

# REITWAY REVIEW – EDITION 17

For the quarter ended 30 June 2017

## MARKET COMMENTARY – 2Q17

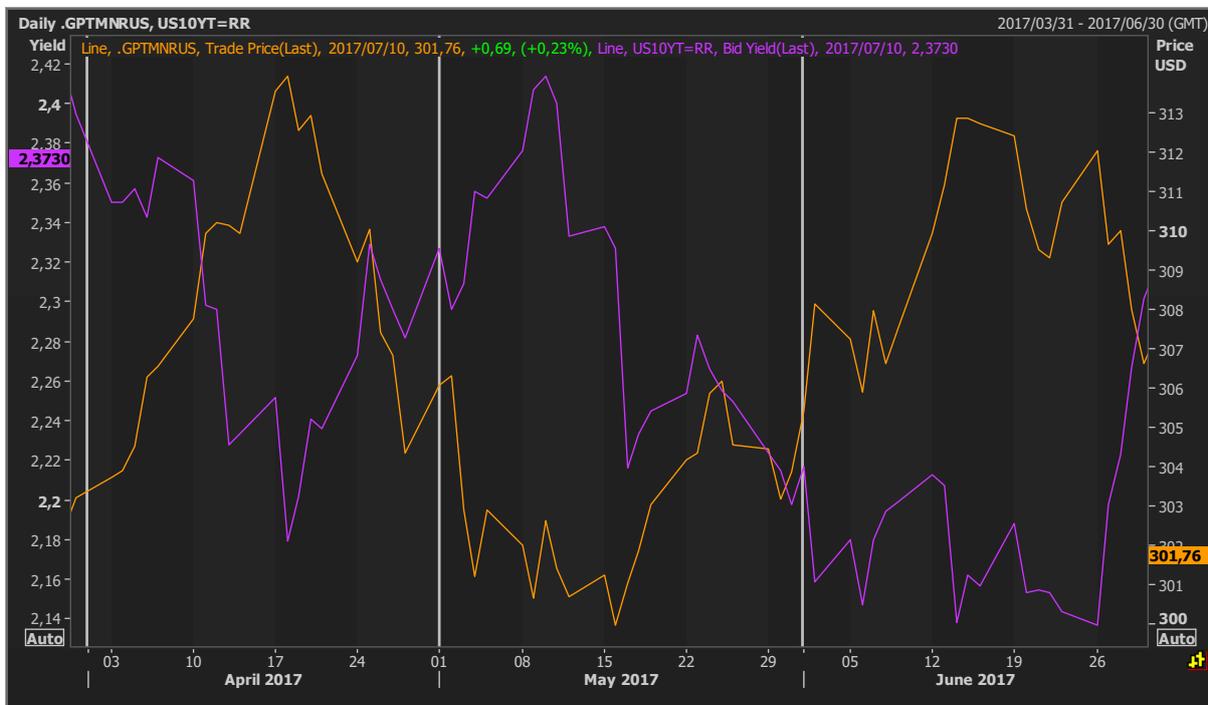
Global real estate securities, as measured by the GPR 250 REIT World Index, generated a modest total return of 1.12% in U.S. dollars during the second quarter of 2017. The macro backdrop was generally supportive as global growth continued at a measured pace while inflation data remained soft.

Bond market volatility picked up noticeably during the last week of June as investors digested a string of hawkish comments from previously dovish central banks. An optimistic speech from ECB President Mario Draghi set the tone, triggering the biggest single day rise in German bond yields in over two years. This was followed up by comments from BoE Governor Mark Carney and BoC Governor Stephen Poloz suggesting that higher rates may be needed soon in the U.K and Canada, triggering sell-offs in Gilts and Canadian bonds.

U.S. Treasury yields rose in sympathy with the global move, even without any positive U.S. data or more hawkish Fed commentary.

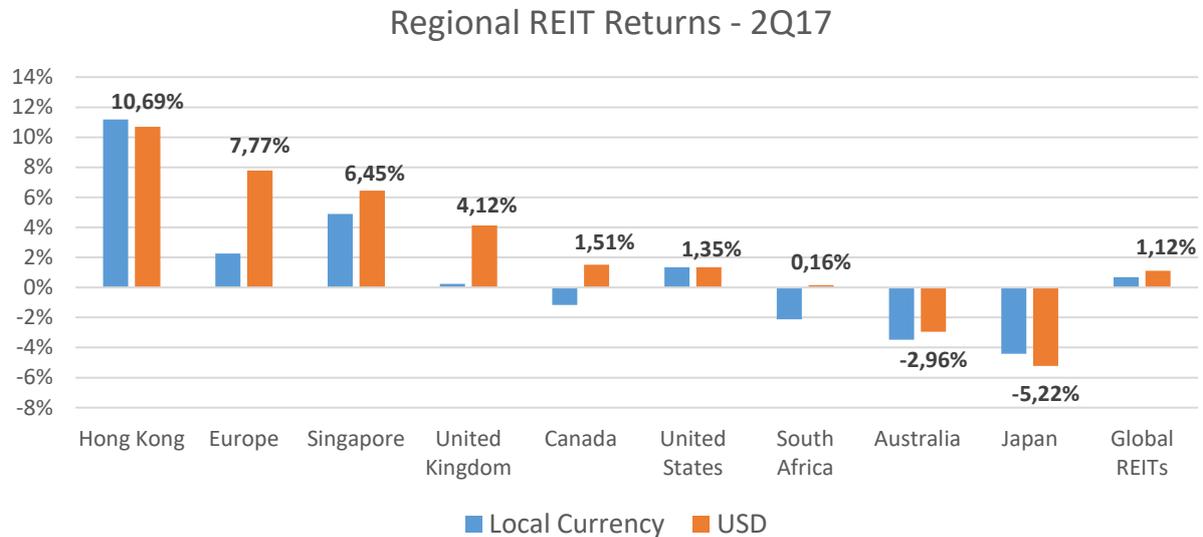
The chart below displays the total return of the GPR 250 REIT World Index (orange) versus the US 10-year bond yield (purple) over the second quarter.

**GPR 250 REIT World Index versus US 10 year Treasury yield – 2Q17**



Source: Thomson Reuters EIKON

The diagram below shows the total return for the respective regional global REIT markets in 2Q17.



Source: Global Property Research, Reitway calculations

As usual, we also provide brief highlights on some of the best and worst performing regions.

#### Hong Kong

In Hong Kong, retail landlords, such as Link REIT advanced 10.69% in U.S. dollar terms amid a decline in bond yields and an improvement in retail sales data due to higher tourist arrivals. The residential market was strong (in terms of both volumes and prices), despite more housing policy restrictions announced by the government.

#### Europe

The REIT market reacted positively as centrist candidate Emmanuel Macron defeated nationalist candidate Marine Le Pen in May's run-off in the French presidential election, easing fears that France could start down a path toward leaving the Eurozone.

#### Australia

Australia had mixed results. Westfield, which mostly owns U.S. malls, significantly underperformed, consistent with growing concerns around U.S. mall fundamentals. Industrial companies were among the positive performers for the quarter, continuing to benefit from a favourable global logistics backdrop and the possibility of incremental demand growth should companies like Amazon enter the Australian market.

#### Japan

In Japan, developers generally performed well, although there was a wide dispersion in returns as investors reacted to earnings announcements. Although Japan's economy has shown signs of improvement, the overall J-REIT market has been soft recently amid fund outflows from domestic investment trusts.

## PORTFOLIO PERFORMANCE REVIEW– 2Q17

The Reitway BCI Global Property Fund outperformed its benchmark by 4.64% with both stock selection and country/sector allocation contributing to performance.

In terms of stock selection, holdings in the apartment, retail, self-storage and industrial sectors were the largest contributors to results. Looking at sector allocation, the Fund's overweight to U.S. specialized (towers & data centres) and German apartment sectors also added value. German apartments saw sizeable gains, aided by a government survey confirming strong average residential rent momentum in Berlin. Landlords use these surveys to adjust their rents on existing leases.

Conversely, the Fund's underweight to the industrial and health care sectors modestly detracted from performance.

Reitway continues to deliver excess returns relative to peers and maintained a first quartile ranking over most periods.

### Peer Group comparison

Reitway BCI Global Property Fund vs Peer Group Average (ZAR)					
	1yr	2yrs	3yrs	4yrs	5yrs
Reitway BCI Global Property Fund	(10.16%)	11.30%	11.03%	12.72%	18.63%
Peer Group Average	(11.04%)	7.00%	9.60%	12.02%	16.49%
<b>Excess Return</b>	<b>0.88%</b>	<b>4.30%</b>	<b>1.43%</b>	<b>0.70%</b>	<b>2.14%</b>
<b>Peer Group Rank</b>	<b>7/13</b>	<b>1/9</b>	<b>1/7</b>	<b>2/7</b>	<b>1/6</b>

Source: MoneyMate. As at 30/06/2017. All periods greater than one year are annualised.

## REITWAY NEWS

### REITWAY GLOBAL TAX-FREE SAVINGS PLAN

Are you making effective use of tax-free savings in SA?

Amounts up to R33 000 per annum and R500 000 in total from a qualified tax free investment is exempt from normal tax (this includes income on the investment as well as any profits arising on the disposal of the investment). This is an effective way to build up your savings pool over the long term.

Our Reitway BCI Global Property Fund has been listed as an investment option on the STANLIB Unit Trust Tax-Free savings Account offering. This combination exposes your savings to the potential growth inherent in Global Property and the generous tax benefits.

Let us assist you in starting to generate the benefits from this today, click [here](#) to send Olivia Teek an email containing your Name, Surname, ID number and Tax Number. Our administrator from STANLIB will then contact you for the FICA details required as well as the additional information you would require.

### US REITway DAILY

We have launched our newsletter, the “**U.S. REITway DAILY**”. The publication is an edited version of the note we receive from Raymond James & Associates (one of our research providers in the U.S.) and will provide thought provoking insights (and some humour) into the US REIT market. Whilst the focus will be on US REITs, much of the content has a bearing on Global REITs as well.

We encourage you to try it out as you can always unsubscribe if the contents are not suitable for your investment requirements.

Click [here](#) to subscribe

### ON-LINE TRANSACTION AND STATEMENT ACCESS

For online transaction and statement access complete the “Reitway BCI Global Property Fund – Online registration form” found [here](#), (South Africa) then scan and email to [instructions@bci-transact.co.za](mailto:instructions@bci-transact.co.za)

Login details will then be sent to you via email and your initial password will be sent via SMS. Once received log on to <https://www.bci-transact.co.za>

Apart from saving the environment the benefits to you are:

- **Improved security.** Only you can obtain your investment statements on our web portal via this logon process with your private login details.
- **Improved efficiency.** Along with the ability to transact online (invest, switch, redeem units) there will be more information available to you such as historical investor transactions and other static information.

### AUSTRALIA – REITWAY GLOBAL PROPERTY PORTFOLIO

A reminder; our Australian domiciled fund has been approved by the FSB and is now available to our South African investors. Click [here](#) for more information on our fund.

In addition; the Australian fund data is available on Morningstar.

### REITWAY GLOSSARY

Our Glossary has been updated with more REIT specific definitions. Click [here](#) to view.

*Regards,  
The REITWAY team*

For more information about the performance of our funds and investment methodology, please visit our website at [www.reitwayglobal.com](http://www.reitwayglobal.com).