

Discovery Global Real Estate Securities Feeder Fund - Q3 2021

In the third quarter, the fund fell by 54bps while the benchmark declined by 90bps translating into an outperformance of 36bps. The outperformance was driven by the first and second bites of the apple, namely country and sector allocation which collectively contributed 130bps to the overall outperformance. The third bite of the apple, stock selection, as well as currency effects detracted 92bps and 2bps respectively. Year to date the fund has appreciated by 18% and is outperforming the benchmark by 359bps. In ZAR terms, the fund has recorded a total return of 22% and is outperforming the JSE All Share Index by 14% year to date. Since inception in 2017, the fund has risen by 50% while the benchmark has gained 30%, yielding an outperformance of 20%.

The outperformance attributable to the first and second bites of the apple was principally driven by our underweight positioning in Hong Kong, our overweight allocation to the United Kingdom as well as our underweight positioning in Japan. Hong Kong was the worst performing country during the third quarter with Hong Kong REITs and Hong Kong non-REITs recording a total decline of 11% and 14%, resulting in underperforming the benchmark by 10% and 13% respectively. The city saw its biggest decline in population in six decades following the recent political crackdown, as such we maintain our underweight positioning. The UK outperformed the benchmark by 3%, and we have retained our overweight positioning. Japanese REITs underperformed the benchmark by 2% and we continue to remain underweight the country on account of its subdued economic growth outlook and demographic challenges.

In the US, the fund's biggest market exposure, the best performing sector was residential which recorded a total return of 8% and in turn outperformed the US benchmark by 7%. Owing to continued pricing

strength in the manufactured housing subsector as well as improving operating fundamentals in the apartment subsector, we maintain our overweight allocation in US residential. The US industrial sector was the second-best performing sector as it gained 2% while outperforming the benchmark by 2%. We retain our overweight positioning in industrial property on account of the sector's continued e-commerce tailwinds coupled with an expected incremental use of industrial space driven by the pandemic induced supply chain disruptions.

Leading the fund's top stock contributors to outperformance for the quarter was Warehouse De Pauw, the Belgium listed owner and operator of industrial property, which appreciated by 6% and outperformed the European property index by 10%. Life Storage, the US listed owner and operator of self-storage assets, was the second-best contributor. Life Storage rose by 8% and outperformed the US self-storage benchmark by 7%. Safestore Holdings, the UK listed owner and operator of self-storage real estate, recorded a total return of 9% while the UK property benchmark rose by 2%.

On the other side of the ledger, the worst detractor from overall performance for the quarter was Hammerson. Hammerson, the UK headquartered retail landlord with assets across the UK, France, and Ireland, fell 15% and consequently underperformed the UK property index by 17%. We have exited Hammerson and used the proceeds to boost our cash position. The second-worst detractor was GLP J-REIT, the Japanese listed REIT principally focused on logistics facilities, which fell by 3% and in turn underperformed its respective benchmark by 12bps. Lastly, Goodman Group, the Australian developer, owner, and manager of industrial real estate declined by 2%, while the Australian property index was down 10bps.

**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.*

DISCLAIMER:

Discovery Life Investment Services Pty (Ltd): Registration number 2007/005969/07, branded as Discovery Invest, is an authorised financial services provider. Product rules and terms and conditions apply.

The views and opinions expressed in this article are for information purposes only and should not be seen as advice as defined in the Financial Advisory and Intermediary Services Act. Discovery shall not be liable for any actions taken by any person based on the correctness of this information. For full details on the products, benefits and any conditions, please refer to the relevant fact file. For tailored financial advice, please contact your financial adviser.

For the full CIS disclosure and risk statement, go to:

CIS disclosure:

<http://www.discovery.co.za/assets/discoverycoza/corporate/cis-disclosure.pdf>

Risk disclosure:

<http://www.discovery.co.za/assets/discoverycoza/corporate/risk-disclosure.pdf>