



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

# PRIVATE WEALTH PROPERTY EQUITY FUND

Q4 2020

see money differently

## MARKET REVIEW

The listed property sector (as measured by the All Property Index) posted a pleasing 23,62% return in the fourth quarter of 2020, recovering some of its losses from earlier in the year. This rally was driven largely by positive news of possible COVID-19 vaccines which allayed fears of another hard country lockdown. Property stocks continued to however report lacklustre performance. Vukile Property Fund reported 1H21 distributable income per share growth of -47,3% due to COVID-19 related trading restrictions that impacted revenue growth. Its NAV declined by 6,0% from FY20 to 17.24cps due to a reduction in the value of its direct and listed assets. To maintain a healthy liquidity position given the ongoing uncertainty regarding the impact of a COVID-19 second wave on the business, the board decided not to declare an interim dividend. Octodec Investments also reported a weak set of results. Its FY20 distributable income declined by 22,0% largely due to rental relief granted to tenants who were adversely affected by COVID-19. Revenue was also negatively impacted by increased vacancies and rental reversions, and by increased credit loss allowances. The NAV declined to 2413cps (FY19: 2847cps) driven mainly by an 8,2% reduction in the value of the portfolio. No dividend was declared for the year, a decision regarding the dividend will be made by February 2021. Stor-Age Property REIT and Sirius Real Estate were amongst the better performing counters in 2020. Stor-Age declared a 1H21 dividend of 52,0cps, which was 5,3% lower than the comparable period. The portfolio continues to show resilience in a tough operating environment. The TNAV increased to 1210cps (1H20: 1144cps) due to an increase in the value of the portfolio. Sirius continued to report stellar results. It reported a 7,4% increase in FFO and a 2,8% increase in dividends in 1H21. The company's healthy cash collection rate of 97,3% at 1H21 was partly supported by the German government's pandemic relief measures. Occupancy levels declined by 1,3% to 83,9% but remain at levels in line with its historic average.

## FUND PERFORMANCE

The All Property Index (J803) delivered a 23,62% return over the fourth quarter of 2020. The Nedgroup Investment Private Wealth Property Equity Fund returned 24,30% over the period, outperforming its benchmark.

The top contributors to performance over the quarter were underweight positions in Growthpoint Properties (+1,70%), Fortress REIT A (+1,29%) and Investec Australia Property (+1,22%). The main detractors to performance were underweight positions in Redefine Properties (-1,51%), Echo Polska Properties (-1,06%) and in SA Corporate Real Estate (-0,65%). We have maintained an underweight position in Redefine Properties for some time partly due to its stretched balance sheet. We have rather preferred to have exposure to the large-cap diversified counters via Growthpoint Properties which has maintained a relatively healthier balance sheet to date. In the last year Redefine has been making progress in de-gearing its balance sheet and has consequently seen a recovery in its share price. The increase in the Redefine share price was at the expense of the Growthpoint share price as investors switched between the two counters given Redefine's more attractive relative valuation.

## FUND POSITIONING AND OUTLOOK

While property shares look more attractively priced today than they did a year ago, we remain cautious given the persistently weak sector fundamentals that we now expect to worsen due to the pandemic. We are particularly concerned with the sector's stretched balance sheets which are a result of aggressive offshore expansions and falling portfolio valuations. We expect property counters to continue to prioritise balance sheet strength over paying dividends over the medium-term, whilst also maintaining REIT status. This balancing act will prove to be challenging but is nonetheless necessary to ensure the sustainability of the sector. The fund continued 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-term compared to peers that trade at similar valuations but on lower quality income streams. The fund is also well diversified, with sizeable exposures to Central and Eastern Europe, and to the UK, which will assist in limiting SA specific risks.



# NEDGROUP INVESTMENTS PRIVATE WEALTH PROPERTY EQUITY FUND



DECEMBER 2020

## 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 150 Million

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

2119.46 cpu

### MINIMUM INVESTMENT

Lump sum: R50,000

### INCOME DISTRIBUTION

Frequency: Quarterly

December 2020: 27.97 cpu

Previous 12 months: 104.07 cpu

### FEES

Annual management fee (excluding VAT): 0.80%

Total expense ratio 1.00%

Transaction costs 0.16%

**Total investment charges<sup>3</sup> 1.16%**

## INVESTMENT APPROACH

This fund is managed on a philosophy of maximizing risk adjusted total return. Property companies whose yield does not adequately compensate for the risk (which includes the company's gearing) are avoided. The investment manager adopts both a top-down and bottom-up approach in developing investment strategies. Particular attention is paid to management incentives, potential conflicts of interest and quality of the direct property portfolio.

## 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	-32.3%	-35.5%
3 Years pa	-17.7%	-20.6%
5 Years pa	-7.1%	-8.4%
7 Years pa	-2.1%	-1.8%
10 Years pa	3.0%	3.5%
Lowest 1 year return	-49.7%	
Highest 1 year return	40.7%	

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	15.9
Resilient Property Income Fund	9.1
Stor-Age Property REIT Ltd	6.7
Fairvest Property Holdings Ltd	6.4
Vukile Property Fund Ltd	5.8
Equites Property Fund Ltd	5.7
Growthpoint Properties Ltd	5.1
Octodec Investments Ltd	4.6
Hammerson Plc	4.5
Hospitality Property Fund	3.9
<b>Total</b>	<b>67.7</b>



## NEDGROUP INVESTMENTS PRIVATE WEALTH PROPERTY EQUITY FUND

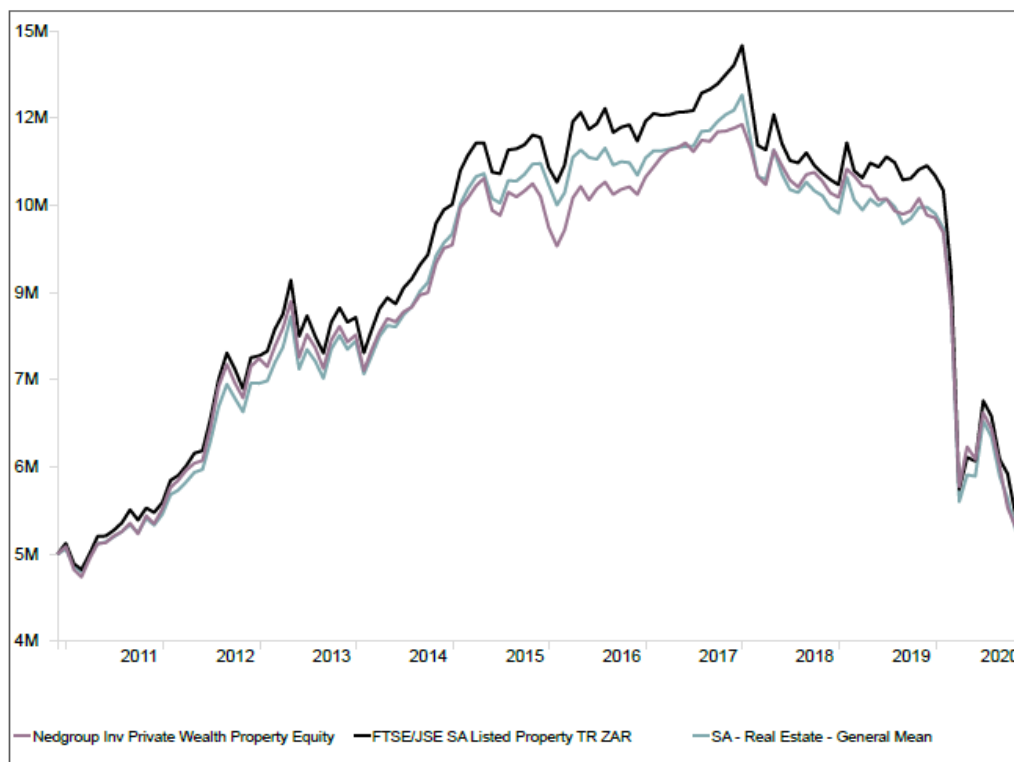


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### SINCE INCEPTION CUMULATIVE PORTFOLIO PERFORMANCE

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 2017 and ending September 2020.

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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