CORONATION PROPERTY EQUITY FUND

Fund Information as at 31 October 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
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™

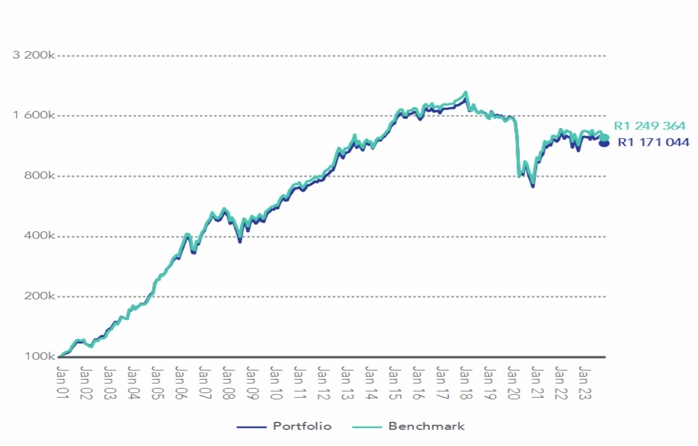
CLASS A as at 31 October 2023

ASISA Fund Category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R674.03 million
NAV	2915.98 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	0.03%	0.02%
VAT	0.19%	0.19%
Transaction costs (inc. VAT)	0.05%	0.06%
Total Investment Charge	1.50%	1.51%

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)	1071.0%	1149.4%	(78.3)%
Since Launch (annualised)	11.3%	11.6%	(0.3)%
Latest 20 years (annualised)	10.1%	10.4%	(0.3)%
Latest 15 years (annualised)	7.0%	7.0%	(0.1)%
Latest 10 years (annualised)	(0.1)%	0.2%	(0.3)%
Latest 5 years (annualised)	(6.6)%	(5.3)%	(1.3)%
Latest 3 years (annualised)	18.3%	19.0%	(0.7)%
Latest 1 year	(0.7)%	(1.2)%	0.5%
Year to date	(7.2)%	(7.6)%	0.4%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.3%	17.8%
Sharpe Ratio	0.21	0.22
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(63.9)%	(64.9)%
Positive Months	62.5%	61.8%

	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	31 Oct 2023
Domestic Assets	100.0%
Real Estate	98.6%
Cash	1.4%

TOP 10 HOLDINGS

As at 30 Sep 2023	% of Fund
Nepi Rockcastle Plc	17.1%
Growthpoint Properties Ltd	12.3%
Redefine Income Fund	10.5%
Fortress Ltd	9.3%
Hyprop Investments Ltd	7.9%
Atterbury Investment Holdings	6.4%
Equites Property Fund Ltd	5.5%
Mas Real Estate Inc	5.2%
Dipula Income Fund-b	4.5%
Burstone Group Limited	3.9%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Taxable Income
30 Jun 2023	03 Jul 2023	72.75	2.02	70.73
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

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%	(4.9)%	0.6%	1.6%	1.7%	(4.6)%	(3.6)%			**(7.2)%**
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: 2023/11/09 *Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.*

CORONATION TRUST IS EARNED™

Please note that the commentary is for the retail class of the Fund.

Performance and fund positioning

Despite a solid start to the quarter – at one stage in mid-August the sector was 7% higher than at the beginning of the quarter – the sector only managed to deliver a return of -0.6% for Q3-23 (and -4.5% year to date). The reversal of fortunes came amidst a much weaker local (and global) bond market in September and some negative earnings guidance surprises as part of the recently concluded results season.

Capital flows into the sector continue to be negative, although a turn in flow momentum seems to have taken place this past quarter, with a positive net flow experienced in September. Although there were signs that institutional support has returned to the sector mid-year due to the yields on offer, the certainty of dividend yield will be scrutinised more closely in the future based on what transpired during Q3-23. The yield on offer doesn't necessarily compare that favourably from a relative asset class perspective versus the recent past, making institutional capital less likely to support the sector *en masse* from an asset allocation perspective. From a relative performance viewpoint, the sector gained ground against the FTSE/JSE All Share Index and FTSE/JSE All Bond Index over all longer time periods, except over the two-year period. The ALPI's one-year forward dividend yield is 8.9%, and that of the Fund is 8.6%.

Delivering a return of -1.5% for Q3-23, the Fund underperformed the benchmark, with the bulk of the underperformance occurring in the latter part of the period under review. One of the primary reasons for the underperformance was the negative return delivered by MAS in September. The company announced as part of its FY2023 results release in early September that, for the immediate future, earnings will be retained rather than paid out to shareholders as dividends to manage the balance sheet. With no immediate balance sheet pressure from a gearing perspective, they decided to rather manage balance sheet liquidity as the company continues to have a funding commitment to the development joint venture in which it has a 40% stake. Operationally, the existing portfolio is doing well, with rental growth underpinned by indexation, low vacancies, and positive rental reversions upon lease renewals. We have, however, lowered our exposure to the company from a risk management perspective while the Fund continues to have a positive active position in the company. Other relative positions that detracted from performance include some of the larger UK-focused companies, Liberty Two Degrees, Fortress B and Vukile. On the opposite end of the spectrum, the Fund did benefit from its relative positioning in Dipula, Attacq, Hyprop, Lighthouse, Resilient and Growthpoint. During the period, the most significant increase in exposure occurred in Growthpoint after its underperformance post its FY2023 results announcement, as well as Equites and Hammerson. Besides the reduction in exposure to MAS, other significant reductions in exposure were in SA Corporate (sold down to zero post its share price run after the company's H1-23 results release), NEPI Rockcastle, Attacq and Redefine.

Results season for companies with a June reporting period concluded in September. Distributable earnings and dividend per share growth experienced a pullback compared to the recent past, similar to the companies that reported in Q2-23. While strong underlying earnings momentum out of NEPI Rockcastle and MAS (and even more so from the UK-centric stocks from a low base) supported distributable earnings per share growth for the broader sector, the South African-centric stocks delivered distributable earnings and dividend per share growth of 2.9% and -0.1% respectively. The stocks delivered a wide range of earnings growth, ranging from as high as 18% for Hyprop to -13% for Resilient. More importantly, from the results season was the guidance provided by companies. There were some downside surprises, primarily related to higher-than-expected interest rates. With the bulk of the interest rate increases experienced thus far occurring in 2022, it will take another 12 to 18 months for the increases to work themselves into the earnings bases of companies.

As per the recently released SAPOA Q3-23 office vacancy report, office vacancies continue to decline. The past quarter was the fifth consecutive quarter in which office vacancies declined. As previously mentioned, the performance of the office sector has been a worry for the last few years as it is the sector most closely aligned with underlying economic growth, which remains under pressure. Overall office vacancies are at 15.5%, which is still higher than the previous peak of 15% in 2003. However, due to an increase in overall lettable space, the previous peak equates to only half the absolute space that is vacant at present.

In turn, the retail sector is experiencing a return to a more normalised trading density growth environment after the initial powerful growth post the lows of the Covid pandemic. Q2-23 delivered annual growth of 8.6%, driven by super-regional shopping centres. However, trading density growth has slowed down in the last few months of the calculation period to mid-single-digit growth, as growth in smaller rural centres has lost some steam. Although developments are still taking place in rural areas, the size per centre is decreasing versus what was initially planned due to consumers trading down to more essential items, while especially apparel retailers are being less aggressive than in the past on space growth in these areas. Counterintuitively, more aspirational brands continue to look at rural areas, including in the food services space, which is the strongest trading category at present.

Outlook

Although there is a belief that corporate action has returned in full swing to the sector with the offer Liberty made mid-quarter to the minority shareholders in Liberty Two Degrees, it is doubtful that it will result in a slew of corporate action events which are not already directly or indirectly on the go due to majority shareholdings already in place by larger REITs in smaller peers. The biggest drivers in the short to medium term are somewhat likely to be macroeconomic and geopolitical factors, with especially the risk of higher for longer interest rates globally and the impact of existing conflicts or election outcomes on economic policy being the first that comes to mind.

On a micro-sector level, the general improvement in vacancies bodes well for the return of some level of rental tension, albeit it will likely be nodal and sub-sector specific. Reversions continue to improve; despite being negative on a sector level, it puts less immediate pressure on headline earnings. Operating cost growth remains a swing factor, but with indications of lower loadshedding, the additional pressure it provides from revenue through to cost level should abate, providing some underpin for better revenue and overall cost management.

Once again, concerns have instead shifted towards debt funding structures and potential balance sheet pressures. With higher interest rates being blamed for most of the negative earnings guidance surprises produced by companies this past quarter, any upcoming refinancing risk will likely be reflected in individual share price levels more extensively than usual, especially if there is any offshore funding involved. From a gearing perspective, the way independent valuers will approach the much higher local risk-free rate will be watched closely, as capitalisation rates could be adjusted higher, putting pressure on gearing levels. The sector, therefore, remains at a precarious junction between continued earnings pressure and what, at face value, looks like undemanding valuations.

Portfolio managers
Anton de Goede and Mauro Longano
as at 30 September 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) Ltd (FSP 548) , 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

This document is for information purposes only and does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase any particular investment. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information.