CORONATION PROPERTY EQUITY FUND

Fund Information as at 31 March 2024

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

9/10
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

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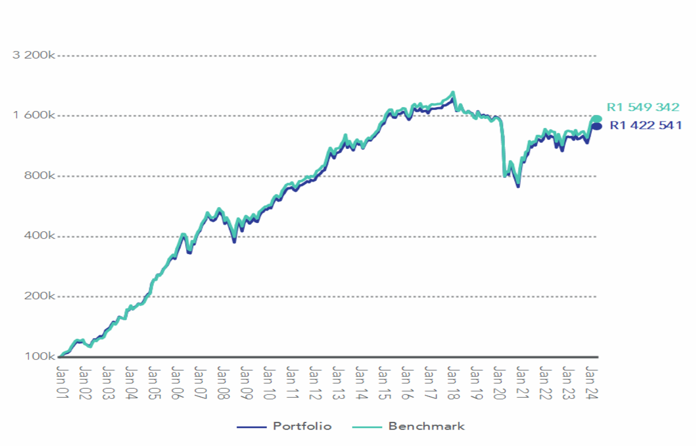
CLASS A as at 31 March 2024

ASISA Fund Category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R802.86 million
NAV	3443.10 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)	1322.5%	1449.3%	(126.8)%
Since Launch (annualised)	12.1%	12.5%	(0.4)%
Latest 20 years (annualised)	10.9%	11.4%	(0.5)%
Latest 15 years (annualised)	7.6%	7.8%	(0.3)%
Latest 10 years (annualised)	1.8%	2.4%	(0.7)%
Latest 5 years (annualised)	(2.2)%	(0.2)%	(2.0)%
Latest 3 years (annualised)	11.4%	13.0%	(1.6)%
Latest 1 year	16.6%	20.3%	(3.8)%
Year to date	2.5%	3.5%	(1.0)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.3%	17.8%
Sharpe Ratio	0.25	0.27
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 Mar 2024
Domestic Assets	100.0%
Real Estate	99.2%
Cash	0.8%

TOP 10 HOLDINGS

As at 31 Mar 2024	% of Fund
Nepi Rockcastle Plc	16.8%
Growthpoint Properties Ltd	15.8%
Redefine Income Fund	8.9%
Resilient Property Income	7.6%
Fortress Income Fund Ltd B	7.4%
Atterbury Investment Holdings	6.4%
Hyprop Investments Ltd	6.2%
Equites Property Fund Ltd	5.8%
Hammerson Plc	4.3%
Sirius Real Estate Ltd	3.9%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Taxable Income
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
30 Sep 2022	03 Oct 2022	29.24	16.44	12.80

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)%										**2.5%**
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)%**

Issue date: 2024/04/15

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

Local listed property initially started 2024 with a continuation of its strong return momentum experienced into the end of 2023, bucking the trend of global counterparts retracing some of the gains realised since end-October 2023. However, in the second half of the quarter, the momentum fizzled out as weaker bond yields and, once again, a change in sentiment in the rate at which interest rates will be cut resulted in a lacklustre back end of the quarter. The result was a return of 3.5% for Q1-24 and 20.3% over 12 months.

Capital flows into the sector continue to be negative, although the turn in flow momentum continues to gather steam. January even experienced a month of net positive capital flow in the specialist property unit trust segment, the third such month in two years. From a relative performance viewpoint, the sector gained ground against the FTSE/JSE All Share Index (ALSI) and FTSE/JSE All Bond Index (ALBI) over most time periods, and now outperformed these indices over all relevant periods shorter than three years. The ALPI's one-year forward dividend yield is 8.9%, and that of the Fund is 8.7%.

Delivering a return of 2.5% for Q1-24, 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 Equites, Burstone, Hyprop, MAS, and Growthpoint. On the opposite end of the spectrum, the Fund did benefit from its relative positioning in Attacq, Fortress, NEPI Rockcastle, Shaftesbury Capital, and Dipula. During the period, the largest increase in exposure occurred in Growthpoint and Resilient, similar to Q4-23, as well as Hammerson. The largest decrease in exposure occurred in Dipula, Fortress, and NEPI Rockcastle.

The most noticeable corporate announcement of the quarter was (once again) the long-awaited vote on what many expected to be the last attempt to collapse the dual share structure of Fortress. Despite a lot of apparent jostling beforehand, the scheme of arrangement was approved with a large majority in both share classes. The result is a single share class, with the old Fortress B shareholders receiving NEPI Rockcastle shares in exchange for the structure to collapse.

Results season for companies with a December reporting period concluded in March. Distributable earnings and dividend per share growth for the reporting companies experienced a pullback compared to their previous six months' reporting period that concluded in September 2023. 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 SA-centric stocks delivered distributable earnings and dividend per share growth of -2.6% and -4.5% respectively, even with Fortress delivering distributable earnings growth of 19.0%. The stocks delivered a wide range of earnings growth, ranging from the highs of Fortress to -13.4% for Hyprop. Most of the results were well guided to by management teams, therefore, the results as such, had a fairly limited impact on share prices. The exception here was Hyprop, where the decision not to declare an interim dividend due to uncertainty out of Nigeria and concerns regarding Pick n Pay as anchor tenant resulted in share price weakness.

With all companies now having reported FY2023 results, one can compare the FY2022 and FY2023 distributable earnings and dividend per share growth delivered between the two financial years. Although there has been a wide disparity of growth delivered amongst the various companies within each year, the average distributable earnings and dividend per share growth produced by the more SA-centric stocks for the two years were not far off each other, with FY2023 coming in at 2.1% distributable earnings per share and 2.1% dividend per share growth with a 87% pay-out ratio compared to FY2022's 3.1% distributable earnings per share and 1.6% dividend per share growth with an 88% pay-out ratio.

Outlook

The last few months, either through reported results, pre-close updates or management interaction, have cemented a few key observations on the sector's current state. These observations were echoed by the companies participating in the SA REIT Conference, which was held during Q1-24, with management teams moving towards a more open stance for increased active portfolio asset management, partly buoyed by what many see as the trough in the valuation cycle and fewer operational hazards compared to that experienced since Covid-19. Management teams continue to take a more front-footed stance, with Spear REIT and Vukile being recent examples, raising equity to decrease debt and create balance sheet capacity. This confidence implies some operational successes as well, which are becoming more prevalent with less negative reversions, lower vacancies and better cost management, mostly linked to electricity via increased solar installation.

On a subsector level, the gradual recovery in the retail sector has been well flagged, with vacancies within the listed space at or close to historical lows while rental reversions are turning positive in many cases – the first time since 2019. The industrial subsector continues to experience positive fundamentals. Vacancies remain low and there is a renewed interest in lower-quality older industrial stock. At face value, the office sector, although slowly recovering from post-Covid-19 lows, looks to be the sector that continues to be under the most pressure. The headline numbers, however, belie the fact that in many nodes, especially in most of Cape Town and pockets in Durban, Johannesburg and Pretoria, tenant demand is outstripping supply due to historically low levels of speculative development. Demand is partly underpinned by international BPO operators for setting up call centres, while existing tenants are realising that work-from-home flexibility for employees does not necessarily imply lower space requirements. Although reversions are generally negative, vacancies continue to decline (driven by P-grade space) and market rentals have stabilised with pockets of growth emerging where supply is lacking.

It is likely that the continued recovery in operational metrics for the sector is broadly already reflected in current share price levels. The next leg of positive share price movement will probably come from interest rate decreases, and with an increasing number of companies not extending their hedged debt profiles when hedges expire, any cut in interest rates will have an immediate benefit. The sector therefore remains sensitive to any news on this front, both local and offshore, as investor sentiment is fickle with regards to the size and velocity of the cutting cycle, with sentiment easily changing daily.

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