

## Portfolio Performance

Our benchmark, the GPR 250 REIT World Index produced a total return of 11.39% in US dollar terms during the second quarter of 2020.

At a continent level, the quarterly gains ranged from 4.75% for Europe to 34.32% for Australia. The asset class outperformed equities<sup>1</sup> marginally (11.39% vs 10.06%) while it achieved meaningful outperformance against bonds<sup>2</sup> (11.39% vs 0.6%).

Our portfolio gained 9.39% in USD during the quarter. The slight underperformance versus the benchmark was primarily due to minimal exposure to Retail and Diversified REITs.

Reitway BCI Global Property Feeder Fund (USD)						
	2Q20	1yr	3yrs	5yrs	7yrs	Since inception
Reitway Global	9.39%	3.96%	3.54%	4.95%	4.47%	6.22%
Benchmark	11.39%	-16.57%	-1.37%	2.00%	3.42%	4.92%
<b>Relative</b>	<b>-2.00%</b>	<b>20.53%</b>	<b>4.91%</b>	<b>2.95%</b>	<b>1.05%</b>	<b>1.30%</b>

Net of fee total returns as at 2020-06-30.

All periods greater than one year are annualised.

Source: MoneyMate

Pleasingly, on a rolling 12-month basis the fund delivered a total return of 28.11% versus the Peer Group average return of 8.14%.

Reitway BCI Global Property Feeder Fund vs Peer Group (ZAR)				
	1 Year	3 Years	5 Years	8 Years
Reitway Global	28.11%	13.76%	12.77%	16.78%
Peer Group Average	8.14%	8.58%	7.35%	12.91%
<b>Excess return</b>	<b>19.97%</b>	<b>5.18%</b>	<b>5.42%</b>	<b>3.87%</b>
<b>Ranking</b>	<b>1/16</b>	<b>1/15</b>	<b>1/8</b>	<b>1/6</b>
<b>Quartile Rank</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>

Net of fee total returns as at 2020-06-30.

All periods greater than one year are annualised.

Source: MoneyMate

Key contributors:

Top 5 Performance Contributors		
	Security name	%
1.	VGP NV	1.46
2.	Goodman Group	1.22
3.	Prologis	1.13
4.	GDS Holdings	1.05
5.	NEXTDC	0.66

Source: Reitway Global, StatPro, Jun 20

### Overweight Industrial

Our industrial REITs (VGP NV, Goodman Group & Prologis) delivered strong returns during the quarter. The various local stay-at-home orders have driven eCommerce sales growth meaningfully higher, and while a partial pullback is likely, the post-COVID-19 trend could be well above the pre-COVID-19 trend.

Additionally, industrial REIT customers are more likely to hold higher inventory levels, ensuring they can execute sales without fear of supply chain disruptions.

While we recognize the challenges that an economic recession could have on the traditional industrial real estate sector, we believe our portfolio holdings are better positioned for this downturn than they were during the GFC due to large mark-to-markets, eCommerce trends and a more balanced demand/supply picture.

### Allocation & stock selection in Datacentres

We have always viewed the datacentre sector as a recession-resilient asset class.

<sup>1</sup> MSCI World Index

<sup>2</sup> JP Morgan Bond Index

This is because companies' data storage needs remain just as prevalent during expansions as they do during contractions.

Once again, the strongest performance came not only from our overweight exposure to one of the best performing sectors but from key stocks within it.

The best examples in Q2 are our off-benchmark positions in GDS Holdings and NEXTDC Limited. These securities gained 37,41% and 24,61% respectively. We continue to believe that they can outperform their peers given their positioning in under-penetrated, growing markets with extremely strong customer demand trends

*Key detractors:*

Bottom 5 Performance Contributors		
	Security name	%
1.	NEPI Rockcastle	-0.14
2.	Equity Residential	-0.15
3.	Inmobiliaria Colonial	-0.17
4.	Warehouses de Pauw	-0.35
5.	Taubman Centers	-0.43

Source: Reitway Global, StatPro, Jun 20

### Allocation & stock selection in Retail

Retail REIT management teams appeared to instil confidence during Nareit as mall and strip centre REITs outperformed the US Equity REIT Index by 35% and 14%, respectively in the days following the conference. We remain wary of a prolonged bankruptcy parade and obsolescence/capex accelerated by COVID-19 and a recession.

A few days after Nareit, Simon Property Group (SPG) announced that it was terminating its agreement to acquire Taubman Centers (TCO), and it filed a court action against Taubman requesting a declaration that they suffered a Material Adverse Event (MAE) and that they breached their operating covenants. As it relates to the MAE, Simon is claiming that COVID-19 disproportionately hurt TCO versus overall retail real estate because of its significant exposure to enclosed malls in dense metros, ties to tourism, and a high-end focus.

The SPG release also flagged TCO not making the necessary operating expense and capex cuts to help mitigate the impact of the pandemic.

Given the stock action on the day, the market seems to be viewing the Simon press release as more of a 'next step' in re-pricing the transaction rather than a final nail in the coffin on the deal.

### Investment Outlook

In our opinion the rest of 2020 will continue to exhibit considerable market volatility, a vaccine for COVID-19 will remove a significant amount of uncertainty globally (but could still be off by several months to over a year).

Post a vaccine and medical recovery the global challenge will remain to address the sharp decrease in growth and the massive levels of increased government debt as a result of all the stimulus programmes.

The Reitway team remains committed to actively managing our investors' funds to continue to deliver superior investment outcomes and the team is working tirelessly during this demanding time.

## Reitway News

### [Platform Access | Reitway Active Global Property Note](#)

The [Reitway Active Global Property Note](#) that we launched in April, is now available on the AIMS platform.

### [Webinar | The Global REIT Market in the time of COVID-19 | Present and Future](#)

On the 1<sup>st</sup> of July, Reitway Global hosted a webinar featuring an international panel. The discussion between Garreth Elston, Cedrik Lachance (Green Street Advisors) and Ray Moore (Raymond James) centred around the impact of COVID on particular real estate sectors now, and what the long-term effects will be on global real estate going forward. It was an enlightening discussion worthy of a listen for those that are interested. The recording can be accessed [here](#).

*Regards,*

*The REITWAY team*

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

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