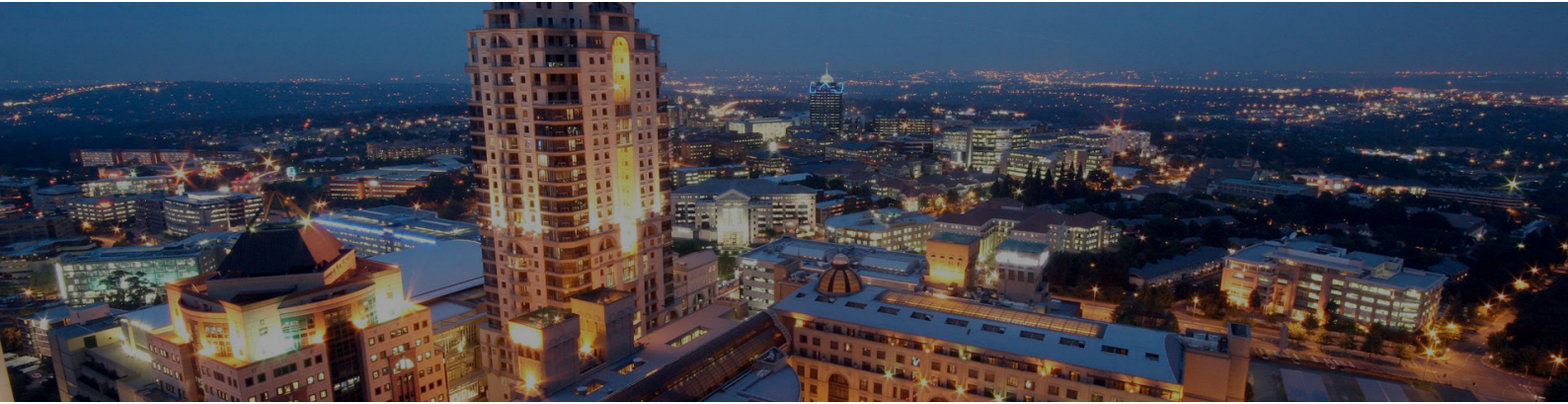


SOUTH AFRICAN LISTED PROPERTY REPORT MAY 2019



CONTENTS

1 ————— SOUTH AFRICAN LISTED PROPERTY REPORT MAY 2019 | Page 1,2

2 ————— SECTOR SNAPSHOT| Page 3

3 ————— INDIVIDUAL SHARE PERFORMANCE| Page 4



SA LISTED PROPERTY REPORT

The SA Listed Property Index (SAPY) and the All Property Index (ALPI) recorded total returns of -0.87% and -2.04% respectively for the month of May, with the historic yield of the SAPY ending the month at 9.32%. The yield-to-maturity (YTM) on the Long-Term South African government bond (RLRS) remained flat to end the month at 8.97% (8.97% - 30 April 2019).

| Asset Class | MTD | YTD | 12 Months |
|---------------------------------|--------|-------|-----------|
| SA Listed Property ¹ | -0.87% | 3.76% | -4.78% |
| All Property Index ² | -2.04% | 1.19% | -9.14% |
| Equities ³ | -4.84% | 7.09% | 2.43% |
| Cash ⁴ | 0.61% | 3.00% | 7.29% |
| Bonds ⁵ | 0.64% | 5.26% | 7.75% |

Source: Catalyst Fund Managers, RMB Credit Research
 Note: 1 - SA Listed Property Index (J253T), 2 - All Property Index (J803T) 3 - All Share Index, 4 - Stefi, 5 - All Bond Index

The divergence in performance of the two primary property indices (SA Listed Property and All Property Index) continued as the ALPI underperformed its counterpart with returns of -2.04% for the month of May relative to -0.87% for the SAPY. This was due to a larger exposure to the UK and to small cap SA companies that are not included in the SAPY, both of which underperformed. The All Property (ALPI) and the SA Listed Property Index (SAPY) continue to underperform other asset classes on a rolling 12-month period with returns of -9.14% and -4.78% respectively relative to SA Cash (7.29%), SA Bonds (7.75%) and SA Equities (2.43%).

May was a busy month in the listed property sector as it was the peak reporting period for the companies with a February/March interim or year-end in addition to the month that held the sixth democratic elections. The elections were largely free, fair and peaceful with the ANC retaining its majority. Once the results of the election were announced the attention shifted to the composition of the cabinet and the announced cabinet largely maintained the status quo in the economic clusters with the incumbents maintaining their ministerial positions.

While the month provided an opportunity for renewal in the political arena, the updates during the month on property fundamentals was largely a continuation of similar themes highlighted over the past year. Domestic property fundamentals have remained weak as pressure on demand and supply conditions continue to deteriorate. Vacancy levels across the sectors are increasingly difficult to maintain with large incentives being provided to tenants through significant reversions, rent free or additional capital expenditure to retain and attract new tenants. This combined with unsustainable/non-recurring earnings distributed in prior periods, lower expected M&A growth and a high cost of capital have continued to result in downward revisions to growth forecasts.

This downward revision to expectations was evident in the reporting cycle as majority of the companies reporting interim financials revised their full year guidance lower while those reporting full year financials expect slower growth in the forthcoming financial year.

Interim Results:

| NAME | PRIOR DPS GUIDANCE | REVISED DPS GUIDANCE | COMMENTS |
|------------|--------------------|----------------------|---|
| ARROWHEAD | 57.7c | 56.0c | Excludes earnings from Rebois |
| DIPULA | 0% | -5% | Guidance for A & B units combined |
| FORTRESS B | 155c to 163c | 155c to 163c | Expected to be at low end |
| GEMGROW B | -10% | >-10% | Expected to be marginally better than previous guidance |
| INDLUPLACE | -10% | -20% | |
| LIGHTHOUSE | 2.5c to 3.5c | 3.0c | Midpoint of previous guidance |
| NEPI ROCK | 6% | 6% | Reaffirmed guidance in business update |
| OCTODEC | 0% | -2% | |
| REBOSIS | 53.8 to 57.6c | 22 to 24c | |
| REDEFINE | 4% to 5% | 4% | Low end of previous guidance |

Annual Results:

| NAME | DPS GROWTH (PRIOR FY) | DPS GROWTH (GUIDANCE) |
|---------------|--------------------------|--------------------------|
| EQUITES | 12% | 8% to 10% |
| INVESTEC PROP | 5% | 3% to 5% |
| SPEAR REIT | 10% | 6% to 8% |
| VUKILE | 8% | 3% to 5% |

Source: Company data, Catalyst Fund Managers

ESG within the listed sector and in particular the property industry has come under increased scrutiny given the events that transpired in 2018 with governance being the focal point. Below we highlight recent board and executive changes that have been announced. During the month of May, SA Corporate announced the resignation of both its Managing Director and its Financial Director. Both are expected to serve a 3-month notice period and the board is in the process of finding suitable replacements.

Executive changes at Vukile have been expected since last year when it was announced that two of its long-standing executives intend to retire. This process is expected to be concluded at the end of June 2019 when both replacements are expected to be appointed to the Vukile board.

| COMPANY | NAME | ROLE | STATUS |
|--------------|---------------------|--------------------------|-----------|
| ARROWHEAD | Imraan Suleman | Chief Financial Officer | Resigned |
| HAMMERSON | Timon Drakesmith | Chief Financial Officer | Resigned |
| INDLUPLACE | Grant Harris | Executive Director | Appointed |
| INTU | Dushyant Sangar | Chief Investment Officer | Appointed |
| REDEFINE | Marc Wainer | Executive Chairman | Resigned |
| | Marc Wainer | Executive Director | Appointed |
| | Sipho Pityana | Chairman | Appointed |
| SA CORPORATE | Antoinette Basson | Financial Director | Resigned |
| | Rory Mackey | Managing Director | Resigned |
| SAFARI | Francios Marais | Chairman | Retired |
| | Dr Philip Snyman | Chairman | Appointed |
| VUKILE | Mike Potts | Financial Director | Retired |
| | Ina Lopion | MD South Africa | Retired |
| | Laurence Cohen | Financial Director | Appointed |
| | Itumeleng Mothibeli | MD South Africa | Appointed |

Source: Company data, Catalyst Fund Managers

Over the short term, the weak local property fundamentals will continue to weigh negatively on the sector. On average, SA-centric companies are trading at forward yields of c.10.0%, with the yield on the Long-Term South African Government Bond at 8.97%. The yield spread between the SAPY and the 10yr government bond proxy remains positive and above the historical average, with the relatively high forward yield of the SAPY compensating investors for the muted growth expectations in dividends over the short term.

Whilst this is the case, we expect companies that have focused management teams that allocate capital based on long-term sustainable returns to outperform their peers. We expect the sector's growth in dividends per share over the medium term to be inflationary.



IMDAAD NANA
INVESTMENT ANALYST

SECTOR SNAPSHOT

RSA LONG TERM GUILT (RLRS) 8.97%

| SHARE | MARKET CAPITALISATION (R '000) | CLOSE | HISTORIC ROLLED YIELD (SAPY) | NTAV | PREMIUM OR DISCOUNT OF CLEAN PRICE TO NTAV | DEBT % |
|------------------------------|--------------------------------|--------|------------------------------|--------|--|--------|
| COMBINED MARKET CAP WEIGHTED | 586 560 335 609 | | 9.32% | | | |
| NEPI ROCK | 72 093 333 434 | 12 306 | 7.3% | 11 555 | 5.40% | 28.0% |
| GROWTHPOINT | 71 868 037 357 | 2 419 | 9.1% | 2 570 | -7.23% | 35.9% |
| REDEFINE | 52 544 171 687 | 907 | 11.1% | 1 059 | -5.17% | 50.0% |
| HAMMERSON | 38 061 803 758 | 4 967 | 9.0% | 12 809 | -61.96% | 43.0% |
| CAPCO | 33 958 014 704 | 3 989 | 1.1% | 6 027 | -33.89% | 18.8% |
| RESILIENT | 25 063 786 920 | 5 898 | 9.2% | 5 942 | -3.06% | 25.7% |
| FORTRESS A | 23 738 807 003 | 1 995 | 7.5% | 1 726 | 14.05% | 32.3% |
| INTUPLC | 22 859 528 899 | 1 687 | 2.9% | 4 995 | -66.44% | 53.1% |
| VUKILE | 19 793 891 200 | 2 070 | 9.2% | 2 027 | -1.95% | 39.1% |
| HYPROP | 18 099 419 117 | 7 073 | 11.1% | 9 987 | -31.26% | 28.1% |
| GLOBE TRADE SA | 17 407 331 856 | 3 600 | 2.9% | 2 924 | 6.35% | 48.0% |
| POLSKA PROP | 15 271 812 375 | 1 840 | 10.4% | 2 200 | -17.80% | 51.9% |
| MAS | 13 068 211 910 | 2 025 | 7.1% | 2 163 | -4.70% | 24.9% |
| FORTRESS B | 12 901 919 989 | 1 182 | 13.6% | 1 387 | -17.18% | 71.9% |
| SIRIUS | 11 969 269 646 | 1 171 | 5.0% | 1 219 | -6.13% | 32.5% |
| INVESTEC PROP | 11 486 139 491 | 1 560 | 9.5% | 1 783 | -16.37% | 35.9% |
| EQUITES | 10 163 984 909 | 2 019 | 7.0% | 1 667 | 21.00% | 27.0% |
| ATTACQ | 9 741 496 873 | 1 299 | 6.3% | 2 366 | -41.61% | 36.0% |
| RDI PLC | 7 662 612 848 | 2 016 | 11.3% | 3 767 | -49.87% | 48.5% |
| IAPF | 7 607 882 519 | 1 369 | 7.5% | 1 317 | 3.68% | 38.1% |
| SA CORPORATE | 7 389 611 880 | 292 | 14.7% | 526 | -43.90% | 34.6% |
| EMIRA | 7 202 354 664 | 1 378 | 11.1% | 1 783 | -24.72% | 41.0% |
| LIBERTY 2D | 6 359 103 338 | 700 | 8.7% | 945 | -27.35% | 16.0% |
| STENPROP | 6 106 054 980 | 2 074 | 6.5% | 2 617 | -22.65% | 47.2% |
| HOSPITALITY-B | 6 070 619 174 | 1 050 | 12.6% | 1 777 | -44.23% | 16.0% |
| GRIT REAL | 5 959 402 881 | 1 945 | 9.5% | 2 126 | -10.54% | 43.7% |
| STOR-AGE | 4 928 472 951 | 1 386 | 8.1% | 1 171 | 18.75% | 28.4% |
| OCTODEC INV LTD | 4 751 626 000 | 1 785 | 11.2% | 2 916 | -39.61% | 38.3% |
| ARROWHEAD | 3 844 980 040 | 367 | 18.5% | 690 | -51.72% | 41.4% |
| ATLEAF | 3 458 272 292 | 1 830 | 9.6% | 1 898 | -4.07% | 44.8% |
| ACCPROP | 3 181 792 394 | 320 | 18.5% | 778 | -62.38% | 41.9% |
| LIGHTHOUSE | 3 094 661 319 | 676 | 13.7% | 874 | -25.24% | 28.6% |
| DIPULA A | 2 908 677 351 | 1 099 | 10.4% | 971 | 7.81% | 41.6% |
| TRADEHOLD | 2 571 952 235 | 1 016 | 18.5% | 2 105 | -62.06% | 61.0% |
| CAPREG | 2 360 764 630 | 325 | 14.0% | 1 087 | -70.80% | 46.0% |
| GEMPROP B | 2 063 658 864 | 515 | 15.6% | 804 | -40.58% | 35.2% |
| INDLU | 2 052 437 965 | 597 | 14.8% | 993 | -44.72% | 32.7% |
| TOWER | 2 037 297 882 | 600 | 12.5% | 984 | -36.20% | 33.0% |
| FAIRVEST | 1 985 344 610 | 195 | 11.3% | 233 | -17.75% | 27.1% |
| SPEAR REIT | 1 920 998 171 | 1 017 | 9.1% | 1 212 | -20.16% | 39.0% |
| DIPULA B | 1 836 780 784 | 694 | 13.7% | 971 | -33.59% | 67.0% |
| TEXTON | 1 575 719 750 | 419 | 21.4% | 827 | -51.47% | 26.8% |
| SAFARI | 1 445 340 974 | 465 | 11.8% | 820 | -46.27% | 12.5% |
| DELPROP | 1 414 174 842 | 198 | 38.4% | 993 | -84.02% | 43.0% |
| BALWIN | 1 298 529 628 | 275 | 11.5% | 568 | -56.38% | 38.0% |
| REBOSIS A | 1 012 256 192 | 1 600 | 17.8% | 2 065 | -28.79% | 57.1% |
| TRANSCEND | 850 816 155 | 650 | 9.8% | 957 | -33.34% | 52.2% |
| GEMPROP A | 642 866 245 | 1 025 | 11.3% | 959 | 1.60% | 32.0% |
| REBOSIS | 613 336 226 | 89 | 43.6% | 954 | -89.98% | 57.1% |
| FRONTIER | 260 974 700 | 250 | 56.7% | 129.01 | 49.81% | 90.0% |

Data IRESS unless stated otherwise

Calculations and forecast estimates Catalyst Fund Managers

Rolled yield Time weighted current 12 month historic distribution divided by the clean price.

NTAV Net Asset Value adjusted for deferred tax and intangibles calc. as at the last reported period. Due to market movements and post balance sheet changes,

NAV reported may not be a true representation of actual NAV at month end.

Debt% Balance sheet long term interest bearing debt / income earning property assets, adjusted for see-through debt where information provided calc. as at the last reported period.

INDIVIDUAL SHARE PERFORMANCE

| Total Return | Jan | Feb | Mar | Apr | May | YTD |
|---------------------------------|---------|---------|---------|---------|---------|---------|
| SA Listed Property Index (SAPY) | 9.18% | -5.70% | -1.46% | 3.17% | -0.87% | 3.76% |
| All Property Index (ALPI) | 8.39% | -4.75% | -1.92% | 2.03% | -2.04% | 1.19% |
| ACSION | 0.00% | -45.45% | 0.00% | 0.00% | 20.00% | -34.55% |
| FORTRESS-B | 6.97% | -10.38% | -16.91% | 0.74% | 8.84% | -12.67% |
| IAPF | 3.92% | -4.23% | 2.01% | 5.51% | 6.27% | 13.83% |
| ACCPROP | 19.09% | -15.78% | -16.92% | 9.82% | 5.96% | -3.03% |
| ATLEAF | 0.59% | 2.94% | 0.00% | 5.43% | 4.13% | 13.68% |
| RESILIENT | 13.35% | -4.77% | -7.19% | 3.80% | 3.87% | 8.03% |
| FORTRESS-A | 6.14% | -2.22% | 0.99% | 4.96% | 3.53% | 13.89% |
| NEPI ROCK | 11.01% | -5.64% | 2.60% | 1.69% | 3.21% | 12.79% |
| STOR-AGE | 6.00% | -0.38% | -2.20% | 4.57% | 2.67% | 10.88% |
| GEMPROP A | -0.21% | 4.93% | -3.06% | 5.26% | 2.50% | 9.51% |
| EQUITES | 5.89% | -2.05% | -2.84% | 4.56% | 2.46% | 7.97% |
| GRIT REAL | 6.13% | -2.76% | 4.36% | -2.26% | 2.37% | 7.76% |
| HOSPITALITY-B | 8.57% | 1.05% | 2.19% | 4.99% | 1.94% | 20.00% |
| SPEAR REIT | 0.00% | 7.69% | -7.05% | 2.36% | 1.80% | 4.31% |
| TOWER | 3.06% | -4.54% | 1.13% | 1.72% | 1.69% | 2.93% |
| HYPROP | 10.43% | -13.90% | -4.37% | -0.68% | 1.04% | -8.75% |
| VUKILE | 5.26% | -4.19% | -0.60% | 2.75% | 0.73% | 3.76% |
| PUTPROP | -0.87% | 8.55% | 11.11% | 0.92% | 0.00% | 20.66% |
| GLOBE TRADE CENTRE | 0.00% | 0.00% | 0.00% | 16.13% | 0.00% | 16.13% |
| DIPULA-A | 9.47% | 6.92% | -3.78% | 2.71% | 0.00% | 15.68% |
| HERIOT | 0.00% | 0.00% | 3.72% | 0.00% | 0.00% | 3.72% |
| SAFARI | 9.78% | -14.85% | 8.84% | -0.64% | 0.00% | 1.09% |
| POLSKA PROP | -0.48% | 0.00% | 4.45% | -0.96% | -0.54% | 2.40% |
| DIPULA-B | -0.40% | 7.15% | -3.96% | -9.91% | -0.86% | -8.44% |
| INGENUITY | -0.83% | -3.36% | 0.00% | -0.87% | -0.88% | -5.83% |
| LIGHTHOUSE | -0.37% | 1.56% | -5.46% | 5.19% | -1.40% | -0.79% |
| TRANSCEND | 0.00% | 7.32% | 14.23% | 1.54% | -1.52% | 22.59% |
| INVESTEC PROPERTY FUND | 12.73% | 0.00% | -3.55% | 6.35% | -1.89% | 13.45% |
| SIRIUS | -0.55% | 3.58% | 6.83% | -0.91% | -1.93% | 6.94% |
| FAIRVEST | -3.21% | 6.64% | -6.67% | -0.15% | -2.50% | -6.22% |
| GROWTHPOINT | 11.46% | -5.97% | 0.00% | 6.39% | -2.77% | 8.41% |
| STENPROP | 10.40% | 7.23% | -2.25% | 4.45% | -2.86% | 17.42% |
| REDEFINE | 9.10% | -7.96% | -0.10% | 1.55% | -3.00% | -1.19% |
| EMIRA | 6.76% | -4.87% | -3.34% | 2.97% | -3.16% | -2.12% |
| LIBERTY 2D | 6.66% | -6.38% | -1.84% | 9.02% | -3.45% | 3.17% |
| BALWIN | -13.71% | -6.20% | 6.61% | 10.85% | -3.85% | -8.03% |
| SCHROEDERS | -1.76% | 1.55% | 3.84% | 6.54% | -4.35% | 5.56% |
| EXEMPLAR | 0.00% | -3.85% | -3.00% | 2.99% | -5.01% | -8.75% |
| INTUPROP | -3.45% | 4.61% | -5.85% | -11.24% | -5.44% | -20.20% |
| OCTODEC | 16.24% | 2.21% | -5.36% | 4.42% | -6.12% | 10.23% |
| ATTACQ | 7.86% | -1.13% | -6.18% | -2.44% | -7.21% | -9.43% |
| TRADEHOLD | 3.48% | 20.19% | -5.36% | -7.02% | -7.64% | 1.09% |
| ARROWHEAD A | 13.18% | -9.01% | -9.66% | 6.42% | -7.79% | -8.71% |
| MAS | 4.91% | 1.93% | -3.40% | 3.81% | -8.37% | -1.74% |
| DELPROP | -5.11% | -41.22% | -30.28% | 24.57% | -9.17% | -56.00% |
| TEXTON | 4.38% | -10.00% | -3.30% | 15.50% | -9.31% | -4.84% |
| INDLU | 3.57% | 0.00% | -6.34% | -0.59% | -11.56% | -14.71% |
| CAPCO | 3.71% | 7.49% | -3.16% | -0.71% | -11.77% | -5.42% |
| GEMPROP B | -0.17% | 0.00% | -0.17% | -0.67% | -13.30% | -14.17% |
| RI PLC | 6.59% | -5.45% | 10.38% | -16.90% | -15.47% | -21.86% |
| REBOSIS A | 13.16% | -3.95% | 1.65% | -8.29% | -16.88% | -15.79% |
| HAMMERSON | 8.19% | 6.96% | -6.81% | -4.90% | -17.52% | -15.41% |
| SA CORPORATE | 11.61% | -2.40% | -0.55% | 3.51% | -17.75% | -7.76% |
| CAPREG | -5.96% | 12.48% | -16.89% | -7.60% | -27.78% | -41.34% |
| REBOSIS | 3.72% | -28.32% | -10.50% | -27.37% | -31.54% | -66.91% |
| NEW FRONTIER | -44.00% | 0.00% | 0.00% | -43.00% | -37.34% | -80.00% |

Data

Calculations and forecast estimates

Suspended / Delisted / Not yet listed

INFORMATION SOURCE AND METHODOLOGY:

Data IRESS unless stated otherwise

Calculations Catalyst Fund Managers



IMPORTANT INFORMATION

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