CORONATION PROPERTY EQUITY FUND

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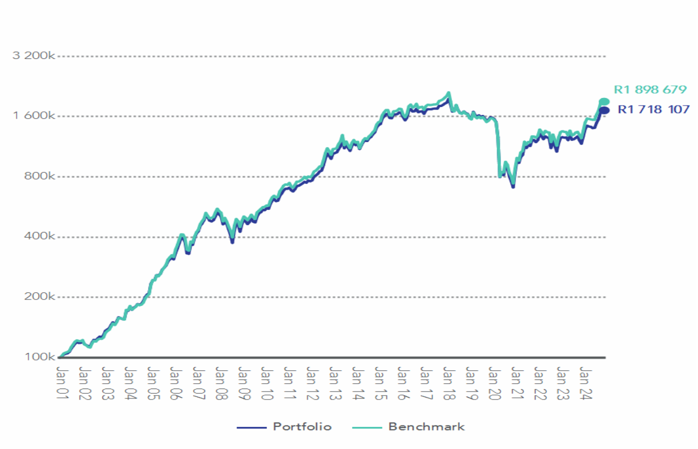
CLASS A as at 31 October 2024

ASISA Fund Category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R943.75 million
NAV	4056.19 cents
Benchmark	FTSE/JSE All Property Index
Portfolio manager/s	Anton de Goede and Mauro Longano

	1 Year	3 Year
Total Expense Ratio	1.46%	1.46%
Fund management fee	1.24%	1.24%
Fund expenses	0.03%	0.03%
VAT	0.19%	0.19%
Transaction costs (inc. VAT)	0.05%	0.06%
Total Investment Charge	1.51%	1.51%

PERFORMANCE AND RISK STATISTICS

GROWTH OF A R100,000 INVESTMENT (AFTER FEES)



PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Oct 2024
Domestic Assets	100.0%
Real Estate	98.4%
Cash	1.6%

PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1618.1%	1798.7%	(180.6)%
Since Launch (annualised)	12.6%	13.1%	(0.5)%
Latest 20 years (annualised)	11.1%	11.7%	(0.6)%
Latest 15 years (annualised)	7.9%	8.4%	(0.5)%
Latest 10 years (annualised)	2.0%	2.7%	(0.7)%
Latest 5 years (annualised)	1.6%	3.9%	(2.3)%
Latest 3 years (annualised)	12.9%	14.8%	(1.9)%
Latest 1 year	46.7%	52.0%	(5.3)%
Year to date	23.8%	26.8%	(3.0)%

TOP 10 HOLDINGS

As at 30 Sep 2024	% of Fund
Growthpoint Properties Ltd	14.7%
Nepi Rockcastle Plc	14.7%
Redefine Income Fund	9.6%
Fortress Income Fund Ltd B	7.7%
Resilient Property Income	6.5%
Atterbury Investment Holdings	6.2%
Hyprop Investments Ltd	5.9%
Equites Property Fund Ltd	5.8%
Mas Real Estate Inc	3.9%
Sirius Real Estate Ltd	3.7%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.2%	17.8%
Sharpe Ratio	0.28	0.30
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(63.9)%	(64.9)%
Positive Months	62.7%	61.7%

	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
30 Sep 2024	01 Oct 2024	3.91	0.82	3.09
28 Jun 2024	01 Jul 2024	86.79	19.05	67.74
29 Dec 2023	02 Jan 2024	96.52	4.93	91.59
30 Jun 2023	03 Jul 2023	72.75	2.02	70.73

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)%	(1.5)%	0.4%	5.7%	4.3%	7.9%	5.4%	(2.5)%			**23.8%**
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: 2024/11/13

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 maintained the strong return momentum of the latter part of the prior quarter into Q3-24 as the positive sentiment regarding the election outcome and formation of a government of national unity spurred on the local capital markets on all fronts. The more recent strong correlation between bond and listed property yields remained intact with listed property yields following local bond yields lower. The sector was also buoyed by a positive results season, with companies reporting results either in-line or better than expectations, leading to a positive rerating relative to other asset classes. The result was a quarterly return for the FTSE/JSE All Property Index (ALPI) of 19% and a return of 51% over 12 months. Over 12 months, the sector has now fully reaped the benefit from a shift in sentiment – from investors who started to discount a much softer landing in the interest rate cycle of major global markets in Q4-23, to the positive surprise of a 50bps interest rate cut in the US in September of this year.

Unit trust-linked capital flows into sector specific funds continued to be negative on a quarterly basis, with the last positive quarter being Q1-22. It does, however, seem that a recovery in flow momentum is possible, but this momentum change is still erratic as some allocation away from property seems to have taken place into the quarter end following the asset class's strong run. 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 has cemented its post-Covid outperformance. The sector is however still lagging both indices over longer time periods. The ALPI's one-year forward dividend yield is 7.5% and that of the Fund is 7.2%.

Delivering a return of 18.5% for Q3-24, the Fund did not fully keep pace with the market, thereby underperforming its ALPI benchmark. This resulted in a small deterioration of the Fund's relative performance to the benchmark over 12 months, which is negative. Relative positions that detracted from the performance for the quarter include the overweight positions in more offshore-centric counters like Sirius, Shaftesbury Capital and MAS as well as underweight positions in larger, more liquid SA-centric names that benefited from the strong local rally, like Redefine, Vukile and Fortress. This was mostly counteracted by our relative positioning in names like Attacq, Hyprop, Resilient and Lighthouse. Over the 12-month period, where the underperformance is larger, the detraction in relative returns was mostly due to being underweight some larger, more liquid SA-centric companies that benefited from the positive sentiment towards SA, and being overweight either more offshore focussed companies and smaller, less liquid local specialist landlords. During the period, the largest increase in exposure occurred in Fairvest B, Stor-Age and Vukile. The largest decrease in exposure occurred in Hyprop, Growthpoint and Resilient.

The results season of companies with a June reporting period concluded in September. This results season did bring a few surprises with some companies outperforming their previously provided distributable earnings growth guidance. Distributable earnings per share growth for this reporting season came in at 1.9%, while dividend per share growth came in at 0.2%, with an average pay-out ratio of 85.0%. If offshore names are excluded from these numbers, the SA-centric names delivered distributable earnings per share growth of -2.0%, while dividend per share growth came in at -1.8% with an average pay-out ratio of 88.4%. The average reported growth was dragged lower by a poor, but expected, showing from names like Growthpoint and Hyprop. As previously mentioned, the base effect of increasing interest rates in a reporting period is gradually working itself out of the earnings cycle. This is noticeable in this reporting season in companies that reported full year numbers, with the H2-24 y-o-y distributable earnings growth being in most cases much stronger than that of H1-24 y-o-y growth.

Key sector news beyond the reporting season during this past quarter related mostly to corporate action linked to asset sales or acquisitions. Burstone announced the sell down of its exposure to its Pan European logistics JV to Blackstone, keeping 20%, which will have a very positive impact on the derisking of its balance sheet. Growthpoint and Vukile agreed to sell their respective stakes in European listed counters Capital & Regional and Lar Espana as part of broader corporate action. NEPI Rockcastle is on the acquisition path with a large acquisition in Poland with potentially more to come, while both Vukile and Lighthouse continue to scour Iberia to increase their exposure to either Spanish or Portuguese shopping centres.

The SA Council of Shopping Centres (SACSC) published retail trading data related to Q2-24. Retail trading density growth across most shopping centre formats in SA congregated around 4%-6% y-o-y, which is a departure from the previous theme of either dominant or convenience shopping centres outperforming. Regarding footfall growth, there has been a decline in footfall for H1-24 versus H1-23 for the "mass" consumer segment, especially in community centres. This compares to an increase in footfall for H1-24 versus H1-23 for the "affluent" consumer segment across all centre formats.

The SA Property Owners Association (SAPOA) released its Q3-24 office vacancy survey. This most recent quarter was the ninth quarter showing a decrease in office vacancies in SA, now at 13.6%, down from 16.7% as at Q2-22. All grades experienced moves lower, with A grade office space the strong mover in Q3-24 being 80bps lower to 11.8%. Cape Town has the lowest vacancy of the major cities at 5.7%, down from 8.3% as at 12 months earlier. The overall absolute vacant space in SA is 151 828m² lower over the quarter, with total office gross lettable area (GLA) being 281 861m² lower. This could potentially point to some repurposing of space into other alternative uses, with reference to C grade space being taken out of the survey for residential conversions in nodes like Parktown, Houghton, Fourways and the Johannesburg CBD. New office development as a percentage of GLA is at 0.7%, which is close to the historical lows experienced during Covid, of which 85% is pre-let – the highest pre-let level in 34 years.

Outlook

Over the last few reporting seasons, we have seen companies report continued lower vacancies, a positive momentum shift in rental growth and improved operating cost management. We expect this to continue at the margin, with a gradual decrease in average debt funding costs as interest rates decrease the next driver of distributable earnings growth. All these tailwinds have led to management teams moving more offensive in terms of portfolio size growth, with Sirius, Vukile, Lighthouse and Spear REIT all raising capital to fuel their growth ambitions.

The key driver of sector returns over the last few months has been the strong showing of the broader capital markets in SA based off the positive political sentiment, which can turn quickly, but seems unlikely at this stage. From current levels, all else remaining equal, it is essential that the recovery in operational performance is continued if the rerating of the sector relative to other asset classes is to be maintained.

The rerating has been substantial compared to historical levels since 2000 and therefore requires strong distributable earnings growth to be warranted. We expect a recovery in sector average distributable earnings growth of mid to high single-digit compound annual growth rates for the next three years. Although a good improvement from recent growth levels, it may be that investor sentiment has overreached the impact of lower interest rates on the sector and share price volatility could return as investor sentiment change if distributable earnings growth is not as strong as what is being priced in at present.

Portfolio managers
Anton de Goede and Mauro Longano
as at 30 September 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

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.