

Reitway Review – 4Q20

Performance

Global real estate, as measured by the GPR 250 REIT World Index, gained 12.82% in US dollar terms during the fourth quarter. Despite the strong end to the year, the index was still down -9.75% in 2020.

After delivering the lowest returns in the prior quarter, the South African (29.87%) and European (25.07%) property markets were the top performers in Q4. The worst performing markets were Singapore (5.94%) and Japan (6.52%). For the year, listed property underperformed equities (-9.75% vs 16.50%) as well as bonds (-9.75% vs 5.50%).

Our portfolio gained 7.65% in USD during the quarter. Our underperformance versus the benchmark was primarily due to sector allocation which we will discuss in more detail below.

Key contributors:

| Top 5 Performance Contributors | | |
|--------------------------------|-----------------------|------|
| | Security name | % |
| 1. | Innovative Industrial | 1.03 |
| 2. | EPP NV | 0.84 |
| 3. | StorageVault Canada | 0.77 |
| 4. | GDS Holdings | 0.62 |
| 5. | Welltower | 0.54 |

Source: Reitway Global, Refinitiv Portfolio Analytics, Dec 20

Stock Selection in Health Care

The biggest news of the quarter was the positive developments announced on Pfizer's COVID vaccine, which sent "COVID sensitive" REIT sectors soaring. Senior housing-heavy REITs like Ventas (VTR) and Welltower (WELL) enjoyed a few "normal" years' worth of total returns on the day of the announcement. The fund's Health Care holdings delivered 21.40% in USD terms versus the index constituents return of 16.45%.

Stock Selection in Industrial

It was no surprise that industrial management teams had good things to say about the on-the-ground operating fundamentals and growth prospects during the REITWorld 2020 conference in November. COVID-related fallout has been considerably less than originally anticipated and lease spread trends continue to be robust.

While the fund's higher than benchmark exposure detracted from our relative returns, our stock selection within the Industrial sector was one of the main contributors to our performance during the quarter.

Key detractors:

| Bottom 5 Performance Contributors | | |
|-----------------------------------|-----------------------|-------|
| | Security name | % |
| 1. | Warehouses de Pauw | -0.20 |
| 2. | American Tower | -0.20 |
| 3. | Ascendas REIT | -0.05 |
| 4. | Apartment Income REIT | -0.03 |
| 5. | QTS Realty Trust | -0.02 |

Source: Reitway Global, Refinitiv Portfolio Analytics, Dec 2020

Underweight in Retail

As alluded to earlier, the heaviest hit COVID-19 sectors (i.e., Retail, Office, Lodging and Health Care), outperformed during the quarter.

While the fund's Retail holdings (51.40%) outperformed the Retail REITs in the index (40.80%), our below benchmark exposure detracted from our relative returns.

The vaccine news seemed to remove many of the negative outcomes related to COVID remaining a public health risk for several more years.

Allocation and Stock Selection in Office

Once again, the favourable vaccine news that propelled the stock market higher had a notable impact on Office REITs. From the start of the pandemic until the 6th of November, Office REITs' shares underperformed the US REIT market (RMZ) by over 20%. On Monday, 9 November 2020, the sector outperformed the RMZ by 12%, while New York City-focussed REITs outperformed by a massive 27%.

Our below benchmark exposure as well as an absence of NY focussed REITs detracted from our relative returns during Q4.

Underweight in Lodging

Lodging REITs have outperformed the equity REIT index by a whopping 45% from the time when the news broke of an effective vaccine. The fund did not own Lodging REITs during Q4.

Overweight in Specialized

Towers and Datacentres lagged during the fourth quarter after the "return to normalcy" raised concerns about unwinding of favourable trends and crowding within recent sector leaders.

Though our positioning at any given time reflects our view of relative value, we continue to have conviction in the long-term growth story, and we believe the shares are poised to rebound later in 2021.

The performance tables below highlight our returns against our benchmark as well as our peer group.

We are very pleased by the fund's substantial outperformance for the year versus our index and peers.

| Reitway BCI Global Property Feeder Fund vs Peer Group (ZAR) | | | | |
|---|---------------|--------------|--------------|--------------|
| | 1 Year | 3 Years | 5 Years | 8 Years |
| Reitway Global | 17.44% | 13.14% | 5.80% | 13.67% |
| Peer Group Average | -2.37% | 7.12% | 0.70% | 10.26% |
| Excess return | 19.81% | 6.02% | 5.10% | 3.41% |
| Ranking | 1/16 | 1/16 | 1/9 | 1/6 |
| Quartile Rank | 1 | 1 | 1 | 1 |

| Reitway BCI Global Property Feeder Fund (USD) | | | | | | |
|---|---------------|---------------|--------------|--------------|--------------|-----------------|
| | Q4 20 | 1yr | 3yrs | 5yrs | 7yrs | Since Inception |
| Reitway Global | 7.65% | 11.75% | 6.85% | 6.93% | 6.42% | 7.47% |
| Benchmark | 12.82% | -9.75% | 2.05% | 3.61% | 5.81% | 6.30% |
| Relative | -5.17% | 21.50% | 4.80% | 3.32% | 0.62% | 1.17% |

| Highest and Lowest | |
|---|---------|
| Rolling 12-month performance since inception in ZAR | |
| High (June 2012 – May 2013) | 54.04% |
| Low (June 2016 – May 2017) | -13.87% |

Net of fee total returns as at 2020-12-31.
All periods greater than one year are annualised.
Source: MoneyMate

Investment Outlook

The fourth quarter saw markets recover substantially from the lows of 2020. Early November saw a sharp return to positivity driven by the market's reaction to the good news of Pfizer and Moderna's vaccines' efficacy levels. Retail, Office and Diversified counters saw extreme price moves on vaccine optimism. December though saw pragmatism return to the markets as COVID cases continued to rise globally and vaccine rollout timetables indicated that it would take several months up to most of 2021 in order to vaccinate the majority of first world countries' populations. For the developing market the potential for vaccines is even more distant, as most have not ordered directly from manufacturers and are relying instead on the COVAX programme.

If COVID was not enough of a global scourge, the world had to deal with a fractious US presidential election and the end of the United Kingdom's Brexit Transition period. In November, a long, tortuous counting process finally saw the US ending Donald Trump's presidency, and the dawn of a Biden/Harris presidency. December saw the UK barely managing to negotiate a last-minute agreement to avoid a no-deal Brexit.

The toll of COVID continues its drag on global economies, and global listed property has not been spared. Whether it is healthcare facilities on the frontline, shopping centres under lockdown, or offices cleared by WFH tenants, the impact has been deep.

But the news has not been all negative, as datacentres, logistics and warehouse facilities have been massive beneficiaries of online shopping and working.

It is highly likely that the global economy will continue to experience extreme stress into the early part of 2021, as lockdowns, infections, and very depressing high death rates continue. But arguably the world now has a path out of the COVID quagmire, with vaccines and a new prudent US president that hopefully point towards a slow return to normalcy.

Reitway News

[Citywire Article | SA's standout global property fund last year](#)

Citywire's Patrick Cairns published an article about our team's performance last year. An article we are proud of, and very proud of our team. Read it [here](#)

[Raging Bull | Reitway gets nominated](#)

We are thrilled to have been nominated for the Raging Bull award this year. Reitway has been nominated in two categories; top performance over a 3 year period and best risk adjusted return over 5 years.

The awards take place on the 2nd of February.

[Reitway Global | Q4 Update](#)

Our Q4 2020 Update is scheduled for the 4th of February at 09h00.

2021 is shaping up to be a year of opportunity for investors in global listed property.

Garreth Elston will be sharing our learnings from a stellar 2020 as well as our investment outlook and favoured sectors for the year.

If you would like to join us online, please register [here](#) or contact Olivia Teek at oliviati@reitwayglobal.com

Asset TV | Global Property Round Table

Garreth Elston took part in a Round Table discussion in December with Asset TV. The panel was interviewed by Joanne Baynham.

An interesting discussion on the asset class. View it [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

Disclaimer

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