

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

Performance and fund positioning

Supported by a stronger local bond market, the local listed property sector continued with its positive return momentum. While not as strong as Q2, the sector still delivered a return of 5%, resulting in a 12-month return of 11%. Foreigners were keen participants in our bond market towards the end of the quarter. In addition, local investor nervousness about economic growth and the potential adjusted parameters for inflation targeting eased. Asset class-specific news flow was positive as well, with earnings growth reported in the most recent results season either in line with or outperforming expectations. From a relative performance viewpoint, the sector lost ground against the FTSE/JSE All Share Index (ALSI) and FTSE/JSE All Bond Index (ALBI) over most time periods but continues to outperform both over three and five years, with the lows of the Covid pandemic, when uncertainty on rental payments and the sustainability of rental growth and vacancies existed, being in the base period. Unit trust-linked capital flows into sector-specific funds have shifted into positive terrain, providing a good underpin for share price momentum. The FTSE/JSE All Property Index's (ALPI) one-year forward dividend yield is 8.2%, and that of the Fund is 8.1%.

Delivering a return of 6.0% for Q3, the Fund outperformed the ALPI benchmark and continues to close the underperformance gap over most time periods gradually. Positions that added to the relative performance for the quarter include the overweight positions in Fortress, Resilient, NEPI Rockcastle, and Fairvest B, while underweight positions to most UK dual- or inward-listed companies also contributed positively. Unfortunately, some of our relative positioning in Attacq, Hammerson and Storage (overweight) and Growthpoint, Emira, Vukile and Redefine (underweight) detracted value. During the quarter, the largest increase in exposure occurred in MAS. Although we sold out of our position during Q2, an increase in offer price by its largest direct and indirect shareholder, Prime Kapital, and Hyprop exiting the corporate action race made us enter a position once more, eventually benefiting from the cash offer and pro-rata share of our exposure that was taken up by Prime Kapital. Other noticeable increased exposures include Vukile and Fairvest B, and disposals include reducing the Fund's exposure to Shaftesbury Capital, Redefine, and Equites.

The results season of companies with an August or September reporting period concluded in September. Distributable earnings per share growth for this reporting season came in at 9.3%, while dividend per share growth came in at 9.4%, with an average payout ratio of 86.8%. When excluding the offshore names from these numbers, the SA-centric names delivered distributable earnings and dividend per share growth of 7.6% and 9.9% respectively. The reason for the higher growth in dividends versus earnings is an increase in the average payout ratio (from 85.4% to 89.5%) for the same set of companies from six months earlier.

As has been clear over the last 12 – 18 months, an improvement in operational results provided a solid underpin for earnings growth. In addition, the 12-month period to June 2025 experienced an average 50 basis points (bps) lower prime interest rate compared to the preceding 12-month period. Although most property companies have a 2 to 3-year hedging profile on 50% - 75% of their outstanding debt, the benefit of the lower interest rate can't be underestimated, especially if a portion of the hedging rate instruments is interest rate caps rather than swaps. Pricing of debt has also benefited from improved margins, both with traditional bank funding and within the debt capital markets, thus providing an additional boost in earnings growth. This is likely to have a continued positive impact into 2026.

The SA Property Owners Association (SAPOA) released its Q3-25 office vacancy survey. Vacancies reached their lowest level since 2020 at 13.1% which compares to the recent post-Covid highs of 16.7% as at Q2-22. Asking rentals are also exhibiting an improvement, with y-o-y growth for space to be leased on the market at 4.4% y-o-y higher rental levels. Using Sandton as a bellwether, a 15% increase in A-grade asking rentals over the last two years is noticeable. On a city level, only Gqeberha experienced an increase in vacancies, increasing from 15.0% to 15.5%; Cape Town still has the lowest vacancy of the major metros at 5.9%, down 0.4% from 6.3% 2Q25, while Durban experienced the largest decrease in vacancies from 12.4% to 11.7%, driven by both the CBD and Umhlanga. For the first time in many reporting periods, development as a % of GLA has increased, from 0.3% to 0.6%,

with a doubling from 58 000m² to 108 000m² of developments on the go countrywide. Although there is an increase in space under development, it is still very low historically, but it does point to a return of some optimism in the office sector.

The SA Council of Shopping Centres (SACSC) published retail trading data related to Q2-25. The weighted average y-o-y growth in trading densities improved in 2Q25 to 4.0% from 3.3% in 2Q24 despite the weaker June growth most retailers reported due to a change in the timing of the school holiday. Annual growth is now back to the y-o-y momentum achieved in Q4-24. The growth momentum was led higher by all shopping centre categories except for community, which was lower vs. Q1-25. Regional and small regional centres delivered the strongest growth at 4.3% and 4.4% respectively, while super regional centres achieved the largest quarter-on-quarter improvement. There was an improvement in growth momentum across most major retailer categories, with apparel retailers delivering the weakest growth amongst the major categories.

Outlook

As noted in the Q2 commentary, a clear indication that the sector is on a highly positive footing, with companies making more strategic decisions due to their confidence, is the more expansionary stance in balance sheet and portfolio activity taken by most companies. Companies continue to raise external equity, in many cases without a specific portfolio activity in mind, but rather to create balance sheet capacity for future portfolio activity. When individual asset acquisitions or small portfolio deals are announced, additional equity is raised in the market afterwards. This has created the capacity for those landlords still executing broader disposal strategies to streamline portfolios to potentially increase the selling cadence. All that is still missing to fully cement the more bullish sector stance is a large portfolio deal, which may not be that far off, as capital values have mostly turned the corner back on to a growth path.

The underlying trend of an improvement in general operational fundamentals is now well established across all three major property sectors in South Africa. Vacancies continue to decline or stabilise while rental growth is gradually returning, resulting in either positive (mostly retail and smaller industrial) or less negative (mostly office and logistics) in-place rental growth when leases are renewed upon expiry. This has likely led to mid to high single digit earnings growth now being embedded into market expectations, providing a good base for short to medium term sector returns. With a continued improvement in operating fundamentals likely to occur at the margin and at much more individual property level, the biggest driver for sector returns to move out of the through-the-cycle 10% - 15% band should be external in nature, as we've experienced in this quarter through the sector being pushed in line with lower bond yields. Besides political news flow or tariff related moves, the mostly likely candidate here, and probably close on the horizon, is a potential move lower in local interest rates, which is becoming more likely against a backdrop of downside surprises in local inflation.

Portfolio managers

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as at 30 September 2025