METOPE

METOPE INVESTMENT MANAGERS

Listed Property (Segregated Mandate) Fund Factsheet

28 February 2019

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	

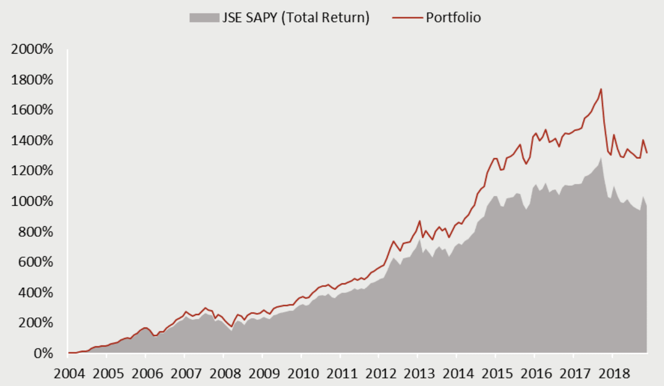
Top Holdings
Growthpoint Properties Ltd
Nepi Rockcastle Plc
Redefine Properties
Resilient REIT
Fortress Income Fund A

Performance (Gross of Fees)

Short Term Performance	Portfolio	Benchmark	Alpha
1 month	-5.3%	-5.7%	0.4%
3 months	2.7%	1.9%	0.8%
6 months	-1.6%	-3.7%	2.1%
Annualized Returns	**Portfolio**	**Benchmark**	**Alpha**
1 Year	-0.5%	-5.2%	4.7%
3 Years	0.8%	-0.4%	1.2%
5 Years	9.5%	6.9%	2.6%
10 Years	14.8%	12.9%	1.9%
Since Inception	19.5%	17.2%	2.2%

Risk Metrics (over 5 years)	Portfolio	Benchmark
Standard Deviation	14.5%	13.72%
Downside Deviation	11.9%	10.21%
Sharpe Ratio	0.24	0.06

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

February marked a busy month in the listed property calendar, with several companies reporting results. Following a challenging 2018 period of extreme market volatility, rumours and outstanding investigations, Resilient reported a decline in DPS of -13.9% for the 6 months to December 2018. However this dividend is not comparable to the prior period due to the unbundling of Fortress B shares to Resilient shareholders in May 2018. Adjusting for this, distributions declined by -2.2%. The operational performance of the business was sound over the period, and the deterioration of the dividend was due largely to the changed accounting treatment of the Siyakha Trusts (Resilient's BEE vehicle). Resilient's malls posted sales growth of 4.7%, thus managing to keep up with inflation and is a solid result given the tough trading environment. Management is guiding for distribution growth of between -2.7% and -6.2% for the full year, or between 3% and 7% after adjusting for Fortress B earnings in the base.

An asset-swap transaction has been proposed between Resilient and Fortress REIT whereby the two shopping centres co-owned by the funds (namely Arbour Crossing and Galleria Mall in KZN) will be discharged to Resilient, in exchange for a number of smaller retail properties which will complement Fortress' current portfolio. This will serve to further distance the two companies as, following the transaction, there will be no remaining co-investments or cross holdings between them.

Nepi Rockcastle produced a solid set of annual results, with growth in Euro dividend of 9.5%. Like-for-like income grew by 4.9% for the retail portfolio, with trading densities growing by 5.7%. The group has a pipeline of €1bn including extensions and redevelopment opportunities, which should see them realise their guidance of 6% growth in dividends for FY19.

MAS Real Estate reaffirmed their guidance of 15% growth in distributions for FY19, while delivering growth of 40% for the interim period. MAS's joint venture agreement with Prime Kapital, their investment vehicle into Central Eastern Europe, has been extended for a further two years, up to March 2023. MAS maintains a geographically diverse portfolio, with investments in United Kingdom, Germany, Poland, Switzerland and Romania, which delivered a 38% year-on-year increase in rental income and a 103% year-on-year increase in H1 net operating income.

Hyprop reported interim results to Dec 2018, missing their guidance of 5% - 7% for the 2019 financial year by delivering growth in distributions of 2.2% and revising guidance for the full period to 2%. This marks the first time since listing that Hyprop's dividends are expected to be below inflation. This was largely as a result of rebasing the contribution from their Sub-Saharan Africa portfolio as their preferential right to income distributions ends. The revised guidance takes into account the impact of an Edcon restructure in which Hyprop will take an equity stake in Edcon in exchange for a 41% reduction in rent for a period of 2 years. Hyprop earns c7.6% of its revenue from Edcon and the rental reduction is expected to reduce FY19 and FY20 distributable earnings by 0.8% and 2.3% respectively.

Towards the end of February, Edcon announced the long-awaited plans for their recapitalisation: a result of binding agreements between its existing lenders, the Public Investment Corporation, and participating landlords. This amounts to a reduction in rental for several of the listed property companies, as well as capital contributions in exchange for equity in the retailer.

After a very strong start to the year, the SAPY retracted some if its gains, ending the month 5.7% down with Hyprop, Growthpoint and Redefine contributing the most to the decline.

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Disclaimer:

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