

**GIPS Composite Name:** **Vunani Domestic Property Income Fund [VFM Synthetic Property Index]** **December 2023**

**Benchmark:** **50% 0-3 yrs Bonds, 25% Real estate Development & Services (J863) and 25% Real Estate Investment Trusts (J867)**

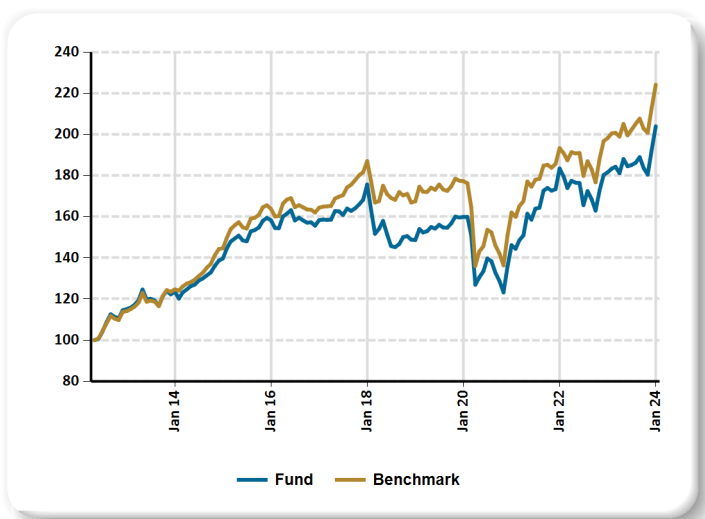
**Composite Creation Date:** **31 Jul 2002**

Period	Gross return	Bmk return	No of Portfolios	Total Assets (million)	% of Firm Assets	Total Firm Assets (million)	Dispersion	3 yr Ann Std Dev	Bmk 3 yr Ann Std Dev
01 May 2012 to 31 Dec 2012	15.11%	14.08%	1	89.70	1.09%	8,266.44	N/A	N/A	5.41%
01 Jan 2013 to 31 Dec 2013	7.37%	9.28%	1	132.04	1.09%	12,130.48	N/A	N/A	6.17%
01 Jan 2014 to 31 Dec 2014	13.02%	16.00%	1	149.20	1.18%	12,612.31	N/A	N/A	5.87%
01 Jan 2015 to 31 Dec 2015	13.30%	13.28%	1	151.54	1.06%	14,362.23	N/A	6.17%	5.71%
01 Jan 2016 to 31 Dec 2016	0.04%	0.35%	1	155.60	1.07%	14,597.04	N/A	5.57%	5.27%
01 Jan 2017 to 31 Dec 2017	10.95%	13.77%	1	123.12	0.61%	20,191.39	N/A	5.75%	5.23%
01 Jan 2018 to 31 Dec 2018	-15.39%	-10.44%	2	87.10	0.33%	26,600.26	N/A	8.69%	7.32%
01 Jan 2019 to 31 Dec 2019	7.57%	5.84%	2	134.64	0.34%	40,000.45	N/A	8.46%	7.29%
01 Jan 2020 to 31 Dec 2020	-8.59%	-8.62%	2	137.09	0.28%	48,623.29	N/A	15.41%	15.97%
01 Jan 2021 to 31 Dec 2021	25.53%	19.33%	2	147.84	0.24%	60,546.26	N/A	15.15%	15.73%
01 Jan 2022 to 31 Dec 2022	-1.02%	2.54%	2	175.67	0.31%	56,282.28	N/A	16.55%	16.88%
01 Jan 2023 to 31 Dec 2023	12.28%	13.06%	2	105.18	0.24%	44,043.77	N/A	11.14%	9.92%

Vunani Fund Managers (Pty) Ltd has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®)

## SUPPLEMENTAL INFORMATION

### FUND PERFORMANCE



The portfolio outperformed the benchmark by nearly half a percent in the final quarter of 2023. The outperformance was driven by an outperformance of more than 60 basis points in December alone. In fairness, the portfolio underperformed for the whole year by about 0.7 percent, although it remains ahead of benchmark on a 3-year view.

The biggest counters in the portfolio were also the biggest drivers of outperformance over the quarter. NEPI Rockcastle returned 21.4 percent and constituted about a quarter of the portfolio. Growthpoint returned 18.2 percent and constituted about 6 percent of the portfolio on average. The next two top contributors included Lightprop (with a 36.1 percent gain) and Redefine (with a 16 percent gain).

Notable from the recent results season was an increase in the offshore contribution to distributable income per share at Redefine. The measure rose to 25 percent compared to 16 percent in the previous full year. The company also reported an increase in the weighted cost of debt of 110 basis points as higher interest rates made an impact.

Another counter that we have held above weight is Vukile which presented strong operational performance in both South Africa and Spain. Its debt position has been improving LTV position alongside stronger operational cash flows and reduced capital commitments.

In pre-close operational updates, we took note of slight negative reversions at Hyprop where renewals were down 1.4 percent in the year-to-date. It should be said that it nevertheless represents an improvement compared to -9.7 percent at the 2023 full-year results.

Although the portfolio is predominantly exposed to South African property assets, a few trends worth watching offshore may have universal application. The first is the impact of a weakening macroeconomic environment on rents. The second is the persistence of Work-from-Home as a workplace alternative to office space demand. And the third one is the growing demand for commercial property developed along sustainable practices for those tenants holding onto commercially leased space. All three trends present headwinds in of one shape or another, whether requiring additional capex spending, more favourable lease terms or simply crimping demand for gross lettable area.

**NOTES:**

- 1 **COMPOSITE DESCRIPTION** : The Investment manager will utilise their unique optimisation procedure to create a portfolio with comparable returns to an all property index (API), using listed property instruments, preference shares, inflation linked bonds, short term bonds, money market instruments and cash. The API is comprised of:  
50% SA Listed Property = 50% J863 (Real Estate Development & Services Index) and 50% J867 (Real Estate Investment Trust)  
50% Direct Property = (estimated using the ABSA House Price Index, or FNB House Price Index, and Cash Interest).
- 2 **BENCHMARK CREATION** : Vunani Fund Managers creates a bespoke All Property Index. This index is based on a proprietary internal process and represents the performance of both listed and physical property. In order to achieve this, the index includes listed property instruments, preference shares, short-term fixed interest instruments and inflation-linked bonds. This bespoke index is rebalanced on a minimum 180-day cycle utilising the most recent data available. The Vunani All Property Index is comprised of:  
50% SA Listed Property = 50% J863 (Real Estate Development & Services Index) and 50% J867 (Real Estate Investment Trust)  
50% Direct Property = (estimated using the ABSA House Price Index, FNH House Price Index and Cash Interest).
- 3 **FIRM DEFINITION** : Vunani Fund Managers (Pty) Ltd is registered with the Financial Sector Conduct Authority (FSCA) as a discretionary Financial Service Provider, License 608. The GIPS firm includes all portfolios managed by Vunani Fund Managers.
- 4 **MINIMUM ASSET LEVELS** : Vunani Fund Managers excludes all portfolios with an asset value less than R 20 million.
- 5 **CURRENCY** : Vunani Fund Managers uses South African Rand to express all performance.
- 6 **PERFORMANCE CALCULATION** : Performance results are presented gross of management and performance fees, after deducting trading expenses, custodial fees and bank charges. Trading expenses include brokerage, trade settlement fees, taxes and trading levies as well as VAT thereon. The aggregate return method is used which combines all the composite assets and cash flows to calculate composite performance as if the composite were one portfolio.
- 7 **LIST AND DESCRIPTION OF COMPOSITES** : A complete list and description of all composites is available by emailing a request to Info@vunanifm.co.za.
- 8 **LEVERAGE AND DERIVATIVES** : The use of derivatives is limited to exchanged traded futures and options for the purpose of maintaining the correct exposure to asset classes whilst providing liquidity.
- 9 **LEVERAGE AND DERIVATIVES** : Derivatives may be employed as risk mitigating strategies.
- 10 **INCONSISTENCIES IN EXCHANGE RATES** : Vunani Fund Managers use I-Net quotations for foreign exchange (FX) rate conversions. Due to timing differences, FX rates used to value instruments in the individual client portfolios may differ from the FX rates used by Vunani Fun Managers for benchmark conversion to local currency. Vunani Fund Managers accepts this variance in FX rates as immaterial and do not make any adjustments for such variances.
- 11 **DISPERSION** : Vunani Fund Managers uses the standard deviation across portfolio returns represented within the composite for the full year to calculate dispersion. Portfolios must be in a composite for the full period for which dispersion is being measured.
- 12 **FEE STRUCTURE** : A sliding scale fee structure applies to this composite from 45bps to 25bps based on market value of investment.
- 13 **WITHHOLDING TAXES** : Proceeds on sales and income are accounted for net of any withholding taxes until such time as any reclaimable portion is received.
- 14 Vunani Fund Managers negotiates fees with each individual client in line with the standard company fee schedule.
- 15 Additional information regarding policies for calculating and reporting returns is available on request
- 16 **CASH FLOWS** : A fund may be removed from the composite, should a cash flow be greater than 5% of that fund. Once the fund has been realigned, it will be included again.
- 17 Benchmark components, weights and the rebalancing process is available on demand.
- 18 **VERIFICATION** : Vunani Fund Managers claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. Vunani Fund Managers has been independently verified for the periods 2004 to 2021. The verification report (s) is/are available on request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firms policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.
- 19 **GIPS®** is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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