

Reitway BCI Global Property Feeder Fund

- › Some investors and analysts believe that the REIT sector could outperform the stock market in the near term.
- › There are 28 sectors and subsectors available in the asset class.
- › Viewing Global and Local Listed Property as the same asset class could be a risk.

07 July 2022

Market Commentary

There was a significant gap between the REIT sectors that are outperforming and those that are underperforming, with differences of close to 30% between those with the biggest negative returns and those that have gone down by less than 10% year-to-date. It is evident in the fact that both the worst performer and the best performer are both from retail subsectors, indicating how different the sectors and subsectors behave in different economic environments.

Our benchmark, the GPR 250 REIT World Index - Net TR produced a total return of -8.14% in US dollars in June 2022, and -13.52% over 1 year. While the declines are on par with those of equities, we believe the sell-off has, in some cases, been unwarranted.

Fund Performance

Apart from our short term 1-year performance, we remain pleased with the excess returns we have delivered over the longer time-periods. Our underweight exposure to the Healthcare sector as well as our higher than index weighting to select Residential and Diversified stocks detracted from our relative returns over the 1-year period. On a country level, our underperformance is the result of our lower than benchmark exposure to North America. While our stock selection in Western Europe boosted our relative returns, our above average exposure to the region detracted from our results.

REITWAY BCI GLOBAL PROPERTY FEEDER FUND (ZAR) ANNUALISED						
	1 YEAR	3 YEARS	5 YEARS	7 YEARS	10 YEARS	ANNUALISED VOLATILITY
Reitway BCI Global Property FF Net TR	-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%
Relative	-4.64%	4.68%	1.20%	0.82%	0.75%	0.05%

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

Source: Reitway Global and Moneymate

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

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REIT Performance versus the broader Stock Market

Despite all US REIT sectors posting negative total returns in June, they outperformed the broader equity market on a YTD basis.



They declined sharply in the first half of June 2022, and then rallied in the second half of the month. To 15 June, cell tower REITs were down 12.2% before rallying 9.0% in the latter part of the month. Self-storage REITs were down 9.1% before a 5.3% rebound. Lodging/resorts was the only sector that didn't rebound in the second half of the month; dropping 16.7% to 15 June, with a further 3.6% decline through the end of the month. Recession fears would be the main driver of this.

REITs have continued to report solid earnings and beat expectations, but the market has been more focused on the valuation headwind that higher interest rates are creating for the asset class. However, some investors and analysts believe that the REIT sector could outperform the broader market in the near term. One of the reasons for this is that public REITs bore the brunt of the pain early, and investors are likely going to look to REITs as an inflation hedge.

Outlook

REITs have done a lot of work to increase their resilience, to improve their balance sheets over time, to lower leverage, to lower interest expenses as a percent of NOI and to build business models, and this can really pay off in the recessionary environments we are likely to enter in the coming months.

As of June 2022, our portfolio forward yield was 3.52% and our constituents are expected to deliver high single digit dividend growth per year for the next three years.

Additionally, the discounts to NAV are currently at very attractive levels.

Through our active portfolio management, our focus remains on constructing a diversified portfolio that outperforms not only in rising markets, but also during periods of market stress.

For more information on any of [our funds](#) please contact oliviat@reitwayglobal.com / 082 676 6115.

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