CORONATION PROPERTY EQUITY FUND

Fund Information as at 30 April 2023

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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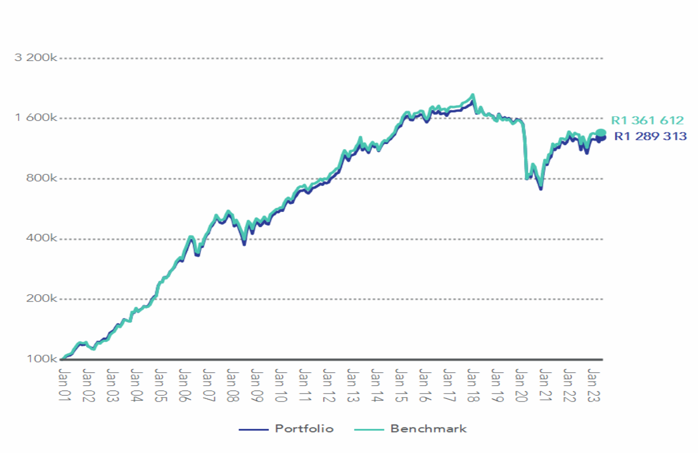
CLASS A as at 30 April 2023

ASISA Fund Category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R788.07 million
NAV	3286.43 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)	0.06%	0.06%
Total Investment Charge	1.51%	1.51%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Apr 2023
Domestic Assets	100.0%
Real Estate	98.6%
Cash	1.4%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1189.3%	1261.6%	(72.3)%
Since Launch (annualised)	12.1%	12.4%	(0.3)%
Latest 20 years (annualised)	11.5%	11.8%	(0.3)%
Latest 15 years (annualised)	7.5%	7.6%	(0.2)%
Latest 10 years (annualised)	0.5%	0.5%	0.0%
Latest 5 years (annualised)	(6.7)%	(5.7)%	(0.9)%
Latest 3 years (annualised)	15.7%	17.2%	(1.5)%
Latest 1 year	2.5%	1.8%	0.7%
Year to date	2.1%	0.7%	1.5%

TOP 10 HOLDINGS

As at 31 Mar 2023	% of Fund
Nepi Rockcastle Plc	16.9%
Growthpoint Properties Ltd	12.1%
Redefine Income Fund	11.1%
Fortress Income Fund Ltd A	8.2%
Atterbury Investment Holdings	7.0%
Hyprop Investments Ltd	6.8%
Mas Real Estate Inc	6.8%
Equites Property Fund Ltd	4.3%
Dipula Income Fund-b	4.3%
Sa Corporate Real Estate Fund	3.8%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.4%	17.9%
Sharpe Ratio	0.25	0.26
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(63.9)%	(64.9)%
Positive Months	62.8%	62.1%

	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 Dec 2022	03 Jan 2023	85.00	4.07	80.93
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

MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2023	(0.6)%	0.4%	(3.1)%	5.7%									**2.1%**
Fund 2022	(3.0)%	(3.2)%	3.3%	(1.3)%	(0.5)%	(11.0)%	8.9%	(5.9)%	(6.3)%	10.2%	6.3%	0.7%	**(3.9)%**
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)%**

Issue date: 2023/05/11

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.

Performance and fund positioning

The strong rebound the sector experienced in Q4-22 likely forewarned investors of a potential lacklustre start to the year, which did transpire. The sector struggled to withstand the wider forces impacting global property as the asset class continues to face tough questions globally on balance sheet and debt refinance vulnerability, especially after the US mid-size bank crisis. In addition, loadshedding remains a buzzword for the sector, with key discussion points being diesel cost recovery, trading during load-shedding and potential additional capital outlay required to secure electricity supply. This resulted in the sector delivering a total return of -4.8% for Q1-23.

As was the case for most of 2022, sector specific unit trusts continued to experience net negative capital flow. Flows recorded for this past quarter were not far behind that of the prior quarter's record net negative flow as measured since the start of Covid-19. The sector is still 14% behind the level at which it started 2020 just before the onset of Covid-19. From a relative performance viewpoint, the sector lost ground against both the FTSE/JSE All Share Index (ALSI) and the FTSE/JSE All Bond Index (ALBI) over most time periods, except over the three-year period, as the starting point of the base period is the lows experienced within the sector at the start of Covid-19 in Q1-20. The ALPI's one-year forward dividend yield is 9.3% and that of the Fund is 9.2%.

Delivering a return of -3.3% during Q1-23, the Fund outperformed the benchmark, with the bulk of the outperformance occurring in the latter part of the period under review. The Fund benefited especially from its overweight exposure to Attacq. One of the Fund's largest active positions, Attacq outperformed the sector during the quarter, returning 16.4%, after the Government Employees Pension Fund announced its intention to enter as minority shareholder at Waterfall City, the largest combination of assets for the company. Other relative positions that benefited the Fund are Resilient, Vukile, Fortress A, NEPI Rockcastle, Sirius and Growthpoint. Some value detraction came from our relative positioning in SA Corporate, Hyprop, Fairvest A, Emira and Investec Property. During the period, the largest increase in exposure occurred in MAS, Hyprop, SA Corporate, Redefine and Hammerson. The largest reduction in exposure was in Growthpoint, Equites, Fortress A and Resilient.

Results season for companies with a June or December year-end concluded in March. This set of companies delivered an improvement in earnings and dividend growth momentum compared to their results season concluded six months earlier. Distributable earnings per share growth came in at 29.4% (vs. 10.2% delivered six months prior), while dividend per share growth came in at 32.9% (vs. 11.7% six months prior). There was a marginal increase in the average pay-out ratio, now at 93.4%. However, this robust growth came as a result of a strong performance out of Central and Eastern Europe (CEE) specialists NEPI Rockcastle and MAS which delivered y-o-y rand distributable earnings per share growth of 65% and 74% respectively. When stripping out the CEE specialists, growth momentum for the South African centric stocks is slower, with distributable earnings and dividend per share growth of 7.1% and 3.8% respectively (vs. 4.3% and 4.7% six months prior), with an average dividend pay-out ratio of 88.4%). As most of the results delivered during Q1-23 was interim rather than full-year results, we expect the earnings growth momentum to slow down during the next six months and to see a closer alignment between earnings and dividend growth as most companies will declare a dividend in the next cycle (which will mostly be annual results releases).

The most noticeable headline from the sector during the quarter was the removal of Fortress's REIT status. The shareholder-initiated proposal that was on the table for a MOI adjustment that would have ensured the company pay dividends for the three financial years starting FY2022 (and thereby comply with REIT legislation) was not sufficiently supported by Fortress B shareholders. As previously mentioned, we believe there continues to be value unlock potential in Fortress A once the dividend entitlement is reached, which we view as a medium-term prospect and the timing thereof not fully reflected in the current share price. From a risk-adjusted perspective, we have however reduced our overweight position as by not paying a dividend the stock's risk profile has increased. The trajectory in terms of when the dividend entitlement is reached is now part dependent on the capital allocation decisions relating to the cash being generated and not paid over to shareholders. As such, this creates some uncertainty relating to the entitlement.

Where globally the focus is on balance sheets, debt expiry profiles, funding rates and capital requirements, the focus of investors in the local market is dominated by loadshedding. During Q1-23 the South African Property Owners Association released the results of a broadly themed loadshedding survey amongst its members. Clear from these results and the commentary from companies reporting during the quarter is the disparity in landlords' preparedness to cope with loadshedding, securing electricity supply and recuperating the costs associated with it from tenants. Noticeable responses from the survey are that 83% of respondents have generators (no mention as to what % of a portfolio), there is a disparity on what landlords are charged for diesel, 50% of landlords have some element of solar power (no mention of the % that solar makes up of the electricity supplied to a portfolio), there is a disparity in approval time for solar installations (anything from 1 to 12 months) and the majority of assets operate at 80% capacity during loadshedding.

Most landlords recover an element of the diesel used to operate generators, but this varies widely within the listed space (between 18% to 85% dependent on asset type and legacy leasing terms). Our sense is that this should settle around an average 65% - 75% recovery rate as landlords adjust legacy lease terms, more tenants sign up for back-up power and more sophisticated methods (to come at a cost for landlords) are used to secure electricity, including large-scale battery usage. It is unlikely that landlords will not face pressure from tenants to help carry the burden of these additional operating costs themselves, either by lower reversions upon lease renewals as affordability becomes an issue or passing some of the benefit of solar electricity costs on to the tenants rather than taking all the cream themselves.

Outlook

With the gradual improvement in operational metrics (recovery in retail trading numbers up to end-2022, continued lower vacancies across all three sectors, less negative rental reversions upon lease renewals) and stabilisation in property values and balance sheets post-Covid, a shift seems to have taken place for the sector to be more expansionary. Although actions remain predominantly inward focused through continued portfolio rightsizing (i.e., the internalisation of management function at Investec Property and consolidating its European logistics exposure) balance sheet management (i.e., Equites disposing of some UK logistics assets to alleviate balance sheet pressure) and amended capital spend budgets to secure electricity supply, examples have emerged of management teams shifting gear. This includes Vukile's R700m capital raise (likely to create balance sheet capacity) and SA Corporate's bid for Indluplace. However, we believe actions like these will only likely add shareholder value at the margin. The sector is rather still at the mercy of broader macroeconomic themes and therefore will likely move in tandem with other higher risk budget asset classes when these themes turn more favourable for growth, which doesn't seem to be on the horizon soon. Although it does appear on the surface that most risks are priced into the sector, there are currently more risks to the downside than upside, especially if the second-round effects of loadshedding start to negatively impact tenant demand.

Portfolio managers
Anton de Goede and Mauro Longano
as at 31 March 2023

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