

# Rasmala Long Income Fund

## Class A USD INC

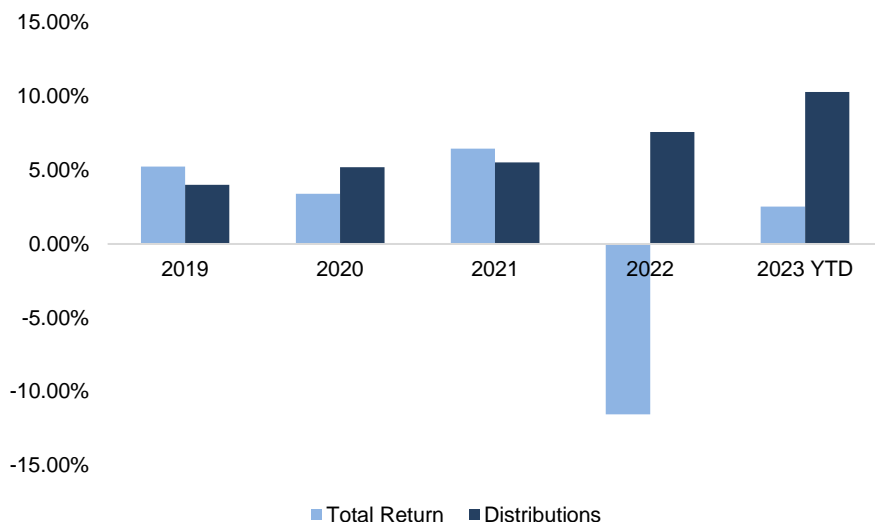


July 2023

### Investment Objective

The Fund invests into a diversified portfolio of long income Real Estate, Social and Economic Infrastructure assets primarily located in the United Kingdom, USA and Continental Europe. The current annual distribution target of the share class is \$9 per share (paid monthly).

### Performance



### Cumulative Net Performance

	Total Return (%)	Distributions (\$/share)	Dividend Yield (%)
2019	5.25	4.00	4.01
2020	3.40	5.08	5.19
2021	6.46	5.45	5.53
2022	-11.54	6.25	7.59
2023 YTD	2.53	5.17	10.30

Source: Rasmala's internal performance measurement team. Please note: Performance is net of fees and expenses. Class A USD Income share class was launched on 3<sup>rd</sup> March 2019 with the first distribution paid in May 2019. Current dividend yield equals to last 12 months distributions over current price. Historical performance is not and should not be construed as being indicative for the future or likely performance.

### Fund Information

Sector	Real Assets
Fund Currency	United States Dollars
Net Asset Value	USD 196.7 million
Domicile	Cayman Islands
Investment Manager	Rasmala Investment Bank Limited
Portfolio Manager	Ruggiero Lomonaco
Administrator	Apex Fund Services Ltd.
Auditor	PricewaterhouseCoopers
Legal Advisors	Maples & Calder LLP
Sharia Advisor	Dar Al Sharia Limited
Inception Date	18 December 2018
Structure	Open-Ended

### Share Class Information

Code	Class A USD INC
ISIN	KYG7387W1188
Currency	USD (hedged)
Distributions	Monthly
Dealing	Daily
Redemption Notice	5 business days (*)
Management Fee	1%p.a.
Subscription Fee	Up to 5%

(\*) Subject to terms and conditions.

### Currency Exposure (USD class)

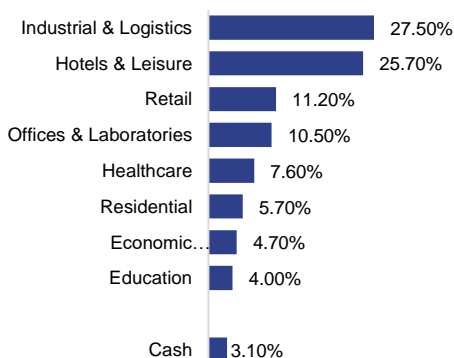
USD	78.76%
GBP	-0.09%
EUR	21.33%

### Product Risk Rating (\*)

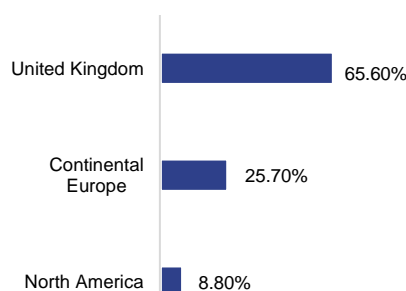


(\*) Determined by Rasmala Risk Management Team. 1 = low risk; 5 = high risk

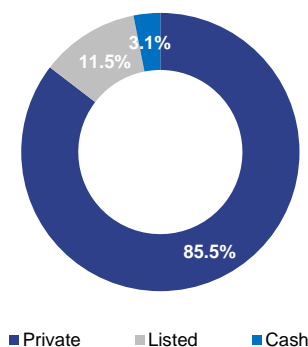
### Sector Allocation



### Geographical Allocation



### Portfolio Composition



Source: Rasmala Real Estate Team

## Portfolio Manager Commentary

Long Income assets continue to generate growing income underpinned by elevated levels of inflation or fixed rental escalations. The Fund does not use leverage to enhance returns, however where debt has been used to part finance the purchase of assets, cost of finance is fixed and is not yet causing a drag to return.

The elevated level of interest rates has caused a decline of capital values which has been most accentuated in the UK. With cost of debt now exceeding rental yields, the market has become less liquid, preventing yield compression. In this scenario, future capital growth can only come from rental growth which takes time to filter into valuations due to the mechanics of indexation.

### Portfolio composition

The Fund invests in a diversified portfolio comprising listed and non-listed long income assets, with the allocation skewed towards non-listed assets to control short term volatility. This choice limits the ability of the Fund to meet large volumes of redemptions at short notice requiring investors to take a medium to long-term view. The distribution policy of the Fund, which provides for monthly payments set at a level consistent with expected income and capital gains, aims to obviate this lack of liquidity.

The majority of non-listed investments consists of Direct Property Funds which provide access to large diversified portfolios. The balance of non-listed investments comprises Direct Investments in single properties through which we aim to generate a superior return.

Listed investments comprise a diversified portfolio of Long Income REITs and listed Infrastructure Funds.

During the course of the next 12 months, we plan to decrease unlisted investments and increase exposure to listed investments to enhance the overall liquidity profile of the portfolio and capture the superior return opportunities we see in this part of the market.

We have also initiated divestments from most of our Direct Property Funds because redemption pressures have deprived these vehicles from the benefit of liquidity which they enjoyed in the past. Going forward, we envisage that our Fund will primarily comprise Direct Investments and Listed Securities, with indirect investments into third party Funds limited to niche sectors or geographies where it is impractical to make direct investments.

### Sector Strategy

The Fund invests primarily in alternative sectors where long income assets are more common due to the specialized nature of the assets. Exposure to traditional sectors is limited to assets with long income profiles.

Sector preferences are dictated by an analysis of multiple long-term economic trends which are believed to have a significant impact on the use of real estate and infrastructure assets. Example of such trends are Aging Population, Energy Transition, Digital Transformation, and Sustainable Urbanization.

The **Industrial and Logistics** sector benefits from the progressive shift towards e-commerce which is transforming retail sales. In addition, following the trade disruptions caused by the recent pandemic and persistent geopolitical tensions, the sector is benefiting from a process of re-shoring of production and re-stocking.

The increasing automation of Logistics warehouses has transformed this traditional sector in an ideal candidate for Long Income strategies, as tenants are keen to secure built-to-suit properties in which they have made substantial investments in automation systems. The flip side of this transformation is that

modern logistics warehouses are becoming more specialized to the needs of the tenants and therefore less liquid than traditional light industrial assets.

The **Residential** long income sector consists essentially of Affordable Housing properties leased to either Housing Associations or Local Municipalities on long leases with inflation linkages. Serviced Apartments also offer an opportunity to secure long leases with specialist operators, however counterparty credit may be an issue. Another area where it is possible to find residential long leases is in the Shared Ownership or Gradual Ownership areas, where tenants are keen to enter into long leases on properties which they wish to eventually acquire. The UK **Supported Living** sub-sector may also offer interesting opportunities; however counterparty risk has become an issue.

The **Retail** sector is going through a profound transformation as a result of the rise of ecommerce, with tenants becoming increasingly uncertain about the prospects of their business models and unwilling to enter into long leases. The Fund seeks opportunities in the **Essential Retail** sub-sector (e.g. **Supermarkets**) with a focus on stand-alone properties which can service both traditional and online sales. Like modern logistics distribution assets, stand-alone retail properties have become more specialized and therefore less liquid than a standard retail property.

Traditional **Offices** have lost their appeal as long income assets. Sales and leaseback of corporate HQs have become less frequent after accounting and tax incentives of long leases were removed. Corporate tenants have also started to value flexibility in respect of their regional offices, resulting in a progressive shortening of leases. In general, the rise of work from home practices is also reducing overall demand for office space. Within the Office space, a sub-sector which is proving attractive is that of **Life Science Laboratories** which offer interesting opportunities to secure long leases, given the specialized nature of these properties and the limited supply in the clusters in which they are located.

Within the **Healthcare** sector, there are opportunities to secure long leases on **Medical Office Buildings, Senior Housing and Skilled Nursing Facilities** (e.g. **Care Homes**).

The **Hotels & Leisure** sector consists of limited-service hotels and family resorts with long leases. Opportunities to secure long leases exists primarily in the UK and Continental Europe. After two difficult years in which both income and capital values declined, we are now starting to see consistent improvements on both fronts and expect renewed investor interest.

Another interesting area to secure long income is in the **Economic Infrastructure** sector, primarily Data Centers and Renewable Energy which benefit from megatrends of Digital Transformation and Energy Transition. An emerging sector to secure long income is that of **EV Charging Stations**.

### Geographic and Currency Allocation

The Fund currently invests primarily in the United Kingdom where inflation-linked long leases are relatively common and where we have been able to identify relatively liquid Direct Funds to build our exposure. Over the next 12-24 months, however, we plan to pivot the exposure to the USA where we see more attractive long term investment opportunities to generate long income.

Exposure to the EUR is only partially hedged to provide the share class an opportunity to generate additional return should the single currency appreciate relative to the USD.

Exposure to GBP is currently fully hedged.

Authored by: Rasmala Real Estate Funds Team

## Top 10 Holdings

Asset	Sector	Type	Geography	%
DHL Logistic Warehouse, Worksop, UK	Industrial & Logistics	Private	United Kingdom	9.18
PGL Adventure Park, Liddington, UK	Hotels & Leisure	Private	United Kingdom	6.53
Axalta R&D Laboratory, Philadelphia, USA	Offices & Laboratories	Private	North America	4.30
Decathlon Distribution Centre, Dortmund, Germany	Industrial & Logistics	Private	Continental Europe	3.24
Ibis House Service Apartment, London, UK	Residential	Private	United Kingdom	3.20
Dollarstore, Sweden	Retail	Private	Continental Europe	2.99
School, Oslo, Norway	Education	Private	Continental Europe	2.99
Holiday Inn Hotel, Southend, UK	Hotels & Leisure	Private	United Kingdom	3.06
Premier Inn, Peterborough, UK	Hotels & Leisure	Private	United Kingdom	2.43
DPD Distribution Centre, Tipton, UK	Industrial & Logistics	Private	United Kingdom	2.26

## Subscription Information and Key Performance Indicators for Additional Share Classes (%)

Share Class	Price /Share 31/07/2023	MTD	YTD	Since Inception	Inception Date	Mgmt. Fee	Subscription Fee	ISIN Number
A USD Acc	106.46	1.05	2.93	6.46	17/12/2018	1%	5%	KYG7387W1006
A USD Inc	79.27	0.98	2.53	3.66	18/12/2018	1%	5%	KYG7387W1188
S USD Inc	96.88	0.92	0.69	11.74	12/02/2019	1%	5%	KYG7387W1592
A GBP Inc	83.93	0.88	-0.79	7.28	19/02/2019	1%	5%	KYG7387W2178
A EUR Inc	81.74	0.86	-1.98	1.16	12/02/2019	1%	5%	KYG7387W1915

Please note: The Fund publishes daily dealing prices at which shares can be subscribed and redeemed. Dealing prices can be higher or lower than IFRS NAV published within the annual audited report.

For further information please contact our Client Services Team at +971 4 424 2700 or by email at [clientservice@rasmala.com](mailto:clientservice@rasmala.com)

## Liquidity and Redemption Limitations

Shares of the Funds can be subscribed daily; however redemption requests are currently subject to the Redemption Limitation and are expected to be dealt on a pro-rata basis as soon as proceeds from disposals of portfolio assets are received.

A Dilution Adjustments equal to capitalized property acquisition costs is applied to redemptions.

## Distribution policy and capital depletion

The share class aims to make regular distributions at a pre-announced rate reviewed on a quarterly basis by the Directors of the Fund. Distribution rates are set on the basis of the average anticipated total return of the share class, are funded by available cash and can exceed the income of the underlying investment. In the event that the rate of distributions falls short of the total return achieved during a given period, the share price will decline by an amount corresponding to the shortfall leading to capital depletion.

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The dealing price published by the Fund can be higher or lower than the IFRS NAV of the Fund because of the effect of a Dilution Adjustment which reflects the net cost of acquiring or selling the underlying assets of the Fund. Investors should be aware that during the month the dealing price can swing up or down by effect of subscriptions or redemptions in the Fund. The likelihood of a downward swing is higher when the Fund runs a low liquidity buffer.