

5 November 2019

## **SA PROPERTY BENCHMARK CHANGE**

Dear Investor,

The MSM Property Fund investment team has decided to change the benchmark for our funds managed from the South African Property Index (SAPY) to the All Property Index (ALPI). This change was effective from 1 October 2019.

### Reason supporting the change

The Johannesburg Stock Exchange, by request of the investment managers, launched a new suite of property indices to address the current shortcomings of the SAPY in its index construction which include

- Treatment of offshore counters: Only offshore listed property companies with a primary listing on the JSE were included, cutting out many whose primary listing was elsewhere like the London Stock Exchange, but had a secondary listing on the JSE
- Concentration Risk: Out of a selection of over 40 companies, the top 5 companies formed 60% of the SAPY index, skewing the performance to these top 5
- Limited companies: The SAPY only included 21 companies whilst the number of property companies is more than 40

### ALPI Index

The new index includes JSE-Listed property companies, both local and offshore stocks. The ALPI specifically allows only 15% weighting of individual stocks. This results in the ALPI being more representative of the sector and diversified as opposed to the SAPY. In addition, the ALPI includes more offshore companies such as predominantly UK companies (Hammerson, Intu, Capital & Counties and more) than the SAPY.

What's important to note was the performance of the benchmark last year where 4 listed companies who constituted approximately 40% of the SAPY benchmark, largely determined the negative performance witnessed due to concentration of the SAPY. Hence, a broader index is appropriate as it represents a wider scope of companies as opposed to a few individual companies.

Hopefully, the improvements in the relatively new index will better represent the performance of property as an asset class. We look forward to any further engagement you may want regarding the change.

Kind regards,

**Musi Skosana**

CEO | MSM Property Fund