Global Real Estate Commentary – Q3 2023

Review of Q3 2023 Market Performance

Global real estate stocks posted losses in the third quarter of 2023, as multiple exogenous factors weighed on the capital markets (e.g., central bank tightening to rein in inflation, the war in Ukraine, China's muted recovery as it seeks to transition from COVID lock-downs to re-opening its economy, the looming risk of a shut-down of the U.S. government, and the potential for a protracted strike by the UAW). These factors continued to distract investors, causing them to keep their attention focused mostly away from industry and company fundamentals. The FTSE EPRA Nareit Developed Index (the "Index") had a total return of -5.59% for the quarter.[1]

A historical review of listed real estate returns during periods of high inflation serves as a reminder that real estate values tend to increase with inflation, as rising inflation is typically consistent with a growing economy – the most important driver of demand for most property types. Additionally, commercial real estate leases often incorporate annual rent escalators, helping to provide additional protection of real estate cash flows during inflationary periods.

Higher energy prices, particularly in Europe, may reduce consumer spending and negatively impact sectors exposed to discretionary spending. Notably, the Portfolio is positioned defensively in Europe, with a substantial portion of its European holdings invested in German residential companies, whose fundamentals are not only unimpacted by rising energy prices but are in fact bolstered by increased demand for housing, spurred by the tide of migrants fleeing Ukraine. Other European positions are similarly insulated from the economic fallout of the conflict in Ukraine, with Specialty property type positions (e.g., Cell Towers, Student Housing and Medical Office Buildings) representing the bulk of the Portfolio's remaining European exposure.

Regional Bank Stress

The regional bank mini-crisis, thus far, has revealed the lagged effect of rate hikes to date—and the resulting duration mismatch that created an inherent instability among the deposit base. Uncertainty among lenders over the regulatory response (what adjustments if any will be made to the current $250k per account FDIC insurance limit) will likely have a chilling effect on their willingness to make new loans and/or re-finance existing ones. The flipside is that the resulting tightening of credit will do some of the Fed's work for it, thus shifting the narrative around future rate hikes from "higher for longer" to "just high for longer." Thus, the path forward in terms of potential impact on

[1]Source: Bloomberg.

the business of commercial real estate will be determined largely, if not solely by the Fed and the Treasury acting in concert to contain and thus prevent the isolated challenges at a small number of regional banks from evolving into widespread contagion that could present a systemic challenge.

Listed REITs enjoy access to all four quadrants of the capital markets (public and private, debt and equity), providing them with greater access to capital than is typically available to their private real estate counterparts. Moreover, public REITs typically operate with lower leverage than do most private real estate companies – thus further insulating them from any disruptions in the capital markets. Accordingly, any stress that emerges in the regional banking system will no doubt have greater impact on private real estate companies than on public real estate companies.

As to the implications or ramifications for the Portfolio, we have evaluated all companies owned with an eye toward identifying any that have near-term re-financing risk. We have determined that none of the companies owned in the portfolio have any potentially challenging debt maturities until 2025. As a further test we evaluated each company's exposure to variable-rate debt and determined that none of the companies owned in the portfolio have an amount that exceeds our comfort level as well as prudent amounts that are consistent with their capital formation cycles and overall financial flexibility.

Finally, as it relates to the highly challenging outlook for office buildings, particularly those located in Central Business Districts, the impact of fundamental changes in how companies manage their office space needs in the new world order of hybrid work models, owners of office buildings will experience significant headwinds over the next five plus years as existing leases expire and tenants downsize their space needs. The ensuing erosion of value will in some ways be similar to the secular decline in regional malls resulting from the "Amazon effect," i.e., the disruptive impact of e-commerce. Just as the commercial real estate industry writ large managed to thrive in the face of substantial value destruction in the regional mall sector (which at one time had a larger market capitalization than the office sector), it is certainly plausible that the coming difficulties in the office sector can be contained without spreading to other sectors or the funding markets for commercial real estate.

Attribution of the Portfolio's Q3 2023 Performance[2]

Key contributors and detractors to the Portfolio's relative performance over the third quarter are outlined below:

- The Portfolio's positioning in the Net Lease sector was a contributor to relative returns vs. the benchmark, resulting from our underweight allocation and stock selection. The Portfolio also benefited from being underweight and stock selection in the Data Centers, Self-Storage, and Lodging sectors and its overweight and stock selection in the Student Housing and Residential sectors.

[2]Source: FactSet as of September 30, 2023.

- The Portfolio's stock selection in the Cell Towers, Office, and Health Care sectors detracted from relative returns. We believe that the sell-off in Specialty property types with strong growth prospects due to the paradox of higher-growth when interest rates rise has presented attractive value investment opportunities for the Portfolio.

Conclusion

Despite the macroeconomic and geopolitical stress that is capturing headlines, our outlook for the global real estate market continues to be constructive. Real estate fundamentals and earnings growth remain healthy in an environment characterized by low supply in many sectors, paired with high construction costs.

Our high conviction, benchmark-agnostic investment approach allows us to maintain a laser-focus on identifying and owning only the 50 highest-quality companies in our investable universe. We have high conviction in our fundamental research and confidence in the management teams of the companies we own. While global capital markets continue to experience periods of fixation on non-fundamental factors, we believe our Portfolio is well positioned as investor attention turns back to fundamentals.

About the Author

Andrew J. Duffy, CFA© is Co-Founder, Managing Partner, Chief Investment Officer and Senior Portfolio Manager of Ranger Global Real Estate Advisors. Mr. Duffy has over 30 years of experience as an investor in global real estate securities. From 2009 to 2016, Mr. Duffy was the President of Ascent Investment Advisors, LLC. He has been the Senior Portfolio Manager of the Easterly Global Real Estate Fund ("JARIX") since its inception in 2009.

Prior to 2009, Mr. Duffy was a Managing Director with Citigroup Principal Strategies, where he established and managed the proprietary liquid global real estate investment business which included a long-short portfolio of global real estate securities. Previously, he was the Co-Portfolio Manager of the Hunter Global Real Estate Fund, and from 1999 until 2006, a Portfolio Manager at TIAA-CREF, where he established the liquid global real estate investment business and team, ultimately managing over $3.5 billion in global real estate equity and debt securities. Between 1993 and 1999, he was a Senior Research Analyst at Eagle Asset Management, where he launched and managed a dedicated real estate securities investment program with responsibility for fundamental analysis, securities selection and portfolio construction. Prior professional experience includes serving as a Partner at Raymond James & Associates where, as an investment banker, he managed public offerings and advised on mergers and acquisitions.

Mr. Duffy received a Bachelor of Science degree from the United States Military Academy at West Point in 1979 as a Distinguished Graduate (top 5% of his class), and a Master of Business Administration degree from the Harvard Business School in 1986. He earned the Chartered Financial Analyst designation in 1995.

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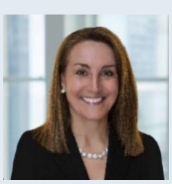

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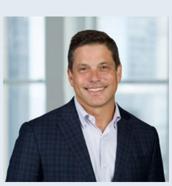

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RANGER GLOBAL

Ranger Global Real Estate Advisors, LLC is an independent, SEC-registered investment advisor focused exclusively on the active management of portfolios of liquid global real estate securities on behalf of institutional and individual investors. The Chief Investment Officer, Andrew J. Duffy, CFA, is a West Point graduate and a former U.S. Army Ranger with over 30 years of REIT investment experience. The hallmarks of our investment strategy are concentrated portfolios with significant overweight to higher growth, high-quality companies, including Ranger's pioneering investment across Specialty property types, as well as highly favorable upside and downside market capture, making our portfolios attractive either as a standalone investment or as a complement to a private real estate portfolio.

Ranger Global is majority-owned by its employees and minority-owned by our strategic partner, QuadReal Property Group, a Canadian-based private real estate manager with approximately $74 billion (CAD) in assets under management. We seek to maintain an entrepreneurial culture which aligns the interests of our clients with those of our employees and stakeholders.

QuadReal™

QuadReal Property Group is a global real estate investment, operating and development company headquartered in Vancouver, British Columbia, managing total assets of approximately $74billion (CAD). From its foundation in Canada as a full-service real estate operating company, QuadReal has expanded its capabilities to invest equity and debt in both the public and private markets around the globe. As an operating and development company, the firm is also able to invest across the entire life cycle of properties, from pre-development through to stabilization. QuadReal's flexible business strategy enables the firm to invest directly, via programmatic partnerships, and through operating companies in which it which it holds an ownership interest.

QuadReal, its operating companies, and partners share in their investment convictions, business values, and the commitment to take performance to the next level. QuadReal works with its partners to accelerate their growth and together cultivate value by unlocking innovation and sharing joint expertise. In addition to capital, QuadReal provides its partners with the in-house expertise of the broad-based QuadReal Resources Group.

QuadReal employs over 1200 real estate professionals located across Canada as well as in Hong Kong, London, New York, and Los Angeles. QuadReal seeks to deliver strong investment returns while creating sustainable environments that bring value to the people and communities it serves. Now and for generations to come.

Defined Terms

Core Real Estate: Ranger Global defines Core as property types that are more highly correlated to GDP growth and typically fall into Office, Industrial, Retail, and Multi-Family Property types.

Specialty Real Estate: Ranger Global defines Specialty as a disparate group of non-core property types which typically exhibit a number of distinctive investment characteristics:

- Specialty property types generally operate in an environment of favorable supply-demand dynamics, conveying superior pricing power to landlords;
- Specialty property types typically generate higher growth rates than core property types;
- Demand for Specialty property types is generally a product of idiosyncratic demand drivers that are un-correlated to GDP growth

Examples of Specialty property types include Data Centers, Cell Towers, Student Housing, Medical Office, Self-Storage, Manufactured Home Communities, Timber, Outdoor Advertising, Single-Family Rental, Life Science/Lab Space, Leisure and Infrastructure. The universe of Specialty real estate companies is expanding quickly and constantly evolving.

FTSE EPRA Nareit Developed Index: an Index comprised of publicly-traded real estate securities in developed countries worldwide which have met certain financial criteria for inclusion in the Index. Each company must derive the bulk of its earnings through the ownership, management or development of income-producing commercial real estate.

Disclosures

Global Real Estate Composite: The Composite focuses on investing in a diversified portfolio of publicly-traded, global real estate securities, such as real estate investment trusts ("REITs") and real estate operating companies. The Composite includes all discretionary, fee-paying portfolios invested in the Global Real Estate strategy. The strategy aims to maximize total returns from long term capital growth and income. Performance results are calculated on a total return basis and include dividends and interest and unrealized capital gains and losses. Gross returns reflect the deduction of trade-related costs including applicable withholding taxes. The Composite returns consist of size-weighted portfolio returns using beginning of period values to weight portfolio returns. All of the Composite's valuations and returns are computed and stated in U.S. dollars. Past performance does not guarantee future results. Many factors affect performance including changes in market conditions and interest rates and in response to other economic, political, or financial developments. An investor should consider the investment risk objective, charges and any expenses carefully before investing in the strategy. This data is for general information only and is not intended to provide specific investment advice or recommendations for any purchase or sale of any security. Certain information contained herein is based on outside sources believed to be reliable, but their accuracy is not guaranteed. Source: Ultimus Fund Services, LLC; Bloomberg.com; FactSet. Annualized returns for periods greater than one year. You cannot invest directly in an index. The Index ("RUGL") is the FTSE EPRA Nareit Developed Index, which is comprised of publicly-traded REIT securities in developed countries worldwide which have met certain financial criteria for inclusion in the Index. Each company must derive the bulk of its earnings through the ownership, management or development of income-producing commercial real estate. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using the highest institutional segregated portfolio management fee which is 0.75% per annum.