

## 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. The fund is mandated to use derivative instruments for efficient portfolio management purposes.

## IMPORTANT PORTFOLIO CHARACTERISTICS AND RISKS



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



**KANYANE MATLOU**  
BBusSc (Hons)

## GENERAL FUND INFORMATION

<b>Launch Date</b>	20 November 2000
<b>Fund Class</b>	A
<b>Benchmark</b>	FTSE/JSE All Property Index
<b>Fund Category</b>	South African – Real Estate – General
<b>Regulation 28</b>	Does not comply
<b>Income Distribution</b>	Quarterly (March, June, September, December)
<b>Investment minimum</b>	R5 000 or R500/m debit order
<b>Bloomberg Code</b>	CORPPEQ
<b>ISIN Code</b>	ZAE000026993
<b>JSE Code</b>	CPEF

# CORONATION PROPERTY EQUITY FUND

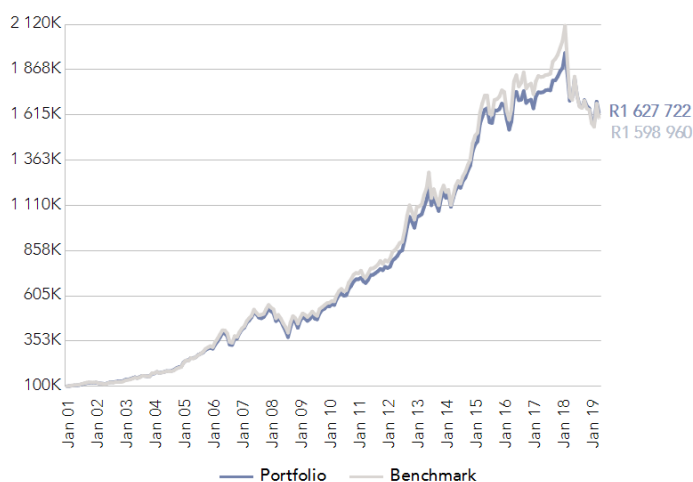
CLASS A as at 28 February 2019

Fund category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R 1.76 billion
NAV	5245.57 cents
Benchmark/Performance	FTSE/JSE All Property Index
Fee Hurdle	
Portfolio manager/s	Anton de Goede and Kanyane Matlou

Total Expense Ratio	1 Year	3 Year
Fund management fee	1.44%	1.43%
Fund expenses	1.25%	1.25%
VAT	0.01%	0.01%
Transaction costs (inc. VAT)	0.18%	0.18%
Total Investment Charge	0.08%	0.06%
	1.52%	1.49%

## 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)	1527.7%	1499.0%	28.8%
Since Launch (annualised)	16.5%	16.4%	0.1%
Latest 15 years (annualised)	15.9%	15.8%	0.1%
Latest 10 years (annualised)	13.4%	12.6%	0.7%
Latest 5 years (annualised)	7.2%	6.6%	0.6%
Latest 3 years (annualised)	1.0%	(1.0)%	2.0%
Latest 1 year	(3.9)%	(6.8)%	2.9%
Year to date	3.7%	3.2%	0.5%

### RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	13.3%	14.3%
Sharpe Ratio	0.62	0.57
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(29.7)%	(28.0)%
Positive Months	67.1%	66.7%

	Fund	Date Range
Highest annual return	53.6%	Apr 2005 - Mar 2006
Lowest annual return	(22.6)%	Jul 2007 - Jun 2008

### MONTHLY PERFORMANCE RETURNS (AFTER FEES)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Fund 2019	7.7%	(3.7)%											3.7%
Fund 2018	(6.5)%	(7.6)%	1.0%	6.3%	(5.3)%	(3.1)%	(0.8)%	2.5%	(1.9)%	(0.8)%	(3.9)%	(1.1)%	(20.0)%
Fund 2017	1.3%	(0.1)%	0.1%	0.6%	0.2%	(0.2)%	3.2%	0.1%	1.2%	1.7%	0.9%	4.5%	14.1%

## PORTFOLIO DETAIL

### EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	28 Feb 2019
<b>Domestic Assets</b>	<b>100.0%</b>
■ Real Estate	<b>97.9%</b>
■ Cash	<b>2.1%</b>

### TOP 10 HOLDINGS

As at 31 Dec 2018	% of Fund
NEPI Rockcastle PLC	12.5%
Redefine Income Fund	11.9%
Growthpoint Properties Ltd	10.8%
Fortress Income Fund Ltd A	5.8%
Atterbury Investment Holdings	5.2%
Hyprop Investments Ltd	5.1%
Capital & Counties Properties PLC	3.9%
Vukile Property Ltd	3.7%
Fortress Income Fund Ltd B	3.6%
Investec Limited	3.2%

### INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Taxable Income
31 Dec 2018	02 Jan 2019	105.72	12.69	93.03
28 Sep 2018	01 Oct 2018	93.97	25.11	68.86
29 Jun 2018	02 Jul 2018	70.12	4.73	65.40
29 Mar 2018	03 Apr 2018	96.69	20.91	75.78

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

The All Property Index (ALPI) delivered a total return of -6.2% for the fourth quarter (Q418), lagging the FTSE/JSE All Share Index's (ALSI) -4.9% return and the All Bond Index's (ALBI) 2.7%. The correlation between bonds and listed property broke down during the quarter. The SA 10-year government bond yield was largely unchanged at 9.2% from a quarter earlier, while the forward yield of the ALPI saw an increase to 9.4% from 8.8% at the end of September. The historical yield of the bellwether index<sup>1</sup> increased to 9.6% at the end of the quarter, from 9.1% three months earlier. This saw the historical yield gap relative to bonds widen to 38 basis points (bps) at the end of December from 15bps at end-September. Listed property's total return for the 2018 calendar year came in at -25.3% - behind bonds, which returned 7.7% and the ALSI's -8.5%.

The fund's return of -5.8% during the quarter was ahead of the -6.2% delivered by the benchmark. The fund's performance over periods between three and 10 years compares favourably to peers and the benchmark. Value add during the quarter came from the fund's relative positioning in Hyprop, Stor-Age, Resilient and Fortress B. These were enough to offset the value detractor coming from the fund's relative positioning in Attacq, Liberty Two Degrees, Hammerson and Growthpoint. During the period, the fund increased exposure to Redefine, Growthpoint and Hammerson, while reducing exposure to a handful of names, including Liberty Two Degrees, SA Corporate and Equites.

The past quarter saw the conclusion of the last reporting period of the year. Trends from the earlier results season were cemented as several companies downwardly revised guidance owing to the continued lacklustre economic activity, while companies with once-offs in their earnings bases continue to try to wean themselves off these. Overall, dividend per share (DPS) growth for the second-half reporting season came in at 8.1% including offshore names but registered 4.3% excluding these. Reversions across the sectors were under pressure, although vacancies generally held steady as landlords prioritised tenant retention over rental growth. On the cost side, the City of Johannesburg's municipal valuations remain topical: increased rates bills have seen pressure on expense ratios as landlords have been unable to pass the entire increases to tenants.

Numerous management changes took place during the quarter. Hyprop announced that long-serving CEO, Pieter Prinsloo, would be leaving the company at the end of 2018, and would be replaced by current MAS CEO (and former Attacq CEO), Morne Wilken. Pieter Prinsloo will be joining Redefine Europe in the Netherlands. Morne's position at MAS will be filled in the interim by current CFO, Malcolm Levy. Meanwhile, Fortress announced that Mark Stevens would be stepping down as CEO over the next 12 months, with current acting CFO, Steven Brown, identified as his successor. Similarly, at Gemgrow it was announced that Mark Kaplan would be stepping down as CEO in the coming year. Mark also serves as the CEO of Gemgrow parent company Arrowhead, and it was always envisioned his role at Gemgrow would be of a short-term nature in the company's initial years until a solid management capability was established.

Following an unsuccessful merger attempt with rival Hammerson earlier in the year, Intu was the target of another corporate action effort. A consortium comprising the company's largest shareholder, the Peel Group, the Olayan Group and Brookfield, had shown intentions to take Intu private. Following two extensions to the Takeover Regulatory Panel (TRP) deadlines to make a firm offer or walk away, the consortium eventually chose not to proceed with the offer, citing continued uncertainty around macroeconomic condition, this following sluggish progress in Brexit negotiations. On the local front, Texton's shareholders voted against the exercise of a PIC PUT option that would have seen shares used as collateral for the BEE loan bought back by the company. With this vote outcome, legal advice received by the company is that the PUT option has now fallen away.

The South African Property Owners Association (SAPOA) released its quarterly office vacancy survey for the third quarter of 2018. The release showed that office vacancies increased to 11.2% in September 2018 from

11.1% a quarter earlier. Of the four office grades, only A-grade space saw improved vacancy trends, with vacancies improving 40bps to 8.9%. P-grade space saw a marked deterioration of 120bps to record a 6.7% vacancy rate, while B- and C-grade offices saw vacancy rate increases of 40 and 50bps respectively to 14.2% and 15.4%. Of the five metropolitan areas, three (Durban, Pretoria and Port Elizabeth) registered improvements in occupancies while two (Johannesburg and Cape Town) saw worse vacancy trends. Growth in asking rents over the last 12 months recorded a slowdown to 5.3% compared to 6.3% in the previous quarter. Office space under development amounts to 2.9% of existing stock (with 45.2% of this pre-let). A high degree of concentration remains, with 10 of the 53 nodes accounting for 93% of all developments. Thirty-three percent% of this space is in the Sandton node.

While GDP figures showed a rebound in the third quarter of 2018, this is yet to reflect in underlying property fundamentals. It remains unclear how long the weak property fundamentals will remain in place, but some uncertainty is likely in the offing ahead of this year's general elections. As a result, opportunities within the SA listed property universe remain selective. While initial yields appear attractive, already under-pressure distribution growth could see further headwinds, making the attractiveness of the sector less than it appears, though earnings expectations incorporate these weaker fundamentals.

**Portfolio manager**  
**Anton de Goede and Kanyane Matlou**  
 as at 31 December 2018

<sup>1</sup> Index comprising the following counters: Growthpoint, Redefine, Hyprop, Vukile, SA Corporate and Investec Property Fund

### 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) (FSP 548) Ltd, 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.

### 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. 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 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 September 2018 (updated annually). The 3 year TER is for a rolling 36-month period to the last 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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