

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

The Metope Property Prescient Fund is an actively managed listed real estate portfolio that seeks to maximise income returns and long-term capital growth by investing in stocks in the Real Estate sector. Through active management and stock selection, the fund aims to provide superior returns to the FTSE/JSE SA Listed Property Index.

**Investment Strategy**

Metope's in-depth fundamental research underpins the funds objective to invest in real estate stocks with good quality assets, strong management teams and sustainable, cash-based distributions.

**Investment Policy**

In order to achieve the fund's objective, the fund will invest in property securities, property collective investment schemes, property loan stock, real estate equity shares, money market instruments, bonds, fixed deposits and other interest bearing securities, derivatives and assets in liquid form. The portfolio will invest at least 80% of the market value of the portfolio in securities listed in the FTSE/JSE Real Estate sector or similar sector of an international stock exchange. Up to 10% may be invested in securities outside the defined sectors in companies that conduct similar business activities as those in the defined sector.

**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.

ASISA Classification	SA Real Estate General
Benchmark	FTSE/JSE SA Listed Property Total Return Index
Portfolio Manager	Liliane Barnard
ISIN Number	ZAE000200879
JSE Code	MMPCA
Portfolio Size	R 95.8 m
Portfolio Inception	2 February 2015
Minimum Lumpsum	R1,000
Minimum Monthly	R250
Management Fee (Class A)	1.25% 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 30 Sept 2018	Total Expense Ratio: 1.67% Transaction Costs Ratio: 0.40% Total Investment Charge: 2.07%
Distribution Declaration	Quarterly: 31 Mar; 30 Jun; 30 Sept; 31 Dec
Rolling Historic Income Yield	6.4% (Class A, net of all costs)
NAV at 31 December 2018	84.03 cpu (Class A)
Risk Indicator	<span style="color: red;">●</span> Moderate-High
Issue Date	8 January 2019

**TOP 10 HOLDINGS**

Echo Poslka Properties
Equites Property Fund
Fortress REIT A
Fortress REIT B
Hyprop Investments Ltd
MAS Real Estate
Nepi Rockcastle
Redefine Properties
Resilient REIT
Vukile Property Fund

**ASSET ALLOCATION**


Income Distributions Declaration Date:	Total Distribution	NAV (Clean)	Trailing Income Yield
31 March 2018	1.267	82.86	5.7%
30 June 2018	1.190	83.64	6.2%
30 September 2018	1.570	87.14	6.2%
31 December 2018	1.300	82.73	6.4%

Total Returns *	Fund	Benchmark	Alpha
1 Month	0.9%	-1.1%	1.9%
3 Months	-3.6%	-4.0%	0.4%
6 Months	2.3%	-5.0%	7.2%
Year to Date	-29.2%	-25.3%	-3.9%
1 Year	-29.2%	-25.3%	-3.9%
2 Years	-12.2%	-12.4%	0.2%
3 Years	-9.1%	-3.5%	-5.6%
Launch	-1.3%	-3.0%	1.6%

Annualized Returns *	Fund	Benchmark	Alpha
1 Year	-29.2%	-25.3%	-3.9%
2 Years	-6.3%	-6.4%	0.1%
3 Years	-3.1%	-1.2%	-2.0%
Launch	-0.3%	-0.8%	0.4%

Highest & Lowest Return *	Rolling 12-month Return	Period
Highest Annual Return	28.4%	Dec 2016 - Nov 2017
Lowest Annual Return	-29.4%	Dec 2017 - Nov 2018

\* Class A returns net of fees



## Fund Commentary

December rounded off the worst year for listed property in at least 20 years. The SAPY index ended the month down 1.1%, bringing the total loss for the year to 25.3%. Listed Property was the weakest asset class in the South African market for the first time since the SAPY launched in 2002. Rising rates and a moderation of quantitative easing put pressure on the real estate sector globally, with all major markets tracked by the FTSE EPRA/NAREIT indices, both developed and emerging, ending the year in negative territory. South Africa's performance was further affected by weak growth prospects and political uncertainty at home, as well as the large sell-off in the Resilient stable of companies following a short seller's negative report. Ongoing investigations into the trading of shares in the stable and governance issues have kept prices under pressure, with most investors awaiting the outcome of the FSCA and JSE investigations.

A number of high yield counters that typically have lower earnings quality faced large sell-offs after disappointing results and weaker than expected distribution growth outlooks. Rebois was the sector's biggest loser in terms of total return, shedding 63% over the year after its distributions fell by 28% and its 2019 earnings are expected to fall by another c.40% due in part to its holdings of New Frontier Properties, the embattled UK mall owner which wasn't able to pay a dividend as well as a number of non-recurring items that were included in the base. This affected Arrowhead, which owns 18% of Rebois, and is also guiding for negative growth.

South Africa-focused diversified REIT's, such as Redefine and Growthpoint, also moderated growth expectations in the near term due to persistent weakness in property fundamentals, including weak demand for space in the office and retail segments and negative reversions on lease renewals. They are guiding for between 4 and 5% growth in distributions. Super-regional

mall owner Hyprop returned -24% for the year as its earnings came under pressure due to a constrained consumer and uncertainty around the future of Edcon. The company is guiding for 5-7% growth in earnings, which remains above peers but is well below its double-digit growth achieved in recent years.

Funds that performed well during the year include specialist funds, such as self-storage owner, Stor-Age, which expanded into the UK and delivered 9% dividend growth; as well as logistics owner Equites which continues to deliver strong growth through its specialised logistics assets in SA and the UK. Farivest, which owns semi-rural retail assets in underserved areas, delivered 9.9% distribution growth and a total return of 25%, making it the best performing South African fund. EPP has established itself as a dominant player in the Polish retail market, where GDP, wage and retail growth remain strong. The company delivered better than expected results and delivered a total return of 21%, one of the top performers for the year.

The sector started the year on a forward yield of 6.25%, or a 30% premium to long term government bond yield of 8.8%. The sector is now trading at a discount to bonds for the first time 10 years, offering an expected forward yield of 9.5% compared to the long bond of 9.2%. We expect the sector to deliver muted distribution growth of 5.5% in 2019, before picking up to 7-8% in the following two years. We continue to see better opportunities for growth offshore than locally, although valuations of local property funds are currently very attractive with entry yields well above bonds and many counters still offering growth in excess of inflation. Notwithstanding any further deterioration in the local economy and investor sentiment, we expect total returns of 14 - 16% for the next 12 months.

## 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.

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 (RF) (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 (N0.37 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.

