

# Reitway Global Property Fund

- › August was back to rangebound for the GPR 250 REIT Index with a -3.20% (USD) return.
- › Specialised was the best performing sector, delivering 1.65%.
- › Digital Realty, riding the crest of the AI boom, was the biggest contributor to specialised outperformance (5.70%).

August 2023

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## Market Commentary

August was back to rangebound for the GPR 250 REIT Index with a -3.20% (USD) return pulling it below the 1,310 support to end the month at 1,285. The biggest perpetrator of this illness had been regional malls, producing -7.22%, while the cure seems to have been specialised, delivering +1.65%. Digital Realty, riding the crest of the AI boom, was the biggest contributor to specialised outperformance (+5.70%).

Of the continents in the GPR 250 REIT Index, Asia performed the best, producing -0.7%. Africa was the worst performing continent, producing -4.6%. It was Japan that took Asia by the reins, having found returns in positive territory (+1.6%).

Pressure was felt by German property developers with no less than five filing for bankruptcy. Despite this, German politicians continued to beat the hammer down on the sector, proposing further draconian rental legislation. New proposals included increasing the lookback period of existing rent indices from 6-7 to 10 years and tempering the maximum permitted rent growth over three years in tight markets from 11% to 6%.

Coastal markets in the US saw more grease added to its insurance slew. Tropical storm Hilary hit Southern California, bringing with it further complications for a market that has been experiencing insurance policy halts, driven by recent wildfires and regulatory caps on premium increases. The rainfall record in Los Angeles was beaten by a landslide, and tens of thousands of households and businesses had lost power. Days later, Hurricane Idalia started hitting parts of southeastern United States, North Florida included. Although a growing concern, insurance expense remains a relatively small component of REITs' operational expenditures.

Dish, an up-and-coming national mobile carrier in the US, announced that it will remerge with EchoStar in a move targeted at creating a terrestrial-satellite telecommunications powerhouse. For tower companies, near-term implications are a healthier and competitive tenant with a robust capital structure that will aid the company in getting ahead of its spectrum shot clock.

A confluence of forces had come together to give a new meaning to higher for longer, this time specifically on the long end of the US yield curve. The ten-year yield started the month at 3.97%. By August 21st, it had surged to 4.34%, its highest level since right before the global financial crisis. It ended the month on 4.09%. Forces included steadfast quantitative tapering, elevated treasury issuance post the debt ceiling buffoonery, Fitch cutting the US' sovereign rating from AAA to AA+,

and financial regulators making it harder for banks and other financial institutions to purchase long-end treasuries.

China continued its data depression shenanigans, suspending the youth unemployment statistic as it undergoes a methodology revision. Youth unemployment skyrocketed this year, from 16.7% to 21.3% as of June. Crumbs and hope are still the only nourishment the Chinese Communist Part is serving the market. This piece meal stimulus has continued to fail in sustaining a market rally. Moves for the month of August included earlier than expected rate cuts for the one-year medium-term lending facility and 7-day reverse repo (15 bps and 10 bps respectively), and a 10 bps cut in the loan prime rate. Measures aimed directly at the stock market included reducing trading costs, slowing the pace of initial public offerings, encouraging margin financing, and protecting small investors.

**In a transitioning environment**, which brings uncertainty, we reiterate our preference for hybrid companies (possessing both offensive and defensive characteristics) with structural tailwinds that provide a layer of economic insulation.

If you would like to set up time to speak to us or for more information on any of [our funds](#) please contact [oliviat@reitwayglobal.com](mailto:oliviat@reitwayglobal.com) / 082 676 6115 or [laurend@reitwayglobal.com](mailto:laurend@reitwayglobal.com) / 060 587 5086

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