METOPE

METOPE INVESTMENT MANAGERS

Listed Property (Segregated Mandate) Fund Factsheet

31 March 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	

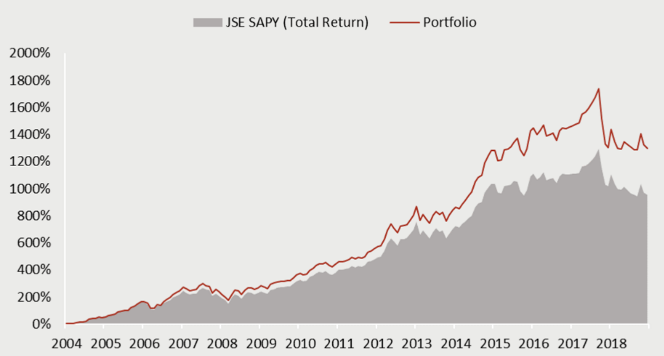
Top Holdings
Growthpoint Properties Ltd
Nepi Rockcastle Plc
Redefine Properties
Resilient REIT
Fortress Income Fund A

Performance (Gross of Fees)

Short Term Performance	Portfolio	Benchmark	Alpha
1 month	-1.9%	-1.5%	-0.5%
3 months	0.6%	1.5%	-0.8%
6 months	-2.2%	-2.6%	0.4%
Annualized Returns	**Portfolio**	**Benchmark**	**Alpha**
1 Year	-0.6%	-5.7%	5.1%
3 Years	-2.9%	-3.8%	0.9%
5 Years	8.2%	5.6%	2.5%
10 Years	14.3%	12.4%	1.9%
Since Inception	19.2%	17.0%	2.2%

Risk Metrics (over 5 years)	Portfolio	Benchmark
Standard Deviation	14.5%	13.62%
Downside Deviation	11.7%	10.06%
Sharpe Ratio	0.15	-0.03

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

Markets continue to trade cautiously given the uncertainty around upcoming local elections, and sign of global growth and inflation starting to slow. Uncertainty around the UK's exit from the EU and the looming deadline continues to hamper fixed investment in the country while markets await some direction. Locally, the SARB kept rates on hold as risks to the inflation outlook were seen to be balanced, with administered prices and a volatile petrol price posing upside risks, while weak demand and lower global inflation support a lower inflation outlook. Markets were jittery leading up to an expected announcement by Moody's on the country's credit rating, with severe financial woes at Eskom increasing the risk of a downgrade. However, no update was made, and the country's credit rating remains one notch about junk status with a stable outlook for now. Bond yields strengthened during the month, with the 10-year government bond ending the month at 8.6%, down from 8.7% in February. The SAPY trended down for most of the month before retracting most of its losses in the last few days and ending the month down 1.5%. The ALPI lost 1.9% during the month, while the SA REIT index, which includes only South African income producing stocks, lost 3.4%.

March saw a continuation of earnings results from the December reporting period. Among these was Growthpoint, the SAPY index's largest and most liquid counter. Growthpoint grew its interim dividend by 4.5% year-on-year, in line with their guidance, and maintained guidance for the full year at the same level. The company's offshore operations (including Growthpoint Australia (GOZ) and Globalworth in Central Eastern Europe) were the main drivers of this, contributing 4% of the 4.5% growth, while only accounting for some 22% of EBIT. A decrease in dividend with-holding tax on the GOZ investment propelled earnings, while the growth in its Central Eastern European assets was as a result of accretive acquisitions, as well as currency exchange hedges above the current spot. Growthpoint, along with the majority of the listed property sector, has seen marked pressure on its share price, resulting in the counter trading at a 5% discount to latest reported NAV of R25.70. Growthpoint has opted not to offer a dividend reinvestment option for the period due to the dilutionary effect of issuing shares at a discount.

SA Corporate posted their annual results to December 2018, delivering a negative year-on-year distribution growth of -6.0%. This was largely as a result of increasing bad debt provisions, and disappointing rental renewal growth from the industrial sector (-13.5%). The like-for-like net property income growth of 1% for the year is the lowest achieved by the company since 2011, and is indicative of the weak economy faced by listed property companies. Guidance is for flat growth for 2019, which will make for the third consecutive year of distribution growth below inflation.

In offshore results, EPP (previously Echo Polska Properties) reported DPS growth of 6.7% to €11.60 for the year to December 2018, in line with their guidance. The group is expecting 2019 growth to be "flat or better". During the period, the first tranche of the M1 portfolio was trans-ferred, resulting in increasing debt levels. EPP is operating a highly geared platform, with a loan to value of 52% at FY18, and average cost of debt at 2.33%. Galeria Młonciny, one of EPP's flagship developments in the city of Warsaw, is due to open in May 2019. Despite the rolling out of a country-wide ban on Sunday trading, the fund grew retail net rental income by 4.2% like-for-like, and is anticipating growth of 2-3% for 2019. Redefine Properties holds 44% of EPP.

Towards the end of March, Delta Property Fund announced the long-awaited signing of a num-ber of lease agreements with the Department of Public Works. Although the quantum of re-newed space is relatively low in relation to Delta's bulk lease renewal proposal of 227 000m², the Company anticipates additional and larger renewals to be concluded in the short-term and will continue to update the market in this regard. While the signed leases represent a negative rever-sion from the rental levels currently achieved, the lease tenure of five years will assist the fund in rolling over bank debt and securing additional funding, potentially eliminating the need for a recapitalisation.

The SA Listed Property Index (SAPY) is now trading at a forward yield of 9.3% and we expect the sector to achieve growth in distributions of 6-7%p.a. over the next 3 years, ahead of inflation. The ALPI, which has a higher weighting to offshore stocks is trading at a forward yield of 9.2%, significantly ahead of a country-weighted bond yield, while the SA REIT index is trading a yield of 10.2%. fundamentals remain challenging for the local property sector, however a number of stocks are offering significant upside at current valuations for patient investors who remain invested through the cycle.

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Disclaimer:

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