

## FUND OBJECTIVE

The Sesfikile BCI Global Property Fund is a global property portfolio which focus on predominantly developed property markets with an objective to provide the investor with income as well as capital growth. The portfolio may from time to time invest in listed and unlisted financial instruments, including forward currency, interest rate and exchange rate swap transactions. The portfolio's global property exposure will always exceed 80% of the portfolio's asset value. Up to 10% of the portfolio may be invested in shares outside the property sector in companies that conduct similar business activities.

## FUND INFORMATION

ASISA Fund Classification	Global Real Estate - General
Fund Managers	Evan Jankelowitz, Mohamed Kalla and Kundayi Munzara
Risk profile	Moderate/ Aggressive
Benchmark	FTSE EPRA/NAREIT Developed Rental Index Net Total Return
ISIN number	ZAE000216495
JSE code	SPFA1
Portfolio launch date	1 June 2016
Minimum investment	Class A1: Lump sum: nil / Debit order: nil
Fees	Initial Fee: nil Annual Service Fee: Class A1 1.15% (incl. VAT) Performance Fee: nil
Portfolio size	R 423 133 282
Total Expense Ratio*	31/03/2018:1.28% 30/06/2018:1.29% 30/09/2018: 1.29% 30/09/2018(PY):1.29%
Distribution frequency	Quarterly
Income distribution dates	28 Feb/31 May/31 Aug/30 Nov
Income payment date	Second working day after declaration
Income Distribution	30/11/18: 0.18 cents per unit 31/08/18: 0.43 cents per unit 31/05/18: 0.46 cents per unit 28/02/18: 0.21 cents per unit
Month-end fund price	85.49 cents per unit
Portfolio valuation time	15h00
Transaction cut off time	14h00
Daily price information	Local newspaper and <a href="http://www.bcis.co.za">www.bcis.co.za</a>
Issue date	12 January 2019

*This Fund Fact Sheet should be viewed in conjunction with the Fund Information Sheet and the Portfolio Manager Commentary Sheet*

## TOP 10 HOLDINGS\*

Avalonbay Communities Inc	
Essex Property Trust	
Host Hotels & Resorts	
Invitation Homes Inc	
Prologis Inc	
Regency Centers	
Rexford Industrial Realty	
Simon Property Group	
Sun Communities Inc	
Vonovia SE	

*Top 10 holdings as at 31 December 2018*

## ROLLING ANNUALISED FUND PERFORMANCE AS AT 31 DECEMBER 2018

	Fund A1 (after fees)	Benchmark*
1 year	8.15%	9.45%
<b>Since inception (Annualised)</b>	<b>-4.39%</b>	<b>-3.07%</b>

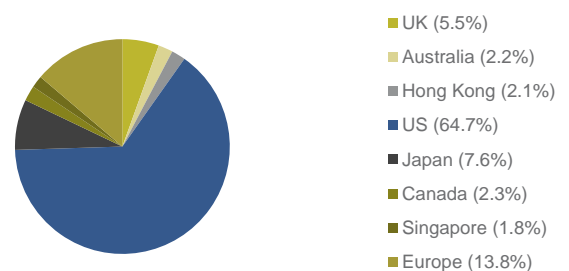
*Annualised return is the weighted average compound growth rate over the period measured.*

## HIGHEST AND LOWEST ANNUAL RETURNS

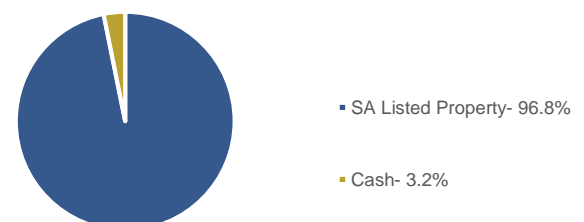
Highest(2018)	8.15%
<b>Lowest (2017)</b>	<b>-2.34%</b>

*The highest and lowest annualised performance numbers are based on 10 non-overlapping one year periods or the number of non-overlapping one year periods from inception where performance history does not yet exist for 10 years.*

## REGIONAL OR COUNTRY ALLOCATION



## ASSET ALLOCATION



# SESIKILE BCI GLOBAL PROPERTY FUND

Minimum Disclosure Document (Fund Fact Sheet)

## FUND STRATEGY

The Fund's objective is to deliver USD total returns that outperform the FTSE EPRA/NAREIT Developed Rental Net Index ("Index") over a 3 to 5 year investment horizon. Our macro-economic views inform our regional allocations while our sector themes inform our stock picking to deliver outperformance without exposing clients to unnecessary risk.

## INVESTMENT POLICY

The policy is to invest in globally listed Real Estate Investment Trusts ("REITs") or listed property companies. The investment manager will also be allowed to invest in financial instruments (derivatives) and cash as allowed by the act from time to time in order to achieve its investment objective. Furthermore, and as legislation permits, the manager shall be permitted to invest in offshore listed property investments on behalf of the **Sesfikile BCI Global Property Fund**.

## WHY CHOOSE THIS FUND?

The Fund offers investors:

- The ability to access the most sought after real estate in via investment in blue-chip listed property companies or REITs in developed markets including:
  - Northern America (USA and Canada)
  - Europe
  - United Kingdom
  - Japan
  - Hong Kong
  - Singapore
  - Australia
- Geographical and sector diversification with low asset concentration risk
- Cost effective offshore solution managed by an experienced team
- Liquidity as investors are able to access US Dollar Returns by investing Rands while enjoying the usual benefits of a Collective Investment Scheme which include daily pricing and 48-hour liquidity.

## FUND MANAGER INFORMATION

The three founding directors, Evan Jankelowitz, Mohamed Kalla and Kundayi Munzara co-manage the Sesfikile BCI Global Property Fund. The Sesfikile Investment Team, which consists of five individuals, boasts combined experience of almost 60 years in the listed property sector, and an average of 8 years' experience in global (ex. SA) REIT investing, making them amongst the most experienced teams in the market.

## FUND MANAGERS



Evan Jankelowitz, CFA®  
Portfolio Manager &  
Analyst



Mohamed Kalla, CFA®  
Portfolio Manager &  
Analyst



Kundayi Munzara, CFA®  
Portfolio Manager &  
Analyst

## MARKET REVIEW

Global REITs (as per EPRA/NAREIT Developed Rental Index Net TR, USD) delivered a calendar-year total return of -5.70% (+9.45% in ZAR) underperforming global bonds and US equities but outperforming global equities which achieved returns of -0.84%, -4.39% and -8.19% respectively. The US 10-year bond yield started the year at 2.41%, peaking during November at 3.24% before closing the year at 2.69%. By region Japanese REITs finished tops closing 14.01% higher, followed by Hong Kong REITs achieving 11.23% total returns. All other regions posted negative returns with UK and European REITs performing the worst at -17.91% and -12.79%, respectively.

As with most risk assets, Q4 was difficult with REITs closing 5.97% lower, outperforming both global (MSCI World Index) and US equities that delivered -13.31% and -13.52% respectively. Global bonds (FTSE World Government Bond Index) was the best performing asset class achieving total returns of 1.75%. US 10-year Treasury yields went from 3.06% at the start of the quarter and closed 37bps lower at 2.69% as fears of a trade war with between the US and China escalated and the Fed reduced US economic growth expectations amid signs of a global slowdown and volatility in financial markets. The US Federal Reserve held its final meeting during December where it raised rates by 25bps for the fourth time in 2018, however the committee's 'dot plot' (graph of interest rate expectations) showed that they now expect two hikes in 2019 from a previous estimate of at least three hikes.

Going forward we see 2019 property fundamentals being slightly better than 2018 where supply in general and store closures in retail peaked six to 12 months ago. Key markets driving an acceleration in property fundamentals include California and New York (Office and Residential), Germany (Office, Industrial and Residential), Spain (all sectors), Paris Offices, Sydney Offices and Melbourne Offices. By sector, logistics still takes the top spot but US and UK supply in big box warehouses is starting to increase considerably which could result in slower rental growth. London Offices have remained defensive despite Brexit concerns with the Co-Working and Technology sectors mopping up the slack in demand from financial services. We are most bearish on UK retail, and despite wide discounts to NAV in the region of 52%, all the bad news is still not priced in. Large retailers Next and Debenhams are still reporting sizable reductions in sales productivity at store level, and are now asking for 20-30% rent reductions from landlords – and that's only for the stores that they want to keep open. Although US retailer Sears (also owner of Kmart) is potentially filling for full liquidation as we write this, we are a bit more constructive on the US retail sector and believe 2-3% like on like rental growth should be achievable. Supply has also abated and retailers got back on the front foot of combatting or embracing e-commerce six months ago. We also favour alternative sectors such as Manufactured Housing and Self Storage due to their defensive qualities and low beta to the economic cycle.

Despite global REITs outperforming Equities, the result was disappointing relative to our expectations. On the flip side we see more value in the sector that now offers a 4.4% dividend yield, a 258bps spread to global Bonds, higher than the 10 year average spread of 230bps. We are also comfortable with our earnings growth estimate of 5% this year. FFO growth will be lower than 2018 due to limited benefits of refinancing debt at lower levels, particularly in Europe. That being said we believe that bond yields are temporarily low and the Q4 correction that sent bond yields c.70bps lower may have been overdone, implying that equities may recover and bond yields may rise over the next few quarters. Putting all things together we expect global REITs to deliver US Dollar total returns of 5-6% in 2019.

# SESIKILE BCI GLOBAL PROPERTY FUND

Minimum Disclosure Document (Fund Fact Sheet)

## TER AND TRANSACTION COST (INCL. VAT)

**Please note:** Please note: A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TER's. Transaction Costs are a necessary cost in administering the Fund and impacts Fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of Fund, the investment decisions of the investment manager and the TER. The prior year ("PY") TER and Transaction cost calculations are based upon the portfolio's direct costs for the financial year ended 31 August 2018, whilst the underlying portfolios' ratio and cost calculations are based upon their most recent published figures, being 30 September 2018.

## SESIKILE BCI GLOBAL PROPERTY FUND

Class	Total Expense Ratio (TER)	Transaction Cost(TC)	Total Investment Charges (TER+ TC)
A1	1.29%	0.48%	1.77%
	Of the value of the fund was incurred as expenses relating to the administration of the fund	Of the value of the fund was incurred as costs relating to buying and selling of assets underlying the fund	Of the value of the fund was incurred as costs relating to the investment of the fund

## EFFECTIVE ANNUAL COST ("EAC")

Boutique Collective Investments adopted the ASISA Standard on Effective Annual Cost ("EAC"). The EAC measure allows you to compare charges on your investments as well as their impact on your investment returns prior to investing. For further information regarding the ASISA Standard on Effective Annual Cost and access to the EAC calculator please visit our website at [www.bcis.co.za](http://www.bcis.co.za).

## MONTHLY FIXED ADMINISTRATION FEE

R10 excluding VAT which will apply to all direct investor accounts with balances of less than R100 000 at month end, unless the investor transacts on-line, in which case no such fee will be levied

## FAIS CONFLICT OF INTEREST DISCLOSURE

Please note that your financial advisor may be a related party to the co-naming partner and/or BCI. It is your financial advisor's responsibility to disclose all fees that he/she receives from any related party. The portfolio's TER includes all fees paid by the portfolio to BCI, the trustees, the auditors, banks, the co-naming partner, under lying portfolios, and any other investment consultants/managers as well as distribution fees and lisp rebates if applicable. The portfolio's performance numbers are calculated net of the TER expenses. The investment manager earns a portion of the service charge and performance fees where applicable. In some instance, portfolios invest in other portfolios which forms part of the BCI Schemes. These investments will be detailed in this document as applicable.

## RISK DISCLOSURE

- This portfolio carries exposure to mainly property securities.
- Property by nature is a moderate risk investment.
- Where the asset allocation contained in this MDD reflect offshore exposure, the portfolio is exposed to currency risks.
- The portfolio is exposed to interest rate risks and is sensitive to inflation and interest rate cycles.
- The portfolio is suitable for medium term investment horizons

## INVESTMENT MANAGER

**Sesfikile Capital (Pty) Ltd** is an authorised Financial Service Provider, FSP 39946.

- Additional information, including application forms, annual or quarterly reports can be obtained from BCI, free of charge or can be accessed on our website [www.sesfikilecapital.com](http://www.sesfikilecapital.com).
- Valuation takes place daily and prices can be viewed on [www.bcis.co.za](http://www.bcis.co.za) or in the daily newspaper.
- Actual annual performance figures are available to existing investors on request.
- Upon request the Manager will provide the investor with portfolio quarterly investment holdings reports.

## DISCLAIMER

Boutique Collective Investments (RF) (Pty) Ltd ("BCI") is a registered Manager of the Boutique Collective Investments Scheme, approved in terms of the Collective Investments Schemes Control Act, No 45 of 2002 and is a full member of the Association for Savings and Investment SA. Collective Investment Schemes in securities are generally medium to long term investments. The value of participatory interests may go up or down and past performance is not necessarily an indication of future performance. The Manager does not guarantee the capital or the return of a portfolio. Collective Investments are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees, charges and maximum commissions is available on request. BCI reserves the right to close and reopen certain portfolios from time to time in order to manage them more efficiently. Additional information, including application forms, annual or quarterly reports can be obtained from BCI, free of charge. Performance fees are calculated and accrued on a daily basis based upon the daily outperformance, in excess of the benchmark, multiplied by the share rate and paid over to the manager monthly. Performance figures quoted are from Morningstar, as at the date of this minimum disclosure document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Investments in foreign securities may include additional risks such as potential constraints on liquidity and repatriation of funds, macroeconomic risk, political risk, foreign exchange risk, tax risk, settlement risk as well as potential limitations on the availability of market information. Boutique Collective Investments (RF) Pty Ltd retains full legal responsibility for the third party named portfolio. Although reasonable steps have been taken to ensure the validity and accuracy of the information in this document, BCI does not accept any responsibility for any claim, damages, loss or expense, however it arises, out of or in connection with the information in this document, whether by a client, investor or intermediary. This document should not be seen as an offer to purchase any specific product and is not to be construed as advice or guidance in any form whatsoever. Investors are encouraged to obtain independent professional investment and taxation advice before investing with or in any of BCI/the Manager's products. A fund of funds is a portfolio that invests in portfolios of collective investment schemes that levy their own charges, which could result in a higher fee structure.

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