Quarterly Report

Counterpoint SCI Global Property Income Fund

Quarter ending 31 December 2021

This Fund is suitable for investors seeking a specialist global property portfolio with the objective of providing investors with high income and long term capital appreciation.

Performance Table

Annualised Performance	Fund	Benchmark
3 Months	17.4%	19.9%
1 Year	50.0%	38.2%
3 Years	12.8%	16.8%
5 Years	7.0%	12.3%
Since Inception (February 2016)	14.9%	17.9%

Fund Details	
Benchmark	*GPR 250 REIT Index Total Return (TR) measured in rands*
ASISA Category	*Global Real Estate General*
Portfolio Managers	*Richard Henwood Ian Anderson*

Market Overview

The fourth quarter of 2021 saw heightened levels of volatility in global financial markets as investors weighed the policy response of central banks to rapidly rising inflation against a steadily improving growth outlook as more countries removed COVID-related restrictions. The emergence of Omicron muddied the waters for investors and policymakers alike, with several countries imposing travel bans on Southern Africa, where the variant was first identified. China's property market remains in turmoil following tighter regulations, including limits on how much developers can borrow, after China Evergrande Group and Kaisa missed payment deadlines on their offshore bonds. China's property market has been a major growth driver for the country and with further weakness expected in the first half of 2022, analysts expect China's GDP growth to slow to 5% in 2022 from around 8% in 2021. Despite the uncertainty posed by Omicron and China's property market, global equity markets continued to push higher during the quarter, with the S&P 500 Index gaining 11.0% and the FTSE-100 Index gaining 4.2%.

Global bond yields drifted sideways throughout the fourth quarter despite a sharp spike in global inflation. US consumer inflation hit a 40-year high in November as prices in the US surged 6.8% year-on-year. Supply chain disruptions and labour shortages have been the main drivers of higher prices and their impact now appears to be less transitory than originally forecast. This has prompted the Fed to adopt a more hawkish stance and official interest rates are now expected to start rising in the US from as early as March, with three hikes of 25 basis points each forecast for 2022 and a further two hikes forecast for 2023. Rising food prices are also expected to cause inflation to rise in 2022, but this will be offset by more stable energy prices.

Global real estate markets have continued to benefit from the "reopening" trade. Employees are slowly returning to their offices, although activity levels remain well below pre-pandemic levels, while retailers are reporting increased levels of activity in their bricks and mortar stores now that most countries have removed lockdown restrictions and vaccination rates have accelerated. Supply chain bottlenecks and accelerating growth in online retailing are providing significant tailwinds for logistics property landlords, where current demand far outstrips supply and market rentals continue to rise above inflation. The same is true of data centre landlords that are benefiting from the increased adoption of cloud-based technologies and the

COUNTERPOINT ASSET MANAGEMENT

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Top 10 Holdings (%)	
Prologis Inc	6.9
Public Storage	3.8
AvalonBay Comm Inc	3.7
American Tower Corp	3.6
Simon Property Group	3.4
Mid-America Apartmnt	3.4
Duke Realty Corp	3.3
Digital Realty Trust	3.2
Cubesmart	3.2
Invititation Homes Inc	3.1
Total	***37.6***

Asset Allocation (%)	
Global Property	96.9
Global Cash	2.5
Local Cash	0.6
Total	***100.0***

huge amounts of physical storage space demand from cloud service providers like Amazon, Microsoft and Google.

Portfolio and Performance

During the quarter, the Fund returned +17.4% (in ZAR), underperforming its benchmark (GPR 250 REIT Index in ZAR +19.9%), but outperforming its peer group average (+16.8%). The strong performance (in ZAR) resulted from the Fund's exposure to four property sectors – Logistics (+34.4%), Self-storage (+28.9%), Data Centres & Towers (+21.0%) and Residential (+20.0%). The Fund's best individual performers (in ZAR) during the quarter were Duke Realty (+46.0%), Prologis (+42.8%), Public Storage (+34.4%) and Simon Property (+31.7%).

The major detractors from performance during the quarter were from the Healthcare (+10.9%) and Office (+11.9%) sectors. The Fund's worst performers (in ZAR) during the quarter were Orion Office REIT (-10.8%), Ventas (-1.0%), Unibail-Rodamco-Westfield (+0.8%) and Hudson Pacific (+0.8%).

During the quarter, the Fund received cash proceeds from two holdings that were subject to tender offers, which were finalised in the fourth quarter – US office REIT Columbia Property Trust and German residential REIT Deutsche Wohnen. The Fund also received a new holding in Orion Office REIT, after Realty Income Corp completed the spin-off of its office assets into a new independent listing. There were no other significant changes made to the portfolio during the fourth quarter.

Current positioning and Outlook

The Fund continues to maintain full exposure to global listed property. The Fund is well diversified across geographical regions but does have significant exposure to North America (77%) and less exposure to the UK (10%), Europe (6%) and Asia (4%). This is inline with its benchmark and peers. The Fund is also well diversified across various property types but holds significant exposure to the Residential (23.4%), Retail (19.2%) and Logistics (16.3%) sectors. The Fund also has exposure to alternative property types, such as Self-storage (6.8%), Healthcare (5.3%) and Technology (8.4%) – being Data Centres and Towers, which provides diversification away from the more traditional commercial property types.

In 2021, global REITs produced their best calendar year return since 2006, delivering a total return of 35.31% (as per GPR 250 REIT Index). The asset class benefitted from the roll-out of Covid vaccines across many developed markets in early 2021, resulting in many in-person activities being able to resume, including shopping, education, domestic leisure travel and healthcare procedures. The combination of pent-up demand, substantial fiscal stimulus from central banks, and disruptions in the global supply chain caused a significant mismatch in supply and demand across many industries in 2021, which has contributed to a surge in inflation across many developed markets. Most global REIT sectors have been beneficiaries of the recent higher inflation, which is likely to continue into 2022.

However, other activities such as in-office work and business travel lagged expectations in 2021. Unfortunately, while vaccines have proved effective against the spread of the Covid-19 virus, the Delta and Omicron variants have caused 3rd and 4th waves of infections, which have temporarily pushed back normal in-person business activities. Health experts believe that the combination of vaccines, antigens, and positive developments in treatment of Covid will continue to see us progress forward to a more "normal" life in 2022. While many REIT sectors are trading at relatively high multiples, the combination of earnings growth due to higher occupancy rates, and higher rental rates due to increased demand and higher inflation, should result in dividend growth of c.10% in 2022. This should see the asset class deliver more "normalised" high single digit total returns (in USD) in 2022.

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The Fund continues to favour investments in high quality Real Estate Investment Trusts (REITs) that are expected to withstand the impact of technological disruptions. The Fund is well diversified both geographically and by property-type. The Fund continues to offer investors a level of initial income higher than global bonds, as well as inflation-beating income and capital growth over the medium and long term. The current one-year forward yield on the portfolio is 2.6% and the portfolio's income is expected to grow by 6.6% per annum over the next three years. The portfolio distributes on a semi-annual basis.

Richard Henwood
Portfolio Manager

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