METOPE INVESTMENT MANAGERS

Listed Property (Segregated Mandate) Fund Factsheet

30 June 2021

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	● ● ● ● ● (4 of 5)

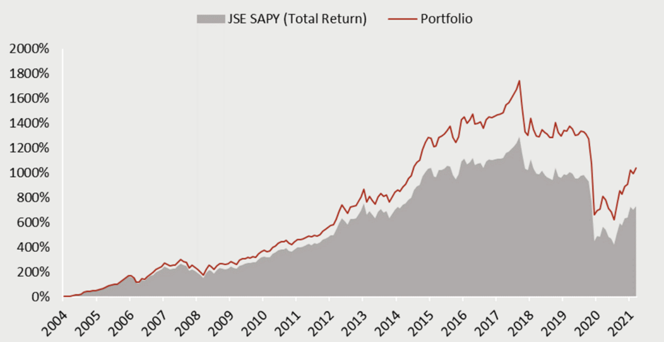
Top 5 Holdings (Alphabetical Order)
Fortress Income Fund A
Growthpoint Properties Ltd
Nepi Rockcastle Plc
Redefine Properties Ltd
Resilient REIT

Performance (Gross of Fees)

Short Term Performance	Portfolio	Benchmark	Alpha
1 month	4.0%	3.4%	0.6%
3 months	12.8%	12.1%	0.6%
6 months	18.9%	19.3%	-0.4%
Annualized Returns	**Portfolio**	**Benchmark**	**Alpha**
1 Year	24.9%	25.2%	-0.3%
3 Years	-6.6%	-8.9%	2.2%
5 Years	-5.7%	-6.9%	1.2%
10 Years	7.2%	5.1%	2.1%
Since Inception	15.1%	13.0%	2.1%

Risk Metrics (over 5 years)	Portfolio	Benchmark
Standard Deviation	25.2%	25.7%
Downside Deviation	24.0%	23.9%
Sharpe Ratio	-0.34	-0.37

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 Commentary

Inflation was a hot topic in June, with the US CPI figure printing at a 13 year high of 5% in May. However markets reacted positively, as traders saw the spike as temporary, allowing the Fed to delay tapering of quantitative easing. Labour market conditions in the US remain tight however, with labour supply constrained as people are discouraged from entering the workforce due to record levels of financial aid, lack of child care and fears of contracting Covid-19. Increases in wages offered in order to fill vacancies poses further upside to inflation. Meanwhile South Africa recorded inflation of 5.2% y-o-y in May on strong base effects, particularly in transport costs. This is most likely the peak of inflation in the near term, with expectations of around 4.5% for the remainder of the year.

Despite successful vaccination programs abroad, with Europe quickening its pace in administering vaccines, the new Delta variant poses a threat to the full opening up and economic recovery with the UK, which has one of the highest vaccination rates, debating whether or not to lift restrictions fully in light of increasing infections. In South Africa the increase in cases and subsequent move to adjusted level 4 restrictions will dampen consumer and business confidence further. Equity markets ended their streak of positive moves in June, closing the month 2.4% down. The Rand fell from recent highs to end the month 4% weaker against the US Dollar as emerging markets were sold off in June.

The local listed property sector gained 3% for the month, led by Vukile (+14.5%) and Mas Real Estate (+10.7%). Vukile released an operationally good set of results for the year ended 31 March 2021. In the South African retail portfolio, vacancies were well contained at 3.2% (up from 2.9% in the prior year), with rental reversions ahead of peers at only -3.3% and a tenant retention ratio of 90%. Rental relief of R141m (around 12% of South Africa net property income) was provided to tenants during the year, with the majority offered in the first half of the reporting period. Footfalls in their portfolio of rural and township centres have recovered to close to pre-pandemic levels, with average trading density up 1.7%. Similarly, the fund's Spanish retail assets performed well, with vacancies well contained at 1.7% and rental collection above 95%. Net property income declined by 20%, while distributable income declined by 32%. The group's interest cover ratio declined to 3.3% as a result of lower operating profits. Vukile's LTV ratio strengthened to 42.8% from 46.1% due to ZAR strength (and the impact on cross currency swap derivative valuations) and the repayment of R3bn in debt thanks in part to the disposal of its holding in Atlantic Leaf Properties. Given the strong operating performance of the portfolio, and despite going into level 4 lockdown in South Africa, we expect a recovery in Vukile's rental income in the medium term. There will however be some headwinds in terms of funding costs as a result of the unwind of cross currency swaps post year end (in order to de-risk the balance sheet) resulting in higher cost of debt for the group. Vukile declared a final dividend of 101cps, equivalent to 79% of Funds from Operations (FFO) and has guided to a payout ratio of 60-70% of total group FFO in the future (while still maintaining the minimum 75% of JSE defined distributable income requirement). The company has enjoyed a strong recovery of 140% since it's low in October 2020, and is currently trading on a forward dividend yield of c.9%.

Accelerate released results to 31 March, with LTV rising to 48.5% on the back of cumulative portfolio write-downs of R1.6bn (or -12%).
Covid relief provided to retail tenants (around 18% of revenue) saw net property income decline 42%, while increased debt costs saw distributable earnings negative. As a result no dividend has been declared for the year. The company's relatively high vacancies (at 15%) are worrying, while the short debt profile (at 1.8 years) poses refinancing risks.

Delta property fund released its results for the year ended 28 February 2021, and with is the company hopes to resume trading in the JSE after trading was suspended due to failure to release its 2020 results on time. The company's rental revenue was down 2.7% for the year. Due to the portfolio's composition being 80% government office buildings, rental relief provided was limited compared to the rest of the sector and aimed at smaller retail tenants. Funds from operations declined 10.4% due to increased administrative expenses. Finance costs declined due to a significant decrease in the weighted average cost of debt to 8.2% (from 10.3%) as the company has very little interest rate hedging in place and is able to take advantage of lower interest rates. The NAV declined 10% to R5.06 on negative property revaluations of 6%. At a share price of R0.35 (before suspension) Delta is trading on one of the deepest discounts to NAV at 93%. No dividend has been declared for the year, however on a distributable earnings basis the company's yield is 90%. However, the high LTV of 56.5%, average debt term of less than one year, and short lease profile (1.3 years) pose significant risks to the outlook.

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