Marriott International Real Estate Feeder Fund

31 December 2018

This Mandatory Disclosure Document (MDD) provides investors with key information that is intended to assist the investor in understanding the nature and risks of investing in this fund.

How This Fund Works

This is a rand-denominated portfolio offering access to the Marriott International Real Estate Fund without requiring the Investor to obtain permission from the SARB or SARS to transfer the funds offshore. The Investor will invest and disinvest rands.

International Real Estate Feeder Fund ▶ Uses Marriott's asset swap capacity ▶ Invests offshore into the International Real Estate Fund

Rand-denominated fund

Fund Objective and Investment Approach

The Marriott International Real Estate Feeder Fund is a rand-denominated feeder fund that invests all its non-cash assets in the Marriott International Real Estate Fund. The objective and mandate of the Marriott International Real Estate Fund is to provide a high and growing income stream from a portfolio of internationally listed real estate securities as well as long-term capital growth. The investment universe for this fund is listed real estate securities on international stock markets. The fund benchmark is a yield comparable to the J P Morgan Global Bond Index Yield. The underlying fund is approved for sale in South Africa by the Financial Sector Conduct Authority (FSCA). The portfolio is valued and returns are measured in rands.

Fund Information

Registered Name	Marriott International Real Estate Feeder Fund
Fund Size	R 290,656,657.39
Price (NAV)	485.35 cpu
Distribution (Class A)	3.251 cpu (Rand terms)

Key Features

Fund Classification (ASISA)	Global - Real Estate - General
Inception Date	3 October 2000
Base Currency	ZAR
Minimum Initial Investment	R500
Minimum Additional Investment	R300
Minimum Debit Order	R300
Distribution Declaration	31 March, 30 June, 30 September, 31 December
Distribution Payment Dates	3 to 4 working days after declaration
Instruction Cut-off	15h00 daily
Fund Valuation Frequency	15h00 daily

Fees (excluding VAT)

Marriott Initial Fee	0 %
Marriott Annual Management Fee	0 %
1% is levied at the underlying fund level.	
Advisor Initial Fee (max)	3 %
Advisor Annual Fee (max)	0.5 %

TER/TC (including VAT)

Total Expense Ratio	1.38 %
Transaction Costs	0.07 %

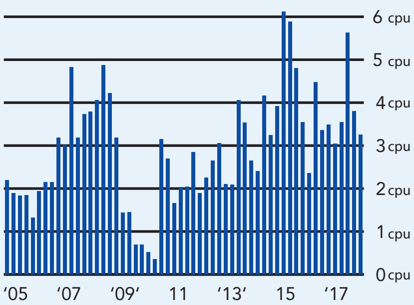
Risk Category Moderately Aggressive

Low Medium High

This fund may have a moderate income stream but aims for a long term return greater than inflation. It also aims for a high level of long term growth on invested capital but may be exposed to a high level of capital volatility.

Distributions Since 2005

(Paid quarterly in cents per unit)



Source: **Marriott**

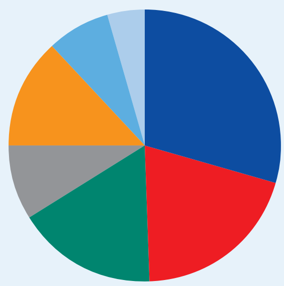
Total Returns Since Inception

(Assuming R100,000 invested at inception)

Source: **Marriott**

Current Asset Allocation

- US Real Estate 29.6%
- UK Real Estate 19.9%
- European Real Estate 16.8%
- Canadian Real Estate 8.9%
- Far Eastern Real Estate 13.0%
- Int Money Market 7.5%
- RSA Money Market 4.3%



Source: **Marriott**

Fund Limits and Constraints

The fund is rand-denominated and invests in the Marriott International Real Estate Fund as well as liquid assets.

Performance

Net of all fees and expenses as per the TER disclosure (including income)

Annualised (pa)	1 year	2 years	3 years	4 years	5 years	Since Inception (Oct 2000)	Volatility of Return Since Inception: Highest 12 Months	Volatility of Return Since Inception: Lowest 12 Months
Income Return	3.6%	3.2%	3.4%	3.4%	3.5%	3.6%	-	-
Price Return	4.9%	2.5%	-2.9%	2.5%	6.2%	5.0%	-	-
Total Return	8.5%	5.7%	0.5%	5.9%	9.7%	8.6%	65.9%	-59.2%

Source: **Marriott**

For periods longer than 12 months annualised performance figures are used. An annualised performance figure represents the compounded average return in percentage terms earned by the fund over the given period of time.

Fund Limits and Constraints

The fund endeavours to be fully invested in listed real estate securities worldwide and reports in US dollars.

Current Portfolio Holdings

United States	**Dividend Yield**
Simon Property	4.4%
Stag Industrial	5.8%
Liberty Property Trust	3.8%
Macerich	6.9%
Prologis	3.3%
Canada	
H&R REIT	6.8%
Allied Properties	3.5%
United Kingdom	
Tritax BigBox	5.1%
Segro	3.1%
LXI REIT	4.8%
Land Securities	6.0%
LondonMetric Property	4.7%
Europe	
Deutsche Euroshop	5.9%
Unibail-Rodamco	8.6%
Fabege	2.2%
Alstria	4.4%
Far East	
Capitaland Mall Trust	5.0%
Ascendas REIT	6.3%
Link REIT	3.4%

Source: **Marriott International**

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Portfolio Review

Although not immune from the wider stock market falls, property shares performed relatively well in 2018. Over the year, global Real Estate Investment Trusts (REITs) fell by 5.6% with most of the falls occurring in the last quarter of the year (-5.7%). This compared favourably with the wider equity market. Global equities fell sharply, by 13.1% in $ terms over the quarter, bringing the fall over the year to 11.2%.

Whilst an environment of rising US interest rates was never going to be the best backdrop for global Real Estate Investment Trusts, the decline in 2018 was caused more by macro concerns rather than anything specific to the sector, albeit with one notable sub-sector exception. The main falls in global property indices occurred in February and December when the rest of the market was in freefall. For the most part, valuations held up reasonably well. As with 2017, the best place to be exposed to was the warehouse and industrial sectors where e-commerce continued to all but guarantee a reliable stream of income, and supported further yield compression and price appreciation, especially in the UK market.

The biggest casualty once again was the retail sector. The closure of many well-known high street retail names in the US and UK (most recently HMV), together with the collapse of some potentially high profile corporate mergers, led to sharp share price declines, almost irrespective of the nature of the underlying assets. Shopping 'strips' and high street operators were hardest hit, but the major mall owners suffered too as the internet shopping revolution continued apace. Malls are far from dead, however, but their reinvention as entertainment 'destinations' is accelerating and most retailers still need to have a significant physical presence to support their online offerings (rather than the other way around). However, the adjustment is not fully in the price just yet and, with balance sheets under strain, we expect dividend cuts to occur in 2019 as well as more corporate activity, as shopping centres look to merge in an attempt to keep centralised costs under control and create more bargaining power with the larger retailers.

The International Real Estate Fund has been cutting its exposure to retail over the last few years and now holds just a small number of the world's largest shopping mall companies. Although these are not immune to the shifting trend towards e-commerce, they are far more resilient than small standalone units either on the high street or in smaller urban shopping areas. One of the problems for physical retailers is that online retailers have none of the costs (e.g. business rates) associated with owning a shop and vastly more coverage. It is possible that governments will seek to redress the balance by forcing the likes of Amazon.com to pay some form of sales tax. However, as the cost of doing so would invariably be passed on to the consumer, this would be an unpopular move which would (in the eyes of politicians) risk alienating the large slice of the electorate who frequently shop online. It may be some time before the sector stages any meaningful recovery.

Europe has also struggled in 2018, despite negative interest rates. Although borrowing is cheap, consumer confidence remains weak reflecting anaemic growth across most European markets. Politics have not helped either. Brexit has impacted the UK whilst an erratic US president has troubled equity markets in many regions, not least China and Emerging Markets which are still grappling with the impact of trade tariffs and slowing economies. Yields have, however, remained generally good and dividend cuts have been rare to date. Global REITs currently yield over 4% gross. It is likely, therefore, that dividend income will again form a significant part of total returns in 2019, especially if global GDP growth continues to decelerate and markets remain unconvinced about any prospect of an early recovery.

Contact us: To find out more about this fund or to obtain free of charge additional information such as brochures, application forms, annual reports and other marketing material, please visit our website **www.marriott.co.za** or contact our Communication Centre on **0800 336 555**.

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