SARASIN IE SUSTAINABLE GLOBAL REAL ESTATE EQUITY

SARASIN & PARTNERS

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ECONOMIC REVIEW

Real estate companies experienced a weak start to the year before finishing the period strongly. Uncertainty over the pace of interest rate cuts dominated investor sentiment.

Stronger-than-anticipated economic data in the US suggested that inflation was not falling as hoped, and that the Federal Reserve may not cut interest rates until later in the year. This led to some pressure on interest-rate-sensitive stocks, including real estate investment trusts (REITs).

The Bank of Japan ended its negative interest rate policy, but is expected to maintain monetary easing. This boosted the performances of Japanese real estate companies. In other countries, investors awaited interest rate cuts by central banks which should be positive for the listed real estate sector.

FUND REVIEW

A flurry of companies reported their full-year financial results and announced their outlooks for 2024. Most companies had to restate their net asset values (NAVs) at a lower level on the back of higher yields. However, many reported continued strong operational results with higher rents (partly caused by high inflation last year) and continued high demand from tenants for most real estate sub-sectors.

Our Asian investments performed well, especially Australia-based industrial REIT Goodman Group. The company reported healthy results for 2023 and gave a positive outlook for 2024. Netherlands-based industrial real estate company CTP NV also contributed positively.

Our holdings in Japan-based companies also contributed positively. Both Mitsubishi Estate and Mitsui Fudosan delivered impressive financial results.

The fund's overweight position in the UK and Hong Kong also detracted from its performance.

FUND TRANSACTIONS

Given the weakness of the Chinese economy, we decided to reduce our overweight position in Hong Kong.

We introduced a new position in Ventas. This REIT acquires, invests in and manages a portfolio of health care real estate across the US, Canada and the UK. Its portfolio consists of senior housing assets, medical office and life science buildings, as well as hospitals. We favour the health care sector and senior housing facilities, in particular, as we believe they have the potential to increase occupancy rates after a weak post-Covid recovery. This should enable these types of assets to increase rents in the medium term.

OUTLOOK

With inflation now down to 2-4% in most European countries and the US, we believe interest rates have peaked. We still expect central banks to start cutting interest rates in 2024, although expectations of when this will happen have moved back slightly to mid-2024.

Except for the office sector, most real estate sectors are performing well. We expect rents will continue to go up and vacancies to remain low. Once yields move lower, we expect the NAVs of real estate companies to increase. Given the high discounts to NAVs that are currently present, we expect the sector to perform well in the remainder of the year.

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IMPORTANT INFORMATION

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The value of investments and any income derived 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 reliable indicator of future results and may not be repeated. Forecasts are not a reliable indicator of future performance.

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).

Risks associated with investing in Real Estate Investment Trusts (REITs) include, but are not limited to, 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.

The Fund may invest in derivatives for efficient portfolio management purposes. This means Derivatives can only be used to manage the Fund more efficiently in an attempt to reduce the overall risk of its investments, reduce the costs of investing or generate additional capital or income, although this may not be achieved and may create losses greater than the cost of the derivative.

The Sarasin IE Sustainable Global Real Estate Equity Fund is registered and approved under Section 65 of the Collective investment Schemes Control Act 45 of 2002.

Collective Investment Schemes (CIS) should be considered as medium to long-term investments. The value may go up as well as down and past performance is not a reliable indicator of future results. CIS are traded at the ruling price and may engage in scrip lending and borrowing. A schedule of fees, charges and

maximum commissions is available on request from the Manager. A CIS may be closed to new investors in order for it to be managed more efficiently in accordance with its mandate. There is no guarantee in respect of capital or returns in a portfolio. Performance has been calculated using net NAV to NAV numbers with income reinvested.

The Prospectus is available from Prescient Management Company (RF) (PTY) LTD, Tel: +27 21 700 3600. Prescient Management Company (RF) (PTY) LTD is registered and approved under the Collective Investment Schemes Control Act (No. 45 of 2022). Registration Number 2002/022560/07. Physical address: Prescient House, Westlake Business Park, Otto Close, Westlake, 7945, South Africa. Persons domiciled in the US and/or are US nationals are not permitted to hold shares in the Fund and shares may not be publicly sold, offered or issued to anyone residing in the US or to US nationals. This publication is intended for investors in South Africa only.

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