

Market Performance

Global equity markets suffered a significant correction during the fourth quarter of 2018.

The weakness experienced across many emerging markets through September spread to developed markets, with the highly valued technology stocks in the S&P 500 Index leading the way down. While real estate equity markets were certainly not immune, they were far less affected.

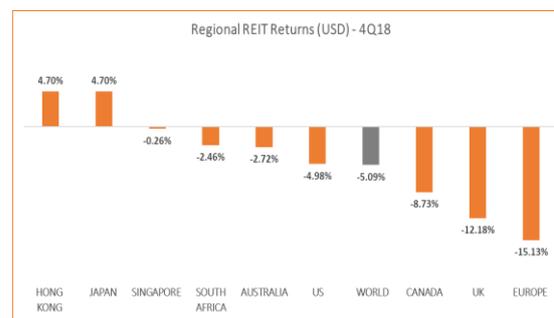
The GPR 250 REIT World Index produced a total return of -5.09% in US dollar terms for the quarter ending 31 December 2018 versus the -14.28% for the S&P 500 Index and -13.31% for the MSCI World Index.

Asia (3.79%) was the only continental carve out to record a gain during the fourth quarter. Africa (-2.46%), Oceania (-2.72%), Americas (-4.94%) and Europe (-15.13%) contracted markedly in the Oct – Dec period.

GPR 250 REIT Index	USD
Africa	-2.46%
Americas	-4.94%
Asia	3.79%
Europe	-15.13%
Oceania	-2.72%
World	-5.09%

Source: Global Property Research and Thomson Reuters Datastream, Jan'19

The below chart shows the total return for the respective REIT markets in 4Q18.



Source: Global Property Research and Thomson Reuters Datastream, Jan'19

Country Highlights

Hong Kong (4.70% total return)

Link REIT continued to deliver above average returns during Q4. The market viewed the decision to increase their China investment cap from 12.5% to 20% as favourable, as it is the only way to provide a sustainable growth path for the company.

Japan (4.70% total return)

In Japan, economic indicators improved during Q4. Tokyo office landlords were aided by the city's vacancy rate reaching a 27-year low of 2.5%.

Canada (-8.73% total return)

Canadian REITs generated respectable local currency returns throughout 2018 but the global sell-off in December as well as a weakening currency hampered Q4 returns.

Europe (-15.13% total return)

The GPR 250 Europe REIT Index recorded an 18.31% loss in 2018 in local currency terms, following the 6.1% contraction in December. The weakest performers in Europe were those companies exposed to shopping centres and Paris offices.

The former seeing spill over in negative sentiment from the UK and the latter suffering from the political unrest and disturbances in Paris.

The UK's performance was dominated by the announcement that the consortium bidding for Intu had withdrawn their potential offer (an indicative 210p) and the stock fell back to an all-time low of 114p.

Portfolio Performance

The GPR 250 REIT World Index produced a total return of -5.09% in US dollar terms for the quarter ending 31 December 2018.

During the reporting period, the Fund's benchmark-relative performance was constrained by numerous factors. The major contributors to our underperformance was country and sector allocation.

We had minimal exposure to Asian REITs for part of the quarter which outperformed our index, while we were overweight Europe, the weakest performing market.

In the US, growing risk aversion led to a shift towards defensive sub-sectors with longer-duration cash flow streams. The fund had minimal exposure to these sectors (i.e. health care and triple net lease REITs) which outperformed in Q4.

The fund's higher than average exposure to the timber, data centre and single-family rental sectors also impacted our relative returns.

Following four consecutive years of substantial outperformance (+194% for data centres versus +54% for the MSCI US REIT Index (RMZ)), data centres significantly underperformed in 2018 with a total return of -13.5% versus -5.1% for the RMZ.

Some of the main issues included weak tech results, slowing global growth, and a need for equity issuance to help fund external development which has created an overhang that is weighing on the group.

Top 5 Avg. Weights		
	Security name	%
1.	Simon Property Group	4.35
2.	NEPI Rockcastle plc	4.20
3.	Equinix Inc	3.95
4.	CyrusOne Inc	3.85
5.	Invitation Homes Inc	3.75

Top 5 Performance Contributors		
	Security name	%
1.	Link REIT	0.20
2.	Intu Properties plc	0.10
3.	Safestore Holdings plc	0.05
4.	Hammerson plc	0.04
5.	SBA Communications	0.03

Bottom 5 Performance Contributors		
	Security name	%
1.	Equinix Inc	-0.72
2.	NEPI Rockcastle plc	-0.57
3.	CyrusOne Inc	-0.55
4.	Uniti Group Inc	-0.47
5.	Invitation Homes Inc	-0.44

Source: Reitway Global, StatPro, January 2019

Investment Outlook

The macro picture is the wild card at the moment, as mixed economic indicators and the fluctuating threat of a trade war continue to loom over the global economy.

REITs should outperform the broader stock indices in this environment, especially as most REIT management teams have significantly strengthened their respective companies to better handle the next economic downturn.

We are taking a more balanced approach in our sector weightings given the market uncertainty, with a slight pro-growth bias. In our view, this stance is still warranted due to the recent divergence between defensive and pro-growth sectors.

We expect investors to remain risk averse and overweight strong balance sheets, superior management teams, and sectors with clearly favourable demand.

Reitway News

Marius du Preez

Congratulations to Marius who passed his CFA Level 1 exam during 2018. We wish him all the best with his Level 2 studies.



Adviceworx – South African Fund

Adviceworx have added the South African domiciled Reitway BCI Global Property Fund to their Endorsed list after an extensive due diligence process.

Contact Olivia Teek on 021 551 3688 or oliviatt@reitwayglobal.com should you require additional information.

Malta – Reitway Global Property Fund

The Malta domiciled long-only fund has been approved by the Financial Sector Conduct Authority (FSCA) in terms of Section 65.

This fund is now available to South African investors.

Swissquote – Malta Funds

Both the Malta domiciled long-only and the leveraged funds are now available on the Swissquote platform.

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

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