period. The All Property Index's (ALPI's) one-year forward dividend yield is 8.5%.

At the start of the quarter, many property landlords had to contend with the social unrest experienced in certain parts of the country. Although very unfortunate, it seems that it is likely to have a limited spill-over effect for the listed property sector despite what was reported in the media. It is estimated that the reinstatement costs of the properties impacted will be likely 1% - 2% of the SA portfolio values of the sector. Most impacted properties were already trading by the end of September, with a limited number of stores still closed. Very few national retailers indicated the permanent closure of stores. Those properties severely damaged by fire will mostly open between March and September 2022, but they are only a handful. A few warehouse properties bore the brunt of the unrest, with a total rebuild likely necessary, which will also be completed by latest September 2022. All the landlords have claimed the damages and loss of income from SASRIA and have started receiving payments, but not all, which remains a small risk to highlight despite assurances that SASRIA will be able to make all payments.

Those companies with May and June reporting periods reported results mostly in line with expectations, with some surprising on the upside. Operationally, the trading environment remains challenging despite the reprieve for landlords from much lower Covid-19 related rental discounts, which are now mostly related to hospitality, entertainment and food and beverage tenants. The reported weighted-average distributable earnings per share came in 12.4% lower (excluding the traditional larger UK dual-listed companies). Dividend per share growth came in at -14.4% (excluding any company where there is no base dividend in the comparative period). The calculation is done in rand, so all euro or pound reported earnings have been converted at the exchange rate determined by the company. The average dividend pay-out ratio was 81.7%.

It is clear from this past quarter's results releases that most of the operational trends experienced in the last 12 – 24 months are being cemented. Landlords are using lower rentals to alleviate potential tenant pressure and to ensure that buildings are occupied. Across all three sectors, we are seeing double-digit negative reversions. Unfortunately for the office sector, this reprieve for tenants is not enough, and vacancies continue to slide, approaching on average the high teen levels. Retail tenant sales growth versus FY2019 is showing some resilience, coming in at low to mid-single growth, spearheaded by convenience retail, especially in the non-metropolitan areas. With limited market rental tension, longer industrial lease expiries continue to experience negative rental reversions despite low vacancies and tenant demand. There is continued pressure on escalation rates, which on average have now reduced by 1% over the last five years to 6.8% across all three sectors.

On the cost side, landlords do not anticipate a reprieve soon with regards to administered pricing, although it does seem that improved cost control is starting to reap some benefits. In preparation for the next interest rate hike cycle, interest cost management has turned more active. Companies are utilising the still lower base interest rates to either exit legacy hedges for more beneficial hedges at lower rates or increase the overall swap profile where they may have increased their floating interest rate exposure as interest rates decreased.

The key for the sector is that loan-to-value (LTV) ratios are either flat or decreasing. Balance sheet risks have now mostly subsided, with many companies heading on a clearer path to deleveraging. Dividend pay-out ratios should settle on average between 80% - 90% for the sector and, together with dividend reinvestment plans, will likely be used in future as the key tool to manage balance sheets at the margin. There will continue to be evidence of more active balance sheet management through some larger disposals, but we believe the bulk of this has been done, and from now on, one should expect just tail-end disposals.

With Covid-19 discounts moving out of the system, landlords can now focus on its impact on the potential permanent rebasing of rents or occupancies. Companies have a new base to work from to achieve distributable earnings growth, which, after an initial base effect improvement, should, unfortunately, continue to be under pressure, with below inflation growth expectations beyond the initial post-Covid-19 recovery. Concerns remain for the office market and how the excess space in the market will be absorbed. No new demand for space is coming through, with mostly space consolidation creating movement in the market. Although landlords are referring to alternative use being important in removing space from the market to ensure the return of rental tension, residential conversions in markets like Sandton and Bryanston are still looking challenging due to the starting values of properties. On the industrial side, more landlords are starting to reference the risk of longer leases expiring with large negative reversions and building cost inflation not yet creating market rental tension in the newly developed space coming onto the market. While retail sales growth should partially support the recovery in retail rents, the office and industrial market dynamics will still take time to play themselves out in the sector. We, therefore, believe that the sector is not completely out of the woods as, despite recovering from Covid-19 related concerns, it now once again needs to focus on moving beyond the precarious position it was already in prior to Covid-19, namely a combination of weak tenant demand, high tenant incentives, vacancy pressure and the burden of operating cost growth outpacing rental growth.

Portfolio manager
Anton de Goede and Mauro Longano
as at 30 September 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