Discovery Global Real Estate Securities Feeder Fund

During the third quarter of 2024, the Fund outperformed the benchmark by 44 bps, as it increased by 16.51%, while the benchmark increased by 16.07%. The outperformance was mostly driven by the third bite of the apple (stock selection), which increased performance by 38 bps, while the first and second bites of the apple (region and sector allocation) increased performance by 11 bps. We held a moderate 4% cash position during the quarter, which had a marginal 5 bps impact on performance. The third quarter was good for real estate stocks globally as they rallied on falling interest rates and continued decent data out of the US and China's stimulus announcement. Politics and elections affected the stocks in the quarter and will continue to do so, with the US election now less than a month away.

Regional performance for the quarter was universally in positive territory. Hong Kong (HK) stocks led the charge, with REITs up 29% and developers up 25% for one of our most overweighted regions. HK property stocks were extremely cheap, and as a result, they rallied hard on the announcement of the China stimulus measures. We made some profit after this very rapid rally but are still overweight. Singapore collected the silver medal, with the REITs up 22% and the developers up 19%, and we have increased our existing overweight as we believe that Singapore will benefit from stronger Asian economies and interest rate cuts. The EU rounded out the podium, up 19%, as inflation has fallen below the target, and more rate cuts are expected. The Australian stocks performed broadly in line with the global property benchmark, up 17%. Our largest overweight market was the UK, which was up only 11%, well below the global index, although our call is largely the result of finding great stocks in the UK as opposed to a top-down call. The two regions we were most underweight were the US, up 15%, and Japan, where the REITs rose 14% and developers were up 7%.

For the second bite of the apple, all US sectors performed positively as stocks rallied on Goldilocks' perfect porridge of a still-strong US economy combined with rate cuts. Storage was the top performer, up 22%, where we are overweight. The second-best performer was healthcare, up 21%, as senior housing stocks rallied on good senior demographics, but we have taken profits and are now underweight because of lofty valuations. The bronze medal went to net leases, up 20%, where we were neutral, but on the back of likely further interest rate cuts and more external growth, we have moved to overweight. We were the most overweight data centres, which were up 17%, and the sector is still performing well as demand exceeds supply. The weakest performing sector was lodging, which was flat for the quarter, where we continue to have zero weighting. Residential was the next weakest sector, up 8%, which is our biggest underweight, primarily on the back of weak affordability. We are also underweight industrials and malls, and both underperformed the index as they were up 12%. Offices and shopping centres slightly outperformed the index, up 18% and 17%, respectively, and we have added to our weightings in both after our latest fundamental analysis.

From a stock perspective, US office stock BXP led the charge, up 31%, as prime office rents continue to surprise the upside globally. Close behind was Aussie residential developer Stockland, also up 31%, as accretive deals and housing demand/sales continue to soar. The third best performer was GPT Group, an industrial stock from Australia, which gained 30% on improved strategy and earnings, as well as a strong underlying Aussie industrial property market. The worst performing stock for the quarter was US Life Sciences stock Alexandria, up only 2%, which we fortuitously liquidated some time ago. Segro, the UK industrial stock, was the next weakest performer, up only 3%, as reversions were disappointing, and some guidance was trimmed. The third weakest performer was US data centre stock Digital Realty, up 6%, which is taking a breather after sterling performance YTD.

The third quarter ended on a positive note for the property sector with expectations for further interest rate cuts globally, along with a decent global economic growth outlook on the back of continued strong data out of the US, along with a more positive outlook for China following the recent large stimulus package.

**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 30 September 2024). The fund has returned an annualised return of 6.25% since inception (benchmark annualised return of 8.96% since inception). The fund's annualised performance over 1-year is 24.24% (Benchmark: 28.86%). The fund's annualised performance over 3-years is -1.17% (Benchmark: 0.39%). 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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