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Satrix Reitway Global Property ETF (JSE:STXGPR)

15.06.2023

Fund suitability

This ETF is suitable for investors with a medium risk appetite seeking exposure to the real estate investment trust sector.

Fees

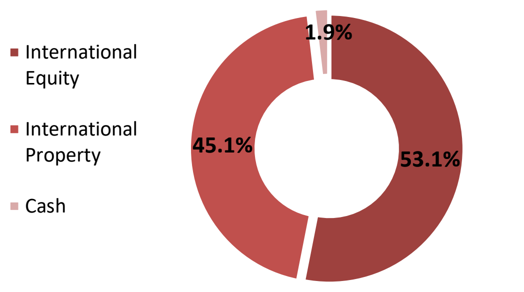
The fund has a total expense ratio of 0.67%.

Alternative funds

Reitway Global Property Diversified Prescient ETF(TER:0.60%)

"The rise in e-commerce in the post-Covid world has led to a rise in industrial REITs, particularly for companies that focus on logistics properties"

Sector allocation– top 3 (%)



While inflation appears to have peaked, recent prints from Statistics SA and the US Bureau of Labor Statistics show that core inflation is sticky on the upside. US headline inflation eased an annualised 4% in May from 4.9% in April, while core inflation was almost flat at 5.3% from 5.5% in April. Locally, core inflation rose marginally to 5.3% in April from 5.2% in March.

This suggests that not only should investors diversify their portfolios but they should also aim for inflation-beating returns. This week we turn our focus to the **Satrix Reitway Global Property ETF**. This fund invests in global listed property stocks in the US, Asia Pacific and emerging markets. The stocks include Sun Communities, Udr Corporation, Kimco Realty, Rexford Industrial Realty, Regency Centers, Healthcare Realty Trust and Boston Properties.

Real Estate Investment Trusts (REITs) represent investment in real estate, which generates regular income, as opposed to home ownership which requires regular mortgage interest payments, maintenance fees and property taxes, among other things.

Additionally, REITs are liquid investments, with stakes in a diversified range of real estate properties across different locations, unlike an illiquid investment such as a house that is not diversified and difficult to sell. REITs invest in different types of properties such as hotels, healthcare buildings, self-storage, data centres, industrials, shopping centres and commercial properties.

Stocks that are classified as REITs are generous dividend payers as they are mandated to pay out at least 75% (90% in the US) of their taxable income as dividends, according to SA's income tax act laws. This is attractive for retired investors who rely on dividends for income.

Although the Fed paused its interest rate hikes in June this year, it signalled that it might increase interest rates should circumstances warrant it . Investors who play in REITs need not to be too concerned about rate hikes because REITs are able to stagger and extend their debt maturities to curb the effects of rising interest rates.

Although past performance is not indicative of the future, REITs outperformed the 10-year US treasury yield in each of the six sustained periods of rising interest rates between December 1967 and June 2006, according to data from Starlight Capital. REITs also outperformed stocks four times out of six over the same period.

REITs also tend to have lower volatility than equities, according to data from Hartford Funds. Beta – which is a volatility metric for companies relative to a broad market index such as the S&P 500 – for REITs was 0.94 while it was 1.18 for non-dividend paying stocks in late 2022, according to Harford. There are 18 REITs in the S&P 500, 17 of which had betas of less than one last year, which makes them compelling to add to one's broader portfolio for diversification.

Sun communities – a real estate investment trust that invests in manufactured housing communities, recreational vehicle communities and marinas – reported an 18.7% rise in revenue to $651bn Q1 2023. The revenue growth was driven by higher demand for manufactured housing and marinas, which grew 6.7% like-for-like. This is despite a 4.2% decline in private residential investment in the US during Q1 2023, suggesting that the company is well diversified, which bodes well for this ETF.

The rise in e-commerce in the post-Covid world has led to a rise in industrial REITs, particularly for companies that focus on logistics properties. E-commerce has also led to a robust increase in demand for warehouse space, which has increased the potential earnings for REITs.

The Satrix Reitway Global Property ETF provides exposure to the REIT market. It is suitable for investors who rely on dividend income to meet living expenses. It comes at a total expense ratio of 0.67%, which is slightly higher than the newly listed Reitway Global Property Diversified Prescient ETF's 0.60%. The newly listed ETF does not yet have fund fact information – we will analyse it as soon as more information becomes available.

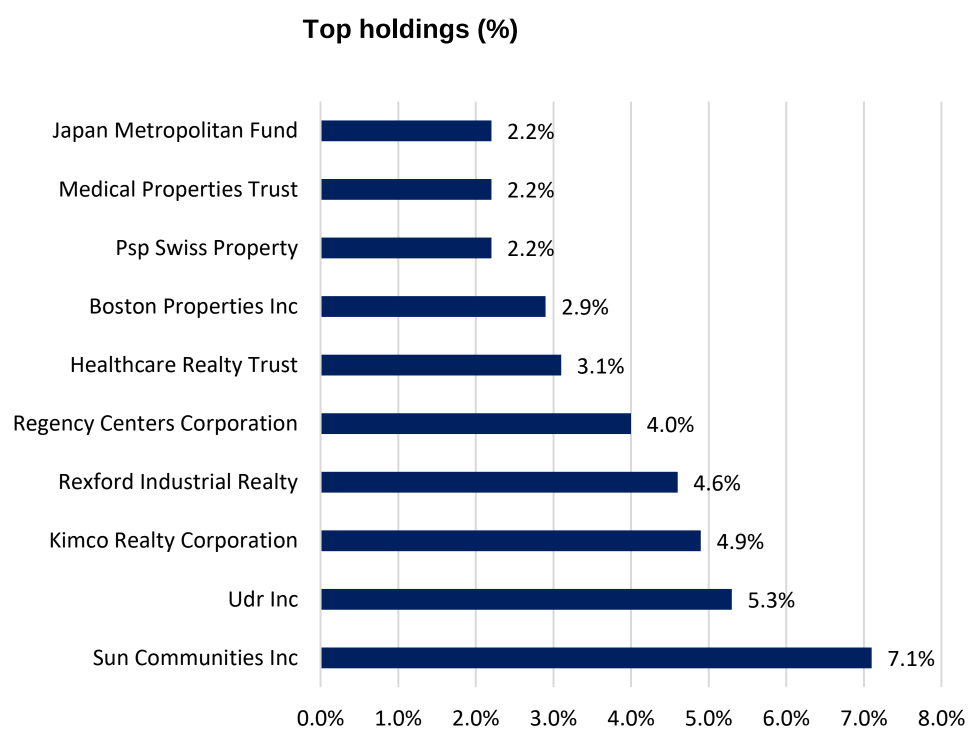
Investment term of the week: Core Inflation

Core inflation is a measure of the change in the general price level of goods and services excluding volatile items such as food and energy. This is a preferred measure of inflation for many central banks

Investment approach and portfolio composition

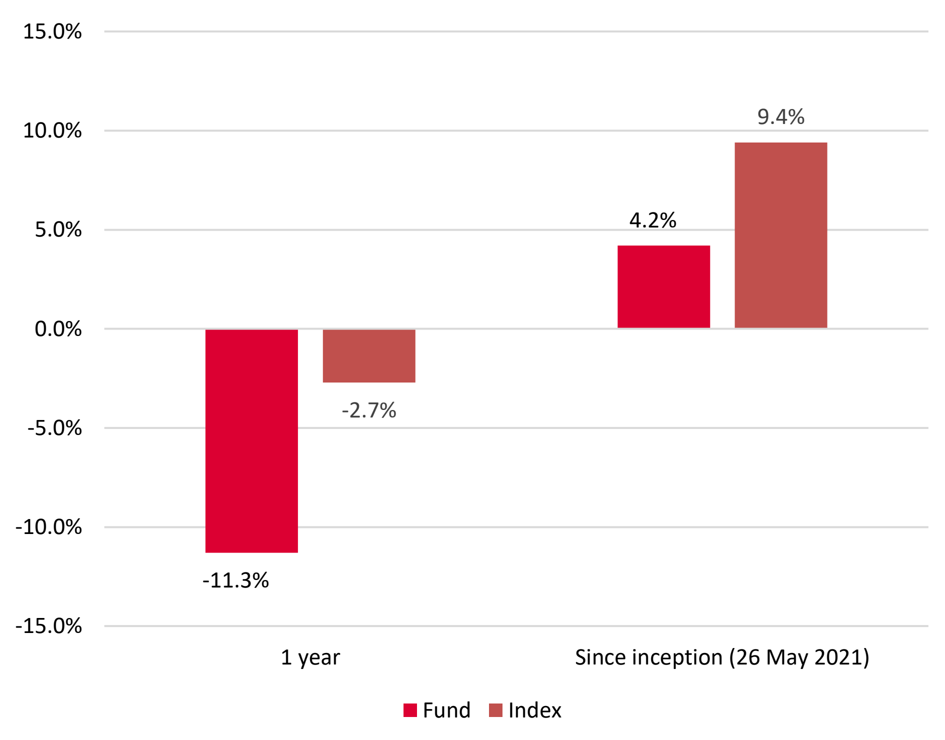
The Satrix RESI ETF aims to provide investors with exposure to the resources sector by tracking the value of the FTSE/JSE Capped Resources 10 index

Top holdings (%)



Performance

Index performance to end-April 2023 (annualised for periods longer than one year; with dividends reinvested)



Fund information as at 30 April 2023

Launch date	26 May 2021
Trading symbol (JSE)	STXGPR
Weighted average market cap.	R58m
Total expense ratio	0.67%
Risk rating	Medium
Benchmark	Reitway Global Property Index

Market data: 14 June 2023

Spot price	R69.41
12-month high	R81.96
12-month low	R65.93
Average monthly volume	6,356
Gross dividend yield	3.85%

Source: Infront, yahoo finance