CORONATION PROPERTY EQUITY FUND

Fund Information as at 31 January 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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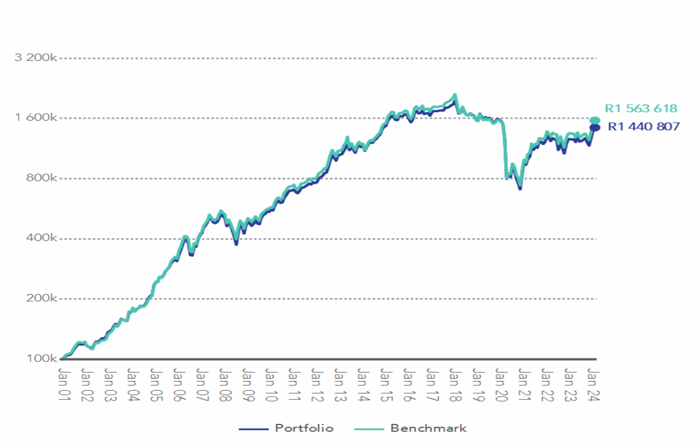
CLASS A as at 31 January 2024

ASISA Fund Category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R816.48 million
NAV	3487.31 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)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Jan 2024
Domestic Assets	100.0%
Real Estate	98.0%
Cash	2.0%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1340.8%	1463.6%	(122.8)%
Since Launch (annualised)	12.2%	12.6%	(0.4)%
Latest 20 years (annualised)	11.2%	11.6%	(0.5)%
Latest 15 years (annualised)	7.6%	7.9%	(0.3)%
Latest 10 years (annualised)	2.7%	3.5%	(0.8)%
Latest 5 years (annualised)	(3.1)%	(1.4)%	(1.7)%
Latest 3 years (annualised)	15.3%	17.5%	(2.2)%
Latest 1 year	14.9%	16.5%	(1.7)%
Year to date	3.8%	4.4%	(0.6)%

TOP 10 HOLDINGS

As at 31 Dec 2023	% of Fund
Nepi Rockcastle Plc	17.2%
Growthpoint Properties Ltd	13.5%
Redefine Income Fund	9.3%
Fortress Ltd	8.9%
Hyprop Investments Ltd	7.2%
Equites Property Fund Ltd	6.7%
Atterbury Investment Holdings	6.0%
Mas Real Estate Inc	4.8%
Sirius Real Estate Ltd	3.9%
Capital & Counties Properties Plc	3.5%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.4%	17.9%
Sharpe Ratio	0.26	0.27
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(63.9)%	(64.9)%
Positive Months	62.9%	62.2%

	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
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%												**3.8%**
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: 2024/02/08

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

After an initial stutter, the sector recovered strongly in the latter two thirds of the quarter on the back of the good performance from global counterparts as investors started to discount a much softer landing in the interest rate cycle of major global markets. Inflation rates in many markets have been moving lower faster than anticipated, which some investors believe will result in a quicker and more aggressive interest rate cutting cycle than what central banks have been indicating thus far. The result was a return of 16% for Q4-23 from the FTSE/JSE All Property Index (ALPI), the second-best quarterly return of the last three years, leading the sector to a positive return of 11% for 2023. Capital flows into the sector continue to be negative although the turn in flow momentum continues to gather steam. From a relative performance viewpoint, the sector gained ground against the FTSE/JSE All Share Index (ALSI) over most time periods, while against the FTSE/JSE All Bond Index (ALBI) the gain was less consistent, mostly over longer time periods. The ALPI's one-year forward dividend yield is 7.9% and that of the Fund is 7.7%.

Delivering a return of 14.3% for Q4-23, the Fund did not fully keep pace with the strong run of the market, thereby underperforming the benchmark. This resulted in the Fund also now underperforming the benchmark over 12 months. A major reason for the underperformance over the quarter is the Fund being underweight some of the larger, more SA-centric stocks, which benefited the most from a more general stance to interest rate-sensitive asset classes. In addition, positioning in what one can deem more defensive stocks detracted from performance. Relative positions that detracted from performance include Lighthouse, SA Corporate, Fortress B, Dipula, Fortress A, Hyprop, MAS and Attacq. On the opposite end of the spectrum, the Fund did benefit from its relative positioning in NEPI Rockcastle, Equites, Hammerson, Vukile and Resilient. During the period, the largest increases in exposure occurred in Growthpoint, similar to Q3-23, as well as Equites and Resilient. The Fund also participated in a Sirius capital raise. The largest decreases in exposure occurred in NEPI Rockcastle, Redefine and Dipula.

The most noticeable corporate announcement of the quarter was (once again) the potential collapse of the Fortress dual share structure into a single share through the buy-out of all Fortress B shares in exchange for NEPI Rockcastle shares (in which Fortress is the largest shareholder). Key this time is that it is a shareholder-led transaction, thereby making the likelihood of success higher. Thus far, official shareholder support for the proposal is at 55% for Fortress A and 63% for Fortress B, with both sets of shareholders required to reach a 75% support level. The general meeting is to take place in the third week of January with Coronation supportive of such a transaction at the time of writing.

This quarter also saw the delisting of two property companies, namely Liberty 2 Degrees (L2D) and Transcend, and the granting of REIT status to the renamed The Collins Property Group (formerly Tradehold). L2D was taken back to its in-house roots by its majority shareholder Standard Bank (previously within Liberty), while Transcend remains within the listed sector via Emira, which took out minorities after already being a majority shareholder in its listed peer. The Collins Property Group comes out of a restructured Tradehold, with the core portfolio now comprising the previously majority-owned private portfolio from the Collins family. We believe the opportunity for corporate action is gradually closing, with those still most likely being legacy transactions of which the legwork has already been done (i.e., Heriot and Safari). However, management teams are gradually more prepared to be on the offense rather than defense as commentaries out of various company stables point to a belief that the market is approaching a turning point in the interest rate and property cycle. Management teams are starting to refer to potentially expansionary actions, with individual asset acquisitions likely the first foray into the expansionary mode, although we may see some unsolicited corporate transactions. Sirius has already concluded an equity raise during November to act on an acquisition pipeline, while Texton announced a rights issue early in December to be partly used to expand its offshore exposure. In turn, Lighthouse confirmed the acquisition of its second asset in Spain, this time in a 50/50 partnership with Resilient, similar to a partnership that the two companies has in France.

Results season for companies with an August or September reporting period concluded in December. Although key names like Equites and Redefine have negatively impacted the reported distributable earnings per share (DEPS) and dividend per share (DPS) growth, which resulted in the DEPS growth and DPS growth when excluding offshore names Sirius and Schroders to be -5.6% and -1.9% respectively, there was a promising tone with regards to underlying property operating metrics. Similar to companies reporting June numbers during the previous quarter, the negative impact of average higher interest rates will still be felt well into 2024 from a distributable earnings point of view. However, more important for the overall health of the sector is the general improvement in rental reversions and vacancies, as well as more efficient cost management, especially when it comes to the recovery of diesel costs and the way in which the increased utilisation of solar energy impacts the electricity cost base, with some funds even admitting openly that solar is a clearcut additional income stream rather than a cost centre.

MSCI released its bi-annual SA property index, which gives an indication of direct property returns for the first six months of the year, during October. Although returns were fairly similar to 1H22, there was a slowdown in returns from the second six months of 2022. The total return for 1H23 came in at 3.5%, compared to 3.9% for 1H22 and 5.1% for 2H22. There was a slowdown in capital value momentum across all sectors during the sequential six-month periods. Per sector, the total return came in at 5.5% for Industrial, 4.2% for Retail, 2.8% for Residential and 1% for Offices. The index's y-o-y net operating income growth of 1.9% was heavily supported by Industrial at 6.1%. In comparison, the other sectors delivered weak growth at 1.9% for Offices, 0.9% for Retail and -0.1% for Residential. There was a marginal improvement in total vacancies across all sectors to 7.2%, supporting base rental growth (especially for residential, where vacancies improved substantially; base rental growth incorporates the movement in vacancies).

Outlook

As mentioned last quarter, the sector is at the mercy of macroeconomic and geopolitical factors, which turned out, against the momentum of Q3-23, to have a very positive impact in Q4-23. The risk of higher-for-longer interest rates globally seems to have abated, although geopolitical and broader election outcome risks in various geographies may, once again, sway investor sentiment during the coming year. In addition, sector prospects will remain closely tied to interest rate-related investor sentiment.

After the strong run in November and December, it remains to be seen how sustainable the current share price levels are. The ALPI has now recovered close to 23% from its most recent lows during the last week of October, reaching a post-Covid-19 total return index high, driven mostly by the dual- and inward-listed companies and larger more liquid South African-centric names. Although the run has been strongly supported by an increase in general risk appetite and supportive bond markets, a rerating relative to the bond market has also occurred, indicating a likely return of more general investors to the sector.

The sector is likely to take a breather in the coming weeks, with the latter part of February into the end of March as important milestone dates. The anticipated trading updates or results releases during this period will provide a good barometer of the operational state of the sector, which will likely still be supportive of a continued recovery in net operating income growth.

Portfolio managers
Anton de Goede and Mauro Longano
as at 30 December 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.