CORESHARES™

A NEW APPROACH TO BRING YOU RELIABLE GROWING INCOME FROM LISTED PROPERTY

HAVE YOUR SAY:
Our new client-centric Property Income index consolidates our property ETF offering.

Listed property fulfils a practical role in your portfolio. Property delivers a **growing income stream through time, with the opportunity for capital appreciation** – which is key for both investors and financial planners. This unique feature borrows from the characteristics of both the equity and fixed income asset classes. Also, from a diversification and correlation perspective, property serves a useful purpose in a multi-asset portfolio.

Since launching the first property ETF in 2007 (PTXSPY), the property market has grown substantially in size and structure. At the time, there were 23 investable property shares, with a combined market cap of R140 billion. The number of property shares has since grown to 32, with a market cap greater than R370 billion. This led to a review of the property index series by the FTSE/JSE and in turn, ourselves.

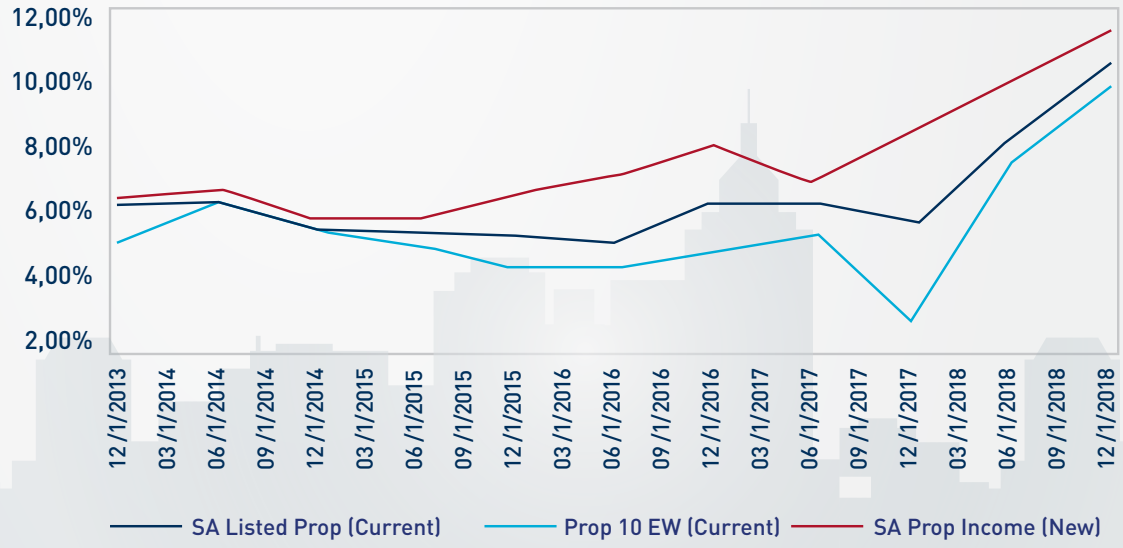
In light of the changes in the industry and the important consideration of the property asset class, we've reflected on our CoreShares offering. We'd like your consent, as a CoreShares investor, to amalgamate our two local property ETFs into one strategy that delivers better outcomes for you. We're using a regulated ballot process to count your votes.

HOW ARE YOUR NEEDS BETTER SERVED BY THE NEW CORESHARES SA PROPERTY INCOME ETF?

OUTCOME 1: BETTER INCOME (YIELD) THROUGH TIME

We constructed our new index, the South African Property Income Index, with the 'use case' or 'outcome' of listed property front of mind: chiefly to achieve a high, reliable, growing income stream - without taking on undue risks. Our new index achieves a consistently higher yield based on past data. This should make sense if you use the property asset class for this very outcome.

GROSS INDEX YIELD OVER TIME



Source: IRESS

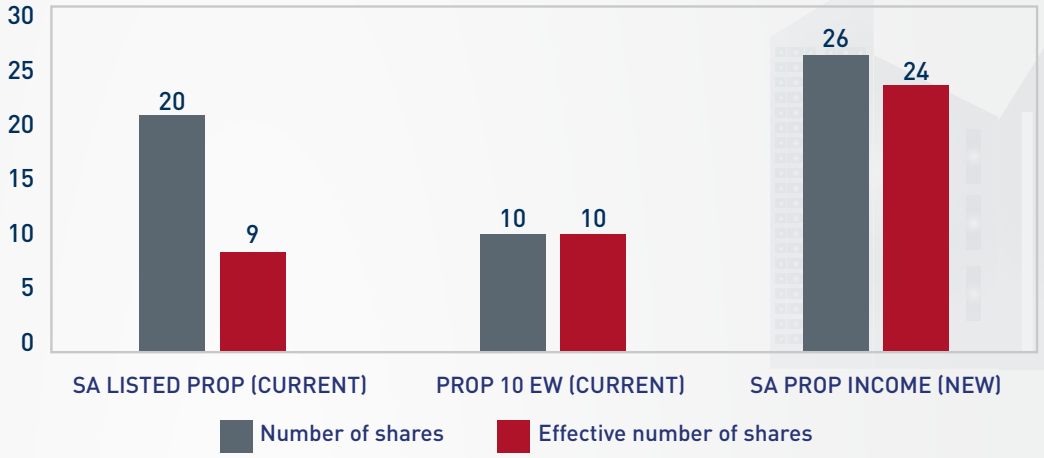
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OUTCOME 2: BETTER DIVERSIFICATION AND LOWER CONCENTRATION

The FTSE/JSE SAPY index tracks the 20 biggest property companies with a primary listing on the JSE. While the SAPY index now has 20 shares, it has a concentration problem in that the top three shares make up 52% of the index. From a diversification perspective, this means there are only nine shares (out of 20) that effectively drive most of the index's risk and return profile - this number is called the effective number of shares. Also, this 20-share limitation becomes less representative of the market as new property shares are listed. To try to resolve the SAPY Index's concentration problem, the FTSE/JSE SA Listed Property Top 10 Equal Weight Index was launched in 2011. It comprises the top 10 companies by investable market capitalisation, but holds each in an equal weighting, i.e. 10% each. As such, both of these indices are concentrated in the largest companies (~20 for SAPY and ~10 for Prop 10 EW).

After researching the local property market, we saw an opportunity to design indices that are more sensibly diversified. So, rather than limiting the number of shares it can include, the South African Property Income index **includes all the property shares on the JSE that meet a minimum size and liquidity criteria.** This graph shows the current shares in each index, and the effective number of shares shows how diversified an index is:

DIVERSIFICATION BENEFITS



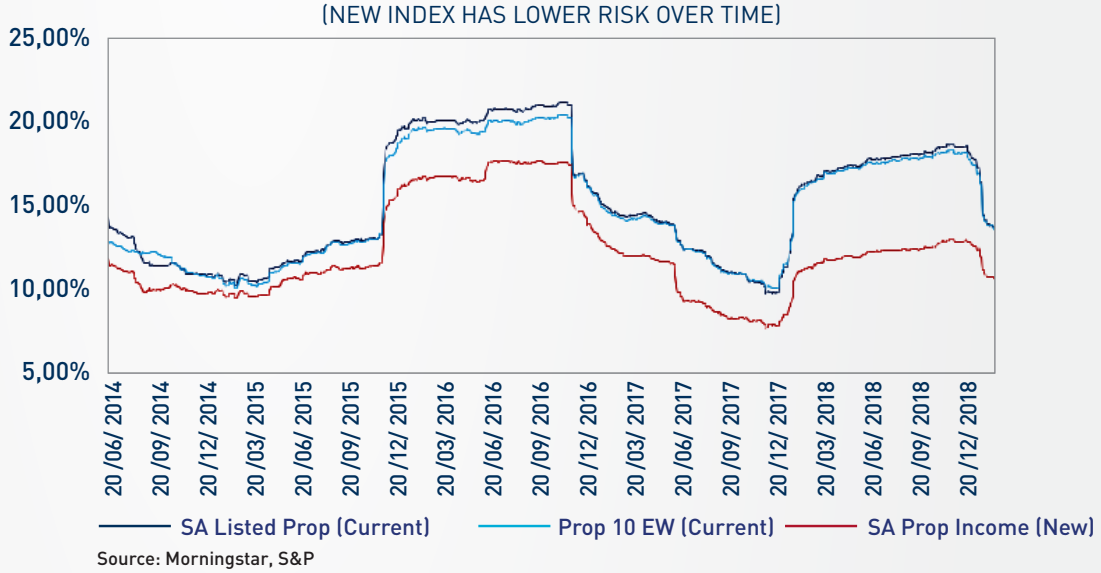
Source: FTSE/JSE, S&P

OUTCOME 3: PRODUCING HIGH QUALITY YIELD

To achieve the objective of delivering structurally higher income over time, the index uses a yield methodology to determine the weights of the shares in the index. We overlaid this objective with techniques to improve the robustness of this yield - like using longer term (3-year) data to assess the yield, and managing the weight of any one share that may have a particularly high yield (potentially a warning sign of difficulty for the share). With these risk controls, we now have an index that is more diversified and has lower volatility through time.

1 YEAR ROLLING VOLATILITY

(NEW INDEX HAS LOWER RISK OVER TIME)



Source: Morningstar, S&P

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OUTCOME 4: LOWER COST

By amalgamating our two existing local property ETF products, we've created cost efficiencies for you, regardless of which ETF you're currently invested in.

	SA Listed Prop (Current)	Prop 10 EW (Current)	SA Prop Income (New)
Management fee	0.425%	0.425%	0.350%
TER	0.570%	0.540%	0.463%

CONCLUSION

If the primary objective of property is to deliver a reliable growing income stream, we believe these changes will help you. **The new ETF will bring you better outcomes: better diversification, structurally higher income, a robust risk management framework and lower fees.**

WHAT WE NEED YOU TO DO

If you'd like to see more detailed information about this process, please see the SENS announcement issued on 17th May 2019.

Please submit your vote to your broker by 28 June 2019.

For any other information, please get in touch with us at info@coreshares.co.za

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