

Reitway Global Property Fund

- › The GPR 250 delivered 2.72%, the fund delivered 2.90%.
- › The fund has delivered 9.50% YTD, to the end of the third quarter.
- › From a sector perspective we saw our specialised exposure delivering the greatest return.

Marius du Preez, September 2024

Market Commentary

For the fifth month in a row the portfolio has delivered a positive return, coming in with 2.90% for September. It has now delivered 21.18% over the last five months, coinciding with central banks around the world starting rate cuts and the lead up to these cuts. The fund slightly beat the benchmark (GPR 250 REIT Index) which delivered 2.72% for the month. On a year-to-date basis the fund has now delivered 9.50% up to the end of the third quarter.

The big news for the month was that the United States' Federal Reserve Bank at last cut rates since the rate hike cycle started. The even bigger news was that they cut the rate by 50bps on 18 September at their rates announcement meeting. This was also the first rate cut by the Fed in 4 years and took some of the market participants by surprise where a more conservative 25bps cut was anticipated. With this meeting the Fed also released new economic forecasts and policymakers are pencilling in another 50bps of easing by the end of the year, consisting of 2 25bps cuts. Looking into next year, there is another 100bps reduction expected over the year and a final 50bps reduction in 2026.

Some interesting changes were made to expected economic indicators for the next few years. PCE inflation was revised lower for 2024 to 2.3% (vs 2.6% in the June prediction) and the 2025 projection was revised down to 2.1% (vs the previous 2.3% projection). The unemployment rate is seen to be higher at 4.4% vs the previous 4.0% predicted. GDP growth for 2024 is seen slightly down at 2.0% (vs the previous 2.1%) but the forecast for 2025 was kept at 2.0%.

The best regions in the portfolio for the month was Australia (+6.25%) and Germany (+5.84%). The largest component of the portfolio is the US, and it delivered 3.30%. Our specific exposure to regional malls in Australia through Scentre Group (+8.49%) and our German residential exposure to Vonovia (+5.84%) contributed to these regions delivering solid returns. There was no region that delivered a negative return for the month in the portfolio, but the worst performing region as Japan (+0.11%). We are underweight Japan by a considerable margin and that aided in the slight outperformance of the portfolio for the month.

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From a sector perspective we saw our specialised exposure delivering the greatest return. Specialised is made up of sub-sectors such as Data Centres, Towers and Communication Infrastructure (Fibre). We specifically gained from the holdings in the US but also gained from our exposure to Spanish Tower REITs. Data centres have been an excellent performer over the last 2 years, up over 70% on the back of continued strong demand and robust leasing deals being signed. Capital is flooding into the sector to support massive construction projects. There seems to be a fair runway left for the sector into 2025.

The worst performing sector which the portfolio had exposure to was the Office sector (-2.74%). We have subsequently exposed of the specific holding contributing to the negative returns. We also loss out from our exposure to Manufactured housing which brought in a negative return of -1.22% for the month. We do not have significant exposure to either of these sectors and the negative contribution to the performance was minimal. The office sector has been on a bit of a recovery path in the last few months but has come from significant lows with an uncertain outlook and where bad properties are being pitched by sellers as good land plays.

The best performing stock in the portfolio was Uniti Group, an internally managed real estate investment trust engaged in the acquisition and construction of mission critical communications infrastructure and a leading provider of fiber and other wireless solutions for the communications industry. At the beginning of the month, they announced a new 20-year contract award with a large hyperscaler in Alabama which was a big deal in the industry. Uniti also announced the pricing of the Windstream refinancing transaction close to the end month and the market reacted positively to the news. They have been making a considerable effort to address the market and announced numerous presentations such as presenting at the Deutsche Bank 32nd Annual Leverage Financed Conference and the RBC Capital Markets 2024 Global Communications Infrastructure conference. These presentations seem to be a ploy by them to be open and provide clear communication to their investors, which was in the opinion of some not always been the case.

Lineage (LINE) was the worst performing holding in the portfolio for the month, down 6.13%. This is a new listing (Listed 25 July 2024) which we entered at the back end of August and currently hold just over 2% in the portfolio. LINE is the world's largest global temperature-controlled warehouse REIT with a network of over 480 strategically located facilities and has a market cap of \$19.2bn. IT's IPO was the largest REIT IPO in history and the proceeds were used to repay debt. It is an

acquisition focused REIT, and the IPO aided its leverage metrics which in turn allows for a greater runway of bolt-on acquisitions before common equity issuances are needed as a funding source. They extract significant synergies from acquisitions and has made significant investment in technology in recent years to help grow their business.

Fund positioning remains roughly the same (quality, value, structural trend riders, and blend between offensive and defensive). The REIT market now has an increased appetite for risk in an easing cycle starting to unfold with global central banks starting their rate cutting cycles.

We believe real estate fundamentals are still sound and 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.

If you would like to set up time to speak to us or for more information on any of [our funds](#) please contact oliviatt@reitwayglobal.com / 082 676 6115 or laurend@reitwayglobal.com / 060 587 5086

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