METOPE

METOPE INVESTMENT MANAGERS

Listed Property (Segregated Mandate) Fund Factsheet

31 December 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	

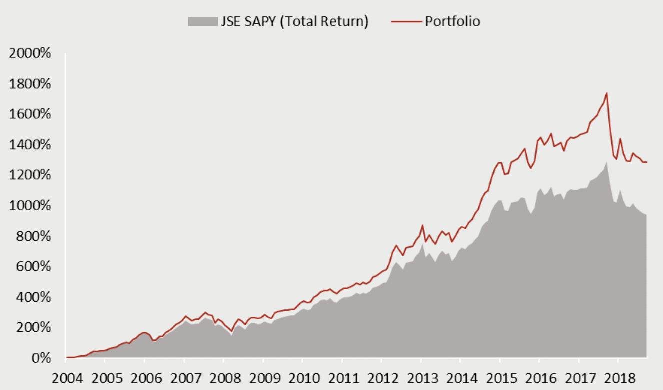
Top Holdings
Growthpoint Properties Ltd
Nepi Rockcastle Plc
Redefine Properties
Resilient REIT
Fortress Income Fund A

Performance (Gross of Fees)

Short Term Performance	Portfolio	Benchmark	Alpha
1 month	0.1%	-1.1%	1.1%
3 months	-2.8%	-4.0%	1.1%
6 months	-0.8%	-5.0%	4.2%
Annualized Returns	**Portfolio**	**Benchmark**	**Alpha**
1 Year	-24.6%	-25.3%	0.6%
3 Years	0.0%	-1.2%	1.2%
5 Years	8.5%	5.7%	2.8%
10 Years	14.2%	12.1%	2.1%
Since Inception	19.5%	17.2%	2.3%

Risk Metrics (over 5 years)	Portfolio	Benchmark
Standard Deviation	14.4%	13.45%
Downside Deviation	12.1%	10.45%
Sharpe Ratio	0.17	-0.02

Cumulative Performance Since Inception (gross of fees)



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

December rounded off the worst year for listed property in at least 10 years. The SAPY index ended the month down 1.1%, bringing the total loss for the year to 25.3%. Listed Property was the weakest asset class in the South African market for the first time since the SAPY launched in 2002. Rising rates and a moderation of quantitative easing put pressure on the real estate sector globally, with all major markets tracked by the FTSE EPRA/NAREIT indices, both developed and emerging, ending the year in negative territory. South Africa's performance was further affected by weak growth prospects and political uncertainty at home, as well as the large sell-off in the Resilient stable of companies following a short seller's negative report. Ongoing investigations into the trading of shares in the stable and governance issues have kept prices under pressure, with most investors awaiting the outcome of the FSCA and JSE investigations.

A number of high yield counters that typically have lower earnings quality faced large sell-offs after disappointing results and weaker than expected distribution growth outlooks. Rebosis was the sector's biggest loser in terms of total return, shedding 63% over the year after its distributions fell by 28% and it's 2019 earnings are expected to fall by another c.40% due in part to its holdings of New Frontier Properties, the embattled UK mall owner which wasn't able to pay a dividend as well as a number of non-recurring items that were included in the base. This affected Arrowhead, which owns 18% of Rebosis, and is also guiding for negative growth.

South Africa-focused diversified REIT's, such as Redefine and Growthpoint, also moderated growth expectations in the near term due to persistent weakness in property fundamentals, including weak demand for space in the office and retail segments and negative reversions on lease renewals. They are guiding for between 4 and 5% growth in distributions. Super-regional mall owner Hyprop returned -24% for the year as its earnings came under pressure due to a constrained consumer and uncertainty around the future of Edcon. The company is guiding for 5-7% growth in earnings, which remains above peers but is well below its double-digit growth achieved in recent years.

Funds that performed well during the year include specialist funds, such as self-storage owner, Stor-Age, which expanded into the UK and delivered 9% dividend growth; as well as logistics owner Equites which continues to deliver strong growth through its specialised logistics assets in SA and the UK. Farivest, which owns semi-rural retail assets in underserviced areas, delivered 9.9% distribution growth and a total return of 25%, making it the best performing South African fund. EPP has established itself as a dominant player in the Polish retail market, where GDP, wage and retail growth remain strong. The company delivered better than expected results and delivered a total return of 21%, one of the top performers for the year.

The sector started the year on a forward yield of 6.25%, or a 30% premium to long term government bond yield of 8.8%. The sector is now trading at a discount to bonds for the first time 10 years, offering an expected forward yield of 9.5% compared to the long bond of 9.2%. We expect the sector to deliver muted distribution growth of 5.5% in 2019, before picking up to 7-8% in the following two years. We continue to see better opportunities for growth offshore than locally, although valuations of local property funds are currently very attractive with entry yields well above bonds and many counters still offering growth in excess of inflation. Notwithstanding any further deterioration in the local economy and investor sentiment, we expect total returns of 14 - 16% for the next 12 months.

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.

This publication is confidential and may not be reproduced in whole or in part in any manner whatsoever, nor may copies be circulated or disclosed to any other party, without the prior written consent of Metope Investment Managers (Pty) Ltd.

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