

Reitway BCI Global Property Feeder Fund



Market Overview

The third quarter began with a relief rally, but as the days progressed the knock-on effects of decades-high inflation, aggressive interest-rate increases by central banks, rising risks of recession, and Russia's invasion of Ukraine, surfaced again.

Inflation continued to run hot during Q3, and by September, a third consecutive 0.75% interest-rate increase from the Fed and growing fears of recession, sent stocks into another tumble. An earnings warning from global shipping company FedEx (FDX) added to concerns about the impact of a slowing global economy on corporate profits.

By quarter-end, stocks were solidly in bear-market territory, and bond yields (which move in the opposite direction of prices) were at their highest levels in years.

REITs, as measured by the GPR 250 REIT World Index, declined by 10.78% in US dollar terms.

There were no continental gains during the July to September period, with losses ranging from 7.89% in Asia to 22.80% in Europe as depicted to the right.

Diverging inflation readings

There are two important differences between the inflation in the US and in Europe: the early data suggest that US inflation may have peaked, and US inflation has a much larger portion of core inflation than in Europe (and thus is less driven by energy prices). To quantify: in the US, the latest inflation reading for September showed total inflation of 8.2% of which 6.6% is core; in the EU total inflation is 9.1% of which only 4.3% is core.

Rate hikes don't drive energy prices - the main source of inflation - down. The most positive scenario we can think of is that a peace pact between Russia and Ukraine is signed in the near term. However, it's unlikely that this will bring back Russian gas deliveries to Europe at the same level as before the war and hence the supply-demand imbalance will continue to persist.

Inflation is not about absolute price levels, but about the change in prices. If we accept today's energy prices as the new normal, then energy inflation will revert to 0% in 12 months' time. Zero (energy) inflation sounds like the dream, but households will have less spending power, and input prices for industries will remain so high that profit margins will remain under pressure. The effect on European GDP won't be difficult to guess and the European market underperformed considerably.



Sector Returns



Looking at sector returns, while hotel and diversified shares declined between 3.1% and 6.5%, they were the best performers during 3Q22.



Source: Reitway Global, Refinitiv Datastream, Sept 2022

Office, industrial and healthcare REITs lagged during the quarter, returning losses between 10-15%. We will touch on the reasons behind these declines further on in the report.



Portfolio Performance

The Reitway BCI Global Property Feeder Fund underperformed the index by 2.62% in USD during the quarter. Our overweight exposure to European Industrial and our underweight exposure to Japan had the biggest impact on our relative returns.

KEY CONTRIBUTORS:

ALLOCATION AND STOCK SELECTION IN RESIDENTIAL

Our positioning across the residential market and within the sector paid off during the third quarter. While our US exposure to Apartments and Single-Family Rental REITs delivered resilient returns, our position in Boardwalk REIT, which owns and operates apartment buildings in Canada, gained 3.7% during Q3.

STOCK SELECTION IN DATA CENTRES

In May 2022, 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 deal marks the second largest data centre transaction in history, trailing the recently closed \$15 billion CyrusOne privatization. The share price of Switch continues to hover around \$34 and the smooth performance during Q3 contributed to our relative returns given the downward trending market.

STOCK SELECTION IN US SPECIALITY SECTOR

The speciality sector (comprising of REITs that own movie theatres, casinos, farmland and billboards) is one of the best performing sectors on a year-to-date basis.

As mentioned in the previous quarterly report we continue to believe the names that have worked well so far (like Gaming & Leisure Properties) will continue to do so.

Top 3 Performers

	Security name	Contribution
1.	Boardwalk REIT	0.49%
2.	Switch Inc	0.24%
3.	Gaming & Leisure Prop	0.16%

Source: Reitway Global, Refinitiv Portfolio Analytics, Oct 2022



KEY DETRACTORS:

ALLOCATION AND STOCK SELECTION IN INDUSTRIAL

Industrial real estate companies with large development pipelines relative to their overall asset base have underperformed significantly on a year-to-date basis, which partly explains VGP's underperformance vs Warehouse de Pauw during Q3.

We believed VGP's development risk was mitigated by their ability to sell completed assets to Allianz through their JV partnership which was launched in 2016. Each of these JVs have an exclusive right of first refusal in relation to acquiring income generating assets of VGP Group. Such transaction closings are done at market terms and allow VGP to partially recycle its invested capital in its core development activities. From May-16 to Dec-21, VGP periodically sold completed assets to the JVs monetising ~€2.1bn. At the end of September, the announcement that VGP and Allianz Real Estate has postponed the seed portfolio closing of the Europa Joint Venture due to market turmoil led to a sharp selloff in the share.

While VGP can take the assets on balance sheet and wait it out, this will increase their loan to value (LTV) by 10% at an inopportune time.

Bottom 3 Performers	
Security name	Contribution
1. VGP NV	-0.98%
2. Innovative Industrial	-0.21%
3. Warehouses de Pauw	-0.19%

Source: Reitway Global, Refinitiv Portfolio Analytics, Oct 2022

REITWAY BCI GLOBAL PROPERTY FEEDER FUND - (ZAR) ANNUALISED						
	1 YEAR	3 YEARS	5 YEARS	7 YEARS	10 YEARS	ANNUALISED VOLATILITY
Reitway Global	-11.56%	4.42%	8.14%	7.42%	11.97%	16.86%
GPR 250 REIT World Index - Net TR	-3.84%	0.84%	6.87%	6.63%	12.43%	16.86%
Relative	-7.72%	3.58%	1.27%	0.79%	-0.46%	0.00%

REITWAY BCI GLOBAL PROPERTY FEEDER FUND - (USD) ANNUALISED						
	1 YEAR	3 YEARS	5 YEARS	7 YEARS	10 YEARS	ANNUALISED VOLATILITY
Reitway Global	-25.98%	-1.35%	2.12%	3.46%	3.58%	14.07%
GPR 250 REIT World Index - Net TR	-19.51%	-4.72%	0.92%	2.71%	4.01%	16.30%
Relative	-6.47%	3.37%	1.19%	0.75%	-0.43%	-2.23%

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

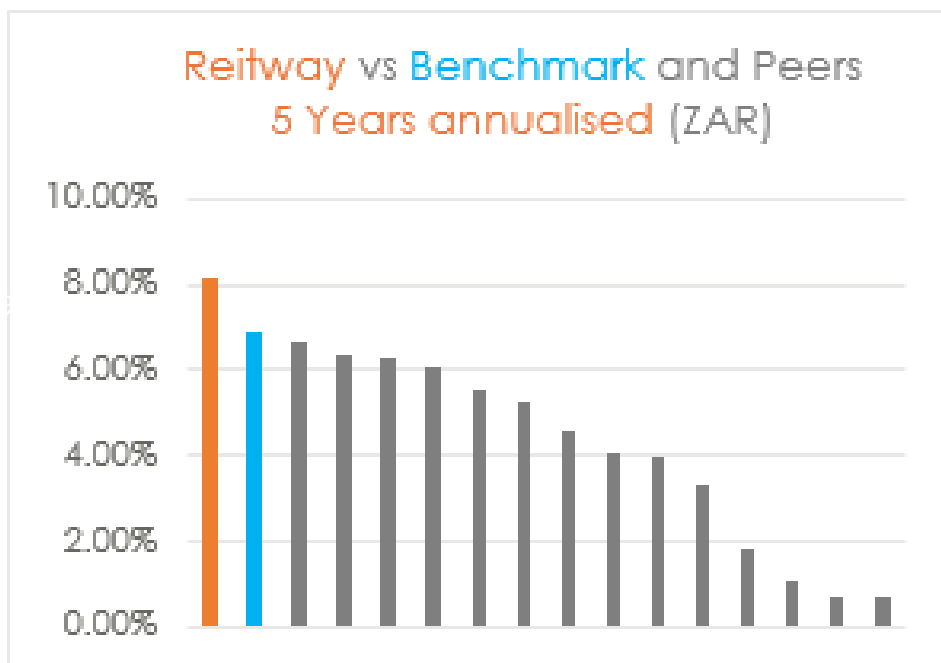
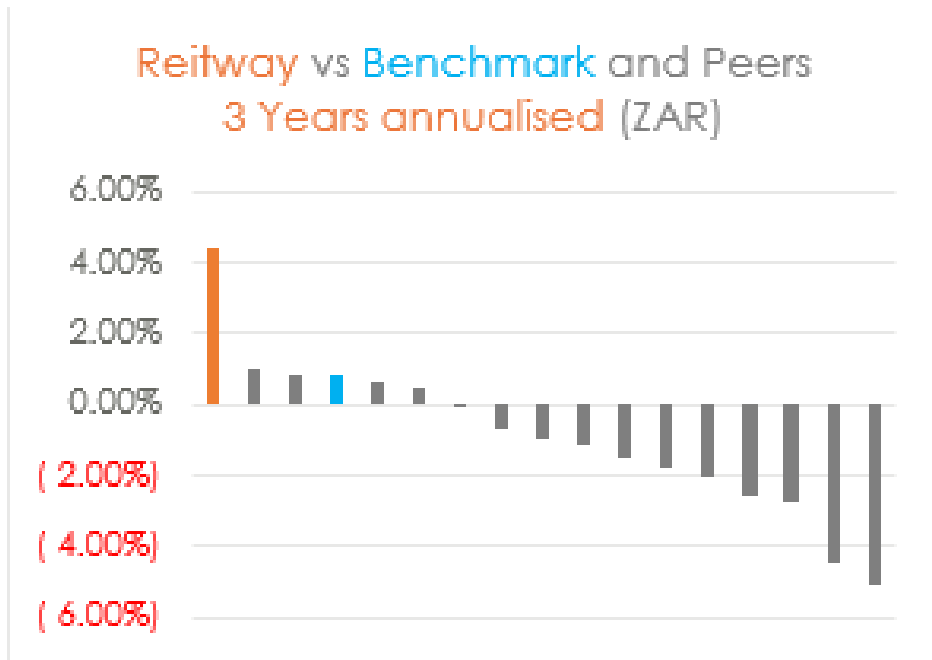
Volatility: Volatility is the standard deviation of monthly returns since inception.
 Inception date: 31 January 2012.
 Annualised: Annualised return is the weighted average compound growth rate over the period measured.

Source: Reitway Global, Refinitiv Portfolio Analytics, Sept 2022



Reitway Global vs Benchmark and Peers

3 and 5 Years



Source: Reitway Global, Refinitiv Portfolio Analytics, Global Property Research and MoneyMate, Sept 2022

Investment Outlook

We continue to focus on businesses with strong tenants who want/need their buildings, and where the debt on each balance sheet is not only manageable but has little or no near-term refinancing. The aim is to focus on businesses where earnings will not be degraded by rising debt risk but will have the opportunity to grow through indexation or market-driven rental growth. We continue to avoid consumer-facing property where the spend is discretionary.

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 are overweight the residential sector and have recently added to certain positions based on our positive view on rental housing demand due to the worsening housing affordability.

We believe UK and European real estate securities will remain under pressure and we have limited and carefully selected exposure to a handful of property companies we think will deliver market beating returns.

While markets in Asia have outperformed on a year-to-date basis, they are still delivering negative returns so we prefer to have higher levels of cash in our portfolio and will opportunistically increase exposure when deemed appropriate.

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 over the next 12 to 24 months.



REITWAY NEWS



Reitway Enhanced Global Property Prescient QI Hedge Feeder Fund

We are pleased to inform you that we have successfully negotiated a 25 bp reduction in the cost of the leverage / debt from the Fund's Bankers.

The new level was implemented in October and is now an even more attractive Eurobor + 1.25%.

In addition, there was a transfer to Prescient Fund Services, our new Administrators on 1 September. This comes with an additional 10 bp saving and a more professional investor experience.

The total saving to you, brought about by these transactions is 0.35% and the effective benefit will compound to 1.76% over 5 years & 3.56% over ten years.

We take this opportunity to thank you for your continued support and please don't hesitate to contact either Greg or myself if you need additional information about the Fund.

Q3 Online Update

2 November 2022

Martin Botha, CIO, will be presenting a comprehensive update on our Reitway Global Property Feeder Fund, at the BCI Boutiques on Wednesdays, on November 2nd 2022.

We normally host an interactive, online update every quarter, but will combine it with this event for Q3 2022.

We hope you will join us at 08h30 on Wednesday the 2nd of November.

If you have not received an invite from BCI directly and would like to attend, please let us know.



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