MAZI PROPERTY COMPOSITE

Mazi Asset Management

30 November 2023

Fund Information

Investment Manager	Mazi Asset Management (Pty) Ltd
Composite Type	Constrained Specialist Equity
Benchmark	FTSE/JSE SA Listed Property TR ZAR
Fund Inception Date	April 2016
Fund Size	R405 million

Return Statistics

	Sirius Real Estate	Portfolio	Benchmark
YTD	46,44	0,61	0,24
1 Year	33,03	1,44	1,35
3 Year	8,94	15,93	16,17
5 Years	20,35	-1,53	-1,84
Since Inception	19,48	-2,40	-2,76

Investment Objective

The fund aims to sustain high long term capital growth.

Risk Statistics

	Portfolio	Benchmark
Return	2,40	-2,76
Standard Deviation	22,01	23,25
Sharpe Ratio	-0,18	-0,26
Excess Return	3,52	0,00
Historical Tracking Error	16,25	0,00

Investment Strategy

Our investment process is firmly rooted in fundamental analysis. Our approach is predominantly bottom-up and sector agnostic. Key Investment criteria include:

- Quality of management;
- Good corporate governance and transparency;
- Cashflow and balance sheet strength;
- Business strategy and sustainability of business model

Fund Information

Portfolio Date: 31 October 2023	Sector
NEPI Rockcastle NV	Real Estate
Growthpoint Properties Ltd	Real Estate
Redefine Properties Ltd	Real Estate
Fortress Real Estate A	Real Estate
Vukile Property Fund Ltd	Real Estate
Resilient REIT ltd	Real Estate
Hyprop Investment Ltd	Real Estate
Equities Property Fund Ltd	Real Estate
MAS PLC	Real Estate
Sirius Real Estate Ltd	Real Estate

Monthly Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Property TR
2023	-0.93	-0.50	-3.38	5.34	-5.21	0.90	1.97	1.13	-4.08	-2.88	10.77	-	2.11	-7.7
2022	-3.08	-3.53	5.59	-1.95	0.29	-10.13	8.73	-5.28	-6.68	12.07	6.77	0.87	1.21	0.5
2021	-3.02	7.68	1.33	12.37	-2.95	3.58	-1.21	7.77	-0.78	-2.05	2.02	7.96	36.21	36.9
2020	-3.91	-15.00	-32.99	5.87	1.28	9.44	-3.20	-7.52	-3.08	-9.54	18.50	12.38	-32.89	-34.5
2019	7.66	-4.60	-2.20	2.97	-0.99	1.98	-2.10	-3.54	0.01	1.97	0.17	-1.56	-0.80	1.9
2018	-12.16	-5.22	-0.12	5.68	-5.61	-3.84	-0.06	1.37	-2.17	-0.96	-1.10	0.29	-22.35	-25.3

Portfolio Contact Details

Investment Manager
Mazi Asset Management (Pty) Limited, Registration number: Reg no. 2012/012860/07 is an authorised Financial Services Provider (FSP: 46405) under the Financial Advisory and Intermediary Services Act (No.37 of 2002), to act in the capacity as investment manager. This information is not advice, as defined in the Financial Advisory and Intermediary Services Act (N0.37 of 2002). Please be advised that there may be representatives acting under supervision. Physical address: 10th floor, 117 Strand Street, Cape Town, South Africa Telephone +27 10 001 8300 Website: www.mazi.co.za

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Commentary

The listed property sector delivered negative returns in Q3 2023 - SAPY and ALPI delivered total returns of -0.97% and -0.58%, respectively; underperforming bonds (-0.36%) and cash (2.05%), but outperforming equities (-3.97%). The portfolio marginally underperformed the index, delivered -1.08%, 11 basis points below the benchmark. Year-to-date, the listed property sector remains under pressure and has lagged other asset classes with total returns of -5.35% for the SAPY and -4.45% for the ALPI, compared to equities (-0.18%), fixed income (+1.47%) and cash (+5.84%). YTD, the portfolio is 29bps ahead of the benchmark. Contributors to performance in the quarter include NEPI (-1.2% UW, +38bps contribution), Emira (2.6% UW, +36bps) and Redefine (1.4% OW, +10bps). Detractors were MAS (1.4% OW, -38bps detraction), Liberty 2 Degree (0.7% UW, -28bps), and Fortress B (0.4% UW, -15bps). We note 2 key underperformers in the period include MAS and L2D. MAS surprisingly did not declare a dividend in the period despite strong underlying performance, citing rising interest rates as a concern, and preferring to retain cash. LGL announced its intention to acquire the shares not already held in L2D. L2D shareholders were offered a cash consideration of R5.55/share, a premium to spot but a discount to NAV, in a deal worth c.R1.9b. The share performed well on this news, and L2D will subsequently be de-listed. Undoubtedly, high interest rates and load-shedding have impacted domestic REITS, along with rising cost pressures and subdued demand for rental accommodation. We anticipate a period of low rental growth, negative reversions to persist. We had previously indicated increased corporate/M&A activity, and this trend still persists as REITs look to unlock value, either through share transactions or cash backed deals with cash-flush institutions. Earnings visibility and sustainability has improved as REITs focus on balance sheets stability and lower payout ratios (c85%-90%) The sector offers dividend yields of c9.5% (and c10.6% if offshore stocks are excluded). The sector discount to NAV of c35% also points to the value nature of the sector, a result of the anaemic growth in dividends (c2%-4% expected short term DPS growth).

Current positioning
Key overweights (NEPI Rockcastle, Redefine, & Attacq)

- NRP is a retail specialist, with developments and strong balance sheet to support growth. Retail in Romania has recovered well post pandemic despite the continuing hostilities in neighbouring Ukraine.
- RDF continues to reduce complexity in its offshore holdings, while at the same time offering decent value and a 14% dividend yield. We expect the self-help to continue and drive a re-rating in the stock.
- ATT has secured a catalytic deal with an institutional funder that will improve the balance sheet materially and help unlock value.

Primary underweights (Lighthouse, Burstone (ex-Investec Property Fund), Stor-Age).

- LTE remains a property holding company with investments in listed entities, and is only recently growing out its direct property portfolio across Western Europe. Its growth trajectory and dividend prospects are greatly influenced by Hammerson, where LTE has no control.
- BTN's prevailing market price relative to our fair value means we prefer to remain underweight the stock. The still remains some execution risk in its disposal and LTV glidepath strategy.
- SSS is a storage REIT with exposure across the UK and SA, servicing SME's and households. Rising interest rates and cost-of-living crisis in the UK has hampered demand for stock, whilst SA market is close to reaching saturation.

Disclaimer