

Discovery Global Real Estate Securities Feeder Fund

In the fourth quarter, the fund gained 11% and outperformed the benchmark by 34bps. The first and second bites of the apple, namely country and sector allocation, detracted 160bps from overall outperformance. This was offset by the third bite of the apple, stock selection which contributed 174bps to the overall outperformance. Currency effects contributed 20bps. The fund ended the year with a total gain of 30%, which translated into an outperformance of 436bps relative to the benchmark. Since inception in 2017, the fund has risen by 66% while the benchmark has recorded a total return of 43% over the same timeframe, yielding an outperformance of 23%.

The negative contribution to overall outperformance stemming from the first bite of the apple was largely driven by our underweight positioning in the US coupled with our overweight positioning in Singapore and Hong Kong. The US recorded a total return of 16% and in turn outperformed the benchmark by 5%. We continue to be underweight the US on account of stretched valuations and persistent inflationary pressures. Singaporean non-REITs gained 131bps while the benchmark appreciated by 10%. We maintain our overweight positioning in Singapore on the back of the encouraging vaccination progress in the region with at least 80% of the population vaccinated. Hong Kong non-REITs rose by 2% and consequently underperformed the benchmark by 8%. We remain overweight the region on account of attractive valuations.

The negative contribution to overall performance from the second bite of the apple was principally driven by our overweight positioning in the healthcare sector and our underweight positioning in malls. The US healthcare sector rose by 4% and underperformed the US index by 11%. While we remain positive on the US healthcare sector on the premise of the sector's favourable outlook on senior housing demographics, moderating supply growth and high vaccination rate among seniors, we have downgraded our allocation to underweight on account of continued labour cost pressures. The US mall sector appreciated by 21% and in turn outperformed the US index by 6% which detracted from the fund's overall performance as we remained underweight the sector. We continue to be underweight the sector given the sector's unfavourable supply-demand dynamics which are further exacerbated by the impact of Ecommerce on brick & mortar shopping malls.

The negative contribution from the mall and healthcare sectors was offset by our overweight positioning in the industrial property sector, which rose by 32% and consequently outperformed the US index by 16%. We remain overweight the US industrial property sector on the premise of the sector's continued favourable supply-demand dynamics which continue to translate into persistent pricing power as well as robust operating performance.

Stock selection was the main driver of overall outperformance in the fourth quarter of 2021. Leading the pack was Safestore Holdings, the UK listed owner and operator of self-storage real estate, which recorded a total return of 35% and as a result outperformed its respective benchmark by 24%. VGP, the Belgium listed developer, manager and owner of logistics and industrial real estate gained 27% while outperforming the European index by 23%. Goodman Group, the Australian listed developer, manager, and owner of global industrial real estate, rose by 24% and outperformed its index by 20%.

On the other side of the ledger, Ventas, the US REIT specializing in the ownership and management of healthcare facilities, declined by 7% and underperformed its respective benchmark by 11%. Mitsubishi Estate, the diversified Japanese developer, fell by 13%, while Hudson Pacific, the US listed office landlord, declined by 5% and underperformed its respective benchmark by 11%.

**Commentary is based on USD returns, gross of investment charges, as at close of US markets (16h00 EST) on the last trading day of the month. This may differ from ZAR returns, which is shown net of investment charges, as at 15h00 CAT on the last trading day of the month.*

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