

## Reitway Global Property Fund

- › The GPR 250 REIT World Index produced a net total return of 3.24% in USD.
- › Office was the best performing sector, delivering 9.28%.
- › Of the companies we own, the biggest positive was brought by a Data Centre REIT.

July 2023

---

### Market Commentary

July was one of the better months of the year for the GPR 250 REIT World Index (USD). It produced a net total return of 3.24% and broke through its ~1,310 resistance line. The index continued to sit on this level for the succeeding 21 days after breaking through.

For now, it only seems to be enjoying the view, yet to have found the moxie to go higher. Breaking it down to a sector level, self-storage performed the worst among REIT peers—producing a return of -2.87%, while office was the best performing sector, delivering 9.28%.

Of the continents in the GPR 250 World Index, Europe performed the best, producing 9.7%. Asia was the worst performing continent, producing 1.8%. The chief driver of European outperformance was German residential.

Being heavily levered, uncrowded, and high beta, the sector got a potent shot of adrenaline from some ECB members hinting at an interest rate pause. Other developments, such as hedge fund de-grossing before summer trips, eventually translating into a short squeeze, is also believed to have played a part.

Earnings season went into full swing with about half of the US names reporting in July. On a sector basis, the most negative commentary came from industrial, with occupancies and market rent growth easing faster than expected in the world's fourth largest industrial market: Southern California.

Towers was the second most disappointing. A slowdown in macro activity from mobile carriers impacted the towers companies' services segment. Despite a deceleration in spending, the 5G cycle is still on strong legs. The slowdown is only an elongation of the cycle rather than the start of the end.

Of the companies we own, the biggest positive was brought by Digital Realty—completing its capital recycling plan for the year by bagging \$3.2 billion in proceeds at attractive cap rates. Sun Communities was our little black sheep, adjusting 2023 earnings guidance down by 2.2%.

The main drivers of the adjustment were lower than expected UK home sales and the variable rate sterling-denominated debt that funded their UK business acquisition. The UK homes sales business is a small part of Sun's operating income, and the company plans to pay off the floating rate debt. We continue to like Sun for its chief businesses and attractive valuation.

Our newest addition to the portfolio, Cellnex (a European tower company), had its first earnings call with its new CEO, Marco Patuano, who sent a clear message to the market by reiterating the company's new business plan to de-lever and grow organically. The message was received favourably by the market with Cellnex ending the day up 4.4%.

In the US, that seemingly unattainable pie in the sky called a Soft Landing has started its descent, gently pulled on by a thread woven from the best-case scenario of economic data. Consumer confidence climbed, unemployment held firm at 3.6%, the employment cost index q/q continued ticking down, and the advance GDP q/q reading came in at 2.4%.

The Fed's most preferred inflation indicator, the m/m Core PCE Price Index, dropped in at 0.2%—its lowest reading since December last year. A bit of a dimmer to this party was the Fed hiking the federal funds rate by 0.25% and reiterating key points inflation still too high and it will take time to bring price increases down. The Fed did not commit to being done hiking for the year.

Europe continues to see itself in a de facto stagflation environment. GDP q/q growth was 0.3% and y/y core inflation (in at 5.5%) has shown little signs of starting any meaningful downward trend, still hovering around its post-pandemic high of 5.7%. At their monetary policy meeting, the ECB changed their tune from upcoming rate hikes to more of a wait-and-see, data dependent mode. The BOJ once again made a tweak to their yield curve control policy, changing the 0.5% ceiling on the 10-year government bond to what they now consider a point of reference.

In response to this, markets jolted in all the directions one would expect: the yen appreciated against all major currencies and foreign securities where clusters of Japanese investors reside depreciated. The reason behind the tweak was maintaining flexibility. Governor Ueda reiterated the BOJ's commitment to its ultra-lax monetary policy for the time being. Most of the movements saw in financial markets had reversed by the end of the trading day.

In a **transitioning environment**, which brings uncertainty, we reiterate **our preference for hybrid companies that possess both offensive and defensive characteristics**, which naturally possess elements that **will benefit from a soft landing**. That said, we still **have a mild recession as our base case**.

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

#### Disclaimer

Although all precautions have been made to ensure the reliability of data and information contained in this presentation, Reitway cannot guarantee the reliability thereof. Past performance referred to in this presentation is not necessarily indicative of future performance. Similarly, forecasts contained in this presentation involve risks and uncertainties which may result in future performance, outcomes and results which differ materially from such forecasts. You are accordingly cautioned not to place undue reliance on any historical data, general information or forecasts used in this presentation.

Reitway accepts no liability whatsoever for any loss, damage (direct or consequential) or expense suffered by a recipient as a result of any reliance placed on any information contained in this presentation or any opinions expressed during this presentation. The views, opinions and comments reflected in the presentation represent those of Reitway, associated companies and employees.

Reitway Global (Pty) Ltd

Registration No: 2011/125542/07. A Financial Services Provider licensed under the Financial Advisory and Intermediary Services Act, 37 of 2002. FSP license No: 43747. The full details and basis of the awards are available from the manager

Boutique Collective Investments (RF) (Pty) Ltd ("BCI") is a registered Manager of the Boutique Collective Investments Scheme, approved in terms of the Collective Investments Schemes Control Act, No 45 of 2002 and is a full member of the Association for Savings and Investment SA.

Collective Investment Schemes in securities are generally medium to long term investments. The value of participatory interests may go up or down and past performance is not necessarily an indication of future performance. The Manager does not guarantee the capital or the return of a portfolio. Collective Investments are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees, charges and maximum commissions is available on request. BCI reserves the right to close the portfolio to new investors and reopen certain portfolios from time to time in order to manage them more efficiently. Additional information, including application forms, annual or quarterly reports can be obtained from BCI, free of charge.

A feeder fund is a portfolio that invests in a single portfolio of collective investment schemes, which levies its own charges, and which could result in a higher fee structure for the feeder fund

Performance figures quoted for the portfolio are from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Past performance referred to in this presentation is not necessarily indicative of future performance.

Investments in foreign securities may include additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk as well as potential limitations on the availability of market information.

Boutique Collective Investments (RF) Pty Ltd retains full legal responsibility for the third party named portfolio.

Although reasonable steps have been taken to ensure the validity and accuracy of the information in this document, BCI does not accept any responsibility for any claim, damages, loss or expense, however it arises, out of or in connection with the information in this document, whether by a client, investor or intermediary. This document should not be seen as an offer to purchase any specific product and is not to be construed as advice or guidance in any form whatsoever. Investors are encouraged to obtain independent professional investment and taxation advice before investing with or in any of BCI/the Manager's products.