

# NEWSLETTER

30 June 2022

## Reitway BCI Global Property Feeder Fund

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## Market Overview

There were few places to hide during the first half of 2022.

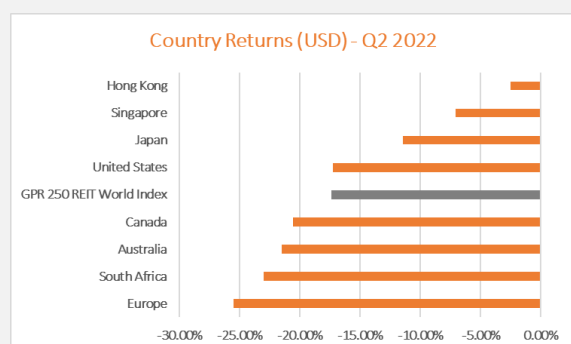
High levels of inflation, slowing growth, rising rates, Fed policy uncertainty and fallout from Russia's war on Ukraine weighed on capital market returns.

REITs were no exception.

The GPR 250 REIT World Index continued its negative streak during 2Q22. The index declined -8.14% during June, following losses of -5.21% and -5.14% during April and May respectively.

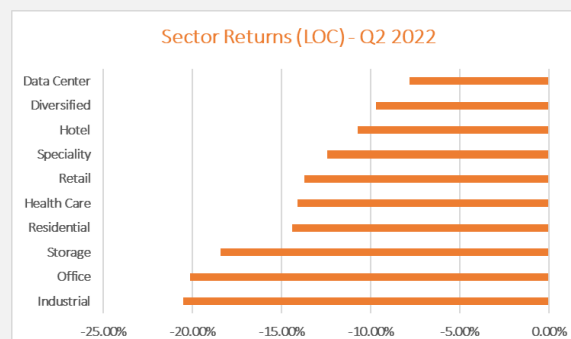
As a result, the property sector is trading 17.4% lower than at the start of the year.

On a country level, Hong Kong and Singapore delivered the best returns during the quarter while Canada, Australia, South Africa and Europe declined by more than 20% in US dollars.



Source: Reitway Global, Refinitiv Datastream, Jul 2022

Looking at sector returns, while data centre and diversified shares declined between -7.5% and -10%, they were the best performers during 2Q22.



Source: Reitway Global, Refinitiv Datastream, Jul 2022

Industrial and office REITs lost more than 20% in value, and we will touch on the reasons behind this decline further on in the report.

## Portfolio Performance

The Reitway BCI Global Property Feeder Fund underperformed the index by 2.22% during the quarter. Our overweight exposure to European Industrial and stock selection in Canadian Residential undermined our relative returns the most.

Please refer to the next page for more details on the key contributors and detractors to our returns.

Key contributors:

Top 3 Performers	
Security name	Contribution
1. Switch Inc	0.32%
2. WP Carey	0.05%
3. Gaming & Leisure Prop	0.03%

Source: Reitway Global, Refinitiv Portfolio Analytics, Jul 2022

### Stock Selection in Specialized

During the quarter, Switch Inc, an owner and operator of US data centres announced that it would be taken private by a joint venture comprised of DigitalBridge and IFM Investors in an all-cash transaction. The ~\$10.7 billion valuation (\$34.25/sh) represented a premium of >25% to March's unaffected stock price. The deal marks the second largest data centre transaction in history, trailing the recently closed \$15 billion CyrusOne privatization, and follows on the other large data centre transactions in the last 12 months (CoreSite: ~\$10 billion, QTS Realty: ~\$9 billion).

While we are pleased with the outcome its bittersweet to lose another quality data centre operator from our investable universe.

### Stock Selection in US Net Lease sector

The net lease sector is the best performing sector on a year-to-date basis. The winners so far have more exposure to Investment Grade rated tenants, have better inflation protection and are less exposed to capital market risks due to low leverage and lower external growth expectations. It's a marked change from the Sep 2020 - Nov 2021 period when investors were rewarding the names with the most aggressive growth strategies.

Investors can pivot quickly, companies cannot, and we are seeing that play out in the recent stock performance. We believe the names that have worked so far (WP Carey and Gaming & Leisure Properties) will continue to do so.

Key detractors:

Bottom 3 Performers	
Security name	Contribution
1. Prologis Inc	-1.69%
2. VGP NV	-1.67%
3. Boardwalk REIT	-1.12%

Source: Reitway Global, Refinitiv Portfolio Analytics, Jul 2022

### Allocation and Stock Selection in Industrial

At the end of April, Amazon.com Inc. posted its first quarterly loss in seven years, a result that reflected broad economic issues related to a slump in online shopping, increased costs and ongoing supply-chain issues. The unwelcome news was not limited to Amazon but smashed into the global real estate logistics and warehousing sector as the company announced that it would curtail its expansion and look to cut excess space.

Most logistic REITs saw stock price declines of more than 20% during the last two months of the quarter.

In our opinion the selloff has been excessive, even when accounting for potential lower demand, growth constraints, higher construction, maintenance, and financing costs. We remain comfortable that superior global logistics companies will continue to see good performance over the coming quarters and expect last mile

warehouses to continue to provide high reversionary potential over the next two years, especially in global demand hubs.

### **Stock Selection in Canadian Residential**

Boardwalk REIT (BEI) is a residential landlord that owns and operates apartment buildings in Canada, with a significant concentration in the province of Alberta.

BEI was one of our top performers during Q1, but unfortunately gave back most of the gains during the reporting period. While the REIT reported solid first quarter results, management decreased NOI and FFO growth expectations for the rest of the year due to higher-than-expected cost pressures.

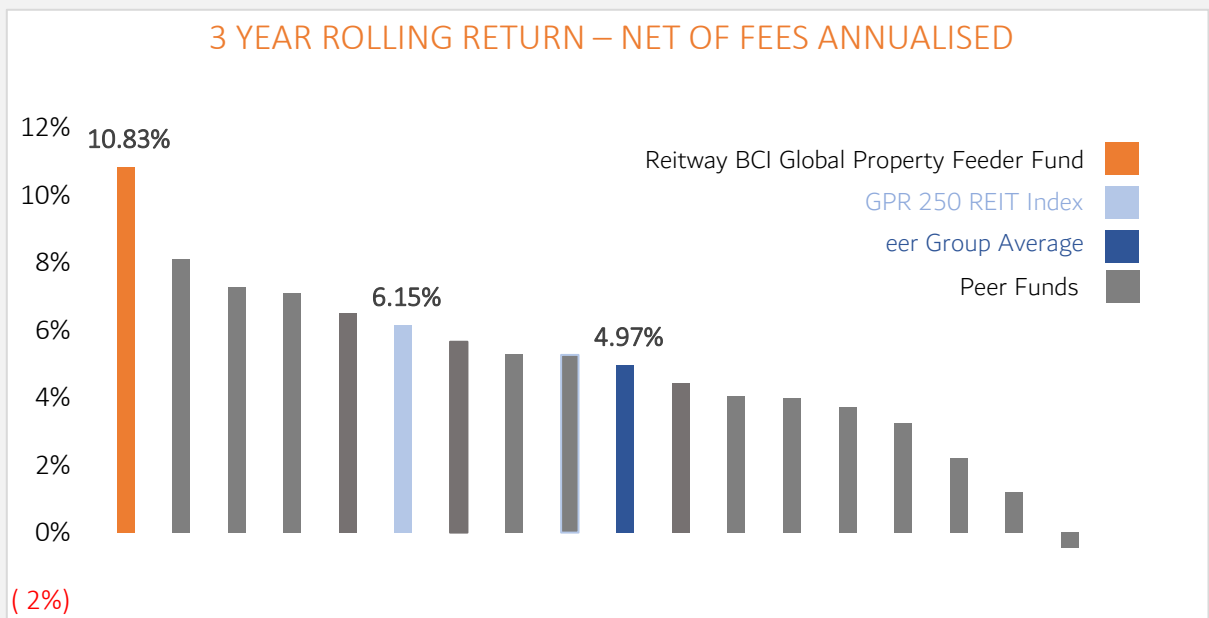
We remain pleased by the fund's substantial long-term outperformance of the index and our peers.

Please refer to performance tables on the next page for more detailed return information.



REITWAY BCI GLOBAL PROPERTY FEEDER FUND (USD) ANNUALISED						
	1 YEAR	3 YEARS	5 YEARS	7 YEARS	10 YEARS	ANNUALISED VOLATILITY
Reitway Global	-13.52%	5.41%	4.57%	5.29%	6.25%	13.29%
GPR 250 R Index Net TR	-9.44%	0.97%	3.43%	4.52%	5.56%	15.67%
<b>Relative</b>	<b>-4.08%</b>	<b>4.44%</b>	<b>1.14%</b>	<b>0.77%</b>	<b>0.69%</b>	<b>-2.38%</b>

REITWAY BCI GLOBAL PROPERTY FEEDER FUND (ZAR) ANNUALISED						
	1 YEAR	3 YEARS	5 YEARS	7 YEARS	10 YEARS	ANNUALISED VOLATILITY
Reitway Global	-0.74%	10.83%	9.36%	9.91%	13.90%	16.59%
GPR 250 R Index Net TR	3.90%	6.15%	8.16%	9.09%	13.15%	16.54%
<b>Relative</b>	<b>-4.64%</b>	<b>4.68%</b>	<b>1.20%</b>	<b>0.82%</b>	<b>0.75%</b>	<b>0.05%</b>



Highest / Lowest Calendar Year Performance Since Inception		
	Year	Return
High	2021	41.01%
Low	2016	-10.71%

**Volatility:** Volatility is the standard deviation of monthly returns since inception.

**Inception date:** 31 January 2012.

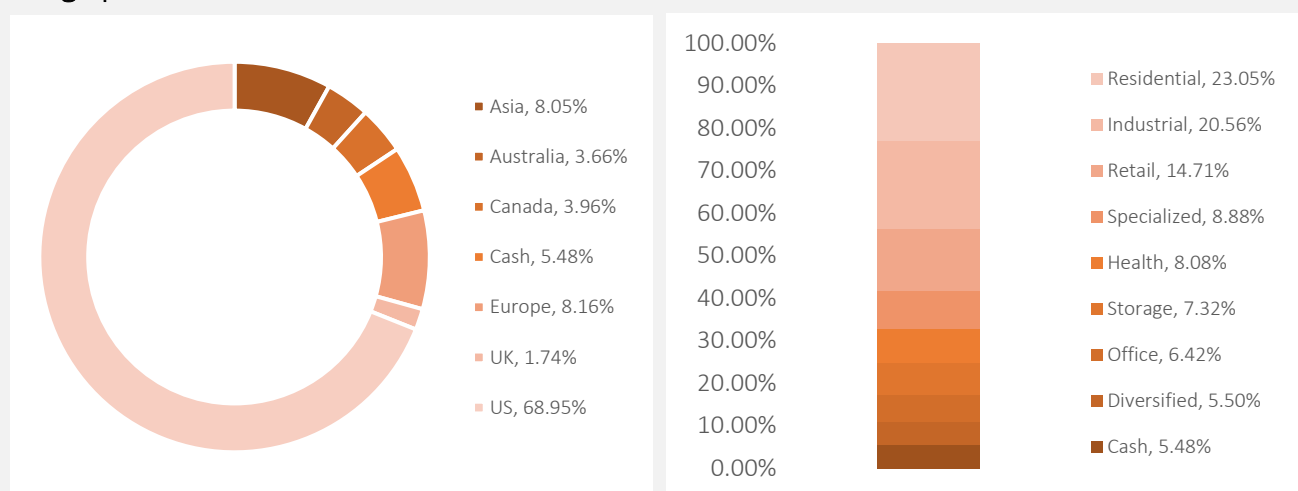
**Annualised:** Annualised return is the weighted average compound growth rate over the period measured.

## Investment Outlook

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 meaningful cash flow growth and solid income. We 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, particularly as valuations remain attractive.

## Portfolio Positioning

### Geographic & Sector Allocation



Source: Reitway Global and Global Property Research

## Reitway News

### Reitway Global | CIO Announcement | 1 June 2022

Martin Botha was appointed as CIO at Reitway Global with effect 1 June 2022. He has been part of the Reitway Team for close to ten years and brings deep knowledge and understanding of all the sectors that are available to investors in the Global Property Asset Class.

He holds an Honours degree in Business Management with majors in Investment & Financial Management and was awarded membership of the Golden Key International Honour Society for outstanding academic achievement. In addition, Martin became a CFA charter holder & attained the CIPM qualification whilst in the employ of Reitway Global.

Martin will oversee the firm's actively managed portfolio's which includes asset allocation, stock selection and performance reviews. All this will be within the parameters of an investment process that has been developed over time. Further, he carries the responsibility of enhancing the Reitway Global processes on a continuous basis to ensure our objective to deliver superior returns is achieved.

## [Reitway Global | Q2 Update | Recording 28 July 2022](#)

Please view the recording to our latest quarterly update [here](#).

Martin Botha, CIO, discusses how the current economic environment affects the Real Estate market globally, and how we are navigating this. He covers where we are finding opportunities and addresses our investment outlook for the rest of the year.

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