METOPE

METOPE INVESTMENT MANAGERS

Listed Property (Segregated Mandate) Fund Factsheet

31 October 2018

Fund Facts	
Portfolio Manager	Liliane Barnard
Date of Inception	1 April 2004
Benchmark	FTSE/JSE SA Listed Property Index (SAPY)
Investment Term	More than 3 years recommended
Risk Rating	● ● ● ● ●

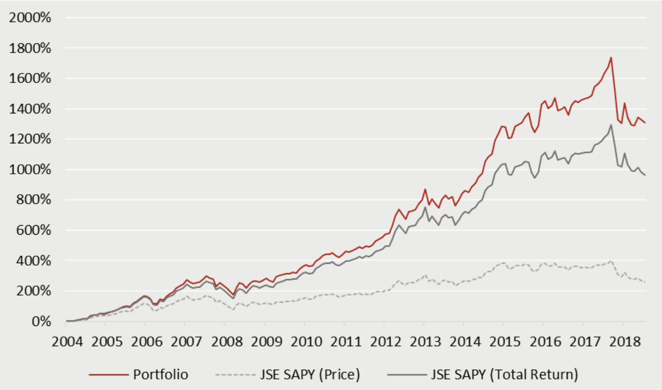
Top Holdings
Growthpoint Properties Ltd
Nepi Rockcastle Plc
Redefine Properties
Resilient REIT
Vukile Property Fund

Performance (Gross of Fees)

Short Term Performance	Portfolio	Benchmark	Alpha
1 month	-1.1%	-1.7%	0.5%
3 months	1.4%	-2.2%	3.6%
6 months	-8.2%	-11.6%	3.4%
Annualized Returns	**Portfolio**	**Benchmark**	**Alpha**
1 Year	-18.7%	-18.7%	0.0%
3 Years	-0.7%	-2.6%	1.9%
5 Years	8.7%	5.8%	2.9%
10 Years	16.0%	14.0%	2.0%
Since Inception	19.9%	17.6%	2.3%

Risk Metrics (over 5 years)	Portfolio	Benchmark
Standard Deviation	14.4%	13.50%
Downside Deviation	12.1%	10.55%
Sharpe Ratio	0.19	-0.01

Cumulative Performance Since Inception



Investment Objective and Strategy

The fund aims to maximise income returns and long term capital growth by investing in stocks in the Real Estate sector on the JSE. Through active management and stock selection, the fund aims to provide superior returns to the FTSE/JSE SA Listed Property Index.

Market and Portfolio Commentary

Markets were weak across all asset classes in October, with equities experiencing a sharp correction amidst a global sell-off. The All Share index declined 5.8%, with bonds and property both losing 1.7%. South Africa's new finance minister, Tito Mboweni, delivered his maiden Medium-Term Budget Policy Statement in a tough economic environment and highlighted the challenges faced by the government. A decrease in growth assumptions and a wider than anticipated budget deficit over the medium term were negatively received by the market, with bond yields rising and the currency weakening following the statement. Positively, the expenditure ceiling has been maintained despite the constrained revenue stream (given low growth) as treasury attempts to reprioritise spending within the budget to drive growth and employment. The disappointing MTBPS could see Moody's downgrade SA's credit rating outlook to negative. A downgrade of the rating by Moody's (the last of the three ratings agencies to maintain SA's investment grade rating) would put significant selling pressure on SA bonds and the rand, the possibility of which is already priced into bond yields.

The October reporting season kicked off with Equites, who delivered a solid 11.7% growth in DPS for their interim results to August 2018. The fund is expecting to hit the upper quartile of its distribution guidance (10% - 12%) for the full year ending February. The strong results were achieved through 7.8% like-for-like income growth over the period, combined with a decreasing finance cost, reduced gearing, filling of vacant space, and the completion of some acquisitions and developments over the period. The company is built on solid fundamentals, with a 99% industrial portfolio leased to 93% A-grade tenants, and a weighted average lease term of 8.3 years. Equites continues to be one of our top picks, and has performed admirably over the period.

Octodec delivered their annual results for the FY18 year, keeping distributions flat at 203 cents per share. Like-for-like growth in rental income for the year was below inflation at 2.6%, putting pressure on distribution growth. Sharon's Place, one of Octodec's flagship developments in the Pretoria (Tshwane) CBD was completed during the period and will be fully let going into the FY19 financial year, but dragged on earnings over the period due to the property not being fully income-producing during the let-up stage. Octodec's results highlight the challenging conditions faced by the sector, with economic and political uncertainty weighing on consumer confidence and economic growth. Octodec is fully invested in the Gauteng region, with 67% of their portfolio in Tshwane, and 33% in Johannesburg.

The Western Cape appears to be faring somewhat better, as Spear's interim results to August show. The company achieved growth in distributions of 9.3%, and is guiding to full year growth of between 9% - 11%. 98% of the portfolio is invested in the Western Cape. Over the period the company recycled capital from mature or low-growth assets into those which they believe offer better opportunities, and grew the average property value in the process. 12% of the portfolio revenue is derived from the hospitality sector, which has struggled over the period due to the severe drought in Cape Town as well as some refurbishment projects underway. Spear REIT listed in November 2016, and has performed well over the past two years.

The sector is currently trading at a forward yield of 9.4%, with South African companies offering a forward yield of over 10% and inflation-linked distribution growth over the next 3 years.

Metope Investment Managers
Email: info@metopegroup.com
Web: www.metopegroup.com
Tel: +27 21 418 3760
Moorings 4 | Portswood Ridge | Portswood Road
V&A Waterfront | 8001 | PO Box 51316 | Waterfront | 8002
Registration No: 2004/035077/07
Director: Liliane Barnard

METOPE

Disclaimer:

This fund is confined to a restricted circle of investors with a common interest who receive the invitation to invest in circumstances which can properly be regarded as a private business venture between these persons and the person issuing the invitation. This document should not be seen as an offer to invest, solicitation and/or invitation and is not to be construed as advice or guidance in any form whatsoever. Investments into a fund are not suitable for all investors and one should carefully consider whether such investments are suitable in the light of one's specific circumstances and financial resources. Investment into the fund might also have tax consequences unique to the investor and it is recommended that investors seek specialised financial, tax and legal advice.

The information and opinions contained in this document are recorded and expressed in good faith and in reliance on sources believed to be reliable. However, no representative, warranty, undertaking or guarantee of whatever nature is made or given concerning the accuracy and/or completeness of such information and/or the correctness of such opinions. The information contained in this document has been prepared without consideration of the investment objectives, financial situation or particular needs of any particular recipient. Any investment is speculative and involves significant risk and is not necessarily suitable for all investors. Past performance is not necessarily indicative of future performance. Similarly, forecasts that may be contained in this document involve risks and uncertainties which may result in future performance, outcomes and results which differ materially from such forecasts. You are accordingly cautioned not to place undue reliance on any historical data, general information or forecasts used in this document and in making any investment decision, you will rely solely on your own review and examination of the facts and the records relating to such investment.

Metope Investment Managers (Pty) Ltd shall have no liability of whatever nature in respect of any claim, damages (direct or consequential), loss or expense arising out of or in connection with the reliance by you on the contents of this document. Metope Investment Managers (Pty) Ltd is an authorised financial services provider with a FSP license number 21999.

Metope Investment Managers
Email: info@metopegroup.com
Web: www.metopegroup.com
Tel: +27 21 418 3760
Moorings 4 | Portswood Ridge | Portswood Road
V&A Waterfront | 8001 | PO Box 51316 | Waterfront | 8002
Registration No: 2004/035077/07
Director: Liliane Barnard