# Amplify SCI* Property Equity Fund

**Fund Commentary | December 2024**

Fayyaz Mottiar
Portfolio Manager
Sanlam Investment Management

“Despite the potential uncertainty in the short term, REITs will continue to benefit from lower rates together with narrowing credit spreads, which support a lower cost of capital and medium-term income growth.”

## Overview

### Invested in high-quality companies for the long term

The Amplify Property Equity Fund is an active, pragmatic value fund within the property sector. The fund’s remarkable historical success is in part attributed to the unconstrained nature of the portfolio, which is benchmark aware but not benchmark cognisant. In practice this means that the fund can deviate significantly from the benchmark through the cycle, where opportunities are identified.

Our primary objective is to be invested in the highest quality companies for the long term. The deliberate and active way in which the fund is managed can result in periods of higher volatility relative to the benchmark, to deliver results that are driven by the robust process, and the portfolio manager’s conviction.

### Portfolio performance

The fund returned 31.5% for the 12-month period to end December 2024, which was an outperformance of both the median manager and the FTSE/JSE SA Listed Property Index (SAPY), which delivered returns of 27% and 29% respectively. Listed property was the top performing asset class for 2024, with the SAPY delivering a total return of 29%, outperforming equities (13.4%), bonds (17.2%) and cash (8.5%).

### Election outcome uncertainty and its impact on risk assets

The final quarter of 2024 provided a mixed picture of what to expect going into 2025 with some of the optimism from the beginning of the rate cutting cycle being tempered as the expectation for the depth of the rate cutting cycle is being tapered, while we have a seen a reversal in the trend of declining government bond yields as inflation concerns re-emerge. One of the key events during the quarter was the presidential elections in the US, where potential policy shifts may prove to be negative for the global growth outlook and valuations outside of the US in the short term. The uncertainty created by the election outcome likely points to an increase in volatility for risk assets in 2025. Despite the potential uncertainty in the short term, REITs will continue to benefit from lower rates together with narrowing credit spreads, which support a lower cost of capital and medium-term income growth.

Domestically, the positive sentiment towards the Government of National Unity has begun to dissipate to some degree as policy conflicts across parties within the coalition continue to come to the fore with little progress on any meaningful structural reform initiatives, which result in the growth outlook remaining relatively benign. The limited progress on policy to date has seen a weakening of the currency together with higher bond yields (in line with global trends) towards the end of the quarter. Positively, loadshedding remains suspended, which together with the potential positive impacts from the pension reform enacted during the fourth quarter of 2024, may provide short-term impetus to growth while more meaningful reforms remain elusive.

### Domestic financial assets boost listed property

The listed property sector has been a beneficiary of the renewed optimism around domestic financial assets with the sector benefiting from renewed investor interest, improving operating metrics and lower government bond yields, which has seen the sector enjoy upward momentum throughout 2024. This momentum has been broad-based and has seen improved ratings across the sector, which creates opportunity for active managers as bottom-up fundamentals remain divergent and relative performance from current levels is likely to show meaningful divergence as fundamentals over the short to medium term become ever more important.

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While there is certainly an improving domestic economic outlook which supports an improving operational environment within the listed property sector, share prices in the short term look to have run ahead of their fundamentals in certain instances, with others still trading at relatively attractive valuations to their intrinsic value, providing us with the opportunity to position the portfolio to take advantage of these opportunities.



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