



BETTER OUTCOMES FOR YOU:

THE CORESHARES SA PROPERTY INCOME ETF (CSPROP)





Listed property fulfils a pragmatic role in any portfolio. Property brings healthy income and inflation protection to a post-retirement portfolio, and acts as an essential building block for a pre-retirement portfolio, improving diversification even as it brings exposure to a growth asset class.

The key attributes of listed property are:

1. Attractive yield ("income")
2. Capital growth
3. Diversification

Recently, investing in South Africa's listed property market has been challenging, due to two structural changes. First, the increasing inward listing of global exposures has lowered the average market yield. Second, in this small market, we're seeing concentration risk in some individual names (particularly in market cap-weighted indices).

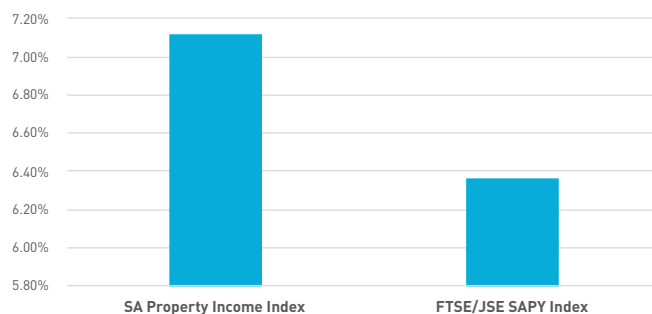
Consequently, we engaged with investors and S&P Dow Jones Indices, so that we could design a new index strategy for SA Listed Property. The result is an ETF with a broader investment universe (more companies in the index), and which mainly uses a yield-weighted methodology to determine each share's weight. This maximises the yield our investors earn and avoids the concentration problem of the incumbent market cap-weighted benchmarks in the asset class. By staying true to Evidence-Based Investing, we are creating better outcomes for you, our investors.

OUR NEW CORESHARES SA PROPERTY INCOME ETF ENHANCES THE BENEFITS OF INVESTING IN LISTED PROPERTY IN THREE WAYS.

OUTCOME 1: CONSISTENTLY HIGHER INCOME

We constructed the new CoreShares SA Property Income ETF with the use case of listed property front of mind - chiefly to achieve a high, growing income stream, without taking on undue risks. Based on past data, the new index achieves a consistently higher yield. This should resonate well with investors who use the property asset class for this very outcome.

Figure 1: Average Historic Yield 2013 - 2019⁽¹⁾



1. Source: Bloomberg LLC. Average Historic Yield calculated as the weighted 12-month historic yield of underlying constituents at 6-month intervals from 1 January 2013 to 30 June 2019. Past yield is not indicative of future yield.

OUTCOME 2: CAPITAL GROWTH

We overlaid this income objective with techniques to improve the robustness of the yield. These methods include using longer-term (3-year) data to assess the quality of the yield and managing the weight of any share with a particularly high yield (potentially a warning sign of difficulty for the share). The result of these risk controls is a higher quality ETF that is more likely to result in capital growth over time.

OUTCOME 3: BETTER DIVERSIFICATION AND LOWER SINGLE STOCK CONCENTRATION

To reduce single stock risk, we improved diversification by opting for a wider starting point in addition to incorporating risk controls. The CoreShares SA Property Income ETF has 24 property shares effectively driving the majority of the index's risk and return profile; this number is called the effective share ratio. This graph shows the current shares in each index. In Figure 2b, the South African property market as represented by the FTSE/JSE SAPY index has a concentration problem, where 9 shares effectively drive the Index's risk and return.

Figure 2a: Diversification, share exposure of CoreShares SA Property Income ETF

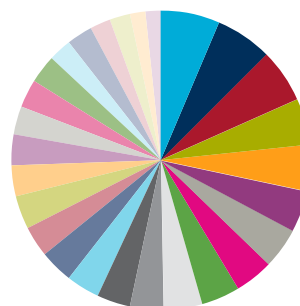
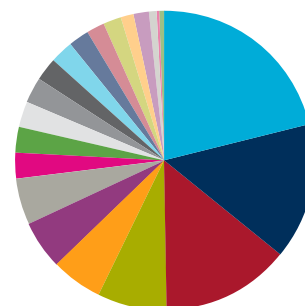


Figure 2b: Diversification, share exposure of FTSE/JSE SAPY Index





CONCLUSION

Given the key objectives of property, we believe our new ETF will deliver better outcomes to investors: better diversification, structurally higher income and potential for growth.

Our ETF is particularly suitable in a “core-satellite” framework or as an asset class/property building block for building solutions.

Figure 3a: Traditional Personal Share Portfolio

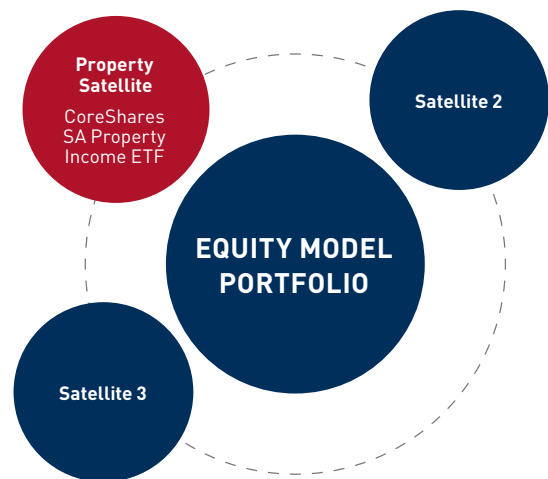
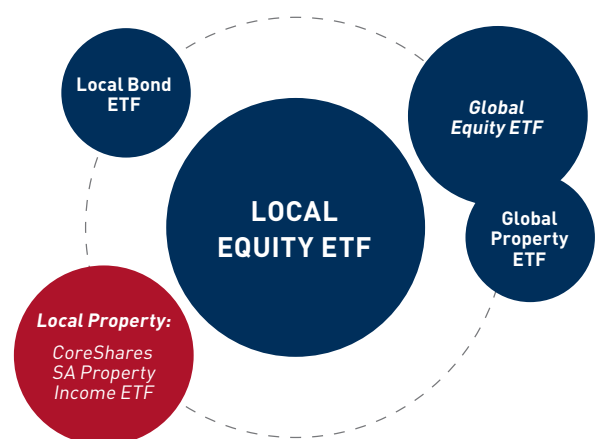


Figure 3b: ETF Strategist Multi-Asset Solution



	SA Prop Income (New)
Management fee	0.350%
Expected TER	0.463%
AuM	R 410m
Listing Date	30 October 2019
Share Code	CSPROP

To find out more, please send us an email at info@coreshares.co.za



CLIENT COVERAGE EXECUTIVE

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