Listed Property
TAMIM Property Fund

At 31 May 2023

The Tamim Listed Property unit class delivered a -1.18% return for the month of May 2023. For comparison the A-REIT sector was down -1.75% while the G-REIT sector was down -2.28%.

Australian Listed REIT Portfolio (AUD)

The Australian component of the portfolio was down -1.11% for the month, outperforming the A-REIT market which delivered a -1.75% return. The A-REIT market in turn outperformed the ASX 200. In essence most markets gave back some of the gains made in the previous month. The A-REIT market marginally outperformed the global REIT market for the second month in a row after significant underperformance in March, but is still down by roughly 1.8% over the last 3 months in comparison to global REITs.

Vicinity Centres (VCX) was a standout to the downside for the month delivering -11.67%, this after posting fairly strong results for the first quarter of 2023 but with a cautious outlook for the remainder of 2023. The best performing stock in the portfolio was Home Consortium Ltd (HMC) which delivered 12.24%. Both are in the retail sector and shows the intra sector performance dispersion we are experiencing in the market monthly. We have seen some good performance in the industrial stocks in the portfolio, both providing positive returns for the month. Our holding in National Storage REIT (NSR), which is our largest portfolio constituent also delivered a positive return of 0.80%.

The market is at a point where economic policies are normalising, and inflation is starting to take its toll. A-REITs are being hit hard by the market, pricing in negative outcomes in anticipation of a potential recession or stagflation. There has been a fair amount of price correction and in a general sense, A-REITs are screening fairly cheap. Having said that, the outlook is not all rosy and we favour resilient sectors which can weather the tough economic environment and companies with well structured balance sheets with good debt metrics. Price targets are still getting revised downwards by most analysts for many stocks in anticipation of the impact of inflation and rising interest rates.

The RBA raised the cash rate by 0.25% in May taking it to 3.85%. This raise was the 11th rate hike in the past year, pushing borrowing costs to the highest level in over a decade. The increase in interest rates is on the back of concerns regarding sticky inflation and a tight labour market with the unemployment rate being at levels not seen in almost half a century. The market consensus is that inflation is expected to reach 4.5% by year end and fall to 3% by mid-2025.

CPI increased 6.8% in the year to April 2023, up from 6.3% to the end of March 2023 which was the lowest level in 10 months. Market expectations was for an increase of 6.4%.

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$	$0.8699	$0.8677	$0.8655

December Quarter 2022 Distribution: 0.61 cents

Portfolio Performance

Inception: 12/7/2021	1 m	6 m	12 m	Since inception (p.a.)
Listed Property	-1.18%	-0.99%	-3.91%	-4.13%
A-REIT	-1.75%	-3.96%	-8.73%	-6.96%
G-REIT	-2.28%	-1.44%	-5.00%	-1.06%
Cash	0.32%	1.70%	2.69%	1.50%

This was driven mainly by the increase in transport (Fuel) prices. Housing prices however did ease slightly. Inflation thus remained unexpectedly sticky and well above the RBA's target range of 2-3%.

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

Symbol	Company	Sector	Current Weight
NSR	National Storage REIT	Storage	9.28%
GMG	Goodman Group	Industrial	8.45%
VCX	Vicinity Centres	Retail	8.14%
CIP	Centuria Industrial	Industrial	6.80%
SCG	Scentre Group	Retail	6.66%

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Reitway Global Property Portfolio (USD)

May started off with JP Morgan making a significant move to acquire First Republic bank valued at $10.6 billion, with the aim to alleviate concerns surrounding the stability of the banking system. With the collapse of two other US lenders in recent months, the demise of First Republic made it the second largest banking failure in US history.

During the month, the German economy slipped into a recession as a result of high inflation impacting household spending. GDP shrank by -0.3% in the first quarter, following a -0.5% decline in the previous quarter. Germany's heavy dependency on Russia for energy supply was cited as a contributing factor along with household consumption which saw a significant decline of -1.2% quarter on quarter. Government spending also decreased by -4.9%. Despite these negative figures, there were positive signs in investment, with machinery and equipment investment increasing by +3.2% and construction investment rising by +3.9%. While a recovery is expected in the second quarter, factors such as inflation, weak consumer purchasing power, and a potential slowdown in the U.S. pose challenges to the German economy's path to recovery.

Across the Atlantic, the U.S. House of Representatives reached an agreement to suspend the $31.4 trillion debt ceiling, avoiding a potential default. The bill, a compromise between President Joe Biden and House Speaker Kevin McCarthy, garnered support from both Democrats and Republicans, despite facing opposition from hard-line conservatives. The agreement includes provisions that generated some opposition from progressive Democrats, such as new work requirements for certain federal antipoverty programs. While the legislation is expected to result in $1.5 trillion in savings over a decade, it falls short of the saving targets proposed by Republicans and the deficit reduction goals outlined in Biden's budget. Nonetheless, this agreement is seen as a positive development for the American people and the overall economy.

Economic data released by China indicates that the country's performance is faltering. China's April industrial output grew by 5.6% year-on-year, which was below expectations of a 10.9% increase. Similarly, retail sales grew by 18.4%, falling short of the projected 21.0% growth. The figures reflect a loss of momentum in the economy at the beginning of the second quarter, highlighting concerns about both the domestic and export engines of growth. Furthermore, property investment continued to decline, and other indicators such as shrinking imports, factory gate deflation, and weak bank loans further underscored the weak domestic demand.

The GPR 250 REIT Index declined by -2.28% in AUD dollar terms, erasing the prior months gain. All continents finished in the red, with losses ranging from -2% in Asia to -8.5% for Europe.

Among the geographical regions, Mexico showcased remarkable growth, generating an impressive return of +6.68%. Japan came in second delivering -1.95%.

South Africa continue to encounter substantial difficulties as loadshedding and rate hikes persisted during May, experiencing the lowest return of -16.98%. Similarly, Sweden recorded a return of -15.10%. Data centre REITs emerged as the top-performing sector, delivering a notable return of +3.23%, followed by hotel & resort REITs which gained +0.08%. Conversely, other specialised REITs (companies owing theatres, entertainment themed retail, casinos, restaurants), posted the lowest return of -7.33%, while retail REITs struggled as well, with a return of -5.99%.

During the month of May, Swedish property company SBB (Samhällsbyggnadsbolaget i Norden) continued to face significant challenges as it battled against the pressures of falling property prices, higher interest rates, and tighter bank lending. The company's struggles led credit rating agency Fitch to downgrade SBB to junk status, following a similar move by S&P. As a result, SBB's shares remained heavily impacted, down more than 90 percent from their peak at the end of 2021. To address its financial difficulties, SBB announced an expanded strategic review, considering options such as an outright sale of the entire group or its parts, but ruling out a share issue. The board of directors emphasised that they believe the intrinsic equity value of the business is significantly higher than its current market value and hired JPMorgan and SEB as advisers to assist in exploring potential alternatives.

At Reitway, our investment approach focuses on selecting companies with strong balance sheets and abundant liquidity. This strategy ensures that our investments are well-positioned to weather financial challenges and take advantage of distressed opportunities.

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	9.36%
WELL	Welltower Inc	Healthcare	3.89%
PSA	Public Storage	Storage	3.59%
VICI	Vici Properties	Gaming	3.36%
1476.T	iShares Japan REIT	Diversified	2.88%

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, higherinflation backdrop, particularly as valuations remain attractive.