

Reitway Global | BCI Global Investment Conference | May 2019



The Case For Global Real Estate



Diversification



Inflation
Protection



Dividend
Income



High Return and
Lower Risk



Global REITs vs General Sectors - 15 Years

South African Stocks Were Stellar Performers



Total Returns - ZAR	15 Years
SA LISTED PROPERTY	956.27%
JSE ALL SHARE	771.26%
NASDAQ	694.92%
MSCI EMERGING MARKETS	495.13%
S&P 500	488.70%
GLOBAL REITS	448.26%
MSCI WORLD	400.74%
MSCI EUROPE	297.77%
MSCI EAFE	286.25%
ALBI	264.08%
FTSE 100	244.18%
MSCI JAPAN	192.35%
STeFI	189.56%
US AGGREGATE BOND	184.29%

Source: Datastream, Reitway Analysis, Rolling 15 Year Period ending 2019-04-30

Global REITs vs General Sectors - 10 Years

Over Past 10 Years, JSE Started to Lag



Total Returns - ZAR	10 Years
NASDAQ	610.34%
S&P 500	460.06%
GLOBAL REITS	392.05%
MSCI WORLD	325.84%
JSE ALL SHARE	279.66%
SA LISTED PROPERTY	219.28%
MSCI EUROPE	206.19%
MSCI EAFE	203.07%
FTSE 100	201.83%
MSCI EM	187.08%
MSCI JAPAN	174.48%
ALBI	128.96%
STeFI	89.14%
US AGGREGATE BOND	88.17%

Source: Datastream, Reitway Analysis, Rolling 10 Year Period ending 2019-04-30



Global REITs vs General Sectors - 5 Years

Global REITs Have Delivered Consistent Returns



Total Returns - ZAR	5 Years
NASDAQ	156.83%
S&P 500	113.63%
MSCI WORLD	80.34%
MSCI JAPAN	71.38%
REITWAY BCI GLOBAL PROP	61.92%
MSCI EM	53.00%
ALBI	49.83%
MSCI EAFE	43.51%
STeFI	40.47%
JSE ALL SHARE	39.14%
US AGGREGATE BOND	37.89%
MSCI EUROPE	35.09%
SA LISTED PROPERTY	32.58%
FTSE 100	26.67%

Source: Datastream, Reitway Analysis, Rolling 5 Year Period ending 2019-04-30
 Reitway BCI Global Property Inception 2012-01-31

Global REITs vs General Sectors - 1 Year

Global REITs Have Shown Their Mettle



Total Returns - ZAR	1 Year
REITWAY BCI GLOBAL PROP	19.37%
NASDAQ	18.63%
S&P 500	16.25%
MSCI WORLD	9.68%
STeFI	7.27%
US AGGREGATE BOND	7.05%
ALBI	4.97%
JSE ALL SHARE	3.90%
MSCI EUROPE	0.02%
FTSE 100	-0.01%
MSCI EAFE	-0.37%
MSCI EM	-2.37%
MSCI JAPAN	-4.58%
SA LISTED PROPERTY	-9.63%

Source: Datastream, Reitway Analysis, Rolling 1 Year Period ending 2019-04-30
 Reitway BCI Global Property Inception 2012-01-31



In USD Terms, REITs Have Provided the Best Annual Returns over 15 Years

Annual Total Returns for 8 Primary Asset Classes

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
REITs 31.60%	EM 34.50%	REITs 35.10%	EM 39.80%	Bonds 5.20%	EM 79.00%	REITs 28.00%	REITs 8.30%	REITs 19.70%	Sm Cap 38.80%	REITs 28.00%	REITs 2.80%	Sm Cap 21.30%	EM 37.80%	Cash 2.00%
EM 26.00%	Intl Stock 14.00%	EM 32.60%	Intl Stock 11.60%	Cash 1.40%	HY Bond 57.50%	Sm Cap 26.90%	Bonds 7.80%	EM 18.60%	Lrg Cap 32.40%	Lrg Cap 13.70%	Lrg Cap 1.40%	HY Bond 17.50%	Intl Stock 25.60%	Bonds 0.00%
Intl Stock 20.70%	REITs 12.20%	Intl Stock 26.90%	Bonds 7.00%	HY Bond -26.40%	Intl Stock 32.50%	EM 19.20%	HY Bond 4.40%	Intl Stock 17.90%	Intl Stock 23.30%	Bonds 6.00%	Bonds 0.60%	Lrg Cap 12.00%	Lrg Cap 21.80%	HY Bond -2.30%
Sm Cap 18.30%	Lrg Cap 4.90%	Sm Cap 18.40%	Lrg Cap 5.50%	Sm Cap -33.80%	REITs 28.00%	HY Bond 15.20%	Lrg Cap 2.10%	Sm Cap 16.40%	HY Bond 7.40%	Sm Cap 4.90%	Cash 0.10%	EM 11.60%	Sm Cap 14.70%	REITs -4.00%
Lrg Cap 10.90%	Sm Cap 4.60%	Lrg Cap 15.80%	Cash 4.40%	Lrg Cap -37.00%	Sm Cap 27.20%	Lrg Cap 15.10%	Cash 0.10%	Lrg Cap 16.00%	REITs 2.90%	HY Bond 2.50%	Intl Stock -0.40%	REITs 8.60%	REITs 8.70%	Lrg Cap -4.40%
HY Bond 10.90%	Cash 3.20%	HY Bond 11.80%	HY Bond 2.20%	REITs -37.70%	Lrg Cap 26.50%	Intl Stock 8.20%	Sm Cap -4.20%	HY Bond 15.60%	Cash 0.10%	Cash 0.00%	Sm Cap -4.40%	Bonds 2.70%	HY Bond 7.50%	Sm Cap -11.00%
Bonds 4.30%	HY Bond 2.70%	Cash 4.70%	Sm Cap -1.60%	Intl Stock -43.10%	Bonds 5.90%	Bonds 6.50%	Intl Stock -11.70%	Bonds 4.20%	Bonds -2.00%	EM -1.80%	HY Bond -4.60%	Intl Stock 1.50%	Bonds 3.50%	Intl Stock -13.40%
Cash 1.40%	Bonds 2.40%	Bonds 4.30%	REIT -15.70%	EM -53.20%	Cash 0.20%	Cash 0.20%	EM -18.20%	Cash 0.10%	EM -2.30%	Intl Stock -4.50%	EM -14.60%	Cash 0.30%	Cash 1.00%	EM -14.30%

Source: Datastream, Reitway Global Analysis

- REITs: FTSE NAREIT All Equity Index
- EM: MSCI Emerging Markets Index
- Large Cap Stocks: S&P 500
- Small Cap Stocks: Russell 2000
- High Yield Bonds: US High Yield
- International Developed Stocks: MSCI EAFE
- Bonds: US Aggregate Bond
- Cash: 3 Month USA T-Bill Rate

Global Property Has Low Correlations with South African REITs and Equities



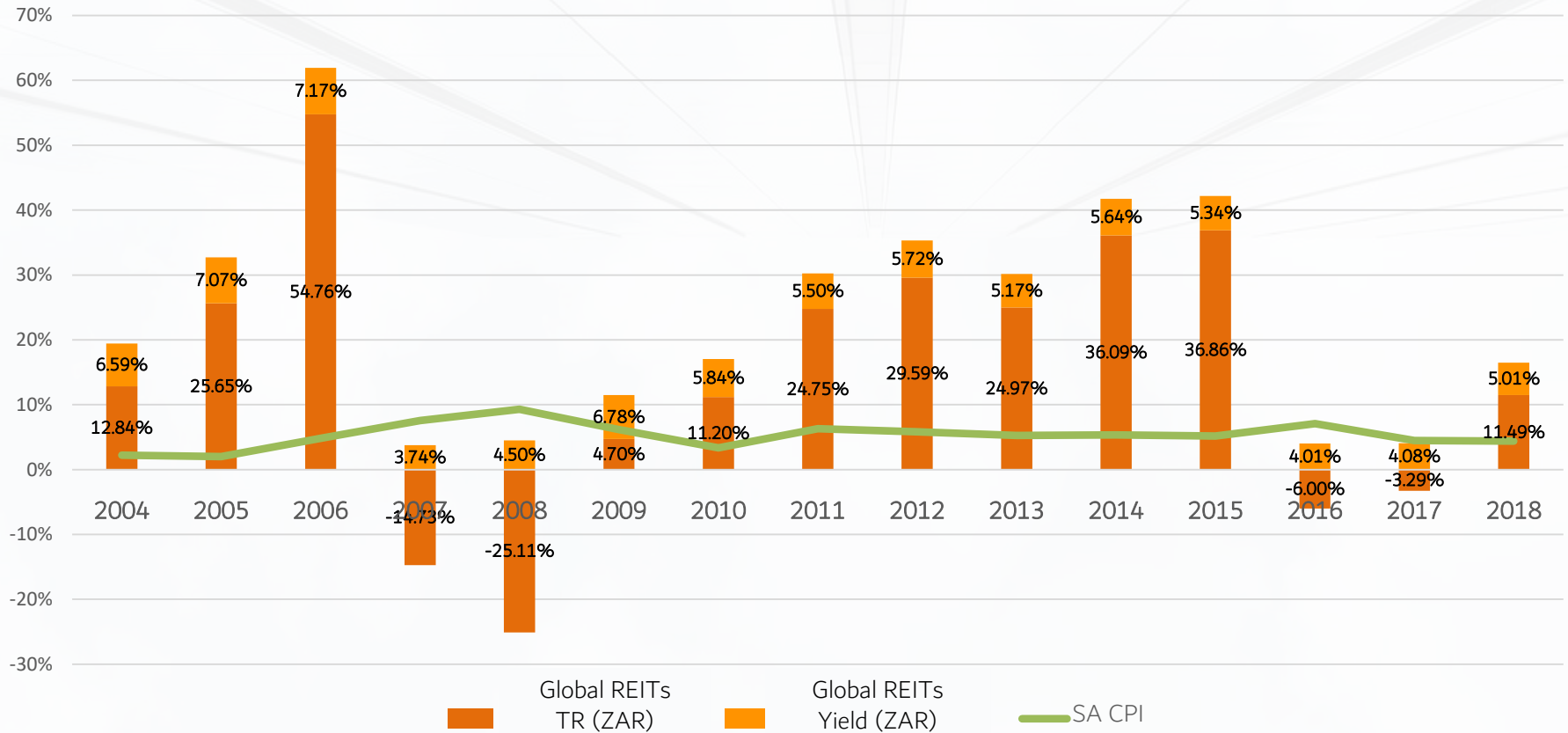
	FTSE 100	GLOBAL PROP	USE ALL SHARE	SA LISTED PROP	MSCI EAFE	MSCI EM	MSCI EUROPE	MSCI JAPAN	MSCI WORLD	NASDAQ	S&P 500	ALBI	STeFI	US AGG BOND
FTSE 100	1	0.55	0.38	0.03	0.87	0.63	0.95	0.42	0.74	0.54	0.60	-0.40	-0.05	0.50
GLOBAL PROPERTY	0.55	1	-0.07	-0.15	0.68	0.57	0.60	0.54	0.79	0.68	0.77	-0.50	-0.01	0.78
USE ALL SHARE	0.38	-0.07	1	0.490	0.249	0.366	0.344	-0.014	0.123	0.069	0.041	0.170	0.025	-0.234
SA LISTED PROP	0.03	-0.15	0.490	1	-0.07	0.01	-0.01	-0.16	-0.16	-0.16	-0.19	0.34	-0.01	-0.34
MSCI EAFE	0.87	0.68	0.249	-0.07	1	0.79	0.92	0.76	0.86	0.62	0.70	-0.49	-0.03	0.70
MSCI EM	0.63	0.57	0.366	0.01	0.79	1	0.68	0.63	0.75	0.61	0.65	-0.38	0.02	0.61
MSCI EUROPE	0.95	0.60	0.344	-0.01	0.92	0.68	1	0.46	0.81	0.61	0.67	-0.43	-0.05	0.56
MSCI JAPAN	0.42	0.54	-0.014	-0.16	0.76	0.63	0.46	1	0.61	0.40	0.47	-0.39	0.00	0.65
MSCI WORLD	0.74	0.79	0.123	-0.16	0.86	0.75	0.81	0.61	1	0.91	0.97	-0.55	-0.03	0.75
NASDAQ	0.54	0.68	0.069	-0.16	0.62	0.61	0.61	0.40	0.91	1	0.96	-0.46	-0.01	0.61
S&P 500	0.60	0.77	0.041	-0.19	0.70	0.65	0.67	0.47	0.97	0.96	1	-0.53	-0.02	0.71
ALBI	-0.40	-0.50	0.170	0.34	-0.49	-0.38	-0.43	-0.39	-0.55	-0.46	-0.53	1	-0.02	-0.65
STeFI	-0.05	-0.01	0.025	-0.01	-0.03	0.02	-0.05	0.00	-0.03	-0.01	-0.02	-0.02	1	0
US AGG BOND	0.50	0.78	-0.234	-0.34	0.70	0.61	0.56	0.65	0.75	0.61	0.71	-0.65	-0.02	1

Source: Datastream, Reitway Global Analysis



Global REITs' Inflation Beating Returns

Global REITs Have Produced Average ZAR Yields of 5.88% Over 25 Years



Source: Datastream, Reitway Global Analysis
 - Global REITs: GPR 250 R Index

Despite Interest Rate Impact Fears, REITs Show Sustained Recovery Post Rises



- While REITs typically exhibit **short-term volatility** as interest rate hikes occur, REITs generally recover **quickly** and **outperform** equities over the next 12 months.

REIT Performance During Sustained Periods of Rising Interest Rates				
	Rising Period		No. of Days	Increase in Bond Yields
1	Dec-76	Sep-81	1735	9.04%
2	Jan-83	Jun-84	553	3.16%
3	Aug-86	Oct-87	430	2.31%
4	Jun-93	Nov-94	402	2.36%
5	Oct-98	Jan-01	842	1.14%
6	Jun-03	Jun-06	1111	2.14%
7	Jul-12	Nov-13	484	1.40%
8	May-13	Aug-13	74	1.11%
9	Jan-15	Jun-15	93	0.83%
10	Jul-16	Dec-16	115	1.23%
11	Sep-17	May-18	180	1.05%
12	Aug-18	Nov-18	55	0.41%
Averages:			506	2.2%

Total Return During Interest Rate Rise Period		
REITs	Equities	REITs vs. Equities
45.22%	8.70%	36.52%
21.29%	10.86%	10.43%
0.59%	39.66%	-39.07%
-6.07%	4.60%	-10.67%
-2.01%	38.01%	-40.02%
65.90%	26.04%	39.87%
0.92%	33.11%	-32.18%
-16.00%	1.50%	-17.50%
-12.10%	4.90%	-17.00%
-7.20%	7.01%	-14.21%
-8.00%	32.60%	-40.60%
-1.33%	-1.38%	0.05%
6.8%	17.1%	-10.4%

Total Return Post Rise Period 180 Days		
REITs	Equities	REITs vs. Equities
27.41%	12.04%	15.37%
21.75%	6.89%	14.86%
-12.00%	-7.20%	-4.79%
-6.28%	21.88%	-28.15%
1.06%	-17.13%	18.20%
65.93%	21.66%	44.26%
7.00%	25.46%	-18.46%
12.40%	12.30%	0.10%
7.30%	-0.90%	8.20%
4.17%	9.50%	-5.33%
9.54%	-1.33%	10.87%
8.43%	6.71%	1.72%
12.2%	7.5%	4.7%

Total Return Post Rise Period 1 Year		
REITs	Equities	REITs vs. Equities
105.05%	46.00%	59.05%
40.56%	16.47%	24.09%
-0.25%	10.90%	-11.15%
8.64%	30.13%	-21.49%
42.26%	-10.52%	52.77%
87.52%	41.50%	46.01%
16.13%	25.19%	-9.06%
26.30%	22.90%	3.40%
25.60%	5.60%	20.00%
8.95%	21.56%	-12.61%
19.65%	10.35%	9.29%
-	-	-
34.6%	20.0%	14.6%

Source: Datastream, Reitway Global Analysis



Global Research Shows that REITs Provide Diversification and Return Enhancements

- Research conducted over the past two decades consistently demonstrates that listed Real Estate can act as a **return enhancer** with **superior risk-adjusted returns** for investment portfolios.
- Despite this strong performance over robust time periods, REITs remain **generally underutilised** as a diversification tool and most allocators, portfolio managers and individual investors remain **underexposed**.

20 Year Risk/Return Spectrum of Hypothetical Portfolios with REIT Exposure

	Allocation	Average Annual Return	Sharpe Ratio	Standard Deviation
1	REITs 33.3% / Equity 33.3% / Bonds 33.3%	8.70%	0.61	10.90%
2	REITs 20% / Equity 40% / Bonds 40%	8.10%	0.55	9.20%
3	REITs 10% / Equity 55% / Bonds 35%	7.90%	0.58	9.90%
4	Equity 80% / Bonds 20%	7.80%	0.48	12.20%
5	Equity 60% / Bonds 40%	7.30%	0.55	9.20%

Source: REIT Stocks: An Underutilized Portfolio Diversifier. Fidelity and Morningstar

- REITs: FTSE NAREIT All Equity Index
- Equity: S&P 500
- Bonds: US Aggregate Bond

Global REITs Offer Increased Returns, with Lower Volatility



- The **inclusion** of global property exposure in South African balanced portfolios **replicates** the results obtained in international studies.
- The inclusion of global property exposure in South African portfolios therefore, has the **potential to improve** investor outcomes.

Risk/Return Spectrum of Hypothetical South African Portfolios with REIT Exposure

	Allocation (2 Year Rolling)	Average Annual Return	Sharpe Ratio	Standard Deviation
1	Reitway BCI Global 20% / SA Equity 40% / SA Cash 40%	9.42%	0.57	7.94%
2	Reitway BCI Global 33.3% / SA Equity 33.3% / SA Cash 33.3%	7.80%	0.35	7.88%
3	Reitway BCI Global 15% / SA REITs 10% / SA Equity 65% / SA Cash 10%	7.76%	0.29	9.03%
4	Reitway BCI Global 10% / SA REITs 5% / SA Equity 45% / SA Cash 40%	7.38%	0.10	8.06%
5	Reitway BCI Global 10% / SA Equity 55% / SA Cash 35%	7.28%	0.34	6.77%
6	SA Equity 80% / SA Cash 20%	7.14%	0.23	8.73%
7	SA Equity 60% / SA Cash 40%	7.03%	0.31	6.54%
8	Reitway BCI Global 5% / SA REITs 5% / SA Equity 60% / SA Cash 30%	5.30%	0.02	7.23%

Source: Datastream, Reitway Analysis, Rolling 2 Year Period ending 2019-02-31
 Global REITs – Reitway BCI Global Property Fund
 SA Equity – FTSE/JSE All Share Index
 SA Cash – STeFI Index

Reitway's 2019 Outlook

- Global growth trajectory is **lower**.
- Interest rate outlook is **more benign** than 2018.
- Outlook for Global REITs is **more positive** than 2018.
- Some **Volatility** will remain for rest of the year.
- Sector wise, **pressure** will remain on global Retail sector. **Tailwinds** will remain for Logistics and Warehousing sector.
- Risks from USA and China trade dispute **remain**.
- Ongoing Brexit saga **continues** to impact GBP and UK Real Estate investments.
- Key benefits of Global REITs Remain Strong:
Diversification + Inflation Protection + Dividend Income = Higher Returns with Lower Risk



Thank You



Redefining Investment in Listed Property



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