



**NEDBANK**  
**PRIVATE WEALTH**  
SINCE 1834

# PRIVATE WEALTH PROPERTY EQUITY FUND

Q4 2021

see money differently

## MARKET REVIEW

The listed property sector, as measured by the All Property Index (J803), posted a 8.42% return in the fourth quarter of 2021. Despite the setback suffered by the sector in the third quarter due to civil unrest in July, the sector continued to post positive returns in the fourth quarter closing the year with a pleasing 38.63% return. A recurring theme amongst many property counters was the recovery of distributable income per share from depressed levels in 2020 due to COVID-19 trading restrictions. Whilst the sector is on a path to recovery, management teams remain cautious choosing rather to continue to hold back dividends to repair balance sheets rather than increase pay-out ratios. Share prices amongst the smaller property counters were supported by corporate actions, some of which are expected to only play out in 2022. Notable deals include the merger of Arrowhead Properties and Fairvest Property Holdings which received the requisite shareholder approval in December 2021. Assuming no Fairvest shareholders exercise their appraisal rights, Fairvest is expected to delist from the JSE on the 1st of February 2022. Arrowhead will remain listed on the JSE, and subject to the necessary shareholder approval, will change its name to Fairvest Limited.

Vukile Property Fund reported interim results for the period ended 30 September 2021. It achieved growth in distributable income per share of 71.1%. The growth was, however, flattered by the low base in 1H21 due to the impact of COVID-19. The board declared a dividend of 40.6cps (1H21: 0cps). The dividend pay-out ratio adopted in the period equates to c.51% of SA REIT funds from operations (SA REIT FFO), and c.75% of distributions according to the JSE's SA REIT guidelines. The SA REIT NAV per share increased by 2.7% from 1H21 to 18.1cps. Stor-Age REIT also reported its interim results. It declared a dividend of 56.6cps, which is 8.9% higher than the prior period. The portfolio continued to maintain its defensive properties; it delivered strong like-for-like (lfl) rental income growth of 11.8% which was supported by an improvement in rental rates and in occupancies which improved to 88.3% (1H21: 86.0%). The SA REIT NAV grew to 1307cps (1H21: 1216cps) due to an increase in the value of the portfolio. Equites Property Fund also published its interim results; it reported 5.3% growth in DPS to 78.38cps for the half year to August 2021. The growth was supported by strong operational performance, especially in the UK business.

Octodec Investments and Hyprop Investments reported full year results over the quarter. Octodec reported its full year results to 31 August 2021. SA REIT FFO declined by 14.2% due to increased vacancies and to negative rental reversions. COVID-19 related rental forgiveness in the form of discounts was still a feature in the results, but only amounted to R30.8m (1.7% of rental income), compared to R103.6m at FY20 (5.2% of rental income). The SA REIT NAV declined to 2320cps (FY20: 2480cps) driven mainly by a 5.4% reduction in the value of the portfolio. A total dividend of 50cps (FY20: 100cps) was declared for the year. A lower pay-out ratio was adopted as the focus of the business for the short to medium-term is to restore the balance sheet. Hyprop's distributable earnings declined 17.7%, driven mostly by the impact of rental reversions and of COVID-19. Management adopted a 100% pay-out ratio in the period; it declared a dividend of 336.5cps which was down 10.3% from FY20.

## FUND PERFORMANCE

The All Property Index delivered a 8.42% return in the fourth quarter of 2021. The Nedgroup Investment Private Wealth Property Equity Fund returned 8.00% over the period, underperforming its benchmark. For the full year to December 2021, the Nedgroup Investment Private Wealth Property Equity Fund returned 43.59% outperforming its benchmark which returned 38.63%.

The top contributors to performance over the quarter include underweight positions in EPP (+0.42%) and in NEPI Rockcastle (+0.29%). The main detractors to performance were the overweight positions in Octodec Investments (-0.51%) and underweight positions in Sirius Real Estate (-0.26%) and in Growthpoint Properties (-0.27%).

For the full year, notable contributors to performance were overweight positions in Dipula B (+5.83%) and Tsogo Sun Hotels (+2.60%). The main detractors to performance were the overweight position in Storage REIT (-0.98%) and the underweight position in Redefine Properties (-0.99%).

## FUND POSITIONING AND OUTLOOK

The property sector continues to recover from its low of 2020. Whilst the Coronavirus vaccines have provided the necessary catalyst for its recovery, it is still faced with persistently weak fundamentals that have been worsened by the pandemic. We are therefore of the view that the affordability of rentals and, in turn, the sustainability of cashflows, will be an even more important consideration in stock-selection going forward. Progress has been made by the sector to repair balance sheets over the last few months. A handful of property companies are now using their relatively strong balance sheets to pursue M&A activity. Many of the property counters however remain cautious given the weak sector fundamentals, choosing rather to maintain the headroom on their balance sheet.

The fund continues to maintain large overweight positions in stocks that have relied more on fundamental drivers of income growth than on once-off gains, and to those that have healthy balance sheets. The fund manager is of the view that defensive and prudently managed portfolios, at appropriate prices, will deliver superior performance over the medium to long-term compared to peers that trade at similar valuations but on lower quality income streams.



# NEDGROUP INVESTMENTS PRIVATE WEALTH PROPERTY EQUITY FUND



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DECEMBER 2021

## RISK RATING



## RISK REWARD PROFILE

Property investments are volatile by nature and subject to potential capital loss. The portfolio is suitable for investors who require sector specific exposure to real estate securities as part of their overall investment strategy, with both income generation and capital appreciation as their primary goal over the long-term.

## GENERAL INFORMATION

### BENCHMARK / TARGET RETURN

FTSE/JSE All Property Index (J803)  
(Effective 01 Sep 2019, previously J253)

### INVESTMENT MANAGER ASSET CLASS

Nedgroup Investment Advisors (Pty) Ltd is authorised as a Financial Services Provider under the Financial Advisory and Intermediary Services Act (FSP No. 1652).

### ASISA CATEGORY

South African Real Estate General

### REGULATION 28 COMPLIANT

No

### INCEPTION DATE

01 May 2004

### FUND SIZE

R 167 Million

### NET ASSET VALUE<sup>1</sup>

2,862.4 cpu

### MINIMUM INVESTMENT

Lump sum: R50,000

### INCOME DISTRIBUTION

Frequency: Quarterly

December 2021: 81.98 cpu

Previous 12 months: 201.85 cpu

### FEES

Annual management fee (excluding VAT): 0.80%

Total expense ratio 1.03%

Transaction costs 0.16%

**Total investment charges<sup>3</sup> 1.19%**

## INVESTMENT APPROACH

The fund is managed on a philosophy of maximizing risk adjusted total returns. Property companies whose yields do not adequately compensate for their risks are avoided. The investment manager adopts both a top-down and bottom-up approach in developing investment strategies. Particular attention is paid to the quality of the property portfolios and balance sheets, and to management incentives and corporate governance.

## PORTFOLIO PROFILE

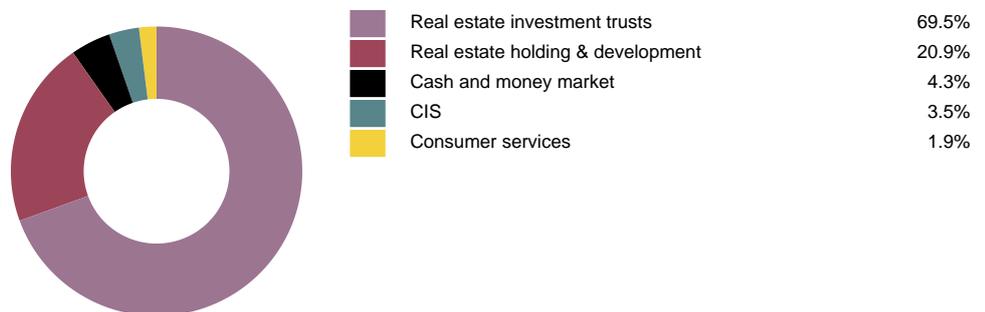
The portfolio is suitable for investors who require sector specific exposure to real estate securities as part of their overall investment strategy, with both income generation and real capital preservation as their primary goal over the long-term.

## PERFORMANCE<sup>2</sup>

Period	Portfolio	Benchmark
1 year pa	43.6%	38.7%
3 Years pa	-2.4%	-2.5%
5 Years pa	-2.3%	-4.1%
7 Years pa	0.4%	-0.5%
10 Years pa	6.0%	6.1%
Lowest 1 year return	-49.7%	
Highest 1 year return	69.5%	

The annualized total return is the average earned by an investment each year over a given period of time.

## PORTFOLIO STRUCTURE



## TOP 10 HOLDINGS

Share	Percentage
NEPI Rockcastle Plc	9.6
Resilient Property Income Fund	7.1
Growthpoint Properties Ltd	6.5
Equites Property Fund Ltd	6.0
Fairvest Property Holdings Ltd	5.9
Vukile Property Fund Ltd	5.8
Stor-Age Property REIT Ltd	5.3
Dipula Income Fund Ltd - B	5.2
Redefine Properties Ltd	5.0
MAS Real Estate Incorporated	4.9
<b>Total</b>	<b>61.3</b>



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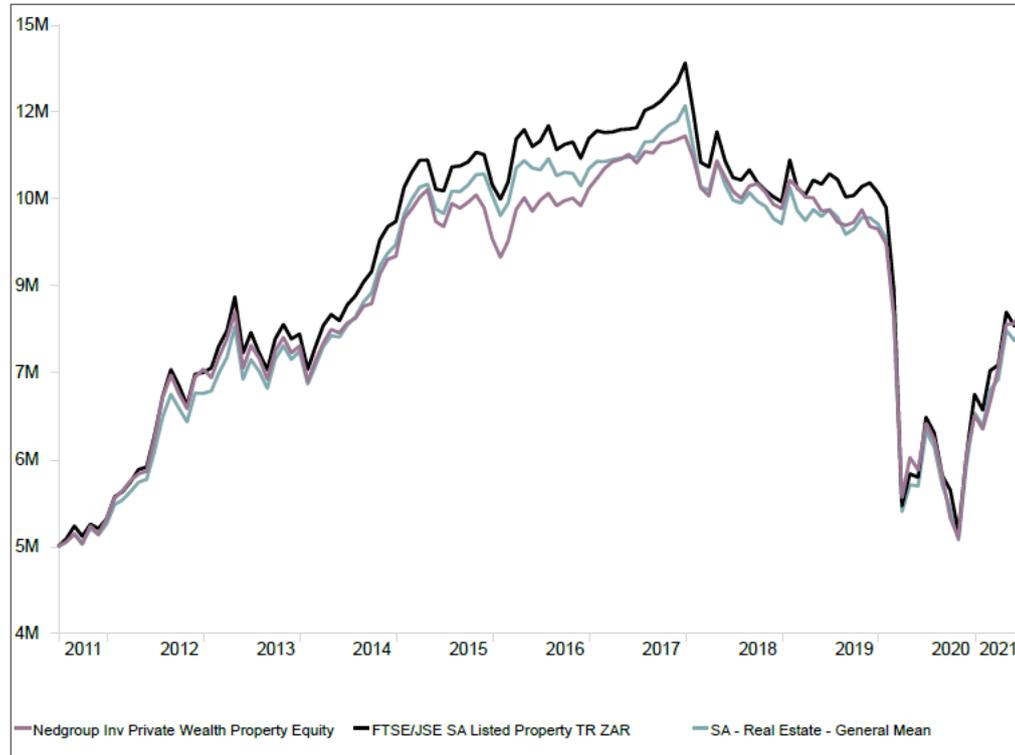


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## SINCE INCEPTION CUMULATIVE PORTFOLIO PERFORMANCE

The graph shows growth of R5 000 000 invested in the portfolio plotted against the fund's benchmark the SA Listed Property Index as well as the average of the ASISA South African Real Estate General category.



Source: Morningstar Direct

### Mandatory disclosures:

1. Funds are valued daily at 15:00. Instructions must reach us before 14:00 (12:00 for Nedgroup Money Market Fund) to ensure same day value. Daily prices are available on request from your relationship manager.
2. Performance is calculated for the portfolio and individual investment performance may differ as a result of initial fees, the actual investment, the actual investment date, the date of reinvestment and dividend withholding tax. Data source: © 2015 Morningstar.
3. Total Expense Ratio (TER), expressed as a percentage of the Fund, relates to expenses incurred in the administration of the Fund. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. Transaction Costs (TC), expressed as a percentage of the Fund, relates to the costs incurred in buying and selling the underlying assets of the Fund. TC 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 other factors over time including market returns, the type of fund, the investment decisions of the investment manager and the TER. The Total Investment Charges expressed as a percentage of the Fund, relates to all investments costs of the Fund. Both the TER and TC of the Fund is calculated on an annualised basis, beginning October 2018 and ending September 2021.

Whilst Nedbank Private Wealth offers you a choice of investment services, the underlying funds forming part of Nedbank Private Wealth strategy solution, are managed by Nedgroup Investments. More specifically, Nedgroup Collective Investments (RF) Proprietary Limited, is the company that is authorised in terms of the Collective Investment Schemes Control Act to administer the Nedgroup Investment Private Wealth unit trust portfolios. It is a member of the Association of Savings & Investment South Africa (ASISA). Contact: Nedgroup Investments, P O Box 1510, Cape Town 8000, info@nedgroupinvestments.co.za, Tel 0860 123 263 (RSA only). The Standard Bank of South Africa Limited is the registered trustee. Contact: Standard Bank, P O Box 54, Cape Town 8000, Trustee-compliance@standardbank.co.za, 021 401 2002.

Unit trusts are generally medium to long term investments. The value of your investment may go down as well as up. Past performance is not necessarily a guide to future performance. Nedgroup investments does not guarantee the performance of your investment and even if forecasts about the expected future performance are included you will carry the investment and market risk, which includes the possibility of losing capital. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. Certain unit trust funds may be subject to currency fluctuations due to its international exposure. Nedgroup Investments has the right to close unit trust funds to new investors in order to manage it more efficiently. A fund of funds may only invest in other unit trust funds, that levy their own charges, which could result in a higher fee structure. A schedule of fees and charges and maximum commissions is available on request from Nedgroup Investments. For further additional information on the fund, including but not limited to, brochures, application forms and the annual report please contact your relationship manager.

### Contact

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