

## 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



### Maximum growth/ minimum income exposures



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](http://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	CORPEQ
ISIN Code	ZAE000026993
JSE Code	CPEF

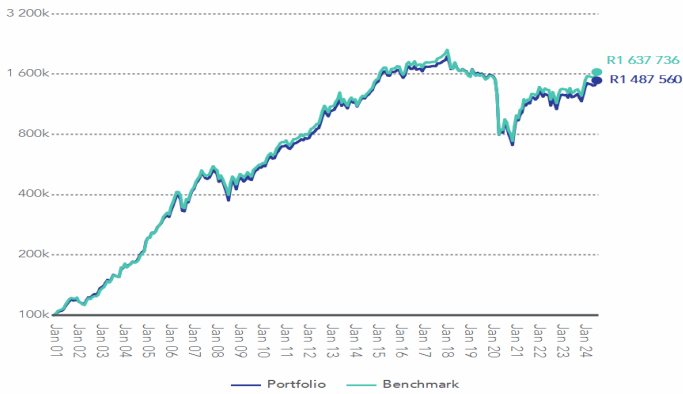
CLASS A as at 30 June 2024

ASISA Fund Category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R813.24 million
NAV	3600.47 cents
Benchmark	FTSE/JSE All Property Index
Portfolio manager/s	Anton de Goede and Mauro Longano

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.45%	1.45%
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)



## PORTFOLIO DETAIL

## EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	30 Jun 2024
Domestic Assets	100.0%
Real Estate	98.2%
Cash	1.8%

## PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1387.6%	1537.7%	(150.2)%
Since Launch (annualised)	12.1%	12.6%	(0.5)%
Latest 20 years (annualised)	11.0%	11.5%	(0.6)%
Latest 15 years (annualised)	7.9%	8.3%	(0.4)%
Latest 10 years (annualised)	1.8%	2.6%	(0.8)%
Latest 5 years (annualised)	(1.6)%	0.6%	(2.1)%
Latest 3 years (annualised)	8.9%	11.1%	(2.2)%
Latest 1 year	20.6%	26.0%	(5.4)%
Year to date	7.2%	9.4%	(2.2)%

## RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.2%	17.8%
Sharpe Ratio	0.26	0.27
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(63.9)%	(64.9)%
Positive Months	62.5%	61.5%

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

## MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2024	3.8%	(1.0)%	(0.3)%	(1.5)%	0.4%	5.7%							7.2%
Fund 2023	(0.6)%	0.4%	(3.1)%	5.7%	(4.9)%	0.6%	1.6%	1.7%	(4.6)%	(3.6)%	8.5%	9.2%	10.0%
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)%

## TOP 10 HOLDINGS

As at 30 Jun 2024	% of Fund
Growthpoint Properties Ltd	16.6%
Nepi Rockcastle Plc	15.9%
Redefine Income Fund	8.7%
Resilient Property Income	7.4%
Fortress Income Fund Ltd B	7.4%
Hyprop Investments Ltd	6.4%
Atterbury Investment Holdings	6.2%
Equites Property Fund Ltd	5.7%
Sirius Real Estate Ltd	3.7%
Hammerson Plc	3.6%

## INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Taxable Income
28 Jun 2024	01 Jul 2024	86.79	19.05	67.74
29 Dec 2023	02 Jan 2024	96.52	4.93	91.59
30 Jun 2023	03 Jul 2023	72.75	2.02	70.73
30 Dec 2022	03 Jan 2023	85.00	4.07	80.93

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

### Performance and fund positioning

Local listed property experienced a quarter of two halves. The period started with the sector being in a holding pattern, with investors likely only prepared to actively engage with the sector once clearer signs were visible on the extent and speed of interest rate cuts. This has also been the overarching theme of listed property markets in most other jurisdictions, especially in developed markets. However, with bond investors applauding the election outcome and formation of a Government of National Unity, local listed property followed suit and delivered a similar strong performance to the bond market since the start of June, resulting in a quarterly return for the All Property Index (ALPI) of 6% and a return of 26% over 12 months.

Although the past strong correlation between bond and property yields has been waning in the past few years since Covid, most of the sector's return for June can be explained by the decrease in bond yields. This has resulted in local listed property, in both local currency and US dollar terms, being one of the strongest property sectors globally year to date, defying the wait-and-see approach investors have been taking to the asset class in major global markets post the rally at the end of 2023.

Unit trust-linked capital flows into sector-specific funds continued to be negative on a quarterly basis, although the turn in flow momentum continued to gather steam, resulting in June experiencing positive net flows. From a relative performance viewpoint, notwithstanding the good quarterly return, the sector lost ground against the FTSE/JSE All Share Index (ALSI) and FTSE/JSE All Bond Index (ALBI) but continues to outperform these indices over most relevant time periods shorter than five years. The ALPI's one-year forward dividend yield is 8.6%, and that of the Fund is 8.4%.

Delivering a return of 4.6% for Q2-24, the Fund did not fully keep pace with the market, thereby underperforming its ALPI benchmark. This resulted in a deterioration of the Fund's relative performance to the benchmark over 12 months, which was positive for most of 2023. Relative positions that detracted from performance include most of the overweight positions in offshore-centric counters such as NEPI Rockcastle and Hammerson; also, the relative positioning in names like Emira, Redefine, SA Corporate and Vukile. On the opposite end of the spectrum, the Fund did benefit from its relative positioning in Growthpoint, Spear REIT, Resilient and Hyprop. During the period, the largest increase in exposure occurred in Stor-Age and Burstone. The largest decrease in exposure occurred in Equites, Growthpoint, Fortress and Fairvest A.

The results season of companies with either a February or March reporting period concluded in June. This results season did not bring many surprises, with most companies delivering distributable earnings growth within guidance. Distributable earnings per share growth for this reporting season came in at 2.1%, while dividend per share growth came in at 2.2%, with an average payout ratio of 83.0%. If offshore names are excluded from these numbers, the SA-centric names delivered distributable earnings per share growth of 0.5%, while dividend per share growth came in at -1.2% with an average payout ratio of 87.2%. What is key when assessing the SA-centric stocks is that we are seeing a marginal shift in distributable earnings growth momentum. Albeit still only marginally positive, the base effect of increasing interest rates in a reporting period is gradually working itself out of the earnings cycle and even if rates remain at the current elevated level, just the fact of not having increases will have a positive impact on distributable earnings growth potential.

Although no real surprises came through on the earnings front, a market surprise during the quarter was the news that inward-listed UK retail landlord Capital & Regional (Growthpoint is a 68% shareholder) may be in play, with Vukile at one stage publicly being a suitor (and subsequently withdrawing its interest). Another potential bidder is NewRiver REIT, a specialist UK neighbourhood retail landlord, which has until 18 July 2024 to make a formal offer. The potential corporate action comes at an opportune time with the Capital & Regional CEO indicating he will leave the company to become the CEO of another UK REIT, while operationally, the portfolio has started to recover post-Covid.

MSCI released its annual SA Property Index for 2023, which is the best barometer of direct property returns in SA. Direct property delivered a return of 8.6% in 2023 versus 9.1% delivered in 2022. There was a smaller capital return delivered in 2023 versus 2022 (0.4% in 2023 and 1.0% in 2022). Per sector, industrial came out best at 11.2%, followed by retail at 9.7%, residential at 6.7% and lastly office at 4.8%. Retail was the only sector that performed better in 2023 versus 2022.

SAPOA released its Q1-24 office vacancy survey. This most recent quarter was the seventh consecutive quarter that marked a decrease in office vacancies in South Africa, now at 14.7%, down from the most recent high of 16.7% as at Q2-22. Cape Town has the lowest vacancy of the major cities at 6.8%, down from 10.1% a year earlier.

### Outlook

The sector has returned to a more natural balance relative to the four years post-Covid and should provide investors with through-the-cycle type annual returns of 10% - 15%. The strong showing of the sector over the last 12 months was led by a general rerating of the asset class globally towards the end of 2023 and more recently by the rerating of bond yields, not necessarily by the underlying growth fundamentals of the sector itself, which underpin the expected through-the-cycle returns referenced.

With every new reporting season, the operating environment for landlords continues to improve. Some level of rental tension has returned, even for the office sector, with rental reversions upon renewals edging closer to flat and, for many retail landlords, positive. The operating cost creep that has been a constant in the sector for the last five to 10 years is gradually being replaced with improved cost recoveries, with especially the capital spend on solar bearing fruit. The crunch point, as being exhibited once again with this reporting season, remains higher interest rates. The negative impact of higher interest rates will likely start to dissipate in the next 12 to 18 months when the current higher rates have been in place for two full reporting periods. Any potential interest rate cuts will immediately benefit most companies as, through the current cycle, many property companies have moved to a higher portion of debt being on variable interest rates than in the recent past (going beyond the traditional average 25% variable debt).

An additional key observation from recent management interactions is that most companies are in expansionary modes. Most of the active strategic deleveraging has taken place, and further disposals are likely to be at the margin. The end of the sector's active deleveraging has resulted in the sector's average loan-to-value (LTV) settling at 40%, which in the past would not have been tolerated by many key investors in the sector. The tolerance for higher gearing ratios may be indicative of where we are in the interest rate cycle and views on existing asset values. However, interest cover ratios have moved on average to 2 to 2.5 times, which are much lower than pre-Covid and close to the most common covenant level of this measure at 2 times, so it needs to be closely watched. This higher average gearing ratio will likely result in companies coming to the market for equity, either directly or indirectly, as has already been seen, to fund any expansionary activity.

### Portfolio managers

**Anton de Goede and Mauro Longano**  
as at 30 June 2024

**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](http://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](http://www.coronation.com)

**IMPORTANT INFORMATION REGARDING TERMS OF USE**

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