CORONATION PROPERTY EQUITY FUND

Fund Information as at 31 July 2022

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
ASISA 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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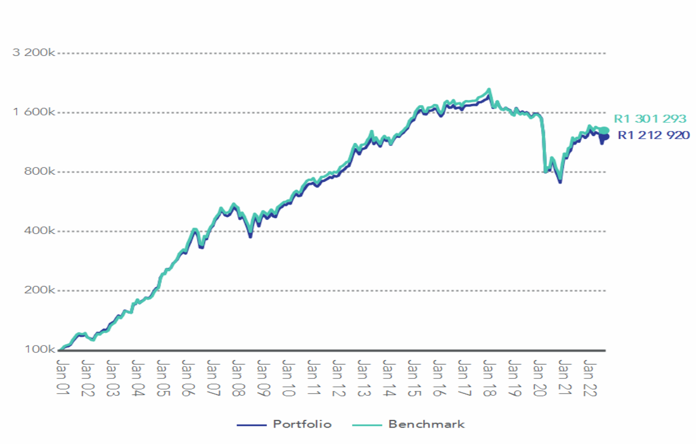
CLASS A as at 31 July 2022

ASISA Fund Category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R826.19 million
NAV	3206.58 cents
Benchmark	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%	0.06%
Total Investment Charge	1.52%	1.51%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Jul 2022
Domestic Assets	100.0%
Real Estate	98.5%
Cash	1.5%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1112.9%	1201.3%	(88.4)%
Since Launch (annualised)	12.2%	12.6%	(0.4)%
Latest 20 years (annualised)	12.0%	12.5%	(0.5)%
Latest 15 years (annualised)	6.4%	6.6%	(0.2)%
Latest 10 years (annualised)	2.1%	2.2%	(0.1)%
Latest 5 years (annualised)	(7.7)%	(7.4)%	(0.2)%
Latest 3 years (annualised)	(8.2)%	(5.7)%	(2.5)%
Latest 1 year	6.2%	9.4%	(3.2)%
Year to date	(7.6)%	(5.6)%	(2.0)%

TOP 10 HOLDINGS

As at 30 Jun 2022	% of Fund
Nepi Rockcastle Plc	14.2%
Growthpoint Properties Ltd	12.8%
Redefine Income Fund	9.1%
Equites Property Fund Ltd	8.4%
Fortress Income Fund Ltd A	8.2%
Mas Real Estate Inc	7.5%
Hyprop Investments Ltd	5.6%
Vukile Property Ltd	5.1%
Atterbury Investment Holdings	4.6%
Investec Limited	4.4%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.3%	17.9%
Sharpe Ratio	0.26	0.27
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(63.9)%	(64.9)%
Positive Months	63.1%	62.7%

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

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Taxable Income
30 Jun 2022	01 Jul 2022	71.70	0.27	71.44
31 Mar 2022	01 Apr 2022	10.25	9.15	1.10
31 Dec 2021	03 Jan 2022	96.09	0.00	96.09
30 Sep 2021	01 Oct 2021	53.63	23.11	30.52

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2022	(3.0)%	(3.2)%	3.3%	(1.3)%	(0.5)%	(11.0)%	8.9%						**(7.6)%**
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)%**

Issue date: 2022/08/11

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 lacklustre start to the quarter, an explosive last few weeks of the quarter-end dragged the sector lower, probably more than what the underlying operating environment warranted, as a broad-based risk-off trade occurred across all asset classes, both in South Africa (SA) and most offshore markets. Besides the unique local challenges (flooding in KwaZulu-Natal and loadshedding, which intensified once again into June), the global backdrop (higher interest rates, inflation pressure and geopolitical risks) continues to weigh on most asset classes locally as well. The sector ended the quarter with a total return of -12.1%. Returns delivered in June were the most severe at -10.5%. From a relative performance viewpoint, the sector lost substantial ground against both the JSE All Share Index (ALSI) and All Bond Index (ALBI) over 12 months. Over longer time periods, the sector was mostly stable from a relative return basis, albeit still underperforming the equity and bond indices. The JSE All Property Index's (ALPI) one-year forward dividend yield is 10.3% and that of the Fund is 11.5%.

During the quarter, MSCI released its annual SA Property Index for 2021, which gives an indication of direct property returns in the country. Total returns came in at 5.3% for 2021 versus -3.0% for 2020, with the total return split being 8.1% (income) and -2.5% (capital). In local currency terms, SA performed poorly versus global peers. However, comparing the full-year numbers to those reported for the first half of 2021 points to an improvement in momentum, with stable capital values for the second half of 2021 after being more than 10% lower the preceding 18 months. Retail has improved its showing in 2021 versus 2020, with many subsectors that performed poorly in 2020 on a relative basis reversing most of the losses of that year, including super regional and regional shopping centres. The index also pointed out a continued increase in vacancies in 2021, as the reporting of the listed landlords already indicated, led by offices, while base rental growth deteriorated further, with Covid impacting the dynamics here as landlords mostly managed for occupancies. A release on retail trading density trends for Q1-22 by the South African Council of Shopping Centres confirmed the continuous improvement in the prospects of retail landlords. Footfall continues to increase (but still a third below a pre-Covid base), while more importantly, occupancy cost ratios, which is a good barometer on the trading profitability of retailers, are at lower than March 2020 levels, driven by improved turnover levels and the rebasing of rental levels.

Delivering a return of -12.6% during Q2-22, the Fund marginally underperformed the benchmark, with the bulk of the underperformance occurring in the latter end of the quarter. For the quarter, the Fund benefited from its overweight positioning in Fairvest A, Dipula and MAS. Unfortunately, this was offset by the value detraction from our relative positioning in especially UK-based companies such as Hammerson, Capital & Counties and Sirius, as well as Fortress A, Attacq and Equites, due to a spill-over effect from weak global sentiment towards logistic and industrial landlords after Amazon reiterated its plans to cut back on its warehouse space requirements. During the period, the Fund's largest increase in exposure, once again, was in Hyprop, similar to Q1-22, and Redefine. In recent quarters, both companies have simplified the structures in which they hold their offshore exposure, thereby improving the prospects of a direct positive impact from the offshore operations on earnings growth and removing balance sheet uncertainties. The largest reduction in exposure occurred in Growthpoint, Fairvest A, Vukile and SA Corporate.

Results season for companies with a February or March reporting date, once again delivered an improvement in earnings and dividend growth momentum. Distributable earnings per share growth came in at 7.6%, while dividend per share growth came in at 9.0%, as there was a year-on-year increase in the average pay-out ratio, now at 89.3%. This as companies become more confident in their balance sheets and rental collection post Covid. As we pointed out previously, we believe the sector average dividend pay-out ratio is likely to settle between 80% to 90% in future.

Noteworthy news flow during the quarter relating to broader sector trends on capital allocation or potential corporate action relates once again to the A and B share capital structure, this time with reference to Fortress. A collapse of the share capital structure into a single class share, similar to what occurred at Dipula earlier this year, has been proposed by the company. This has initially been raised by the company at the start of 2020, but it was challenging at that time (and remains so) to find a likely middle ground for both sets of shareholders. Additional news flow includes Heriot and Safari, two smaller REITs, indicating their intention to merge; Tradehold making its intentions known to convert to a REIT with the Collins industrial and logistics portfolio as core asset; while Investec Property is nearing a potential sale of its stake in a European logistics and industrial portfolio, which represents a substantial portion of its entire investment portfolio.

Recent result releases and interaction with direct property market participants have highlighted a few noticeable changes in trends from what the sector has experienced in the last 24 to 36 months. There is a gradual reversal of the continued downward trend in escalation rates in the last few years. It seems that the higher domestic inflation is assisting in this regard. For offices, stronger economic growth is required for the sector to come back to some type of equilibrium to have sufficient tenant demand to absorb vacancies; there is a market for quality B grade office space while the most buoyant market currently is P grade space and residential conversions will not be able to pick up all the additional supply in the market. There continues to be strong tenant demand for big box logistics, with an increased interest for data centres, while there are conflicting views on both if higher construction costs will result in higher market rentals and the scarcity of zoned land, although it is becoming more difficult and taking longer to get unzoned and unserviced land ready for development. It looks like more traditional older industrial space has turned the corner as well, with affordability and general low vacancies likely the reason behind this. Within retail neighbourhood and convenience and rural retail we are likely to see development opportunities within the 5 000m² to 10 000m² space as both grocers, pharmacies and apparel traders expand into smaller store formats and previously underserviced areas.

The pressure the sector has endured into quarter-end has resulted in most stocks once again trading at, or approaching, double-digit dividend yields. Distributable earnings are back on a growth trajectory, while rising interest rates may be better absorbed by local players due to a higher starting point in existing average interest rates. Covid discounts are out of the system, while both rental and valuation levels have reset to a more sustainable level. However, there are likely differences in what can be viewed as sustainable, with the risk-off trade into quarter-end a testament to this. The risk is that landlords muddle through an environment of limited rental growth and continued operating cost pressure, all against a backdrop of rising interest rates, diminishing discretionary consumer spend and a lacklustre macro-economic performance. An alternative view is one of market rental growth starting to track inflation again, escalation pressure decreasing and true new demand for space starts to fill vacancies. It is likely that the way forward is somewhere in between these two alternatives with specific nodal exposure and asset/property specifics making the real difference for a landlord. Therefore, becoming pickier about where to gain asset class exposure will be the key for sector and asset allocation.

Portfolio managers
Anton de Goede and Mauro Longano
as at 30 June 2022

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 underlying 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 previous financial year (updated annually). The 3 year TER is for a rolling 36-month period to the last available 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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