TRADEHOLD LTD

QUARTERLY NEWSLETTER: **MARCH 2018**

We believe the decision by international credit ratings agency Moody's to keep the South African Government's debt rating unchanged while revising the outlook from negative to stable, will further stimulate the green shoots we are seeing in the local economy. It is worth remembering that Moody's decision follows the recent announcement that GDP rose 3.1% in the last quarter of 2017.

Any growth in the local economy is sure to lead to increased demand, especially for industrial space as companies expand their businesses in the light of the prevailing new mood of optimism. In our view our wholly-owned South African subsidiary, the Collins Group, is extremely well placed to benefit from such growth.

We also believe that any growth in demand will generate renewed investor interest in the local property market; interest that in the last few years shifted to rand-hedge property companies focusing on Eastern Europe in particular.

Tradehold's involvement in the Collins Group goes back to early 2015 when we acquired its properties in the UK and elsewhere in Southern Africa. This opened the door for us to take over its very extensive South African portfolio during 2016. The portfolio, valued in August 2017 at R8.4 billion, comprises 153 properties with a total gross lettable area (GLA) of 1.6 million m^2. More than 90% of these are industrial properties – mainly warehousing and distribution centres. The total portfolio has an occupancy rate of 98.4% and a weighted average lease expiry profile of 8,1 years. Among its longstanding, long-term tenants are some of the country's foremost companies. It tells you something about the quality of this business.

Given its track record Collins is well positioned for the development of additional space to meet the needs of both existing and new clients. This should catapult the Collins Group into an exciting new growth phase.

Who is the Collins Group?

Being a privately-owned KwaZulu-Natal company of over 100 years' standing, the Collins Group has always kept a low profile. It is known mainly within the industrial property sector, where it is a major player.

This fourth-generation family business was started as a joinery workshop in 1904 in Pietermaritzburg by a British immigrant, Harry Collins. Harry had five sons. The youngest, Kenneth George, joined his father in the business and together they established the firm H Collins & Son (Pty) Ltd. By then, the business had expanded into the residential market, with the building of new houses being undertaken by its own construction division, Collins Contractors. This was the start of the property business.

Russell Collins, being the third generation, joined his father in the 1960s. Under his more than 50-year leadership, the business took off, branching out into property investment in and around the Pietermaritzburg area.

During the mid-1990's, Russell's sons, Murray and Kenneth – and we are now talking fourth generation – joined the team. The company continued expanding its operations at a rapid pace and through its subsidiaries and associated companies, acquired properties throughout South Africa as well as in neighbouring countries such as Botswana, Zimbabwe, Zambia, the Seychelles, as well as in the UK.

Richefond Circle – Collins head office in Umhlanga

Murray Collins

Kenneth Collins

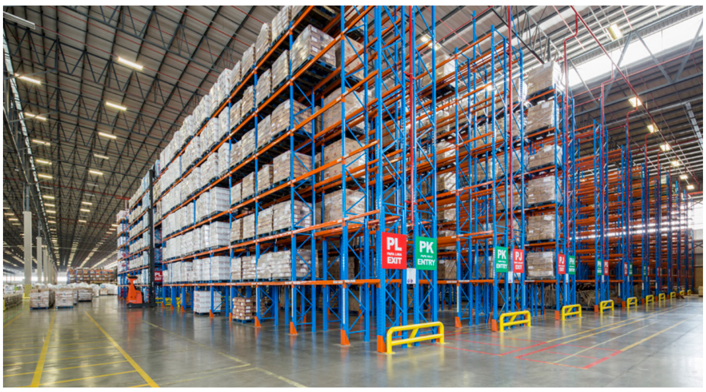
Toll, Elgin Rd, Pomona

Moving into the market for large industrial properties

Since 2004, the Collins Group started focusing on large industrial properties, particularly distribution centres. Today it owns a number of major state-of-the-art distribution centres and industrial complexes that are let on long-term triple-net leases to tenants such as Unilever, Sasol, Massmart, Nampak and Pep.

Retail represents about 6% of the portfolio. A recent area of activity has been the development of relatively small but highly successful shopping centres near major taxi ranks with prospective tenants such as Shoprite, Spar, Cambridge (Massmart) and Boxer likely to anchor such developments.

Massmart Discounters, Germiston



Massmart Discounters, Germiston

Sasol, Gosforth Park, Germiston

2018: A year of consolidation – and lots of activity!

In the previous newsletter I mentioned that Tradehold had obtained four-year funding of £63 million from Rand Merchant Bank at a rate of LIBOR plus1,66% (currently an all-in rate of 2.27%) which we've used to repay more expensive debt. This loan was granted to Tradehold at the very time of Steinhoff's collapse.

I've made the point before that there has never been any connection between Steinhoff and Tradehold – except that at the time we shared the same chairman. We were obviously concerned how the association would impact us when approaching financial institutions. It is to Rand Merchant Bank's credit that they based their decision purely on the quality of Tradehold's business and that they were not deterred by any external factors.

But back to business: We are treating 2018 mainly as a year of consolidation, working to unlock the full potential of our various businesses. This involves, as we've announced earlier, the separation of our property portfolios, which represent the bulk of our assets, from our financial services businesses in the UK and South Africa. The latter will be housed in a separately listed company registered under the name Mettle Investments.

We expect the restructuring to be finalised by the time we announce our annual results on or about 23 May.

AFRICA OPERATIONS – OUTSIDE SOUTH AFRICA

NAMIBIA

…and in Africa

We have decided not to pursue our previously announced intention of listing our Namibian assets on the Namibian Stock Exchange in Windhoek, but to integrate these assets, which represent our major exposure to other African countries, more closely with our South African operations being located within the Common Monetary Area.

This is in line with our decision to reduce our exposure to the rest of Africa due to the complexity of managing a small number of properties in different countries elsewhere on the continent. This step will also allow us to concentrate our energy on growing our portfolios in South Africa and the UK which together represent more than 90% of our property business.

We have consequently sold our few properties in Botswana while those in Zambia are on the market. We are also in discussions to dispose of our large Cognis residential development in Maputo in Mozambique and should be in a position to make an announcement soon. Units in this development are let on long-term leases to the US embassy and the American oil-exploration company Anadarko.

UNITED KINGDOM

Meanwhile, in the UK…

TIM VAUGHAN, JOINT CEO OF TRADEHOLD AND CEO OF WHOLLY-OWNED MOORGARTH PROPERTY GROUP, is focussing on driving value and income particularly out of our the major regional shopping centres and office portfolio across the UK. The shopping centres with their associated leisure facilities are located in Bolton in Greater Manchester, in Reading near London, in Edinburgh next to the main Waverley train station and in Shirley, a major suburb of Birmingham. All of these assets offer both an existing income stream that can be increased through additional lettings as well as further development opportunities such as the creation of residential space as well as hotels, bars and restaurants, and leisure facilities such as cinemas. Several planning applications have been submitted while approval has already been obtained for a number of key developments, with further applications to be submitted in the course of the year.

Happy Easter. Have a safe and happy holiday.

Friedrich Esterhuyse, Tradehold, Joint CEO