RANGER GLOBAL

Global Real Estate Commentary – Q4 2023

Review of Q4 2023 Market Performance

Global real estate stocks posted gains in the fourth quarter of 2023, despite multiple exogenous factors weighing on the capital markets (e.g., central banks slowing the pace of monetary policy tightening, 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 growing tension in the Middle East following the October 7th attack on Israel). Notwithstanding this host of geopolitical and macroeconomic concerns, investors instead focused on the prospect of a transition from central bank tightening to easing, along with an expectation that a "soft landing" appearing increasingly likely. The FTSE EPRA Nareit Developed Index (the "Index") had a total return of 15.59% for the quarter.[1]

The Funding Environment for Commercial Real Estate

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 disruptions in the capital markets. Accordingly, any stress that emerges in the regional banking system will likely 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 refinancing 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

[1] Source: Bloomberg.

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. (Note that in both of these situations, the Portfolio management team foresaw the impending challenges and was proactive in reducing exposure in order to preserve the Portfolio's capital.)

Attribution of the Portfolio's Q4 2023 Performance[2]

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

- The Portfolio's positioning and stock section in the Residential, Health Care, Cell Tower, Outdoor Advertising, and Life Science/Lab Space sectors contributed to relative returns vs. the benchmark .
- The Portfolio's positioning and stock selection in the Industrial, Lodging, Retail, Self-Storage, and Data Center sectors detracted from relative returns.

2024: Outlook for the Year Ahead

We believe factors that may bode well for the global REIT market in 2024 and beyond include:

- Uncertainty about the direction of the economy has subsided.
- The timing and extent of central bank policy tightening has peaked and has transitioned to the anticipation of easing.
- Inflation is on a trajectory towards the Fed's 2% target, even before the economy has experienced the full (lagged) impact of the Fed's tightening measures.
- The Fed has declared that it is close to or at the end of the tightening cycle, which means that it is also closer to its first rate cut, which it has forecasted to occur in the first half of 2024.
- Long-term interest rates (7-10 years which serve as the cost of capital benchmark for commercial real estate) peaked at 5% in October and have since declined to below 4% — thus serving as less of a headwind and even a bit of a tailwind for most property types.

[2]Source: FactSet as of December 31, 2023.

- The equity market has passed the point of peak pessimism. The inflection to improved sentiment is yet another bullish factor for stocks.

- Commercial real estate industry fundamentals (i.e., the balance between supply and demand) remain healthy for most property types and even strong for many, including data centers, cell towers, student housing, single-family rental homes, and manufactured home communities — notably, all of which are Specialty property types that are favored by the Portfolio Management team.

Commercial Real Estate is Still "On Sale" in the Public Market

All the stress that weighed on the market has driven a sharp sell-off since 2022 which has put commercial real estate on sale in the public market, as evidenced by the large discounts to private market value. At the end of 2023, the average discount was 11.2% below private market value, below the long-term historical average.[3]

Public vs. Private – Arbitrage Opportunity

The difference in valuation methodologies between public real estate and private real estate can create pricing dislocations and thus compelling arbitrage opportunities. Private real estate vehicles report valuations that are based on appraisals, which are by definition backward-looking and smoothed, while public REITs are valued daily by the equity market which looks forward and discounts the market's expectation for conditions in 3-6 months — as well as reflecting investor sentiment. These short-term differences in valuations may eventually converge, as public REITs have historically delivered total returns that exceed those generated by private real estate — in addition to their other benefits of greater liquidity, better diversification, lower leverage, broader access to higher-growth specialty property types, and alignment of interests through high insider ownership. The large delta in performance since 2022 between public REITs and private real estate vehicles created a wide valuation gap making public REITs an attractive investment opportunity — particularly in comparison to the dated and thus still-high valuations being reported by private real estate vehicles. Indeed, when public REITs have traded at NAV discounts above 10%, they have subsequently outperformed private real estate by more than 1,500 bps per year over the next three years.[4]

Recent M&A Activity in the Public REIT Market

Historically, the combination of large discounts to private market value, along with enormous pools of capital being raised by private equity funds, has resulted in a surge

[3]Source: UBS, as adjusted by Ranger Global to account for regional nuances of countries as of December 31, 2023.
Historical performance is not indicative of future performance..
[4]Source: Green Street Advisors, The Volatility Opportunity, July 26, 2022

funds seek to buy commercial real estate “on the cheap” in the public market. Over the last two years, there have been fourteen such transactions and the Portfolio benefited by owning five of those 14 companies. Also notable, the combined aggregate consideration for all fourteen transactions was $96 billion and the observed premium to the last sale price averaged 30.8% - reflecting the buyers’ willingness to pay an additional premium in respect of public REITs owning Portfolios of generally higher quality assets and in better locations.[5]

Conclusion

Despite the lingering macroeconomic uncertainty and geopolitical stress capturing headlines, our outlook for the global real estate market is increasingly constructive. Real estate fundamentals and earnings growth in most property sectors remain healthy amidst an environment characterized by low supply paired with high construction costs.

Our high conviction, benchmark-agnostic investment approach allows us to be highly focused on identifying and owning only the 50 highest-quality companies in our investable universe. We have high confidence in our fundamental research as well as in the management teams of the companies we own. While global capital markets continue to experience transitory periods of market distraction due to non-fundamental factors, we believe the Portfolio is well positioned as investor attention inevitably returns to fundamentals.

[5]Source: Bloomberg.

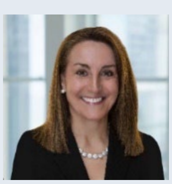
About the Author

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.

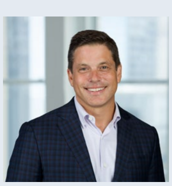
Prior to 2009, Mr. Duffy was a Managing Director with Citigroup Principal Strategies, where he established and managed the proprietary liquid global real estate investment business which included a long-short portfolio of global real estate securities. Previously, he was the Co-Portfolio Manager of the 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.

Contact Us



Jennifer Vaccaro (U.S.)
Director, Institutional Sales and Client Service
(203) 972-3550
jvaccaro@rangerglobalre.com



Aaron Ochstein, CFA© (International)
Head of International Sales
(727) 204-7375
+44 740 5684489
aochstein@rangerglobalre.com

Ranger Global Real Estate Advisors, LLC
405 Lexington Avenue, Suite 3401, New York, NY 10174
www.rangerglobalre.com

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 Property Group is a global real estate investment, operating and development company headquartered in Vancouver, British Columbia, managing total assets of approximately $74 billion (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.