CORONATION PROPERTY EQUITY FUND

Fund Information as at 31 May 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

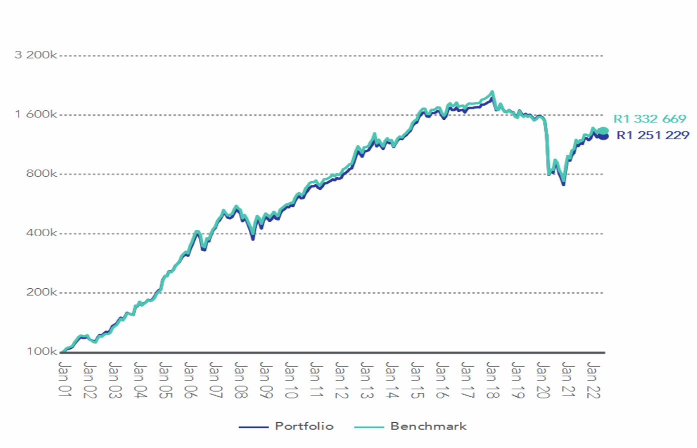
Launch Date	20 November 2000
Fund Class	A
Benchmark	FTSE/JSE All Property Index
ASISA Fund Category	South African – Real Estate – General
Regulation 28	Does not comply
Income Distribution	Quarterly (March, June, September, December)
Investment minimum	R5 000 or R500/m debit order
Bloomberg Code	CORPPEQ
ISIN Code	ZAE000026993
JSE Code	CPEF

ASISA Fund Category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R870.29 million
NAV	3389.18 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%	0.06%
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 May 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)	1151.2%	1232.7%	(81.4)%
Since Launch (annualised)	12.5%	12.8%	(0.3)%
Latest 20 years (annualised)	12.3%	12.7%	(0.4)%
Latest 15 years (annualised)	6.3%	6.6%	(0.3)%
Latest 10 years (annualised)	3.8%	3.9%	(0.1)%
Latest 5 years (annualised)	(6.5)%	(6.2)%	(0.3)%
Latest 3 years (annualised)	(7.7)%	(5.3)%	(2.4)%
Latest 1 year	12.2%	14.9%	(2.7)%
Year to date	(4.7)%	(3.4)%	(1.4)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.1%	17.7%
Sharpe Ratio	0.28	0.29
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(63.9)%	(64.9)%
Positive Months	63.2%	62.8%

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

TOP 10 HOLDINGS

As at 31 Mar 2022	% of Fund
Growthpoint Properties Ltd	13.9%
NEPI Rockcastle PLC	13.6%
Equites Property Fund Ltd	9.2%
Redefine Income Fund	8.7%
Fortress Income Fund Ltd A	8.0%
MAS REAL ESTATE INC	6.9%
Vukile Property Ltd	5.2%
Atterbury Investment Holdings	5.2%
Investec Limited	4.3%
Hyprop Investments Ltd	3.5%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Taxable Income
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
30 Jun 2021	01 Jul 2021	45.26	0.00	45.26

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)%								**(4.7)%**
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: 2022/06/09

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.

Local property, in line with its offshore counterparts, took a breather this past quarter against the backdrop of higher interest rates, inflation pressure and geopolitical risks following the outbreak of war in Ukraine. After some recovery into the quarter-end, the sector delivered a total return of -1.6% for the three-month period. This resulted in the sector still being 12% lower since the start of 2020 from a total return perspective, illustrating the severity of the initial sell-off 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. The JSE All Property Index's (ALPI) one-year forward dividend yield is 8.6% and that of the Fund is 8.3%.

Initially, the most anticipated events during the quarter were hold-over corporate actions, with shareholders approving both the Arrowhead/Fairvest merger and Redefine's takeover of EPP. Post quarter-end, Dipula shareholders approved the collapse of its A andB structure into a single share structure. Increasingly, companies are starting to exhibit their expansionary intent. Most notably, Vukile (through its Spanish subsidiary Castellana) acquired a 21.7% stake in Spanish-listed retail landlord peer Lar Espana. Other noteworthy corporate actions were Hyprop announcing the collapse of the Hystead structure (which holds its south-eastern Europe assets). Hyprop will be acquiring four of the assets out of Hystead, while the final asset should be sold independently by Hystead. In addition, the board of Irongate (previously Investec Australia Property Fund) approved the takeover offer by a Charter Hall-led consortium, the fourth takeover offer the company has received since October 2021, with the shareholder vote anticipated during June 2022.

Delivering a return of -3.0% for Q1-22, the Fund underperformed the benchmark, with the bulk of the underperformance occurring in the latter end of the quarter. For the three-month period, the Fund benefited from its overweight positioning in Vukile, Equites and MAS. The overweight positions in the A shares also supported performance, although the illiquid nature of Fairvest A makes for volatile trading, especially around month-ends, this time impacting the Fund negatively on the day. Our relative positioning in Emira, Redefine, Resilient, Attacq, Sirius and NEPI Rockcastle detracted value during Q4-21. During Q1-22, the largest increase in exposure occurred in Hyprop, SA Corporate, Sirius and Vukile. The largest reduction in exposure occurred in NEPI Rockcastle and Growthpoint. We sold out of our positions in Irongate and EPP prior to the takeover by Redefine becoming effective.

Results season, with many companies releasing interim FY2022 results, delivered an improvement in earnings and dividend growth momentum compared to FY2021. Excluding the traditional UK inward listed large caps, distributable earnings per share growth came in at -3.7%, while dividend per share growth came in at -2.1% with an average pay-out ratio of 77%. When excluding the stocks in the universe with 100% offshore exposure from the calculation, the growth figures are positive (distributable earnings per share growth of 5.5% and dividend per share growth of 8.3%). It seems that companies are prepared to increase their pay-out ratios as the uncertainty of property value write downs and cash flow dissipate. The sector average dividend pay-out ratio is likely to settle between 80% - 90% in the coming years.

Very few new operational observations have come about from the results season. As expected, Covid-related rental discounts and deferrals were at the minimum, still mostly related to hospitality, entertainment and leisure linked tenants. Vacancies continue to be well managed through lower rental levels agreed on upon lease expiries. Surprisingly, despite the pick-up in reported year-on-year retail sales growth of mid-to-high single digits, most retail landlords continue to report double-digit negative rental reversions. The containment of operating cost growth that was seen through Covid-19 is starting to slip as operations return to normality and administered pricing once again turns out to put pressure on total tenant occupancy costs. In this regard, most sector landlords are upping the roll-out of their solar capabilities and even testing new battery technologies on a larger scale.

The current global situation has again created uncertainty and, in general, lowered investor risk appetite, just shortly after some stabilisation has returned post-Covid. Besides how global inflationary pressure and higher interest rates may impact local consumer sentiment, the sticking point for the broader prospects of the sector remains that of the office sector. Office vacancies are at 16%, the highest levels since 2003, despite development activity and new supply being at the lowest levels since 1993. With retail tenants having settled and space demand coming through from grocers, pharmacies and value apparel, as well as industrial tenants (despite long lease expiry renewal risk), offices remain the outlier sector. Although it seems that some of the negative momentum with regards to offices may be turning around, as the work from home dynamic has shifted back towards being more office bound in the future than what was expected at the height of Covid-19 lockdowns, a period of tenant consolidation should be expected rather than an expansionary leasing trend.

All-in, we believe the earnings bases of most companies are at a much more sustainable level, while vacancies should continue to be well contained at the expense of reversions, which should start to moderate as the sector moves beyond its three- and five-year renewal cycles post 2018/2019, when the current reversion cycle started. Although most of this is already priced into the sector, the speed at which the interest rate cycle plays out may surprise some investors, with the likelihood of increases being front end loaded now much more of a base case than late last year. Despite this risk on the horizon, after the slight pullback in prices we have experienced this past quarter, we believe the sector is at an even keel with the expected yield fairly intact.

Portfolio managers
Anton de Goede and Mauro Longano
as at 31 March 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 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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