CORONATION PROPERTY EQUITY FUND

Fund Information as at 31 December 2024

CORONATION
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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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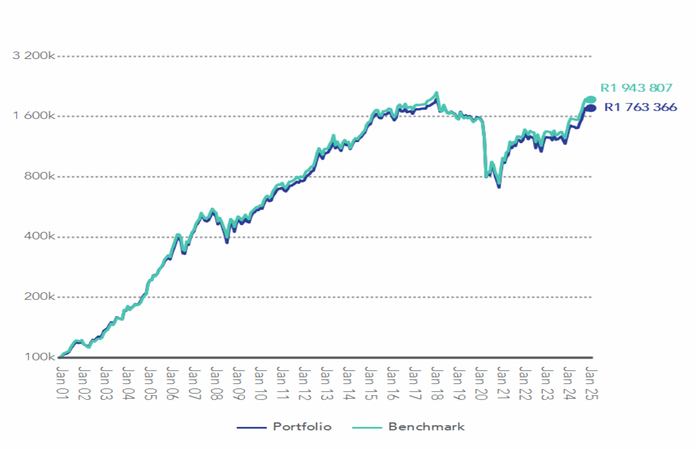
CLASS A as at 31 December 2024

ASISA Fund Category	South African - Real Estate - General
Launch date	20 November 2000
Fund size	R962.56 million
NAV	4163.04 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)



PERFORMANCE FOR VARIOUS PERIODS (AFTER FEES)

	Fund	Benchmark	Active Return
Since Launch (unannualised)	1663.4%	1843.8%	(180.4)%
Since Launch (annualised)	12.7%	13.1%	(0.5)%
Latest 20 years (annualised)	10.4%	10.9%	(0.5)%
Latest 15 years (annualised)	8.0%	8.5%	(0.5)%
Latest 10 years (annualised)	1.9%	2.5%	(0.7)%
Latest 5 years (annualised)	2.5%	4.7%	(2.2)%
Latest 3 years (annualised)	10.3%	12.1%	(1.8)%
Latest 1 year	27.0%	29.8%	(2.8)%
Year to date	27.0%	29.8%	(2.8)%

RISK STATISTICS SINCE LAUNCH

	Fund	Benchmark
Annualised Deviation	17.2%	17.7%
Sharpe Ratio	0.29	0.30
Maximum Gain	54.8%	41.0%
Maximum Drawdown	(63.9)%	(64.9)%
Positive Months	63.0%	61.9%

	Fund	Date Range
Highest annual return	68.5%	Nov 2020 - Oct 2021
Lowest annual return	(55.4%)	Nov 2019 - Oct 2020

PORTFOLIO DETAIL

EFFECTIVE ASSET ALLOCATION EXPOSURE

Sector	31 Dec 2024
Domestic Assets	100.0%
Real Estate	99.1%
Cash	0.9%

TOP 10 HOLDINGS

As at 31 Dec 2024	% of Fund
Nepi Rockcastle Plc	15.1%
Growthpoint Properties Ltd	13.8%
Redefine Income Fund	9.5%
Fortress Income Fund Ltd B	8.5%
Atterbury Investment Holdings	6.4%
Resilient Property Income	6.4%
Equites Property Fund Ltd	5.9%
Hyprop Investments Ltd	5.7%
Vukile Property Ltd	4.5%
Mas Real Estate Inc	4.1%

INCOME DISTRIBUTIONS

Declaration	Payment	Amount	Dividend	Taxable Income
31 Dec 2024	02 Jan 2025	105.57	15.33	90.25
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

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)%	2.0%	0.7%	**27.0%**
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: 2025/01/17

Please refer to page 4 of the Comprehensive Fact Sheet for important additional infomation, including change in cost disclosures.

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

Performance and fund positioning

Despite the local listed property sector taking a breather, with the FTSE/JSE All Property Index (ALPI) returning -0.4% for the quarter, the undercurrent of the strong return momentum that started at the end of October 2023 remains. Although not as high as at the end of Q3-24, the ALPI still delivered a 12-month return of 30%. The sector maintained the recent stronger correlation with bond yields, and yields marginally moved higher in line with offshore bond and property yields. Uncertainty about the offshore interest rate cycle on the back of more stubborn inflation has returned, with South Africa outperforming most offshore markets into the year-end.

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. However, overall support for the sector has been gradually coming from larger institutional capital as part of broader asset allocation decisions rather than retail flows. 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, despite the sector losing ground against the FTSE/JSE All Share Index (ALSI) and FTSE/JSE All Bond Index (ALBI) over 12 months, it still outperformed handsomely and continues to do so over three years as well. The asset class's longer-term relative underperformance compared to equities and bonds – which goes back 10 years and more – will take longer to reverse. The ALPI's one-year forward dividend yield is 7.8%, and that of the Fund is 7.7%.

Delivering a flat return for Q4-24, the Fund outperformed the ALPI benchmark, resulting in an improved performance relative to the benchmark over most time periods, and gradually closing the underperformance gap over 12 months. Positions that added to the relative performance for the quarter include the overweight positions in MAS, Fairvest B, Stor-age, Attacq, Burstone and Equites as well as underweight positions in larger, more liquid names like Redefine and Growthpoint. Value destruction over the quarter did come from our relative positioning in names like Vukile, Emira, Hammerson and Shaftesbury Capital. UK-linked companies, in particular, suffered this past quarter due to a poorly received UK Budget, with it putting a higher tax burden on corporates and the market reception of the Budget putting pressure on the UK bond market and overall borrowing costs. Over the 12-month period, 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 the country post the formation of the Government of National Unity (GNU) and being overweight more offshore focused companies. During the quarter, the largest increase in exposure occurred in Vukile, NEPI Rockcastle, Fortress and Lighthouse. The largest decrease in exposure occurred in MAS, Shaftesbury Capital, and Sirius. The largest single transaction for the quarter was switching our entire holding in Dipula into Fairvest B after the latter made an offer for Coronation's holding, on behalf of our clients, in Dipula.

The results season of companies with either an August or September reporting period concluded in December. No real surprises were delivered, with companies reporting earnings, at the margin, similar to expectations. Distributable earnings per share growth for this reporting season came in at -2.0%, while dividend per share growth came in at -1.0%, with an average pay-out ratio of 81.8%. For once, offshore focused companies were the laggards, especially Sirius compared to a year earlier. When excluding offshore names from these numbers, the SA-centric names delivered marginally better distributable earnings per share growth of -0.9%, while dividend per share growth came in at -1.2% with an average pay-out ratio of 84.0%. This performance is, however, a solid improvement from numbers delivered one year prior when SA-centric distributable earnings per share growth came in at -5.6%. Operationally, the strong momentum in rental and vacancy improvements has started to become more muted.

Key sector news beyond the reporting season during this past quarter related mostly to new listings. Two established UK REITs – Assura and Supermarket Income REIT – inwardly listed on the local bourse during the quarter. No additional capital was raised through these listings, but we believe it may come down the line for balance sheet purposes due to either high gearing or expansionary portfolio actions. We believe these listings came about due to the success of Sirius, the German and UK landlord, that has been successful since its inward listing in 2015 to access the local institutional capital for portfolio growth opportunities.

The SA Property Owners Association (SAPOA) released its Q4-24 office vacancy survey. After nine consecutive quarters of a decrease in office vacancies in South Africa, the sector experienced an increase, albeit marginal, of 10bps in Q4-24, taking it to 13.7%, still down from recent highs of 16.7% as at Q2-22. All grades experienced vacancy moves higher, with A-grade office space reversing the trend of Q3-24 in being the sector experiencing the biggest move higher (vs experiencing the largest move lower in Q3-24) of 30bps to 12.1% (still better than the 12.6% of two quarters ago). On a city level, the increase in vacancies was driven by Cape Town, again a reversal of recent trends, and, to a lesser extent, Johannesburg. Despite increasing by 80bps to 6.5%, Cape Town continues to have the lowest vacancy of the major cities, and still much better than the 7.5% vacancy of 12 months ago (and 10% the year before that). Development as a percentage of gross lettable area (GLA) has decreased from 0.7% to 0.6%, which is close to the historical lows experienced during Covid, of which 82% is pre-leased.

The SA Council of Shopping Centres (SACSC) published retail trading data related to Q3-24. Recent trends have been for retail trading density growth across most shopping centre formats in South Africa to congregate around a narrow band. However, some differentiation is once again starting to come through, with smaller centres holding up better than super regional and regional centres. GLA weighted year-on-year (y/y) growth decreased from 4.8% in Q2-24 to 4.0% in Q3-24, dragged lower by these two larger formats. The only format maintaining its growth momentum between quarters was Community Centres (GLA of 12 000m² – 25 000m²), recording the highest y/y trading density growth of 5.9%.

Outlook

Although the positive investor sentiment following the formation of the GNU and lack of loadshedding remains, the reality of a continued weak economy and persistently higher interest rates than what was initially expected in this cycle is becoming a more prolonged operating backdrop for the sector. Although not as promising as initially thought, it does, however, create a basis for the return of more sustainable positive distributable earnings growth, driven not only by lower interest rates but also by operating efficiencies. Our expectations are for low- to mid-single-digit sector average distributable earnings growth for 2025. Despite continued cost pressure, the benefit of utility cost management is now starting to bear fruit in not only securing electricity (and water) during times of wanting, but also rather gradually starting to manage it as an integrated revenue stream.

The MSCI released its bi-annual SA property index for H1-24 during Q4-24, which provided a good yardstick for direct property returns for the first six months of the year. Total return momentum for SA property is improving with the 5.3% delivered for H1-24 (10.5% annualised) an improvement both y/y and period-on-period. It was the best six-monthly return since the outbreak of Covid. Property values are however still below the levels of 2018, with industrial property, which is once again the strongest sector, the closest to breaking even to pre-Covid levels. Through its data collection the MSCI has seen an increase in capital spend in portfolios, which echoes the strong signal in improved operating conditions and balance sheets coming through in sector results.

Companies continue to take a more expansionary stance into a lower interest rate environment, may it be through direct asset acquisitions as in the case of NEPI Rockcastle, Lighthouse and Vukile, but also indirect acquisitions as in the case of Fairvest (now a 26% shareholder in Dipula). The strong run of the sector over the last 18 months has resulted in equity as a funding source being a much more achievable reality as exhibited by both NEPI Rockcastle and Fairvest this past quarter.

While the sector continues to exhibit an encouraging improvement in its underlying operational dynamics, it may be that its recovery in rating relative to other asset classes have reached some saturation point, as already seen with the sector's marginal negative yield relative move to bonds during Q4-24. All else being equal, distributable earnings expectations and either achieving or missing these should drive the sector's return prospects in the short to medium term.

Portfolio managers
Anton de Goede and Mauro Longano
as at 31 December 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

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