Listed Property
TAMIM Property Fund

At 31 July 2023

The TAMIM Listed Property unit class delivered a +2.23% return for the month of July 2023. For comparison the A-REIT sector was up +3.83% while the G-REIT sector was up +1.98%.

Australian Listed REIT Portfolio (AUD)

July delivered a solid 3.45% for the A-REIT portfolio. The A-REIT market delivered 3.83% and the ASX 300 returned 2.89%. The A-REIT market bounced in July after the pause by the RBA with soft signals for the future. The portfolio is now up 3.98% on a YTD basis and is regaining some of the ground lost in the prior year when REIT markets globally were decimated. The A-REIT market was down over 20% in 2022. For the last 3 months, the portfolio returned 1.90%, in line with the A-REIT market's return over the same period of 1.96%. Global REITs came in with 1.98% for the month in AUD terms.

Lendlease Group (+11.35%) delivered the greatest return during July. It is a global leader in large-scale mixed-use urban projects with a significant development pipeline which aims to complete $8bn annually. It was one of the hardest hit names in the A-REIT market on a YTD basis, being down 22% from its high point in February to its lowest point in June. It was also down 64% from the onset of Covid and is probably due for a rebound with the economy stabilising after the inflationary environment has been brought under control to some extent through interest rate hikes.

The worst performing REIT in the portfolio was Eureka Group Holdings (-3.23%), one of only 3 stocks that delivered a negative return for the month. Eureka is our smallest holding in the portfolio at 1.67%. Our biggest holding National Storage REIT (8.69%) weighed down the portfolio performance by delivering -1.25% return.

The best performing A-REIT sectors was retail (+5.3%) and office (+5.2%). Vicinity, a retail REIT, is our second largest holding at 7.73% and delivered 7.05% for the month. We own 7 Retail names in the portfolio of which the top 3 holdings all delivered more than 6% for the month. Office was the worst performing sector in June and one of the hardest hit sectors of the global REIT market. Globally, the office sector has also seen some upward price movements based on transactions in certain locations and the discounts to which these stocks have been trading being exploited.

On the 4th of July the RBA held the cash rate constant at 4.10%. The RBA has increased the cash rate by 4% since May 2022 and maintained that more time is required to assess the impact of past hikes and that they view inflation as having hit its peak with a further decline probable in coming months. The RBA changed the number of times they will meet each year, decreasing it from 11 times to 8 times a year. This decision was made to provide the board with more time between meetings.

Key Facts

Investment Structure:	Unlisted unit trust
Minimum investment:	A$100,000
Applications:	Monthly
Redemptions:	Monthly, with 30 days notice
Unit pricing frequency:	Monthly
Distribution frequency:	Quarterly
Management fee:	0.98% p.a.
Lock up period:	Nil
Buy/Sell Spread:	+0.25%/-0.25%
Exit fee:	Nil
Administration & expense recovery fee:	Up to 0.25%

NAV

	Buy Price	Mid Price	Redemption Price
AU$	$0.8813	$0.8791	$0.8769

Portfolio Performance

Inception: 12/7/2021	1 m	6 m	12 m	Since inception (p.a.)
Listed Property	2.23%	-1.10%	-2.94%	-2.99%
A-REIT	3.83%	-2.43%	-4.36%	-4.74%
G-REIT	1.98%	0.42%	-5.10%	0.13%
Cash	0.34%	1.87%	3.20%	1.71%

Inflation data for June came in as expected at 5.4%, down 0.1% from May. This is the lowest it has been since February 2022. A further reduction in inflation is expected when the next data point is reported at the end of August. Housing, food and transport prices has driven the slow-down in inflation closer to the RBA's target of 2-3%. Some other macroeconomic data received was a slowdown in household spending for May, a lift in employment for June and an increase in hours worked.

The current Australian portfolio component consists of 22 stocks. Below are the top 5 holdings:

Symbol	Company	Sector	Current Weight
GMG	Goodman Group	Industrial	8.76%
NSR	National Storage REIT	Storage	8.69%
VCX	Vicinity Centres	Retail	7.73%
CIP	Centuria Industrial	Industrial	6.85%
GPT	GPT Group	Diversified	6.58%

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Reitway Global Property Portfolio (USD)

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 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 of inflation were 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.

The TAMIM global property portion invested in the Reitway Global Property Portfolio currently consists of 46 stocks. Below are the top 5 holdings:

Symbol	Company	Sector	Current Weight
PLD	Prologis	Industrial	9.12%
WELL	Welltower Inc	Healthcare	4.07%
PSA	Public Storage	Storage	3.63%
VICI	Vici Properties	Gaming	3.62%
VTR	Ventas	Healthcare	3.32 %

We believe real estate fundamentals remain 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, particularly as valuations remain attractive.