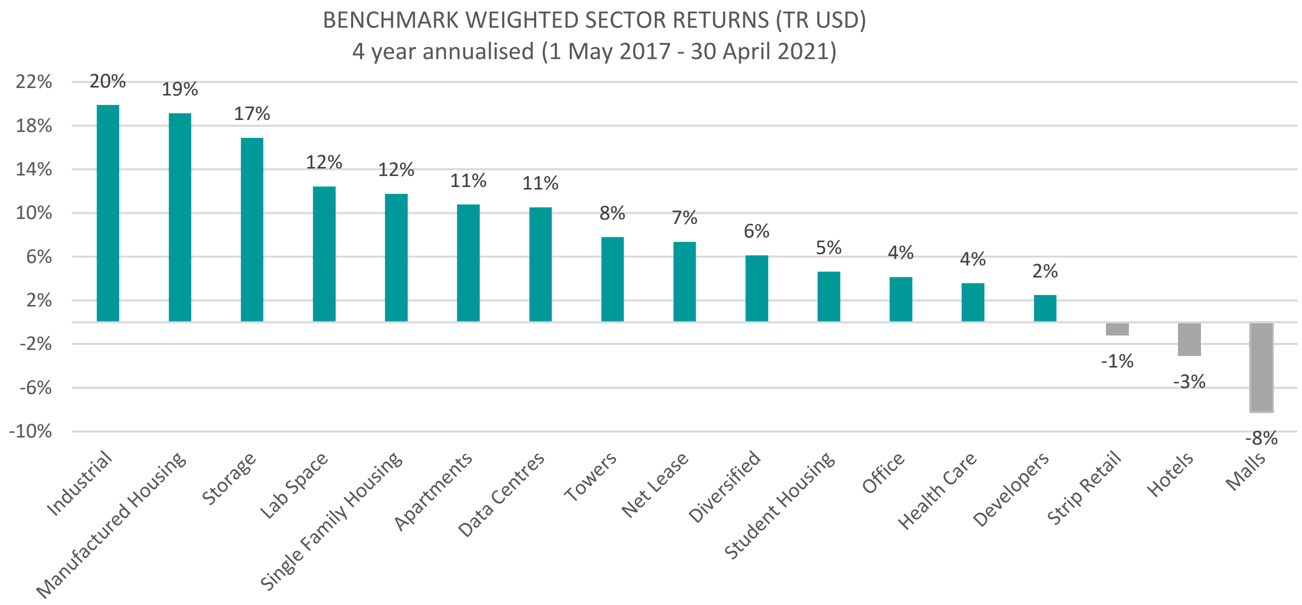
The active advantage of specialist REIT managers

Global REITs: Active vs passive management

There are a wide range of sub-sectors within commercial listed real-estate, from single family homes to data centres, towers and traditional retail. Each sub-sector behaves differently in different market cycles, some being more defensive with predictable income that may appeal to investors in periods of economic uncertainty while others benefit from tailwinds experienced in rapidly growing markets.

There is thus a wide range of outcomes as can be seen from the recent relative performance of the sub-sectors in Exhibit 1 below. By understanding the return drivers of each property type, REIT managers can position their portfolio to perform best in varying economic climates.

EXHIBIT 1: DIVERGENCE OF LISTED PROPERTY SUB-SECTOR RETURNS

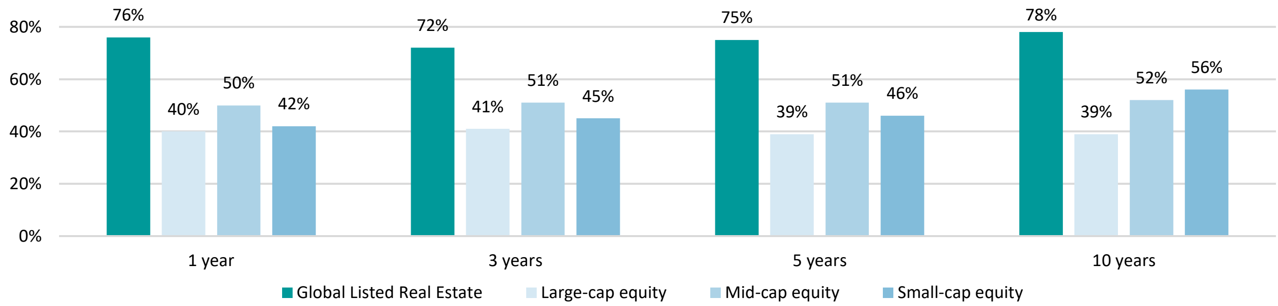


Source: Catalyst Fund Managers, 30 April 2021.

Active management, driven by bottom-up fundamentals research, can also take advantage of their stock picking ability. Company specific factors including balance sheet strength, management performance and portfolio assets will significantly impact on the performance of a stock.

The information advantage that active REIT managers, or specialist managers, are able to gain over the market has meant that over the decades they have outperformed their benchmarks at nearly twice the rate of large-cap equity managers. In Exhibit 2 below, 78% of REIT managers have exceeded their benchmarks delivering a sizable advantage over passive strategies.

EXHIBIT 2: % OF GLOBAL MANAGERS THAT HAVE OUTPERFORMED THEIR BENCHMARK



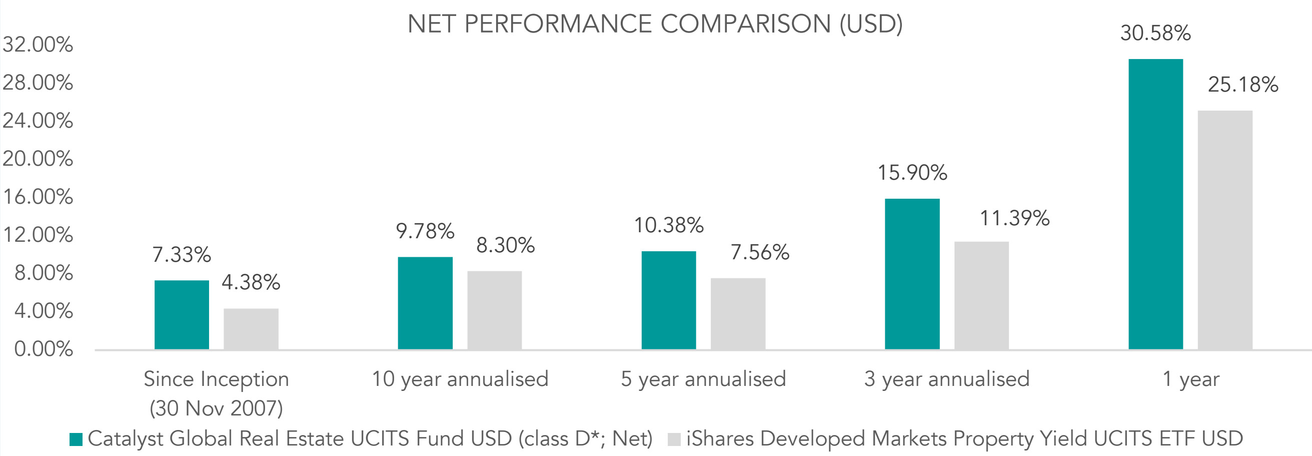
Source: eVestment, 31 December 2020. Data represents past performance, which is no guarantee of future result.

At Catalyst Fund Managers, our in-depth company research and analysis is performed on each stock within our Core Universe. Our primary methodology is a Discounted Cash Flow (DCF) model which we build for every company in our Core Universe. We use a minimum of a five-year model which allows us to normalise the cash flow of each company over time.

Our recent award from Morningstar of a Gold Quantitative Rating is testament to our risk adjusted total return investment process.

As per Exhibit 3 below, our actively managed Catalyst Global Real Estate UCITS Fund has outperformed the commonly used iShares Developed Markets Property Yield UCITS ETF by 2.95% per annum (net of fees) since the inception of our Fund (30 November 2007).

EXHIBIT 3: ACTIVE VS PASSIVE FUND | NET PERFORMANCE COMPARISON OVER TIME



**Class D USD (accumulating): institutional fee class with a management fee of 0.70%; since inception performance of class A adjusted for class D.*

Source: Catalyst Fund Managers
Data as of 31 December 2021

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