



ADDITIONAL INFORMATION

LAUNCH DATE: October 2003

BENCHMARK: FTSE/JSE All Property Index (J803)

RISK CATEGORY: Medium

INVESTMENT OBJECTIVE:

The portfolio's performance objective is to outperform the FTSE/JSE Listed Property Index and achieve top quartile total returns relative to competitor funds over the medium and long term.

FEE SCALE:

First R100m = 0.65% p.a., next R100m up to R200m = 0.55% p.a., next R100m up to R300m = 0.50% p.a., next R200m up to R500m = 0.45% p.a., over R500m = negotiable.

PORTFOLIO MANAGER



EVAN ROBINS

BBusSc (Hons), MA (Research Psychology), MBA (Distinction), CFA

· 22 years of investment experience

COMMENTARY AS AT 30/09/2021

The FTSE/JSE All Property Total Return Index (ALPI) was up 6.5% during the third quarter. Over this period, the All Share Total Return Index was down 0.8%, the FTSE/JSE Retailer Index was up 0.1% and the All Bond Index was up 0.4%.

Over the past 12 months, the ALPI total return has been 58.1% as the sector recovers. This is greater than the All Share Index's 23.2% and the All Bond Index's 12.5% over the period, but well below the Retailers Index, which was up 74.4% over the 12 months. Before getting too excited, perspective is necessary. Listed property's total return is still 18% below its 31 December 2019 (pre-Covid) level. In contrast, the All Share and Retailers Indices are around 20% above the total return level that prevailed at that time.

The portfolio outperformed its benchmark post fees over the past 12 months. It has been positioned conservatively for economic and consumer stress and avoided high gearing, financing and operational risk. The portfolio held some quality companies and will continue to hold meaningful positions in a diversified selection of property shares we believe offer the most long-term value with consideration of the relative outlook, risk and changing environment.

Stabilising balance sheets has been a priority of many real estate investment trusts (REITs) and there has been progress in this regard. While there are some "green shoots" on a macro level, property is a lagging sector that had weak fundamentals prior to Covid. Looking post Covid, the lingering impact of the coronavirus on the economy will remain a challenge. Some tenants may still fail, downsize or require rent reductions to remain viable. Pre-existing sector negative trends, like online shopping and work from home, may be exacerbated. We maintain that direct property valuations were overstated even before the crisis, and while these are stabilising in most of the results reported, there remains scope for renewed devaluation. Listed property trades below book value, so this is priced into some extent. Low interest rates are supportive for potential new direct property buyers and there is scant development taking place. Listed property will be a beneficiary of any improvement in activity and confidence in South Africa.

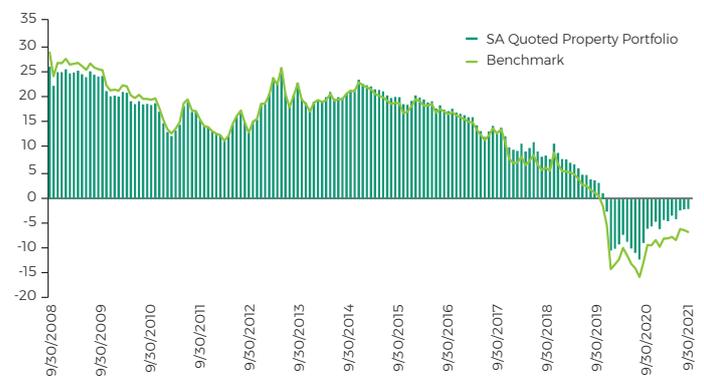
On traditional valuation metrics like earnings yield, yield spread to bonds and discount to NAV, the sector remains cheap. On an implied value per square metre basis, domestic property is well below replacement cost. There is long-term value in the sector, but as conditions will remain tough for some time, investors require a long-term perspective.

PERFORMANCE AS AT 31/10/2021



Source: Old Mutual Investment Group

ROLLING 5-YEAR RETURNS



Source: Old Mutual Investment Group

PRINCIPAL HOLDINGS

Table with 3 columns: CODE, COUNTER, UT HOLDING. Lists holdings such as NRP (NEPI Rockcastle Plc), GRT (Growthpoint Properties Ltd), etc.

Source: Old Mutual Investment Group

The performance data refers to exposure held within the Profile Range.

Old Mutual Investment Group Holdings (Pty) Ltd (Reg No 1993/003023/07) is a Licensed financial services provider, FSP 604, approved by the Financial Sector Conduct Authority (www.fsca.co.za) to provide intermediary services and advice in terms of the Financial Advisory and Intermediary Services Act 37 of 2002. Old Mutual Investment Group (Pty) Ltd is wholly owned by the Old Mutual Investments (Pty) Ltd.

The investment portfolios are market linked. Pooled products may either be policy based via a linked policy of insurance issued by Old Mutual Life Assurance Company of South Africa Ltd, which is a registered Long Term Insurer, or unitized in collective investment schemes. Investors' rights and obligations are set out in the relevant contracts. Market fluctuations and changes in rates of exchange or taxation may have an effect on the value, price or income of investments. Since the performance of financial markets fluctuates, an investor may not get back the full amount invested. Past performance is not necessarily a guide to future investment performance. Unless disclosed to the client, no commission or incentives are paid by the Old Mutual Investment Group to any persons other than its representatives. Old Mutual Investment Group has comprehensive crime and professional indemnity insurance which is part of the Old Mutual Group cover.