

**FUND INFORMATION**
**Investment Objective**

The Metope Property Income Prescient Fund is a listed property fund with a focus on delivering a high income yield by investing in stocks in the Real Estate sector. Through active management and stock selection, the fund aims to provide an income yield higher than that of the FTSE/JSE SA REIT Index, while also delivering growth in income over a medium- to long-term investment horizon.

**Investment Strategy**

The fund's strategy is to identify listed property securities that offer a high income yield, derived primarily from rental income, and that is expected to grow in line with underlying rental escalations over the medium- to long-term.

The fund will offer a high level of diversification in its holdings in order to reduce the risk of the fund not reaching its income target. The fund will balance the portfolio's aggregate income yield by investing in securities that offer a high yield, but limited growth, with securities that offer a sector-related yield but stronger income growth prospects.

The fund will invest predominantly in South African listed property securities, but may include offshore listed property securities, provided that the fund is not subject to excessive currency risk that could result in a reduction of the fund's income yield.

**Investment Policy**

The investable universe includes listed property securities, including collective investment schemes in property, property loan stock, property debentures, REITs (real estate investment trusts), as well as money market instruments, listed property corporate debt, inflation linked bonds, fixed deposits and other interest-bearing securities. The portfolio will invest at least 80% of its market value in securities listed in the FTSE/JSE Real Estate industry group or a similar sector of an international stock exchange. The fund may invest up to 5% of the market value in unlisted property investments.

**Risks to Consider**

Investments in real estate securities can carry the same risks as investing directly in real estate itself. Real estate prices move in response to a variety of factors, including local, regional and national economic and political conditions, interest rates and tax considerations. As a result of these risks, the fund is classified as a moderate-high risk investment and the recommended investment term is 3-5 years.

**Who Should Invest**

- Investors seeking a high income yield, who wish to live off the income of their portfolio and avoid drawing down capital
- Investors with an investment horizon of between 3-5 years who can withstand some capital volatility
- Investors who wish to maximise the effect of compounding income by reinvesting their income yield

**KEY FACTS**

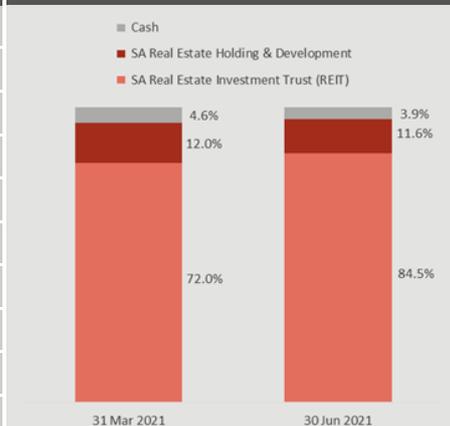
ASISA Classification	SA Real Estate General
Benchmark	FTSE/JSE SA REIT Index
Regulation 28 Compliant	No
Portfolio Manager	Liliane Barnard
ISIN Number	ZAE000279089
JSE Code	MPIPFA
Portfolio Size	R33.7 m
Portfolio Inception	30 October 2019
Minimum Lumpsum	R1,000
Minimum Monthly	R250
Management Fee (Class A)	1.15% p.a. (excl VAT)
Performance Fee	15% p.a. above the benchmark over a 2-year rolling period
Cost ratios (see glossary for definitions) at 31 Mar 2021	Total Expense Ratio: 1.48% Transaction Costs Ratio: 0.24% Total Investment Charge: 1.72%
Distribution Declaration	Quarterly: 31 Mar; 30 Jun; 30 Sept; 31 Dec
Rolling Historic Income Yield	7.0% (Class A, net of all costs)
NAV (Class A)	69.19 cpu
Participatory Interests	48,677.373.73
Risk Indicator	<span style="color: red;">●</span> Moderate-High
Issue Date	12 July 2021

Income Distributions Declaration Date	Total Distribution (cents per unit)	NAV (Clean)	Trailing Income Yield
30 September 2020	0.42	46.99	10.6%
31 December 2020	1.21	57.89	7.0%
31 March 2021	0.74	60.29	4.2%
30 June 2021	2.34	66.85	7.0%

Total Returns *	Fund	Benchmark	Alpha
1 Month	1.6%	2.5%	-0.9%
3 Months	14.6%	12.4%	2.2%
6 Months	20.9%	21.2%	-0.3%
1 Year	27.8%	30.2%	-2.4%
Launch	-22.7%	-25.7%	3.0%

**TOP 10 HOLDINGS**

Dipula B
Delta
Equites
Grit Real Estate
Investec Property Fund
NEPI Rockcastle
Resilient
Spear REIT
Stor-age Property REIT
Vukile Property Fund

**ASSET ALLOCATION**

**Metope Investment Managers (Pty) Ltd**

Email: info@metopegroup.com | Web: www.metopegroup.com

Tel: +27 21 418 3760

Physical Address: Moorings 4 | Portsworld Ridge | Portsworld Road | V&amp;A Waterfront | 8001

Postal Address: PO Box 51316 | Waterfront | 8002

Registration No: 2004/035077/07

Directors: Liliane Barnard | Aimee Glisson

## Fund 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.

## Adherence to Policy Objective

The portfolio adhered to its policy objective during the quarter ended 30 June 2021

## GLOSSARY OF TERMS

<b>Annualised performance</b>	Annualised performance show longer term performance rescaled to a 1 year period. Annualised performance is the average return per year over the period. Actual annual figures are available to the investor on request.
<b>NAV</b>	The net asset value represents the assets of a Fund less its liabilities.
<b>Highest &amp; Lowest Return</b>	The highest and lowest returns for any 1 year over the period since inception have been shown
<b>Total Expense Ratio (TER)</b>	Total Expense Ratio (TER) is the percentage of the average NAV of the fund that was incurred as charges, levies and fees related to the management of the portfolio
<b>Transaction Costs (TC)</b>	Transaction Costs (TC) is the percentage of the value of the fund incurred as costs relating to the buying and selling of the Fund's underlying assets
<b>Total Investment Charge (TIC)</b>	The Total Investment Charge (TER + TC) is the percentage of the NAV of the fund incurred as costs relating to the investment of the portfolio.
<b>Performance fee</b>	The Fund charges a base and performance fee. Performance fees are payable on outperformance of the benchmark using a participation rate of 15%. A permanent high watermark is applied, which ensure that performance fees will only be charged on new performance. There is no cap on the performance fee.

## DISCLAIMER

Collective Investment Schemes in Securities (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not necessarily a guide to future performance. CIS's are traded at the ruling price and can engage in scrip lending and borrowing. The collective investment scheme may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. A schedule of fees, charges and maximum commissions is available on request from the Manager. There is no guarantee in respect of capital or returns in a portfolio. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. CIS prices are calculated on a net asset basis, which is the total value of all the assets in the portfolio including any income accruals and less any permissible deductions (brokerage, STT, VAT, auditor's fees, bank charges, trustee and custodian fees and the annual management fee) from the portfolio divided by the number of participatory interests (units) in issue. Forward pricing is used. The Fund's Total Expense Ratio (TER) reflects the percentage of the average Net Asset Value (NAV) of the portfolio that was incurred as charges, levies and fees related to the management of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. During the phase in period TER's do not include information gathered over a full year. Transaction Costs (TC) is the percentage of the value of the Fund incurred as costs relating to the buying and selling of the Fund's underlying assets. Transaction costs are a necessary cost in administering the Fund and impacts Fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Fund, investment decisions of the investment manager and the TER.

The Manager retains full legal responsibility for any third-party-named portfolio. Where foreign securities are included in a portfolio there may be potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks; and potential limitations on the availability of market information. The investor acknowledges the inherent risk associated with the selected investments and that there are no guarantees. Please note that all documents, notifications of deposit, investment, redemption and switch applications must be received by Prescient by or before 13:00 (SA), to be transacted at the net asset value price for that day. Where all required documentation is not received before the stated cut off time Prescient shall not be obliged to transact at the net asset value price as agreed to. Funds are priced at either 3pm or 5pm depending on the nature of the Fund. Prices are published daily and are available on the Prescient website.

Performance has been calculated using net NAV to NAV numbers with income reinvested. The performance for each period shown reflects the return for investors who have been fully invested for that period. Individual investor performance may differ as a result of initial fees, the actual investment date, the date of reinvestments and dividend withholding tax. Full performance calculations are available from the manager on request.

Where a current yield has been included for Funds that derive its income primarily from interest bearing income, the yield is a weighted average yield of all underlying interest-bearing instruments as at the last day of the month. This yield is subject to change as market rates and underlying investments change.

For any additional information such as fund prices, brochures and application forms please go to [www.metopegroup.com](http://www.metopegroup.com)

## CONTACT DETAILS

### Management Company:

**Prescient Management Company (RF) (Pty) Ltd**

Registration number: 2002/022560/07

Physical address: Prescient House, Westlake Business Park, Otto Close, Westlake, 7945

Postal address: PO Box 31142, Tokai, 7966.

Tel: 0800 111 899

E-mail: [info@prescient.co.za](mailto:info@prescient.co.za) | Website: [www.prescient.co.za](http://www.prescient.co.za)

### Trustee:

**Nedbank Investor Services**

Physical address: 2nd Floor, 16 Constantia Boulevard, Constantia Kloof, Roodepoort, 1709

Tel: 011 534 6557

Website: [www.nedbank.co.za](http://www.nedbank.co.za)

The Management Company and Trustee are registered and approved under the Collective Investment Schemes Control Act (No.45 of 2002). Prescient is a member of the Association for Savings and Investments SA.

### Investment Manager:

**Metope Investment Managers (Pty) Ltd**, Registration number: 2004/035077/07, is an authorised Financial Services Provider (License no: 21999) under the Financial Advisory and Intermediary Services Act (No.37 of 2002), to act in the capacity as investment manager. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (No.37 of 2002). Please be advised that there may be representatives acting under supervision.

This document is for information purposes only and does not constitute or form part of any offer to issue or sell or any solicitation of any offer to subscribe for or purchase any particular investments. Opinions expressed in this document may be changed without notice at any time after publication. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable directly or indirectly to the use of or reliance upon the information.

**Prescient Management Company (RF) (Pty) Ltd.** This portfolio operates as a white label fund under the Prescient Unit Trust Scheme, which is governed by the Collective Investment Schemes Control Act.