

# Texton 'is ripe for takeover'

● Fund that has doubled its portfolio value since 2014 may be a target for Rebosis, say market watchers

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Texton Property Fund, which has exposure to quality assets in the South African and UK real estate markets, but has lagged behind its peers in terms of performance, may be a takeover target for larger groups.

Rebosis Property Fund, the diversified real estate group founded by East London businessman Sisa Ngebulana, has been tipped as a likely suitor.

Rebosis already owns a stake in the UK group New Frontier Properties and may be looking to snap up some properties to enhance its UK portfolio.

Texton, which has 61% of its portfolio in SA and 39% in the UK – where it focuses on malls in secondary nodes outside of London – has been an underperformer for some years.

Last Friday, shareholders voted to internalise Texton's management company (manco), in line with many real estate investment trusts (Reits) around the world, at a cost of R180m. Some shareholders are upset as manco owners had to be paid out despite criticisms about how much value they have added.

Texton said the manco internalisation held advantages for the fund. "As denoted ... the cancellation consideration repre-

sents a circa 16% discount to the fair market value of the asset management contract," said CEO Nosiphiwo Balfour.

The transaction would adhere to local and international Reit best practice, align staff and management interests with Texton shareholders and remove conflicts of interest arising from the external management model, according to Balfour.

Texton Property Fund was formerly called Vunani Property Investment Fund.

A consortium led by industry stalwart Angelique de Rauville bought the management company from the office-dominated Vunani for R117m in 2014. De



**R13.40**  
the price of  
Texton  
Property  
Fund shares  
on March 6  
2015

**R7.10**  
the price of  
Texton  
Property  
Fund shares  
on Thursday

Rauville soon after became CEO of Texton Property Fund, but has since left her position – as has her successor, Nic Morris.

Texton's share price hit a high of R13.40 on March 6 2015. Its shares were trading at about R7.10 on Thursday afternoon.

Texton's board said the fund had made progress since the deal with the consortium.

"Texton Property Investments has been instrumental in growing the property portfolio by value, from R2.2bn in 2014, to the current R5.5bn over a three-year period," the board said.

Garreth Elston of Golden Section Capital said that Texton had been a potential target for a

while, and that Rebosis might be an acquirer. Rebosis's incoming CEO, Andile Mazwai, declined to comment, saying the company was in a closed period.

Paul Duncan of Catalyst Fund Managers said Texton would pose some challenges for any would-be suitor. "I think a lot of companies may have had a look. I suspect they would have walked away when they realised there is no free lunch – in fact, far from it," said Duncan.

"Shareholders are upset they have to pay R180m to internalise the manco and pay a management team that in their view have destroyed value...."

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