

14 July 2011

## REAL ESTATE FUNDS TOP RETURN TABLES

Investors in domestic real estate unit trusts had reason to celebrate in a quarter characterised by significant price swings in domestic and global financial markets. So says Ryk de Klerk, co-founder and executive director of PlexCrown Fund Ratings.

The returns of domestic real estate unit trusts averaged 4,4% with income reinvested, with Property Index Tracker SAPY the third best of all collective investment schemes with 6,0%. "Global equity markets only managed to eke out a paltry gain of 0,7% in terms of US dollars in the June quarter," says de Klerk. The FTSE/JSE All Share Index returned -0,6% with income reinvested for the three months ended 30 June 2011 for local investors and -0,7% in terms of US dollars.

"The relief rally after Japan's terrible twin disasters continued in the first week of April but gave way as the impact of the disasters on the global economy became evident. At the same time concerns regarding a possible debt default by Greece intensified the nervousness, resulting in the market falling by nearly 6% a week prior to the end of the quarter. Global equity markets shrugged off the black swans and erased the losses by the end of the quarter after a swift rally," says de Klerk.

According to de Klerk the domestic real estate unit trust sector's superior returns were not limited to the past quarter, though. "The sector is also the leader over three and five years with returns of 22,1% and 15,9% per year respectively.

"Local investors in domestic bond unit trusts benefited from the concerns regarding the global economic outlook and a lower oil price as investors sought refuge in less risky assets," says de Klerk. The quarterly returns of domestic bond funds averaged 3,9% with income reinvested, mirroring the BESA All Bond Index's return of 3,9% from the previous quarter as the yield dropped by 17 basis points to 8,7% from 8,9%. Zshares GOVI Exchange Traded Fund took the honours as the best of all collective investment schemes with a return of 7,8%.

With an average total return of 3,1% funds specialising in industrial shares were a short head behind bond funds but topped the charts over 12 months by returning 27,1% on average with income reinvested. The Satrix INDI Portfolio Exchange Traded Fund was the best-performing fund of all collective investment schemes over the past year with a return of 33,9%..

Resources and basic industries funds on average returned -5,1% for the quarter as the FTSE/JSE All Gold Index shaved 13,0% off its value. "For the 12 months to the end of June resources and basic industries funds returned 20,9%, with the FTSE/JSE All Gold Index returning -6,7% despite a surge in the gold price to US\$1 500 from US\$1 242 a year earlier and a 6,5% rise in terms of rand," says de Klerk.

He warns investors not to base their investment decisions on short-term trends in the market. "While the quarter's results could encourage many investors to buy property unit trusts, the fact of the matter is that after the strong run we have seen in the prices of listed property this asset class is not cheap at current levels. Furthermore, although many investors perceive property to be less risky than equities, few realise

that the correlation between listed property and the market as a whole has risen significantly over the past few years.”

