SARASIN IE GLOBAL REAL ESTATE EQUITY

SARASIN & PARTNERS

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ECONOMIC AND FUND REVIEW

Real estate companies were down in October. The portfolio was down during the month but did outperform the benchmark, which also fell.

October saw the first batch of real estate companies report Q3 numbers and from those numbers we can distil a few (Covid related) trends. The shift to working from home is a clear headwind for the office sector, but it was good to see our exposure to Paris' CBD hold up well, with office real estate companies like Gecina reporting solid quarterly numbers. Results were also positive from companies within our digitalisation theme, such as data centres and tower REITs in the US. Within the residential sector, only a handful of US companies reported, but there was a clear trend that REITs with exposure to Sunbelt states fared better than those with more traditional East and West Coast exposure. Finally, as expected, retail REITs showed weak numbers and will continue to struggle going forwards, despite undemanding valuations. November will see many more companies reporting Q3 numbers, so we eagerly await those.

During the month the fund outperformed its benchmark, driven mostly by stock specific moves, rather than a common underlying trend. Unibail Rodamco Westfield, the European and US retail REIT, bounced back in October after launching an updated strategy for its RESET plan – which is focussed on strengthening the balance sheet. The updated plan excludes the proposed equity raise and that resulted in a short-lived rebound in the stock. We used the bounce to sell out of the stock until there is more visibility on the company's long-term plans. Our US residential exposure also performed well, with company reports showing solid tenant demand for Suburban/Sunbelt apartments.

On the negative side, data centre and tower REITs gave back some of their strong year-to-date performance, even though results were solid. Our overweight position in French companies, also hurt performance, as France progressed to another full lockdown.

OUTLOOK

COVID-19 has strengthened many of the tailwinds in our thematic investment approach. The most recent quarterly numbers show that thematic REITs are seeing solid rental and value growth, but 'old school' real estate sectors are struggling to keep up. The traditional retail sector in particular is showing negative rental and value growth. As a result, we are moving towards a more thematic portfolio and slowly increasing our exposure to themes like Digitalisation, New Commerce, Urbanisation and Ageing.

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IMPORTANT INFORMATION

Prior to 28th November 2016, the fund was named Sarasin IE Real Estate Equity - Global (GBP).

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Risks associated with investing in REITs include the following: declines in the value of real estate, risks related to general and local economic conditions, overbidding and increased competition, increases in property taxes and operating expenses, changes in zoning laws, casualty or condemnation losses, variations in rental income, changes in neighbourhood values, the appeal of properties to tenants and increases in interest rates. In addition, REITs may be affected by changes in the value of the underlying property owned by the trusts or may be affected by the quality of credit extended. REITs are dependent upon management skills, may not be diversified and are subject to the risks of financing projects. The ability to trade REITS in the secondary market can be more limited than other stocks.

There is no minimum investment period, though we would recommend that you view your investment as a medium to long term one (i.e. 5 to 10 years). The investments of the fund are subject to normal market fluctuations. **The value of the investments of the fund and the income from them can fall as well as rise and investors may not get back the amount originally invested.** If investing in foreign currencies, the return in the investor's reference currency may increase or decrease as a result of currency fluctuations. **Past performance is not a guide to future returns and may not be repeated.**

Frequent political and social unrest in Emerging Markets, and the high inflation and interest rates this tends to encourage, may lead to sharp swings in foreign currency markets and stock markets. There is also an inherent risk in the smaller size of many Emerging Markets, especially since this means restricted liquidity. Further risks to bear in mind are restrictions on foreigners making currency transactions or investments.

For efficient portfolio management the Fund may invest in derivatives. The value of these investments may fluctuate significantly, but the overall intention of the use of derivative techniques is to reduce volatility of returns. The Fund may also invest in derivatives for investment purposes.

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