MARCH 2023

MONTHLY UPDATE

Evolve Slate Global Real Estate Enhanced Yield Fund

BILT is an actively managed fund that aims to provide a recurring income from the underlying rental income derived from publicly listed real estate issuers. Through BILT, investors may benefit from the real estate investing experience of Slate Securities L.P., with the added value of an active covered call strategy applied on up to 33% of the portfolio.

TSX **BILT** **ETF TICKER:** BILT (HEDGED)

Slate Securities is an investment management platform specializing in real estate investing, across the public and private real estate markets. As a wholly owned subsidiary of Slate Asset Management, a global investment and asset management platform focused on real assets, Slate Securities benefits from deep expertise, insights and Slate investment opportunities. Slate Securities was founded with the objective of being the real estate solution for allocators.

REITS GLOBAL OVERVIEW

Market review

For most financial assets, the first quarter showed strong performance. REITs were more muted, as the impact of higher interest rates and generally tighter lending hit some sectors more than others. This led to growing concerns about a credit crisis after the collapse of Silicon Valley Bank. The FTSE EPRA/NAREIT Developed Index returned -3.08% in March, closing the first quarter at 1.04%.

Banking concerns are now impacting North American and European REIT markets with potential negative impacts including tenant risks for offices, increased recession risks and availability of bank lending or liquidity. We believe, however, that owners of REITs are relatively better positioned than owners of other real estate.

- Following the GFC most REITs operate with lower leverage.
- REITs generally have access to multiple sources of financing including both public and private and secured and unsecured financing markets. Even as secured financing has become harder to secure in the banking market, REITs are still able to access the unsecured bond market and in some cases at marginally lower costs.
- REIT assets and management tends to be positively skewed towards quality versus "average" real estate. This helps mitigate risks associated with access to financing and valuations.
- The current pricing of REITs implies an attractive "basis" versus private real estate. The public REIT market is already pricing in value declines which to date have not been realized in the private market.

As highlighted last quarter, we still see a wide disconnect between the direct or private real estate market and public valuations, as listed REITs seem to have reacted much more quickly to changing financial conditions. Additionally, REITs are still trading at a significant discount to NAV.

While REITs were basically flat in the quarter, some sectors stood out. On the positive side, European cell towers, self-storage and industrial were the clear winners, driven by strong fundamentals and M&A activity. On the negative side, German residential and Nordic companies were punished for higher leverage, while office continues to face difficult fundamentals.

With REIT share price still being under pressure in early 2023, M&A activity continues to make headlines, especially in sectors where fundamentals remain strong like cell towers, self-storage and industrials. These rumours, or formal bids, remind us of the current mispricing in the REIT sector and have resulted in significant share price outperformance.

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