Listed Property
TAMIM Property Fund

At 31 October 2023

The TAMIM Listed Property unit class delivered a -3.73% return for the month of Octoberber 2023. For comparison the A-REIT sector was down -5.83% while the G-REIT sector was down -3.18%.

Australian Listed REIT Portfolio (AUD)

Even though there were some A-REITs that just managed to keep their heads up above the water in October, they were few and far in between in a weak REIT market. The portfolio was in line with the A-REIT market. The A-REIT market also underperformed the ASX 200 which came in with -3.78% for the month. Global REIT markets were down -5.90% (USD) for the month, similar in magnitude to that of the A-REIT market. The last two months has been tough on the Australian REIT market, giving back all of the gains made during the year and more, with the year-to-date return below where it started.

We saw the Retail (-2.2%) and Industrial (-3.4%) REIT sectors holding up the best during October. The portfolio currently has 31.9% allocated to Retail REITs with Vicinity Centres (Retail sector) being the third largest holding in the portfolio at 7.7%. Vicinity was the top performing holding in the portfolio delivering a return of -0.3%. Vicinity's quarterly update gave a clear indication that its operating metrics are holding up well with a stronger than expected consumer contributing to its results. On a 12-month rolling period the top performing A-REIT is Goodman Group with +24% and SGP with 5.1%. Goodman is the largest holding in our portfolio at 9.97%.

Mirvac had a torrid time in the market this month and was the holding with the lowest return for the portfolio. It is the 12th largest holding in the portfolio at 3.55% and came in with -14.55% for the month. The company saw weak residential sales of 262 which was the softest quarter in half a decade, news on which the market weighed in.

The monthly CPI indicator rose 5.6% in the 12 months to September. This was the highest it has been since May 2023 and exceeded the consensus forecast of 5.4%. This increase followed up the increase from the prior month of 5.2% which is something the RBA would definitely not have wanted to be dealing with after seemingly have inflation under control and the rate hike cycle possibly coming to an end. The consensus expectation for inflation is to come down to 5.2% in October, but we will have to wait until 29 November for that data to come out.

The Reserve Bank of Australia has appointed a new governor. Michele Bullock has replaced Phillip Lowe and during the first meeting under her tenure in October she has kept rates unchanged. This was in line with market expectations. The board is of the opinion that inflation might have passed its peak, but inflation is still at elevated levels and is expected to stay so for a while. The talk on the street is that there may even be further rate hikes on the cards to curb the inflation conundrum and bring it back down to its target range of 2-3%.

The economy is proving resilient to some extent but is still going through a period of below-trend growth. The Australian market will be facing various headwinds that is expected to prevent the growth rate from picking up and the consensus is that these headwinds may prove to be around for a while to come.

We have positioned the portfolio to have some good defensive characteristics in these uncertain times. Companies with stronger balance sheets and less debt are favourable in our view and quality assets generally attract better tenants which keeps occupancy rates high.

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$	$0.7925	$0.7905	$0.7885

Portfolio Performance

Inception: 12/7/2021	1 m	6 m	12 m	Since inception (p.a.)
Listed Property	-3.73%	-8.94%	-7.46%	-6.76%
A-REIT	-5.83%	-12.30%	-7.95%	-9.68%
G-REIT	-3.18%	-8.66%	-7.02%	-3.73%
Cash	0.34%	2.01%	3.66%	1.97%

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The current Australian portfolio component consists of 23 stocks. Below are the top 5 holdings:

Symbol	Company	Sector	Current Weight
GMG	Goodman Group	Industrial	9.97
NSR	National Storage REIT	Storage	8.74%
VCX	Vicinity Centres	Retail	7.69%
CIP	Centuria Industrial	Industrial	6.95%
GPT	Scentre Group	Retail	6.43%

Reitway Global Property Portfolio (USD)

October proved to be a month to forget for investors as the GPR 250 REIT World Index endured a challenging period, relinquishing -5.0% of its value. Earnings season played a pivotal role in shaping these dynamics, as companies reported their financial results and provided insights into the overall health of the real estate market.

Geopolitical tensions initiated in the month overshadowed many markets leading to weak market returns despite certain sectors and geographies displaying strengthening fundamentals.

All sectors in the GPR 250 REIT world saw declines, with the top-performing sectors being Specialty (-0.6%), led by companies across various specialisations like EPR Properties (Entertainment REIT), Digital Realty (Data Centre REIT), and Gaming and Leisure Properties (Gaming REIT).

Regional Malls (-1.2%) and Shopping Centers (-1.6%) were the next best sectors due to stronger operating fundamentals and robust leasing activity, boosting overall sector sentiment during earnings season.

Conversely, the worst-performing sectors included Self-Storage (-10.9%), impacted by larger-than expected declines in move-in rents; Industrial (-8.1%), experiencing decreased near-term demand and occupancy rates; and Office (-7.3%), particularly in U.S. REITs, facing challenges in the leasing environment, leading to sector-wide pressure.

In terms of geography, the top-performing regions in October included South Africa, which saw a relatively modest decline of -1.3%, with a strong finish due to a strengthening rand and a decrease in the South African 10-Year bond yield. Following closely were Spain (-1.8%) and France (-2.1%). On the other hand, the worst-performing regions included Canada, with a significant -10.0% decline, driven by major companies receiving analyst downgrades following recent earnings releases, tailed closely by Mexico (-9.3%).

Australia (-8.6%) underperformed primarily due to concerns about potential interest rate hikes, prompted by stronger-than-expected CPI data.

Healthpeak (PEAK) and Physicians Realty Trust (DOC) have announced an all-stock merger, resulting in a combined enterprise value of $20 billion. DOC shareholders will receive 0.674 shares of PEAK for each DOC share, with no premium offered by PEAK. The new entity will be led by PEAK's CEO and CFO, with DOC's CEO as Vice Chair of the Board.

The deal aims to achieve cost efficiencies through corporate overhead and market-level synergies, particularly by reducing third-party management fees for medical office properties. The deal is viewed as less advantageous for legacy DOC shareholders who are not receiving a premium for their shares, leading to questions about why DOC did not explore other avenues to maximize shareholder value, possibly by selling to a buyer willing to pay closer to NAV for its portfolio.

Realty Income (O) and Spirit Realty (SRC) have unveiled a $9.3 billion all-stock merger, with the deal expanding O's portfolio by 15% and offers SRC shareholders a 15% premium to their unaffected share price, representing an attractive opportunity for SRC investors.

The combined entity will boast an enterprise value of approximately ~$63 billion, with existing Realty Income shareholders owning an 87% stake, which implies significant scale and diversification benefits. Shares weakened following the announcement however, despite some market reservations, the merger holds the potential for long-term value creation and strategic advantages.

Several industrial real estate transactions have taken place recently across Europe, signalling continued activity in this sector despite a challenging macroeconomic environment. Sagax acquired a French portfolio of 47 light industrial properties for SEK 930 million, offering a 7.5% yield. Tritax Big Box sold an 850k sq ft warehouse in Corby for approximately £100 million at a 4.5% yield. KKR acquired its first French logistics assets for €140 million, yielding around 5.3%.

Sagax also acquired ten properties across Spain and France for SEK 425 million, reflecting a gross yield of approximately 6.1%. These transactions highlight the resilience of the industrial real estate market and the appeal of logistics properties to various investors, including private equity firms like KKR and traditional real estate players like Sagax.

The 10-year U.S. Treasury yield experienced a significant surge in October 2023, briefly exceeding the 5% mark, a level not seen since July 2007. This increase in yields was primarily driven by solid economic data and strong U.S. retail sales for the month, which reinforced the possibility of the Federal Reserve maintaining higher interest rates for an extended period.

Federal Reserve Chairman Jerome Powell's comments left the door open to additional rate hikes, while other Fed officials suggested that the tightening cycle might be coming to an end. Geopolitical tensions in the Middle East, especially the conflict in Israel and Gaza, further contributed to dampened investor risk appetite. As a result, stock markets, particularly the Nasdaq, experienced losses, and the rise in yields had an impact on various financial markets, including the bond market and the U.S. dollar. In the tumultuous month of October 2023, geopolitical tensions added to the mix, contributing to overall uncertainty and market fluctuations. Despite the short-term challenges and market volatility, it is essential to maintain a long-term, high-conviction approach in our investment strategy.

Focusing on solid company earnings and guidance will help us weather the storms and navigate the ever-changing landscape of the global economy.

The TAMIM global property portion invested in the Reitway Global Property Portfolio currently consists of 45 stocks. Below are the top 5 holdings:

Symbol	Company	Sector	Current Weight
PLD	Prologis	Industrial	8.53%
WELL	Welltower Inc	Healthcare	3.99%
DLR	Digital Realty	Data Centres	3.75%
VICI	Vici Properties	Gaming	3.71%
VTR	Public Storage	Storage	3.56%

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.