

Discovery Global Real Estate Securities Feeder Fund

In March, the fund marked its five-year anniversary since its inception on the 28th of March 2017. Since then, the fund has appreciated by 60% while outperforming the benchmark by 22% and has delivered a compound annual growth rate of 9.8% compared to the benchmark's 6.6%.

During the first quarter of 2022, the fund performed in line with the benchmark, declining by 4%. In relation to the first bite of the apple - country selection - the fund's overweight positioning in Europe detracted from overall performance as the geography declined by 9% and in turn underperformed the benchmark by 5%. Europe's underperformance was partly driven by the impact of the Russian invasion of the Ukraine which weighed heavily on the broader European listed equity market. The fund has never had any investments in the Ukraine or Russia, but it is not immune to secondary implications such as higher oil prices and higher inflation translating to lower disposable household income, especially with the Euro zone annual inflation reaching its fourth consecutive record in February at 5.8%. Furthermore, the fund's underweight positioning in Japan also detracted from overall performance as Japanese developers appreciated by 5% while outperforming the benchmark by 1.2%. The detraction was partially offset by the fund's overweight positioning in Singapore which recorded a total return of 12% while outperforming the benchmark by 8%. Positive contribution from the Singaporean exposure was bolstered by the fund's underweight positioning in the UK and the US, which both underperformed the benchmark by 2% and 0.8% respectively.

For the second bite of the apple – sector selection - the fund's underweight positioning in US malls contributed positively to overall performance as the sector fell by 17% and consequently underperformed the US benchmark by 12%. The fund remains underweight US malls on account of unfavourable supply-demand dynamics coupled with Ecommerce headwinds which continue to weigh on pricing power. The fund's overweight positioning in US industrial property detracted from overall performance as the sector declined by 7% and thus underperformed the benchmark by 2%. Owing to the sector's robust operating fundamentals which are supported by a favourable demand-supply backdrop, record low vacancies and strong rental growth, the fund's overweight positioning in the sector has been maintained.

Leading the fund's individual stock contribution to overall performance for the quarter was Unibail Rodamco-Westfield, the European retail landlord, which recorded a total return of 8% and in-turn



outperformed the European ex-UK index by 22%. Ventas, the US REIT specializing in the ownership and management of healthcare facilities, rose by 22% and as a result outperformed its benchmark by 18%. City Developments, the Singaporean listed developer, appreciated by 15% and outperformed the Singaporean non-REITs index by 2.7%.

At the opposite end of the spectrum, Sun Communities, the US listed owner and operator of marinas, manufactured housing, and recreational vehicle communities, recorded a total decline of 16% while underperforming its benchmark by 10%. Vonovia, the German residential landlord was the second-worst detractor as it declined by 15% and in turn underperformed its benchmark by 6%. Lastly, VGP, the Belgium listed developer, manager and owner of logistics and industrial real estate, fell by 11% while underperforming the European index by 3%.

*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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