

Reitway Global Property Fund

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- › The portfolio delivered a solid +6.50% for July.
- › The best performing region in the portfolio was Spain where our specific exposure to the Tower sector name of Cellnex Telecoms delivered 6.98%.

Marius du Preez, July 2024

Market Commentary

The portfolio delivered a solid +6.50% for the month compared to the GPR 250 REIT Index which delivered +6.32%. This has brought the YTD performance of the fund to 0.54%, or in essence flat. The last three months have all seen positive returns and in total is up over 11% over this period. The asset class has at last gained some traction after central banks started raising interest rates globally to combat escalating inflation in back in 2022. There is a sense of some interest rate relief on the cards where some regions and countries have already started cutting rates and the United States' Federal Reserve possibly expected to cut interest rates in September this year.

The annual inflation rate in the US for June was released on 11 July and come down by 0.3% to 3.0%, beating the consensus estimate by 0.1% and REIT investors found it a positive reading. This was the third straight month of the rate falling and the lowest it has been since June 2023. Energy costs rose at a slower pace (1% vs 3.7%), due to gasoline (-2.5% vs 2.2%) and fuel oil (0.8% vs 3.6%) while utility gas service (3.7% vs 0.2%) accelerated. A plethora of positive data points supporting the decline in the inflation rate led to the decrease and even surprise to some. The inflation rate is still above the Fed's target over the long term of 2%. PCE (Personal Consumption Expenditure) which is what the US Federal Reserve uses as a gauge of the economy's health remained unchanged in June as the data was release in July.

In many ways there were not a lot of regions around the globe that did not contribute to the monthly returns of the portfolio, but the best performing region in the portfolio was Spain where our specific exposure to the Tower sector name of Cellnex Telecoms delivered 6.98%.

The second-best performing region was Germany with specific exposure to the Residential sector contributing positively to the performance of the fund. Although the names in these regions were not in the top handful of performers for the month, they are regions where we have hand picked these names and has thus contributed significantly in these smaller regions.

The worst performing region where the portfolio had exposure was France and in specific Unibail-Rodamco-Westfield (URW) which has been under pressure from significant cost overruns for its most important development project currently underway. We have in fact exited this position on the news.

The Industrial sector have been the standout sector in July. We saw a rebound in these names from some negative sentiment over recent times based on strong results. Global giant Prologis (+12.23) had a great month as well as Terreno Realty (+15.60%), which constitute almost 10% of our portfolio. Together with them, the Cold Storage sub-sector of Industrial delivered strong returns (COLD +17.03%) which make up 2.16% of our portfolio. This was on the back of speculation of an IPO of another giant Cold Storage REIT to be listed, Lineage (LINE). The portfolio has been hurt by the underweight exposure to the Office sector, but we still believe the medium to long term forecasts for growth in the sector is not warranting any additional exposure at the moment.

Uniti Group (+31.51%), a communications infrastructure specialist, was the best performing stock in the portfolio and the returns generated came from a recovery in the stock name from being hit down significantly due to a deal with an old associate Windstream which the market did not appreciate. There seems to be unjustified dislike of the business which is trading far below consensus valuations. We will continue to monitor the company and will make decisions in the interest of our clients. The second-best performing stock was Americold (+17.03%) and have been discussed above already. In third was SBA Communications which forms part of the Towers sector which has delivered excellent results on the back of optimism over possible interest rate cuts due to their higher-than-average debt levels compared to other sectors.

Fund positioning remains roughly the same (quality, value, structural trend riders, and blend between offensive and defensive), with a slight uptick in risk appetite due to continuing optimism growing in markets awaiting rate cut announcements with the possibility of September seeing the first cut.

We believe real estate fundamentals are still sound and remain steadfast in our belief that the asset class can post meaningful returns relative to stocks and bonds, even against a slower-growth, higher-inflation backdrop.

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 / 082 676 6115 or laurend@reitwayglobal.com / 060 587 5086

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