Discovery Global Real Estate Securities Feeder Fund

Our fund ended up 13.1% for 2023, outperforming the index by 342bps. We are pleased with both the absolute and relative performance and are looking forward to another good year in 2024. In the fourth quarter of 2023, the fund outperformed the benchmark by 187bps, as it increased by 17.8% while the benchmark increased by 15.3%. The outperformance was mostly driven by the third bite of the apple (stock selection), which increased by 209bps, while the first and second bites of the apple (country and sector allocation) increased by 38bps. Currency effects had a negative effect on performance, down 60bps for the quarter. Global real estate performed well end-2023 as interest rates started to price in future central bank rate cuts in developed markets globally.

For the first bite of the apple, the best performing geography for the quarter was EU, up 28%, where we were marginally underweight after taking some profit on the German residential sector. The second-best performing region was UK, up 23%, where we are significantly overweight because of aggressive asset write-downs and strong balance sheets. The third best sector was Australia, up 19%, where we remain marginally underweight as high inflation persists. In fourth place is HK, up 16%, which is the region we are most overweight on the back of attractive valuations and a stabilizing China. The weakest performing geography was Japan, which is also our largest underweight, on the back of weak demographics and a lack of likely interest rate cut tailwinds. The US marginally underperformed the global property stocks, and this geography remains our second largest underweight on the back of relatively expensive valuations and the potential of fewer rate cuts than the market is pricing in at this point.

For the second bite of the apple, all the US sectors performed positively this quarter, in sharp contrast to 3Q23, as stocks rallied lower inflation prints and higher expectations for rate cuts in 2024. The best performing sector for the quarter was malls, up 32%, where we remain underweight ahead of a likely slow-down in the US economy which would negatively affect consumption. We are overweight the second-best performing sector, self-storage, which was up 22%, and we benefitted from our large position in Extra Space which issued positive earnings forecasts following their acquisition of LSI. Office stocks rebounded from oversold levels to sneak onto the podium in 3rd place, with the sector rising 21%.

We have trimmed our equal-weight to an underweight after strong performance due to likely continued weak demand and excess supply as hybrid work continues to trend across the US. At the opposite end of the spectrum, the worst performing sector was residential, up 8%, which is also our largest underweight on the back of ample supply and weak affordability. Healthcare was the 2nd worst performer, up 9%, where we have traded out of heavyweight Welltower on the back of steep valuations. Datacentres rose only 10% after significantly outperforming the property sector over the prior 9 months, and we remain overweight on the back of the return of pricing power because of strong structural demand.

For the 3rd bite of the apple, the 3 top performing stocks this quarter were coincidentally all up 32%. US mall behemoth Simon Property Group powered ahead, as did Extra Space mentioned above, and British Land, the UK office and retail landlord. The worst performing stocks for the quarter were all from the East, namely HK office and retail landlord Swire Properties, down 3%, HK developer Sun Hung Kai Properties, up 1%, and Australian diversified landlord Mirvac, up 4%.

The year ended on a good note for real estate stocks overall. We continue to analyse stocks, sectors and geographical regions carefully as lower rates are priced in for 2024, and we will monitor the markets for further opportunities. We continue to hone our models to search for attractive pricing and upside potential, which increasingly points towards Asia for 2024 where valuations are still extremely attractive. Thank you for all your support in 2023, and we look forward to more absolute and relative upside in 2024.

**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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Highest rolling one-year return 35.23% and lowest rolling one-year return -26.73% (information to 31 December 2023). The fund has returned an annualised return of 5.87% since inception (benchmark annualised return of 7.59% since inception). The fund's annualised performance over 1-year is 13.10% (Benchmark: 9.68%). The fund's annualised performance over 3-years is 1.77% (Benchmark: 1.18%).
Fund returns disclosed are annualised returns net of investment management fees and performance fees. Fund returns disclosed are annualised returns net of investment management fees and performance fees. Highest and Lowest performance: The highest and lowest performance for any 1 year over the period since inception have been shown NAV: The net asset value represents the assets of a Fund less its liabilities. Annualised return is weighted average compound growth rate over the period measured.

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