

Discovery Global Real Estate Securities Feeder Fund

This month, the fund marked its four-year anniversary since its inception on the 28th of March 2017. Since then, the fund has risen by 38% while the benchmark has only risen by 20% over the same time frame. During March, the fund rose 372bps while the benchmark rose by 285bps, translating into an outperformance of 87bps. Year to date, the fund has outperformed the benchmark by 247bps, and is up 827bps in ZAR terms. In March, the first and second bites of the apple, country and sector allocation, detracted 32bps from overall performance while the third bite, stock selection, contributed 101bps. Currency effects contributed 18bps to overall performance.

Last month saw a reversal in sectoral performance in the US as February's best performing sectors were the worst performing sectors in March. In February, lodging, malls and shopping centers were the best performing sectors, having recorded total returns of 22%, 16% and 15% respectively. In March, lodging fell by 24bps, malls declined by 9bps while shopping centres rose by 200bps, underperforming the US benchmark by 411bps, 396bps and 154bps respectively. We continue to remain overweight US malls through our holding in Simon Property Group as we believe that dominant high quality mall landlords will survive the prevailing retail headwinds. We have reduced our exposure to US shopping centres to underweight on account of the sector having retraced pre-Covid trading levels following its recent sharp rebound in the first quarter of 2021. We remain underweight the lodging sector because we believe that its recovery will be slow given compressed demand from corporate transient travellers and subdued demand from group.

The lion's share of this month's outperformance was driven by stock selection. Leading the fund's top performing stocks in March was Hammerson, the UK headquartered retail landlord with assets principally focused on the UK, France, and Ireland. Hammerson recorded a total return of 33% and

outperformed the UK benchmark by 32%. Capital Land, the Singaporean listed diversified real estate owner and manager, rose 17% and outperformed its respective benchmark by 507bps because of an announced reorganisation. The third best-performing stock for the month was Mirvac Group, the diversified Australian property company, which rose 11% and in turn outperformed the Australian benchmark by 7%.

On the other side of the ledger, Japan Hotel REIT Investment Corporation was the worst performing stock as it declined by 9% and consequently underperformed its respective benchmark by 9%, partially driven by the Japanese government's decision to bar overseas spectators from attending the Tokyo 2021 Olympics and Paralympics. Shurgard, the European self-storage owner and operator fell 4% and underperformed the European property index by 4%. The third-worst performing stock was Scenter Group, the Australian owner and operator of prime retail assets which declined by 3% and underperformed the Australian benchmark by 7%.

We continue to maintain a tactical positioning towards value stocks within sectors that are poised to benefit from the re-opening of global economies. To that end, we remain overweight US malls, apartments, office and healthcare while maintaining an underweight positioning in industrial property and data centres on account of stretched valuation multiples. Furthermore, we maintain our preference for countries that are better positioned to deliver on their vaccine rollout plans and as such we are overweight Singapore, the UK and the US.

*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.

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