CORONATION PROPERTY EQUITY FUND

Fund Information as at 31 October 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

CORONATION

TRUST IS EARNED™

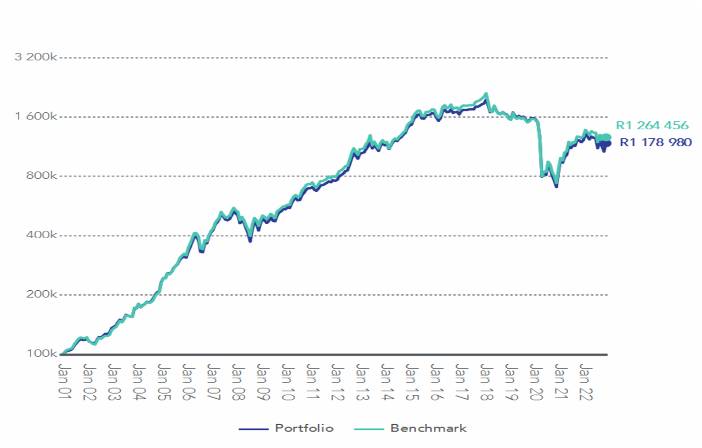
CLASS A as at 31 October 2022

ASISA Fund Category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R778.08 million
NAV	3084.49 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 Oct 2022
Domestic Assets	100.0%
Real Estate	94.7%
Cash	5.3%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1079.0%	1164.5%	(85.5)%
Since Launch (annualised)	11.9%	12.3%	(0.4)%
Latest 20 years (annualised)	11.7%	12.2%	(0.5)%
Latest 15 years (annualised)	5.4%	5.6%	(0.2)%
Latest 10 years (annualised)	1.8%	2.1%	(0.2)%
Latest 5 years (annualised)	(8.7)%	(8.7)%	0.0%
Latest 3 years (annualised)	(9.4)%	(6.9)%	(2.5)%
Latest 1 year	(1.1)%	0.8%	(2.0)%
Year to date	(10.2)%	(8.3)%	(1.9)%

TOP 10 HOLDINGS

As at 30 Sep 2022	% of Fund
Nepi Rockcastle Plc	14.7%
Growthpoint Properties Ltd	13.2%
Redefine Income Fund	11.1%
Equites Property Fund Ltd	7.7%
Fortress Income Fund Ltd A	7.2%
Hyprop Investments Ltd	6.3%
Atterbury Investment Holdings	6.0%
Mas Real Estate Inc	5.1%
Dipula Income Fund-b	4.4%
Vukile Property Ltd	4.1%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.5%	18.0%
Sharpe Ratio	0.24	0.25
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(63.9)%	(64.9)%
Positive Months	62.7%	62.4%

	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 Sep 2022	03 Oct 2022	29.24	16.44	12.80
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

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%	(5.9)%	(6.3)%	10.2%			**(10.2)%**
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: 2022/11/09

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 sector started the quarter strong, erasing most of the losses experienced in the prior three months (Q2-22). However, headwinds from all fronts eventually led to a total return of -4.1%. Once again, the global backdrop was one of higher interest rates and inflation pressure as well as geopolitical risks continuing to weigh on most asset classes, both in South Africa and globally. The fund return is also reflected in the continued net negative capital flow for sector-specific unit trusts, with Q3-22 experiencing the largest net negative flow since the start of 2020. The sector is still 26% behind its starting level of 2020 just before the onset of Covid-19. From a relative performance viewpoint, the sector lost substantial ground against both the FTSE/JSE All Share Index and All Bond Index over 12 months. Over all other longer time periods (except over two years), the sector continued its underperformance, losing marginal ground against these two indices. The All Property Index's one-year forward dividend yield is 10.2%, and that of the Fund is 10.1%.

Performance and fund positioning

Delivering a return of -4.0% during Q3-22, the Fund marginally outperformed the benchmark, with the bulk of the outperformance occurring towards the latter part of the quarter. For Q3-22, the Fund benefited from its overweight positions in Attacq, Dipula, Investec Property and Hyprop and underweight positions in Lighthouse, Industrial REIT and Resilient. Some counteraction occurred, with value detraction coming from our relative positioning in the larger historical UK dual-listed companies, Fortress A, Equites and Liberty Two Degrees. UK property stocks, in particular, experienced a poor end to the quarter, with investors digesting the impact of the mini-budget announced by the newly elected government, which has put immense pressure on UK bond yields. During the period, the largest increase in exposure occurred in Redefine, Fairvest B and SA Corporate. The largest reduction in exposure occurred in MAS, Vukile and Investec Property.

Results season for companies with a June reporting date, once again delivered an improvement in earnings and dividend growth momentum. Distributable earnings per share growth came in at 10.2%, while dividend per share growth came in at 11.7% as there was a year-on-year (y/y) increase in average pay-out ratio, now at 92.8%, as companies become more confident in their balance sheets and rental collection post Covid-19. However, having a closer look at the results, SA-centric stocks only delivered below inflation distributable earnings and dividend per share growth of 4.3% and 4.7% respectively (which point to continued pressure on the local operating environment) and an average dividend pay-out ratio of 88.3%. We believe the future sector average dividend pay-out ratio is likely to settle between 80% and 90%.

The biggest news out of the sector during the quarter was the unsuccessful attempt by Fortress to gain the support of both A & B shareholders to collapse the capital structure into a single share class. Coronation supported the collapse as we saw the merit of the company moving forward as a single class and retaining its REIT status by paying a dividend. To maintain its REIT status, at least 75% of profit needs to be distributed to shareholders. The company is behold to a technical and prescriptive MOI with regards to dividend payments and currently is not allowed to pay either A or B shareholders, despite having funds available and thereby retain its REIT status. The company has until the end of October to engage with shareholders and the JSE to look at options to maintain its REIT status and potentially resolve the non-payment of dividends. The consequence of not maintaining its REIT status is becoming fully liable for corporate tax.

Some relevant direct property market data points were released during the quarter. SAPOA's office vacancy report for Q3-22 exhibited positive trends in that office vacancies on a national level have started to decrease, being 30 basis points (bps) lower to 16.4% overall. This after reaching an all-time high in Q2-22. There was positive net take-up of space across all property grades except for B-grade offices. Prime offices saw the largest improvement (120bps to 12.0%) as occupier's flight to quality is seemingly gaining momentum as the price differential between P- and A-grade offices closed over the last few years. Office development activity remains severely depressed at the end of Q3-22, with new development gross leasable area (GLA) (relative to existing GLA) being <20% of the average historical level, with almost all developments pre-let and tenant-driven (three developments account for two thirds of all the development activity). In turn, MSCI released some retail trading statistics up to June 2022, with annual trading density growth coming in at 9.8%. National retail vacancies have remained constant at 5.8% against pre-Covid levels of 4.0%. The number of shoppers visiting shopping centres is 19% higher y/y, but still at two-thirds of pre-Covid levels. After the reset of rentals, which occurred over the last few years, rental affordability levels are healthier and on par with that of 2017/2018.

Outlook

At face value, the sector looks to offer an attractive entry point at present, with most stocks offering double digit yields. However, this should be seen against the backdrop of expected three-year compound annual distributable earnings growth of (at best) inflation, if not marginally below. Although vacancies continue to improve, even in the office sector, persistent pressure on net operating income growth from negative rental adjustments upon lease renewals and operating cost growth outstripping revenue growth is keeping a lid on a strong distributable earnings growth recovery. As mentioned last quarter, the risk, especially with the current inflationary pressure and interest rate hiking cycle, is that landlords muddle through the next few reporting periods before the potential of an improved macroeconomic outlook starts to underpin tenant demand beyond the current, mostly logistics and essential retail-led, recovery. What could be a real spanner in the works is a longer and more stringent interest rate hiking cycle. It seems that landlords are not necessarily pricing this into their treasury management at present compared to our more prudent expectations, and this could surprise the market on the downside. Our assessment is that risks currently marginally outweigh the potential return expectations and would therefore be selective from a stock-specific and relative asset class point of view in gaining additional exposure.

Portfolio managers
Anton de Goede and Mauro Longano
as at 30 September 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 over the period referenced. 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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