

Discovery Flexible Property Fund: A decade of outperformance

15 February 2018

The Discovery Flexible Property Fund is ranked the third highest performing fund in the entire collective investment scheme industry over the past 10 years for the period ending 31 December 2017. The fund received recognition for its performance in a Moneyweb article published on 25 January 2018 titled ["SA's top unit trusts over 10 years"](#)

Top 10 unit trusts in the industry to 31 December 2017

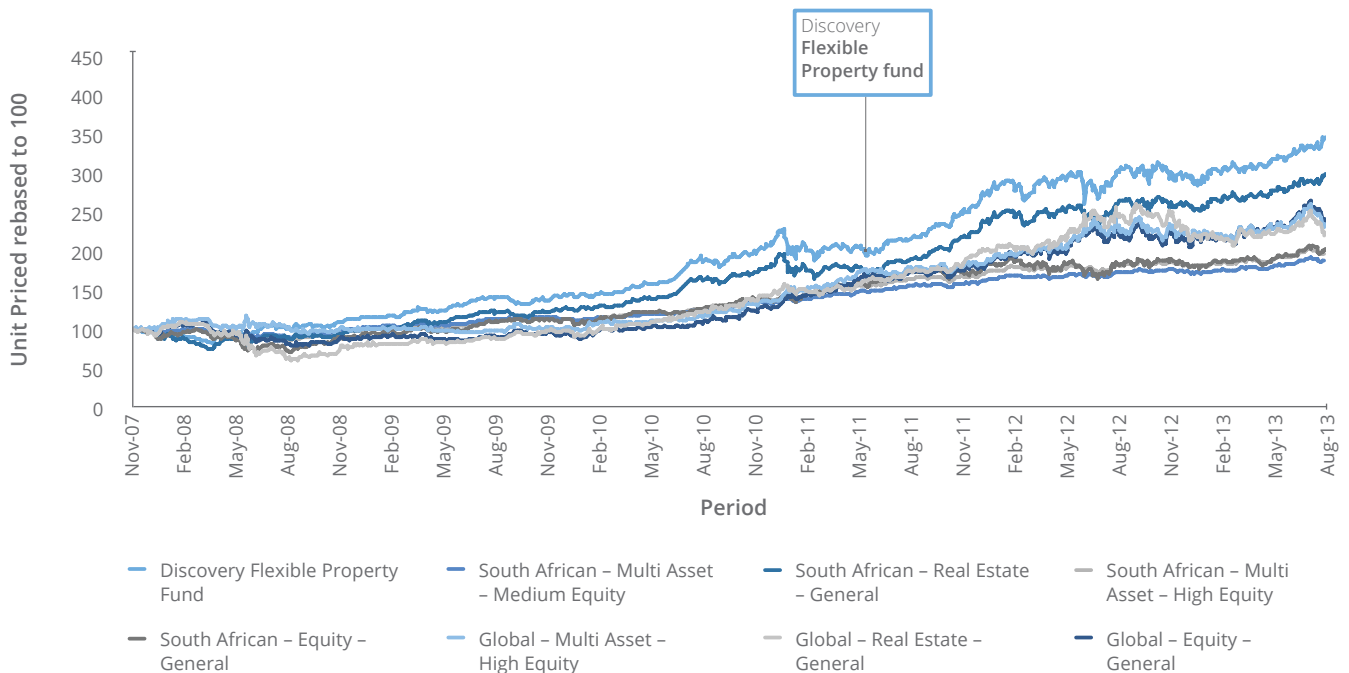
Top 10 unit trusts	10 year annualised % return
Absa Property Equity Fund A	17.75%
Coronation Industrial Fund P	16.35%
Discovery Flexible Property Fund	15.49%
Ashburton Multi Manager Property Fund B1	15.2%
STANLIB Property Income Fund B1	15.1%
Catalyst SA Property Equity Prescient Fund A	14.94%
Centaur BCI Flexible Fund A	14.88%
Prudential Enhanced SA Property Tracker Fund A	14.8%
SIM Industrial Fund R	14.75%
Nedgroup Investments Financials Fund R	14.72%

Source: Morningstar. Data as at 31 December 2017

Comparison of performance returns relative to the market sectors

The graph below compares the growth in the Discovery Flexible Property Fund to the main local and global ASISA sectors. The Discovery Flexible Property Fund has outperformed all these sectors since its inception.

The cumulative performance return of the Discovery Flexible Property Fund since inception to 31 December 2017 is **301%**. The best performing sector was the South African – Real Estate - General sector which delivered a cumulative return of 243% over this period. Clients who invested in the Discovery Flexible Property Fund have therefore received an **additional 58%** cumulative performance return over the best performing ASISA sector.



Why clients should invest in this fund

The Discovery Flexible Property Fund invests mainly in a mixture of property securities listed on the JSE such as listed property unit trusts, listed property loan stock, participatory units in collective investment schemes and foreign investments. It aims to outperform South African property equity indices as measured by the benchmark over rolling three-year periods. It further aims to provide an income yield to investors investing for the long term.

The fund follows a specialist equity strategy with international exposure. This is based on a rigorous specialist equity research process. It uses a market-relative investment and maintains at least 80% in South African listed property equity. The balance will be invested in bonds, money market and other high yielding instruments.

What has led to its exceptional performance

The Discovery Flexible Property Fund's investment team have adopted a consistent investment approach over 10 years. While consistency remains the cornerstone, the team's investment philosophy and process have been continually refined to successfully manage the opportunities and risks inherent in the sector's expansion over the last decade. This is best evidenced by the excellent long-term track record of the Fund.

Over the past ten years the team has successfully navigated significant changes in the local listed property landscape. Most notable of these have been the geographic diversification of income streams and a broadening of sector exposure from predominantly Balanced Funds (owning a combination of industrial, office and retail assets) to specialised vehicles focusing on sub-sectors such as residential and storage, or development activity. The sector has also witnessed a material increase in the level of sophistication of market participants.

During 2017, the largest contributor to the exceptional performance of the Discovery Flexible Property Fund was Sirius Real Estate, an off-benchmark portfolio holding. Sirius has an innovative management team which extracts value from intensive management of their German business parks. Zero holdings in locally-focused Octobec and Accelerate also contributed, as both counters disappointed the market with weak outlook statements for the year ahead.

Disclaimer

All data is as at 31 December 2017. This document should not be seen as financial advice.

What to know before investing in collective investment schemes (unit trusts)

Before you invest in a collective investment scheme, there is important information you should know. This includes how we calculate the value of your investment, what affects the value of your investment, and investment charges you may have to pay. This notice sets out the information in detail. Speak to your financial adviser if you have any questions about this information or about your investment.

What the investment is

This Fund is a Collective Investment Scheme (also known as a unit trust fund) regulated by the Collective Investment Schemes Control Act, 45 of 2002 (CISCA). Collective investment schemes in securities are generally medium- to long-term investments (around three to five years).

Who manages the investment?

Discovery Life Collective Investments (Pty) Ltd, branded as Discovery Invest, is the manager of the Fund. Discovery Invest is a member of the Association of Savings and Investment South Africa (ASISA).

You decide about the suitability of this investment for your needs

By investing in this Fund, you confirm that:

- We did not provide you with any financial and investment advice about this investment
- You have taken particular care to consider whether this investment is suitable for your own needs, personal investment objectives and financial situation.

You understand that your investment may go up or down

- 01 | The value of units (known as participatory interests) may go down as well as up.
- 02 | Past performance is not necessarily an indication of future performance.
- 03 | Exchange rates may fluctuate, causing the value of investments with international exposure to go up or down.
- 04 | The capital value and investment returns of your portfolio may go up or down. We do not provide any guarantees about the capital or the returns of a portfolio.

How we calculate the unit prices and value the portfolios

- 01 | We calculate unit trust prices on a net-asset value basis. (The net asset value is defined as the total market value of all assets in the unit portfolio, including any income accrued and less any allowable deductions from the portfolio, divided by the number of units in issue.)

- 02 | The securities in collective investment schemes are traded at ruling prices using forward pricing. (Forward pricing means pricing all buy and sell orders of units according to the next net-asset value).
- 03 | We value all portfolios every business day at 16:00, except on the last business day of the month when we value the portfolios at 17:00.
- 04 | For the money market portfolio, the price of each unit is aimed at a constant value. This means that all returns are provided in the form of a distribution and that a change in the capital value will be an exception and only due to abnormal losses.
- 05 | Buy and sell orders will receive the same price for that day if we receive them before 11:00 for the money market portfolio and before 14:00 for the other portfolios.
- 06 | We publish fund prices every business day, with a three-day lag, on www.discovery.co.za

About managing the portfolio

- 01 | The portfolio manager may borrow up to 10% of the portfolio's market value from any appropriate financial institution in order to bridge insufficient liquidity.
- 02 | The portfolio manager can borrow and lend scrip.
- 03 | The portfolio may be closed in order to be managed according to the mandate (if applicable).

Fees and charges for this investment

There are fees and other charges for this investment.

The fees and charges that apply to this investment are included in the net asset value of the units and you do not have to pay any extra amounts. These fees and charges may include:

- The initial fund management fee
- Commission
- Incentives (if applicable)
- Brokerage fees
- Market securities tax
- Auditor fees
- Bank charges
- Trustee fees
- Custodian fees

You can ask us for a schedule of fees, charges and maximum commissions.

The total expense ratio

- 01 | "Total Expense Ratio" means a measure of a portfolio's assets that have been

expended as payment for services rendered in the management of the portfolio or collective investment scheme, expressed as a percentage of the average daily value of the portfolio or collective investment scheme calculated over a period of a financial year by the manager of the portfolio or collective investment scheme.

- 02 | A percentage of the net asset value of the portfolio is for fees and other charges relating to managing the portfolio. The percentage is referred to as the total expense ratio (TER).
- 03 | A higher total expense ratio does not necessarily imply a poor return, nor does a low total expense ratio imply a good return.
- 04 | The current total expense ratio is not an indication of any future total expense ratios. If fees go up, the total expense ratio is also expected to increase.
- 05 | During any phase-in period, the total expense ratios do not include information gathered over a full year.

Transaction costs

- 01 | Investors and advisers can use transaction costs as a measure to work out the costs they will incur in buying and selling the underlying assets of a portfolio.
- 02 | The transaction costs are expressed as a percentage of the daily net asset value of the portfolio calculated over three years on an annualised basis. (This means the amount of interest an investment earns each year on average over three years, expressed as a percentage.)
- 03 | Transaction cost is a necessary cost in administering the Fund. It affects the Fund's returns. It should not be considered in isolation as returns may also be affected by many other factors over time, including:
 - Market returns
 - The type of fund
 - The investment decisions of the investment manager
 - The total expense ratio.
- 04 | Where a fund is less than one year old, the total expense ratio and transaction costs cannot be calculated accurately. This is because:
 - The life-span of the fund is short
 - Calculations are based on actual data where possible and best estimates where actual data is not available.
- 05 | The total expense ratio and the transaction costs shown on the fund sheet are the latest available figures.

Discovery Invest

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