



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.



EVAN ROBINS

PORTFOLIO MANAGER

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

• 22 years of investment experience

COMMENTARY AS AT 30/06/2022

The FTSE/JSE All Property Total Return Index (ALPI) started the year down 12.3% over the first quarter. This was worse than the performance of the All Share Index, which was down 11.7%, and the All Bond Index at -3.7%. The market sell-off has taken the past 12 months' ALPI total return to +4.2% (this measure was +26.3% last quarter). This compares well enough to the All Share Index's +4.7% and the All Bond Index's +1.3%.

Listed property's total return is still 3.6% below its 31 December 2019 (pre-Covid) level. In contrast, the All Share and All Bond Indices are respectively 11.0% and 6.5% higher than the total return level that prevailed at that time. There has been some permanent earnings destruction to property earnings and fundamentals, which means it will take time and organic growth to return to pre-Covid earnings levels.

The Portfolio pre-fees outperformed its benchmark over the past 12 months. It has been positioned conservatively for economic and consumer stress, avoided high gearing, financing and operational risk, and held some quality companies. The Portfolio 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.

Conditions in the listed property sector continue to stabilise with risk being materially lower. The retail property sector in particular is looking healthier. Generating genuine real organic domestic income growth will be tough. Property is a lagging sector that had weak fundamentals prior to Covid. Looking post Covid, the global macroeconomic pressures to which our economy will not be immune, as well as local challenges such as load shedding, present ongoing challenges to an already very soft market. Some tenants may still fail, downsize, or require rent reductions to remain viable.

We maintain direct property valuations were overstated even before the crisis and while these are stabilising in most company results reported, there remains scope for renewed devaluation based on their spread to bond yields. Listed property trades below book value, so this is priced in, to some extent. Interest rate hikes will be an additional headwind. Positively, there is scant development activity outside the industrial space taking place. Listed property will be a beneficiary of any improvement in activity and confidence in South Africa.

On valuation metrics based on earnings (not dividends, as many REITs now retain some income) and discount to NAV, the sector remains cheap. On an implied value per square metre basis, domestic property is well below replacement cost. Consequently, there is long-term value in the sector. Investors should be aware that operating conditions will remain very tough over the medium term.

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

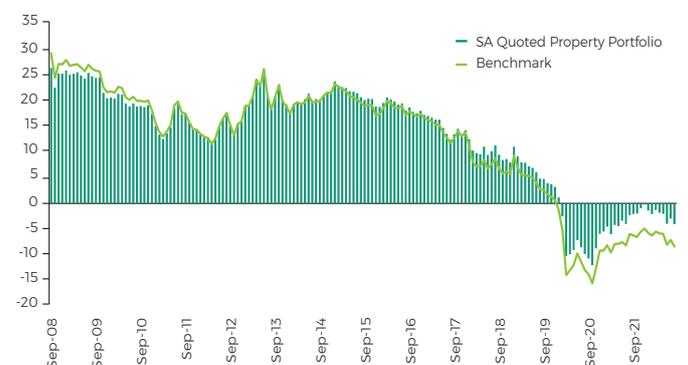
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PERFORMANCE AS AT 31/08/2022



Source: Old Mutual Investment Group

ROLLING 5-YEAR RETURNS



Source: Old Mutual Investment Group

PRINCIPAL HOLDINGS

CODE	COUNTER	UT HOLDING
NRP	NEPI Rockcastle Plc	14.9
GRT	Growthpoint Prop Ltd	14.0
RDF	Redefine Properties Ltd	13.7
EQU	Equites Prop Fund Ltd	9.6
SSS	Stor-Age Prop REIT Ltd	8.4
VKE	Vukile Property Fund Ltd	7.3
SRE	Sirius Real Estate Ltd	6.9
SAC	SA Corp Real Estate Ltd	6.0
FTB	FAIRVEST LIMITED B	4.9
HYP	Hyprop Inv Ltd	4.4

Source: Old Mutual Investment Group

CONTACT DETAILS

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