

# Marriott International Real Estate Feeder Fund

31 December 2018

This Mandatory Disclosure Document (MDD) provides investors with key information that is intended to assist the investor in understanding the nature and risks of investing in this fund.

## How This Fund Works

This is a rand-denominated portfolio offering access to the Marriott International Real Estate Fund without requiring the Investor to obtain permission from the SARB or SARS to transfer the funds offshore. The Investor will invest and disinvest rands.



International Real Estate Feeder Fund

Uses Marriott's asset swap capacity

Invests offshore into the International Real Estate Fund

Rand-denominated fund

## Fund Objective and Investment Approach

The Marriott International Real Estate Feeder Fund is a rand-denominated feeder fund that invests all its non-cash assets in the Marriott International Real Estate Fund. The objective and mandate of the Marriott International Real Estate Fund is to provide a high and growing income stream from a portfolio of internationally listed real estate securities as well as long-term capital growth. The investment universe for this fund is listed real estate securities on international stock markets. The fund benchmark is a yield comparable to the J P Morgan Global Bond Index Yield. The underlying fund is approved for sale in South Africa by the Financial Sector Conduct Authority (FSCA). The portfolio is valued and returns are measured in rands.

## Fund Information

<b>Registered Name</b>	Marriott International Real Estate Feeder Fund
<b>Fund Size</b>	R 290,656,657.39
<b>Price (NAV)</b>	485.35 cpu
<b>Distribution (Class A)</b>	3.251 cpu (Rand terms)

## Fees (excluding VAT)

<b>Marriott Initial Fee</b>	0 %
<b>Marriott Annual Management Fee</b>	0 %
1% is levied at the underlying fund level.	
<b>Advisor Initial Fee (max)</b>	3 %
<b>Advisor Annual Fee (max)</b>	0.5 %

## Key Features

<b>Fund Classification (ASISA)</b>	Global - Real Estate - General
<b>Inception Date</b>	3 October 2000
<b>Base Currency</b>	ZAR
<b>Minimum Initial Investment</b>	R500
<b>Minimum Additional Investment</b>	R300
<b>Minimum Debit Order</b>	R300
<b>Distribution Declaration</b>	31 March, 30 June, 30 September, 31 December
<b>Distribution Payment Dates</b>	3 to 4 working days after declaration
<b>Instruction Cut-off</b>	15h00 daily
<b>Fund Valuation Frequency</b>	15h00 daily

## TER/TC (including VAT)

<b>Total Expense Ratio</b>	1.38 %
<b>Transaction Costs</b>	0.07 %

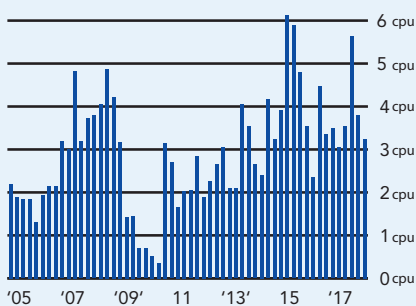
**Risk Category** Moderately Aggressive

Low Medium High

This fund may have a moderate income stream but aims for a long term return greater than inflation. It also aims for a high level of long term growth on invested capital but may be exposed to a high level of capital volatility.

### Distributions Since 2005

(Paid quarterly in cents per unit)



Source: Marriott

### Total Returns Since Inception

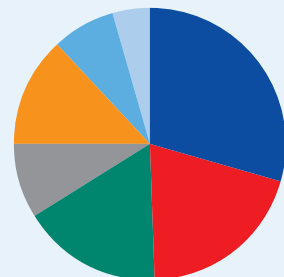
(Assuming R100,000 invested at inception)



Source: Marriott

### Current Asset Allocation

- US Real Estate 29.6%
- UK Real Estate 19.9%
- European Real Estate 16.8%
- Canadian Real Estate 8.9%
- Far Eastern Real Estate 13.0%
- Int Money Market 7.5%
- RSA Money Market 4.3%



Source: Marriott

## Fund Limits and Constraints

The fund is rand-denominated and invests in the Marriott International Real Estate Fund as well as liquid assets.

## Performance

Net of all fees and expenses as per the TER disclosure (including income)							Volatility of Return Since Inception	
Annualised (pa)	1 year	2 years	3 years	4 years	5 years	Since Inception (Oct 2000)	Highest 12 Months	Lowest 12 Months
Income Return	3.6%	3.2%	3.4%	3.4%	3.5%	3.6%	-	-
Price Return	4.9%	2.5%	-2.9%	2.5%	6.2%	5.0%	-	-
<b>Total Return</b>	<b>8.5%</b>	<b>5.7%</b>	<b>0.5%</b>	<b>5.9%</b>	<b>9.7%</b>	<b>8.6%</b>	<b>65.9%</b>	<b>-59.2%</b>

Source: Marriott

For periods longer than 12 months annualised performance figures are used. An annualised performance figure represents the compounded average return in percentage terms earned by the fund over the given period of time.

## Fund Limits and Constraints

The fund endeavours to be fully invested in listed real estate securities worldwide and reports in US dollars.

### Current Portfolio Holdings

	Dividend Yield
<b>United States</b>	
Simon Property	4.4%
Stag Industrial	5.8%
Liberty Property Trust	3.8%
Macerich	6.9%
Prologis	3.3%
<b>Canada</b>	
H&R REIT	6.8%
Allied Properties	3.5%
<b>United Kingdom</b>	
Tritax BigBox	5.1%
Segro	3.1%
LXI REIT	4.8%
Land Securities	6.0%
LondonMetric Property	4.7%
<b>Europe</b>	
Deutsche Euroshop	5.9%
Unibail-Rodamco	8.6%
Fabege	2.2%
Alstria	4.4%
<b>Far East</b>	
Capitaland Mall Trust	5.0%
Ascendas REIT	6.3%
Link REIT	3.4%

Source: Marriott International

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## Portfolio Review

Although not immune from the wider stock market falls, property shares performed relatively well in 2018. Over the year, global Real Estate Investment Trusts (REITs) fell by 5.6% with most of the falls occurring in the last quarter of the year (-5.7%). This compared favourably with the wider equity market. Global equities fell sharply, by 13.1% in \$ terms over the quarter, bringing the fall over the year to 11.2%.

Whilst an environment of rising US interest rates was never going to be the best backdrop for global Real Estate Investment Trusts, the decline in 2018 was caused more by macro concerns rather than anything specific to the sector, albeit with one notable sub-sector exception. The main falls in global property indices occurred in February and December when the rest of the market was in freefall. For the most part, valuations held up reasonably well. As with 2017, the best place to be exposed to was the warehouse and industrial sectors where e-commerce continued to all but guarantee a reliable stream of income, and supported further yield compression and price appreciation, especially in the UK market.

The biggest casualty once again was the retail sector. The closure of many well-known high street retail names in the US and UK (most recently HMV), together with the collapse of some potentially high profile corporate mergers, led to sharp share price declines, almost irrespective of the nature of the underlying assets. Shopping 'strips' and high street operators were hardest hit, but the major mall owners suffered too as the internet shopping revolution continued apace. Malls are far from dead, however, but their reinvention as entertainment 'destinations' is accelerating and most retailers still need to have a significant physical presence to support their online offerings (rather than the other way around). However, the adjustment is not fully in the price just yet and, with balance sheets under strain, we expect dividend cuts to occur in 2019 as well as more corporate activity, as shopping centres look to merge in an attempt to keep centralised costs under control and create more bargaining power with the larger retailers.

The International Real Estate Fund has been cutting its exposure to retail over the last few years and now holds just a small number of the world's largest shopping mall companies. Although these are not immune to the shifting trend towards e-commerce, they are far more resilient than small standalone units either on the high street or in smaller urban shopping areas. One of the problems for physical retailers is that online retailers have none of the costs (e.g. business rates) associated with owning a shop and vastly more coverage. It is possible that governments will seek to redress the balance by forcing the likes of Amazon.com to pay some form of sales tax. However, as the cost of doing so would invariably be passed on to the consumer, this would be an unpopular move which would (in the eyes of politicians) risk alienating the large slice of the electorate who frequently shop online. It may be some time before the sector stages any meaningful recovery.

Europe has also struggled in 2018, despite negative interest rates. Although borrowing is cheap, consumer confidence remains weak reflecting anaemic growth across most European markets. Politics have not helped either. Brexit has impacted the UK whilst an erratic US president has troubled equity markets in many regions, not least China and Emerging Markets which are still grappling with the impact of trade tariffs and slowing economies. Yields have, however, remained generally good and dividend cuts have been rare to date. Global REITs currently yield over 4% gross. It is likely, therefore, that dividend income will again form a significant part of total returns in 2019, especially if global GDP growth continues to decelerate and markets remain unconvinced about any prospect of an early recovery.

**Contact us:** To find out more about this fund or to obtain free of charge additional information such as brochures, application forms, annual reports and other marketing material, please visit our website [www.marriott.co.za](http://www.marriott.co.za) or contact our Communication Centre on **0800 336 555**.

Collective investment schemes are generally medium to long-term investments. The value of participatory interests or the investment may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investment schemes are traded at ruling prices and can engage in borrowing and scrip lending. If required, the manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity. Forward pricing is used. The ruling price of the day is calculated at approximately 15h00 SA time each day. Purchase and repurchase requests must be received by the manager by 15h00 SA time each business day. Prices are published on a daily basis on the Marriott website, [www.marriott.co.za](http://www.marriott.co.za). Unit trusts are calculated on a net asset value basis. Net asset value is the value of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. Marriott does not provide any guarantees with respect to the capital or the return of the portfolio. A schedule of fees and charges and maximum commissions is available on request from Marriott. Where initial fees are applicable, these fees are deducted from the investment consideration and the balance invested in units at the net asset value. Commissions and incentives may be paid and if so, would be included in the overall costs. Different classes of units apply to the fund and are subject to different fees and charges. A Feeder Fund is a portfolio that invests in a single portfolio of a collective investment scheme that levies its own charges, which could result in a higher fee structure for the feeder fund. The inclusion foreign securities in a portfolio are subject to risks including but not limited to potential constraints on liquidity and the repatriation of funds, macroeconomic risks, political risks, foreign exchange risks, tax risks, settlement risks and the potential limitations on the availability of market information. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Declaration of income accruals are quarterly. Performance figures are based on lump sum investment. This portfolio may be closed to new investors in order to manage it more efficiently in accordance with its mandate. The TER shows the percentage of the average Net Asset Value of the portfolio that was incurred as charges, levies and fees relating to the management of the portfolio. A higher TER ratio does not necessarily imply poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. Marriott Unit Trust Management Company (RF) (Pty) Ltd is a member of the Old Mutual Investment Group. Old Mutual is a member of the Association for Savings and Investment South Africa (ASISA).

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