

Discovery Global Real Estate Securities Feeder Fund

Q4 2025 Commentary

Discovery Global Real Estate Securities Feeder Fund

Q4 2025 Commentary

The fourth quarter ended with the Fund underperforming the benchmark by 313bps as it decreased by 386bps, while the benchmark decreased by 73bps. This was entirely driven by the third bite of the apple, stock selection, which decreased performance by 467bps, while the first and second bites of the apple, region and sector allocation, increased performance by 178bps. We held an average of 6% cash during the quarter, which had a negative 24bps effect on performance. The quarter was challenging for developed real estate as interest rates did not fall as expected, and economic data disappointed. Developed property underperformed global equities during the quarter, and after several years of underperformance, property stocks look relatively attractive, valued at 2.5x the dividend yield of the overall market.

Regional performance for the quarter was led by Asian markets. The top-performing region for the quarter was Singapore, with the developers up 8% and the REITs up 3%. We are neutral on Singapore as stellar performance in 2025 has led to full valuations, but they continue to benefit from low interest rates and a resilient economy. Japan was in second place, with the developers up 6% and the REITs flat. Hong Kong developers were the third top performer, up 5%, which is our largest overweight position. The UK was fourth, up 4%, which is our second-largest overweight position, given attractive valuations and likely gradual rate cuts. The weakest-performing sub-sector was Hong Kong REITs, down 8%, where we have no exposure. The second weakest performer was Australia, down 3%, where we acquired Goodman during the quarter, but remained underweight as valuations are less favourable and interest rates are unlikely to be cut further. The US was the third weakest, down 3%, where we remain significantly underweight.

US sector performance for the quarter was led by industrials, up 9%, where we were neutral as attractive valuations were offset by tariff uncertainty. The latter ultimately had a limited impact, and therefore, the sector was rerated higher. Lodging was in second place, up 3%, where we have



no exposure given weak fundamentals. Healthcare was in third place, up 1%, where we were underweight due to stretched valuations. The weakest-performing sector was office, down 14%, where we have no exposure, as demand is weak and vacancy rates are high. Storage was the second weakest performer, down 9%, where we remain underweight as occupancies continue to fall. Data centres were the third weakest, down 6%, where we were underweight as non-property companies flood the space with supply. We were most overweight in shopping centres, which were down 2%, as we prefer them over malls, where valuations are stretched.

The top-performing stock in our portfolio in the fourth quarter was Australian storage REIT National Storage, up 20%, as an offer was made for the company. Second was Singapore developer City Developments, up 16%, although we have since closed this position as valuations started to look stretched after stellar performance in 2025. Third was US industrial stock Prologis, up 12%, as fundamentals improved and data centre news flow was favourable. The worst-performing stock for the quarter was US life sciences stock Alexandria, down 40%, after cutting dividends and announcing a weaker outlook than previously reported during its results announcement. The second weakest was UK student housing stock Unite, down 22%, after fewer student registrations resulted in weaker-than-expected demand. The third weakest was US medical office stock Healthpeak, down 15%, as the sector underperformed on weaker-than-expected take-up.

The year concluded with better relative performance for the Fund in December, given our preference for Asia over the US. We maintain this preference as we enter 2026, and prefer the EU and the UK over the US too. We remain relatively optimistic on global REITs versus the overall equity markets in 2026, given the large discount they are currently trading at, and with interest rates likely to fall further in 2026. We wish you all the best for 2026.