QUARTERLY INVESTMENT REPORT

30 June 2023

Reitway BCI Global Property Feeder Fund

Contents

Redefining Investment in Listed Property

Market Overview

Investors entered the second quarter with a heightened sense of vigilance, anticipating a potential economic downturn and speculating on the Federal Reserve's (Fed) future interest rate cuts. However, as the quarter progressed, the economy displayed resilience with no signs of a downturn, and inflation remained persistent, leading to expectations of the Fed maintaining higher interest rates for an extended period.

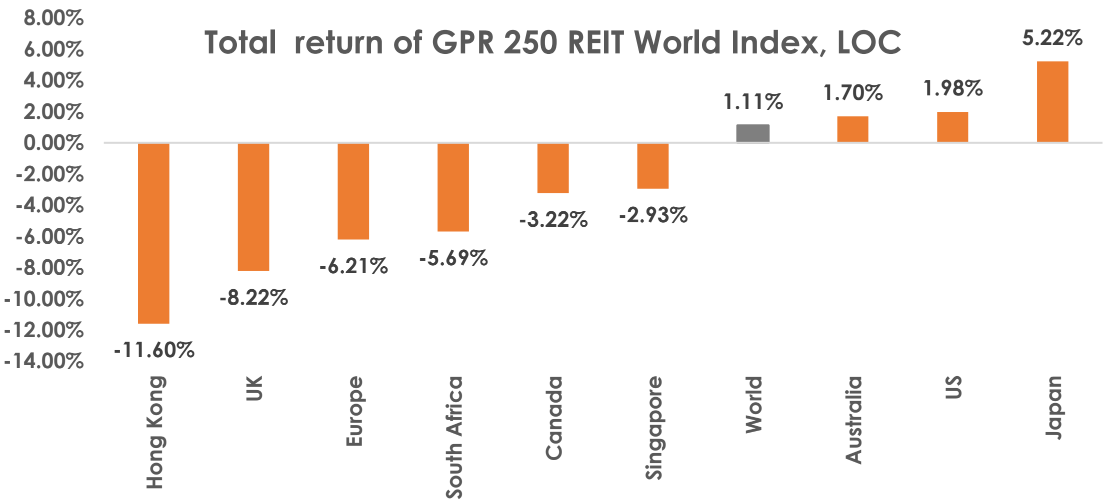
During this period, the market exhibited notable divergences in performance.

A group of prominent stocks played a pivotal role in driving most of the equity market rally. The economic uncertainty hasn't stopped a big rally in mega-cap stocks such as Apple (AAPL), Meta Platforms (META), and Nvidia (NVDA), along with a group of names that investors are betting will benefit from the artificial intelligence frenzy, while the broader market remained relatively subdued. The **S&P Global Broad Market Index (BMI)** gained 6.0% during the quarter.

The shifting market sentiment surrounding the Fed's policy outlook had a slight downward impact on the rate-sensitive bond market with the **J.P Morgan Global Aggregate Bond Index (GABI)** declining by -0.6%.

Global REITs, as measured by the **GPR 250 REIT World Index**, gained 3.2% in June, which brought the total return performance for the second quarter to 1.1%. While the asset class delivered a positive return, the sector continued to trail the overall performance of the equity market.

Japan (+5.22%), the **US (+1.98%)** and **Australia (+1.70%)** put up positive returns, while the remaining markets delivered negative returns ranging from **(-2.93%) for Singapore** to **(-11.60%) for Hong Kong.**



Source: Reitway Global & Refinitiv. As of 30/06/2023

Sector Commentary

The semi-annual Nareit conference, REITweek, a gathering of investors, analysts, management teams, bankers and other professionals associated with the listed real estate world, took place in New York during the first week of June.

The conference participants expressed apprehension regarding the affordability and accessibility of debt, as well as an overall increase in the cost of capital. They also emphasized the need for private real estate values to undergo further correction to narrow the existing bid-ask spread. Interestingly, there appeared to be less overt worry about the economic climate, with a prevailing sense of confidence in the stability of cash flows and growth in sectors such as industrial and apartments. Anticipated shortages in specific sectors over the next few years are expected to have a positive impact on REIT fundamentals. However, due to concerns about declining value, limited transaction activity, and the availability of capital, capital allocation plans are currently on hold.

More detailed insights on each property sector can be found below.

Apartments

Pricing power is still healthy heading into peak leasing season. For most REITs, new lease growth is accelerating into summer, while there is some moderation on renewal rent growth due to tougher year over year comparisons. Most REITs are sending out renewals north of 5% through July. Occupancy across portfolios is stable, although pockets of pressure are starting to present themselves in certain markets.

Coastal trends are converging with Sun Belt markets which are facing record levels of supply over the next two years. Across the board, management teams remained convinced that recent construction start volumes will come down in the back half of the year, due to capital from regional banks staying on the sidelines. Anecdotally, REITs are expecting upwards of 50% declines in new starts in 2023 on a year over year basis.

Expenses are trending in line with initial management guidance. REITs are centralizing more operations and wringing out additional efficiencies to combat mid-single-digit payroll costs. Structurally, lower turnover is helping keep a lid on repair & maintenance costs. Headwinds are coming from property taxes and insurance. The broader insurance market issues are making REITs consider more self-insurance moving forward.

It's still too early to tell where property tax assessments will shake out in '23, although outside of California, 6-7% property tax growth still seems reasonable. Expectations are for a deceleration of growth in future years as municipalities adjust values to reflect the impact of higher rates.

Data Centres

The overnight success of ChatGPT and other AI applications has data centre landlords excited about upcoming new leasing activity. While it is still early innings for AI deployments, enthusiasm surrounding how much new demand could be generated suggests sector-wide growth prospects are on a favourable path.

Record absorption over the past six quarters, global supply constraints, little-to-no vacancy across top markets, and development pipelines pre-leased two years out, are all contributing to a supply/demand imbalance which is pushing rental rates upward. Global hyperscale rents have risen ~10% on average over the past year, with certain severely supply constrained markets like Ashburn, VA seeing rates as high as $140/kW per month, nearly double the level this low-cost market was commanding a couple of years ago.

Healthcare

The trajectory of senior housing fundamentals is positive heading into the key leasing season (2Q-3Q). Some landlords mentioned that resident touring activity in recent months is above last year's levels and agency labour usage across the industry is moving in the right direction. Given the strong demand backdrop and muted development pipeline, management teams expect a prolonged runway of inflation beating topline growth.

Medical office operations are steady and demand from tenants is healthy. Pricing power is strong versus historical trends and the bias on annual escalators on new contracts appears to be up from the mid-2% range to low-3%, and,in less common cases, north of 4%.

Skilled nursing facility (SNF) management teams generally leaned more positive relative to past NAREIT discussions post-Covid, but largely in line with the tone from 1Q earnings. Occupancy growth has decelerated from January/February's strong gains, and 30-40 bps improvement per month appears to be a fair betting line. Labour availability continues to be a pain point for operators, with most budgeting mid-single digit wage growth for the year, and occupancy likely needs to settle ~100-200 bps higher than pre-Covid levels to reach prior margins given the rise in expenses.

Management teams were upbeat on recent and upcoming legislative changes at both Federal/State levels. While mainly speculation at this point, and the exact details of the legislation being anybody's guess, minimum staffing mandate provision is expected to be rolled out thoughtfully and in a way that won't impact most SNF profit margins.

Industrial

Industrial fundamentals are healthy, though demand has normalized to around pre-pandemic levels. Several REITs provided operating updates ahead of the conference, reporting further acceleration of releasing spreads and solid occupancy levels. Tenant demand continues to be broad-based.

However, most REITs have observed a softening in incremental demand for big-box assets (>500k s.f.), as many large national tenants curtail capital decision making amid the current economic environment given that tenants often invest >$50 million inside a facility after it is leased. This slowdown in big-box demand likely elongates the lease-up period for many development projects.

New development starts are heading lower due to tighter construction lending, stemming from issues in the banking sector. REITs generally estimated a ~40% YoY decline in starts activity in the first quarter and expect a steeper near-term fall.

The nearshoring of manufacturing activities in Mexico has greatly bolstered industrial fundamentals in border markets such as El Paso and Southern San Diego. Management teams also anticipate the onshoring of EV, solar, and chips related manufacturing to serve as a source of incremental industrial demand, this because suppliers will presumably require additional warehouse space near the manufacturing sites. Certain secondary and tertiary markets stand to benefit from this trend, much more so than higher-cost coastal markets.

Office

The office sector is on shaky footing given sustained remote work trends and what appears to be a slowing economy. While several management teams noted an increase in leasing pipelines vs. the start of 2023, signed leasing volume is light relative to last year's levels. Given high market vacancies and sublease availability, this is likely to translate into additional pressure on rents and occupancy.

Return to office mandates from large corporations and rising utilization rates within REIT portfolios are reasons for optimism. That said, utilization rates on average are still below pre-Covid levels (~60% on average) and it remains to be seen if this will translate into a material increase in leasing activity.

A ranking of office markets would see the Sun Belt markets at the top, followed by several non-gateway markets (e.g., San Diego), Boston, New York City, D.C., with tech-heavy West Coast markets lagging. While Sun Belt fundamentals are likely to stay on sturdier footing, they will not be immune to the cyclical nature of the office business.

Asset values are tough to peg given significant cyclical, secular, and capital market headwinds, although the bias is for lower values across all markets.

Storage

Self-storage operating trends appear to be underwhelming up until now in peak leasing season. While demand drivers in storage are widespread, new leases signed in the summer months are typically helped by home buying activity and increased mobility – both of which are muted.

Move-in rates declined in the low double-digit range year over year across the board in May. This is consistent with 1Q23 results, driven by tough comparisons from the first half of 2022 and high mortgage rates that have kept home buying activity low. Existing tenant rent increases (ECRIs) clock in the 11-15% range, with customers exhibiting little sensitivity as move-out activity closely approximates the averages seen in '12-'18. As such, ECRIs are expected to drive same-store revenue growth in '23.

In May, same-store occupancy continued to tick down, averaging ~92.5% for the REITs, which is roughly 350 bps off the peak levels seen in 2021.

New supply has historically presented the largest headwind to self-storage fundamentals. Consequently, it is a slightpositive that deliveries are expected to decelerate in the near term due to construction costs and labor shortages, both of which have kept starts low in recent years. In addition, REIT teams agreed that most new supply data for the industry is inflated by projects that are being abandoned.

Retail

The uncertain macroeconomic environment has not discouraged retailers from pursuing their store opening plans. Retailers typically occupying anchor space already have their eyes set on 2024 and 2025 store openings. Management teams are cognizant that the positive momentum could change quickly and are actively looking for signs of weakness, but the anticipated pullback in retailer demand has not materialized.

Conversations with management teams often revolved around how to capitalize on the strong leasing momentum; how much leeway there is to push for higher rents while ensuring that retailers are not overburdened, and how quickly occupancy levels can revert to prior historical highs. Market rent growth in the strip centre sector has rarely exceeded inflation by a wide margin, but the recent strength and resiliency in retailer demand is making market participants question whether that historical pattern could prove too conservative going forward.

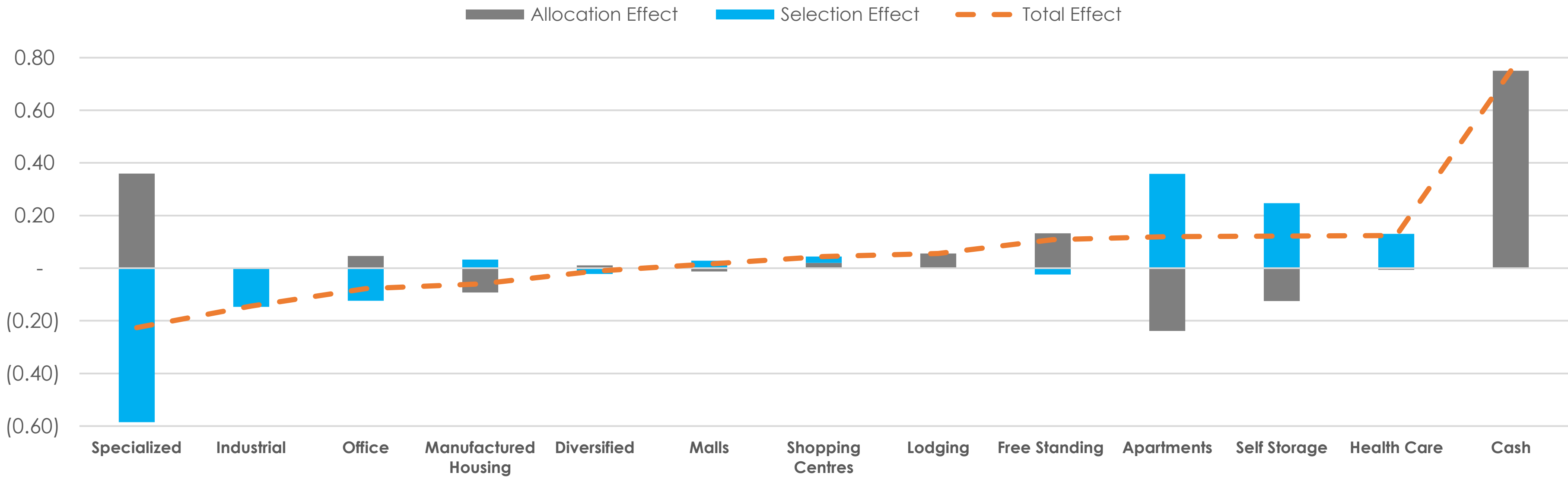
Towers

Growth in mobile data usage is showing no signs of slowing, which should bode well for U.S. macro-tower new leasing prospects over the next five years. Although it's difficult to predict what the next "killer app" may be to keep consumers glued to their mobile devices , odds feel likely that history will repeat itself and something will emerge, leaving macro-towers as a crucial component to 5G network buildouts.

Artificial Intelligence should prove to be wind in the sails for other digital real estate sectors (i.e., data centres), though towers are unlikely to see a near-term benefit. However, in the long run any new technology that increases data traffic should prove beneficial for the sector.

Portfolio Performance

The Reitway Global Property Portfolio gained 1.18% in USD terms during the second quarter, outperforming the GPR 250 REIT World Index by +82bps. Allocation effects contributed positively while selection effects detracted slightly.



Top 3 Performers		
	Security name	**Return**
1.	Digital Realty Trust	17.17%
2.	Boardwalk REIT	15.92%
3.	Welltower Inc	13.69%

Source: Reitway Global & Refinitiv. As of 30/06/2023

Key contributors:

Stock selection in the Health Care sector

The recession-resilient and defensive, needs-driven nature of healthcare is increasingly top of mind for investors in the current, uncertain, economic environment. Welltower and Ventas delivered attractive returns during the quarter, and we remain optimistic that improving labour headwinds, coupled with occupancy gains, can help these REITs to achieve robust revenue, NOI and earnings growth.

Stock selection in Residential sector

Our positions in Single Family Rental REITs as well as select Coastal Apartment names continued to lead during the second quarter. Our Canadian exposed apartment REIT (Boardwalk) also delivered very solid relative returns during the quarter.

We continue to believe that rental levels and lower turnover will be supported by higher cost of homeownership and that operating results for this need-based sector will remain robust over the coming months.

Stock selection in the Storage sector

The storage sector benefitted from resilient fundamentals as well as an M&A spark after Extra Space Storage (EXR) agreed to acquire Life Storage (LSI) in an all-stock deal at a 30% premium to LSI's unaffected price. The deal is expected to close before the end of the third quarter.

Bottom 3 Performers		
	Security name	**Return**
1.	Rexford Industrial Realty	-11.81%
2.	Link REIT	-11.45%
3.	W.P. Carey	-11.39%

Source: Reitway Global & Refinitiv. As of 30/06/2023

Key detractors:

Stock selection in the Industrial sector

Southern California fundamentals were the biggest investor focus given the impact of the labour disputes on container volumes, the uptick in 1Q market vacancy and concerns about the pace of market rent growth. All of this led to the relative underperformance of Rexford Industrial Realty (REXR) during the second quarter. REXR management indicated at Nareit that demand and market rent growth have certainly moderated, but the overall conditions are steady.

Despite the macro related uncertainty, we believe the outlook for the Industrial sector remains positive given very strong fundamentals.

Stock selection in the Specialized sector

While our overweight allocation to the specialized sector boosted our relative returns, our off-benchmark position in US Towers detracted from results. The allocation contribution was mainly from the data centre (DC) sector that benefitted from a higher correlation to the tech heavy Nasdaq and buzz around AI. Although supply is expected to remain elevated, demand remains very strong and space availability is at record lows which bodes well for future pricing power.

The tower names have lagged the overall market materially since the start of the year due to high leverage, fixed escalators below prevailing inflation rates and slightly lower growth prospects than in past years. Mobile data consumption, however, continues to grow consistently, providing for a positive longer-term outlook for durable growth. We believe this will lead to incremental buyers when interest rates peak and the economy starts to slow.

Reitway BCI Global Property Feeder Fund (ZAR) - Annualised

	1 Year	3 Years	5 Years	7 Years	10 Years	Since inception
Reitway Global	5.06%	3.74%	8.69%	5.73%	10.25%	13.23%
GPR 250 REIT World Index - Net TR	11.01%	8.90%	8.58%	5.08%	11.08%	13.65%
Relative to ASISA Peer Group Avg.	-0.83%	-1.43%	2.66%	2.19%	1.78%	

Annualised return: The weighted average compound growth rate over the period measured.

Source: Reitway Global & Refinitiv. As of 30/06/2023

All periods greater than 1 year has been annualised.

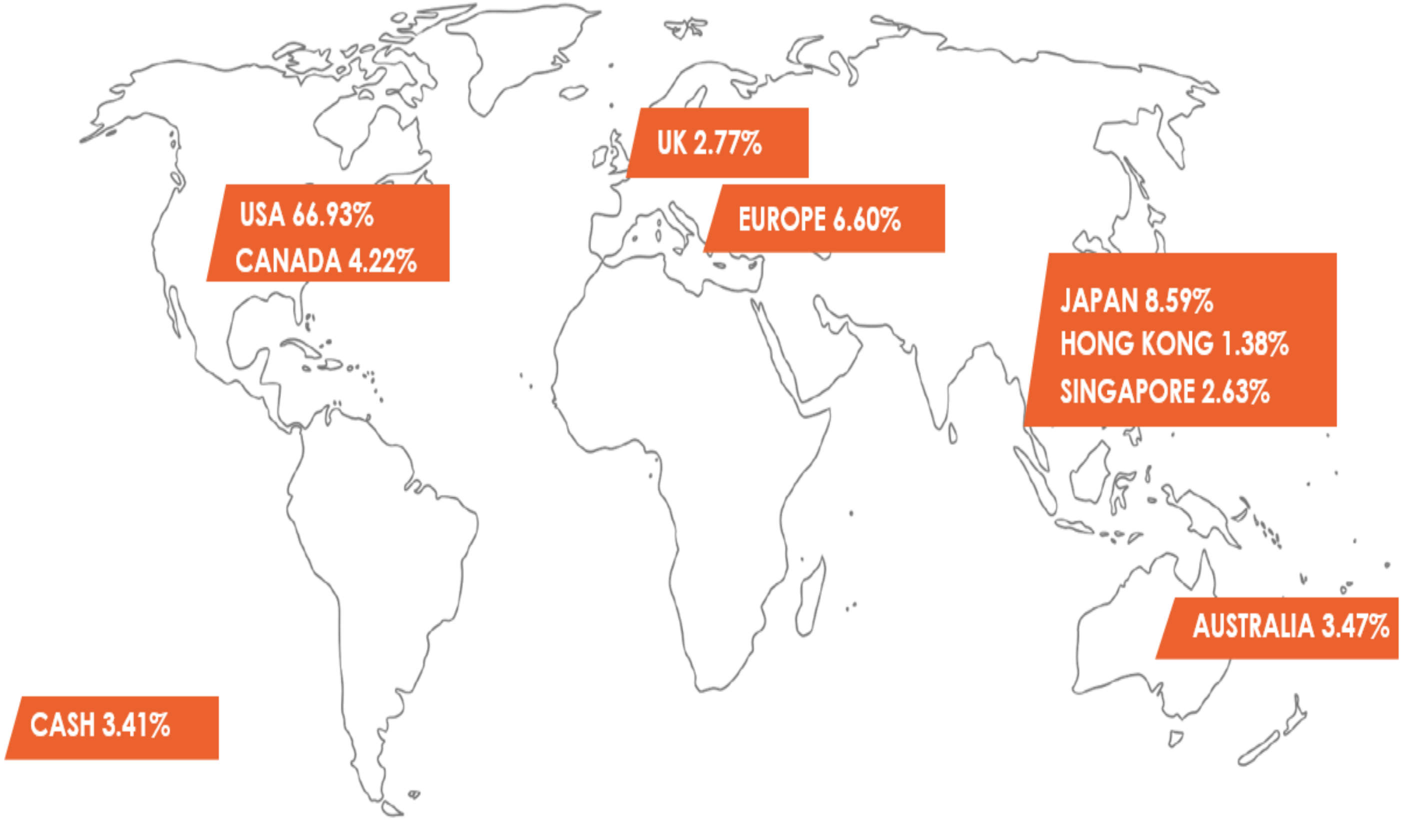
Inception date: 31 January 2012

Highest / Lowest Calendar Year Performance (Since Inception)

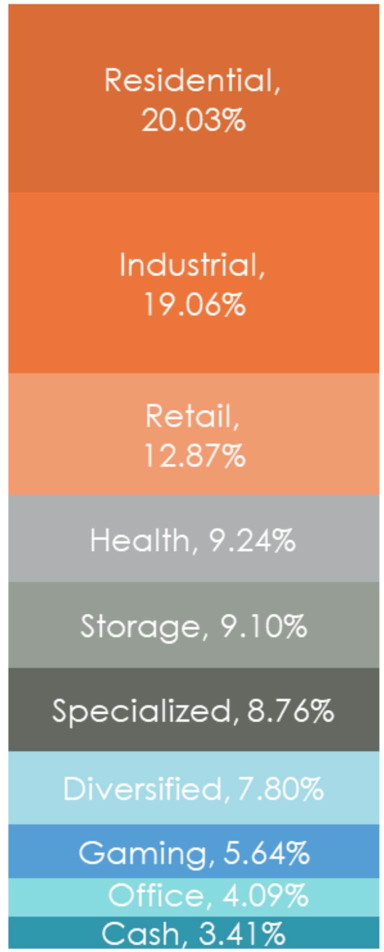
	Year	Return
High	2021	41.01%
Low	2022	-27.20%

Portfolio Positioning

Geographic Allocation



Sector Allocation



Source: Reitway Global. As of 30/06/2023

Outlook

In the face of an uncertain economy and rising rates, **we believe REITs are well prepared**. They have built balance sheets that can weather higher rates. The profile includes low leverage ratios, well-structured debt with more than 80 percent in fixed rate and an average term to maturity of over six years. As we're looking ahead, this is not an economy or interest rate environment that is necessarily good for any sector, let alone real estate, but we think REITs are poised to successfully navigate through higher rates and slower growth.

Despite global central banks' hawkish pivot and quick, sharp upward move in global interest rates, REIT earnings continue to remain intact.

We maintain a positive view on U.S. REITs, with a **preference for shorter-lease-duration assets**, which should benefit from an environment of rising prices. We also **like health care**, where we have a positive outlook on **life science properties** and we see value in **senior housing**, where occupancies are improving, following early pandemic declines. We think companies that provide data and logistics infrastructure, including **data centres, cell towers and industrial warehouses**, will continue to **benefit from strong secular demand** in the shift toward a digital economy. We remain **overweight the residential sector**.

European real estate securities offer no more obvious discounts relative to its US peers. The ECB has been lagging the Fed in its rate hiking cycle and has guided for more rate hikes to come. The key driver of inflation in Europe is wage inflation but is considered less of a structural issue than in the US. European REITs on average are more heavily leveraged than their US counterparts and while the Russia-Ukraine war has somewhat stabilized, Europe remains vulnerable to any escalation.

On the continent we like towers, for which demand is strong and performance stable. Self-storage is another EU favourite, growing faster than their US peers due to being smaller and with a more active transaction market.

Within Australia, we have exposure to the office and retail sectors. In Singapore, we are positive on the medium-term outlook for offices given the prospect of corporate relocations within Asia Pacific.

Despite the impact of slower growth and higher inflation on listed real estate securities, we believe real estate fundamentals remain sound. **REITs have the potential to show cash flow growth and solid income**.

We remain convinced that the asset class can post solid returns relative to stocks and bonds over the next 12 to 24 months.

REITWAY NEWS

Reitway lists 2 new ETFs | June 2023

Reitway recently listed 2 new ETF's on the Johannesburg Stock Exchange namely the Reitway Global Property ESG Prescient ETF (**JSE Code: RWESG**) and the Reitway Global Property Diversified Prescient ETF (**JSE Code: RWDVF**).

At Reitway we **acknowledge passive and embrace active investing**. Our award-winning funds, coupled with these listed vehicles are merely a conduit to this powerful asset class.

We had our launch of these products on the 6th of June, you can access the recording here. We share some information around both products as well as our overall strategy.

Click here to download a PDF copy of the presentation

Debunking the Fallacies of Listed Property | Insights by Hubert Weyers | June 2023

Hubert Weyers, Global REIT Analyst as Reitway, wrote this article that was published in Citywire. It's a thought-provoking 5-minute read.

Access the article here

Reitway Global at the BCI Global Conference | May 2023

Martin Botha, Reitway Global's CIO, delivered a very important message at the BCI Conference: "Do not misinterpret the headlines when it comes to global listed property and REITs. Not having an allocation can negatively effect returns in the long term"

Watch the full presentation here on YouTube

Reitway Global at Boutiques on Wednesdays | 5 April 2023

Greg Rawlins discusses the importance of having an allocation to global listed property.

Click here to watch the full discussion on Youtube.

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Raging Bull Certificate Awards were awarded on 2018-02, 2021-02, 2022-02 and 2023-02, full details and the basis of the awards are available from Reitway Global.

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Actual investment performance will differ based on the initial fees applicable, the actual investment date and the date of reinvestment of income. Dealing prices are calculated on a net asset value and auditor's fees, bank charges and trustee fees are levied against the portfolios. Performance is calculated for the portfolio, as well as that the individual investor performance may differ because of initial fees, the actual investment date, the date of reinvestment and dividend withholding tax. Income distributions are included in performance calculations prior to deduction of applicable taxes.

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