

Vukile Property Fund: Adding Pizza to the Menu of Pap, Paella, and Prego

An underappreciated driver of long-term investment performance is the effectiveness, stability, and insight of an organisation’s management team. While the JSE-listed property sector hosts many credible teams, Vukile’s management arguably stands out as exceptional, particularly through the value added by their deal-making capability. This is reflected in several notable achievements, including maintaining the South African retail portfolio as a consistent growth engine, as well as being an early mover into the Iberian retail market back in 2017. After establishing its Iberian portfolio as a credible growth platform and scaling it to become 66% of the total Vukile portfolio, Vukile has now set its sights on expanding its portfolio into Italy, a strategic move that has our support.



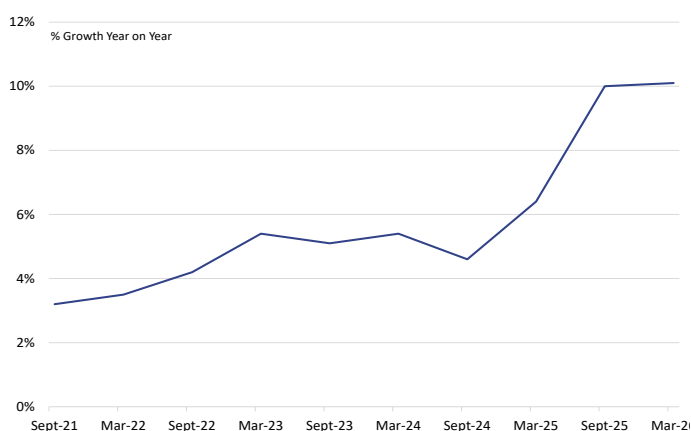
Daniel Reynard

The local foundations

Even with all the excitement surrounding its bold expansion into Italy, Vukile remains bullish on its South African retail portfolio, using it as an important base from which expand the rest of the fund rather than being viewed as a legacy portfolio to be slowly wound down. Recent acquisitions of Chatsworth Centre in Durban and Botshabelo Mall in the Free State’s largest township underpin

this view. This stance rewarded shareholders accordingly, as total like-for-like South African Net Operating Income (NOI) grew an impressive 10.1%, which is well ahead of the 5% to 7% range typically expected for the sector.

SA PORTFOLIO: LIKE-FOR-LIKE NOI GROWTH



Strong NOI growth has been driven by rent escalations, strong pricing power with tenants and disciplined cost management from solar tailwinds.

SPEED READ

- Vukile is entering the Italian market through Esperia and Pradera, giving it local execution depth while reducing new-market risk.
- We back the expansion: the €115 million entry portfolio and €200 million pipeline offer attractive yield spreads, supported by Italy’s resilient retail fundamentals.
- South Africa and Iberia prove that their model works, but Italy is where management can compound the next leg of accretive growth.

Iberian rationale: Why Spain, and how it succeeded

To understand the rationale behind management’s expansion into Italy, it is useful to revisit Vukile’s 2017 entry into Spain.

When Vukile entered Spain, the country was rebounding rapidly from the Eurozone crisis, with GDP and retail sales accelerating, while the retail property landscape was characterized by high-yielding, undermanaged properties and a highly fragmented ownership environment. The Spanish economy has continued to grow in a healthy fashion, benefiting from large tourism spending and a lower reliance on industrial activity.

Vukile entered through the acquisition of a small Spanish company, Castellana, and hired a highly experienced team from other firms to operate there on the ground. Castellana has since built a portfolio of dominant retail assets within their catchment areas, acquired at attractive high single-digit yields relative to a low cost of capital.

Castellana has created significant value by managing retail as an active, operational asset class. This includes closely tracking footfall and continuously optimising tenant mix to

boost customer spending. Assets have also been repositioned into experiential, grocery-anchored hubs to capture strong tourism flows into Iberia, driving rental growth.

The recently released March 2026 results definitively validate this track record:

- **Like-for-like NOI expansion:** The Iberian portfolio achieved 7.9% like-for-like NOI growth, continuing the positive momentum.
- **Sector-leading reversions:** Management extracted deep underlying value, locking in exceptional 17.3% positive rental reversions across renewals and new lettings.

CASTELLANA: LIKE-FOR-LIKE NOI GROWTH



Castellana's active approach to managing retail assets and capitalising on smart deal-making has validated their decision to enter the Iberian market.

Adding pizza to the menu

Vukile's expansion into Italy mirrors its successful Iberian strategy by establishing Esperia as a dedicated, in-country management vehicle, similar to the Castellana platform. To further mitigate execution risk, Vukile acquired a 35% stake in Pradera, a powerhouse European property asset manager, gaining an aligned institutional partner with over a decade of hands-on experience in the Italian market.

The initial Italy investment of €115 million comprises assets that have been managed by Pradera for over 10 years, benefiting from immediate institutional knowledge. This insider partnership allows Vukile to achieve accretive returns while limiting the execution risk associated with entering a new jurisdiction.

A ripe opportunity: scaling the Esperia platform through yield-accretive entry

Vukile's entry into Italy is underpinned by a clear opportunity to exploit the disconnect between cautious macro sentiment and better-than-expected property-level fundamentals. Through its Esperia platform, the group can access high-quality retail assets at attractive yields.

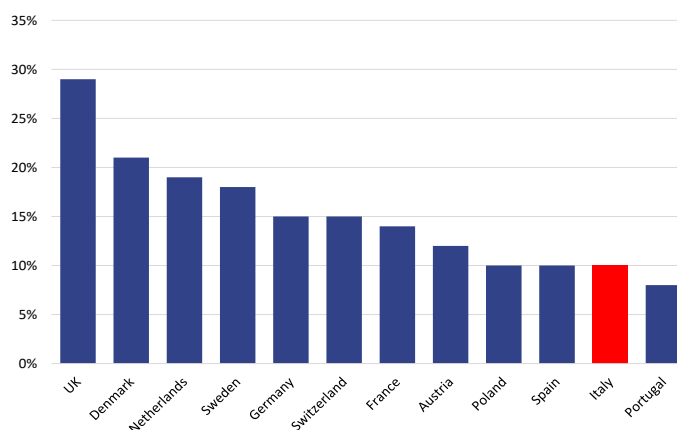
ITALIAN CHARM



Italy's world famous cuisine and magnificent cities underpin a tourism boom.

- **Structural defensive moat:** Italy's low 10% e-commerce penetration rate, comfortably below Western European peers, shields physical shopping hubs from digital disruption.
- **Resilient consumer base:** Italian household balance sheets, defined by high net wealth and low private debt, provide a stable foundation for discretionary spending at dominant regional hubs.
- **High yield spreads:** Esperia is set to acquire an inaugural €115 million portfolio at a 10% initial yield. With a further €200 million pipeline secured at an expected 9% yield, Vukile is capturing a significant arbitrage spread as the uro cost of capital is approximately 7.25%.

EUROPEAN E-COMMERCE PENETRATION



The Italian retail landscape is expected to remain at a lower e-commerce penetration level than its Western European peers, underpinning the attractiveness of physical retail assets.

Treasury insulation and balance sheet architecture

Vukile's balance sheet is a core pillar underpinning the sustainability and growth of distributions, supported by a disciplined hedging strategy that mitigates both interest rate and currency risk. 83% of debt is hedged for the next 1.8 years,

anchoring funding costs at favourable levels and limiting the impact of further rate hikes.

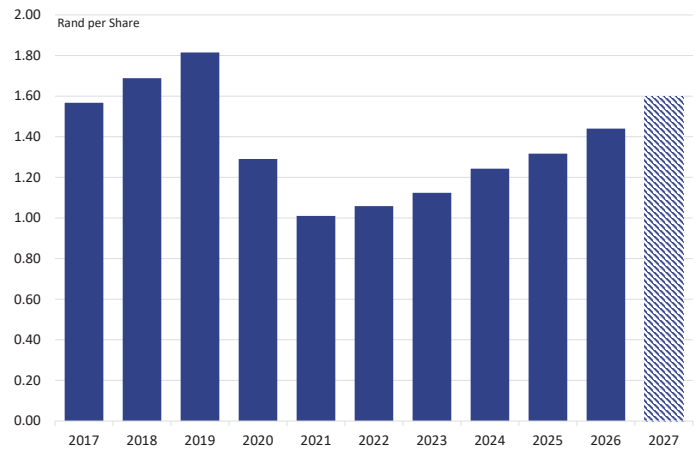
A structured Euro/Rand hedging policy, covering 100% over the next 12 months, 80% in year two, and 60% in year three, protects offshore earnings and has mitigated short-term exchange volatility while insulating local distributions from the potential long-term drag of a stronger Rand.

Conclusion

Vukile's 2026 results delivered outstanding dividend growth of 9.3% and reaffirms that Vukile's management team has a comfortable command of their operational strategy, meeting the previous guidance of at least 8%.

We maintain high confidence in management's prudent method of expansion into new markets to secure strategic opportunities. By entering Italy alongside an aligned, local partner like Pradera, they successfully mitigate execution risks. When combined with their astute dealmaking, as evidenced by their masterclass capital recycling in Iberia, this structured methodology delivers an incredibly robust, high-growth strategy.

VUKILE'S ANNUAL DIVIDEND PER SHARE



Vukile continues to offer investors robust growth after having successfully weathered the covid reset and higher interest rates.

We fully follow management's long-term vision to add pizza to the menu, and confidently back their upgraded outlook of 10% to 12% dividend growth for 2027.



Venice in Italy - a jewel in the country's tourism crown, but not renowned for its e-commerce.



Our next seminar will delve into the complicated world of AI and articulate how we have positioned portfolios to benefit from this fast-moving technology.”



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Topic:

Positioning your portfolio for AI

Natal Midlands

Date: 10th of September, 2026

Venue: Christ Church Howick, 23 Mare Street, Howick

Morning Time: 10am for 10.30am

Evening Time: 5.30pm for 6pm

Johannesburg

Date: 8th of September, 2026

Venue: Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham

Time: 7am for 7.30am

Cape Town

Date: N/A

Venue: J&J Belmont Square, Belmont Road, Rondebosch

Time: 7.30am

Venue: Helderberg Village Lifestyle Estate, 63 Bakkerskloof Rd, Helderberg Village, Cape Town

Time: 5.30pm for 6pm



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Performance figures quoted for the portfolio is from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Performance fees do not apply to any funds managed by Harvard House. The manager does not provide any guarantee either with respect to the capital or return of the portfolio. A schedule of fees, charges, and maximum commissions are available on request from the manager.



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