



## Market Commentary

### Market Outlook (cont):

negatives. Growth will certainly be more difficult, and market conditions more volatile. But the stock markets are fundamentally undervalued. We expect the stock market to recover this gap in valuation and even overshoot to the upside, given the pendulum-like nature of stock markets.

### Recommended Investment:

#### Tritax Big Box REIT plc

This investment trust focuses on investment in very large logistics facilities (“Big Box”) based in the UK. In so doing, it aims to provide shareholders with attractive income together with capital growth.

Its portfolio is valued at over £2.9bn, making it the largest such UK enterprise of its kind. The assets are typically modern, in prime locations and fully let on long leases (an average of 14.1 years) to institutional-grade tenants with upward-only rent review. Customers include some of the biggest names in business such as Morrisons, Sainsbury/Argos, Marks & Spencer, Tesco, Amazon, Ocado, B&Q & Royal Mail.

The structural drivers of demand for “Big Box” assets are compelling and, combined with a significant element of inflation linkage, should continue to provide scope for rental growth. The business’s exceptional portfolio is well positioned to take advantage of the changing dynamics in the logistics market, in particular technical innovation in the form of e-commerce which now accounts for 17% of revenues. This is affecting fortunes on the high street with a number of well-publicised retailers having succumbed to this challenging new trading environment.

Modern, strategically located Big Boxes can provide companies with the nucleus for effective distribution to other parts of their supply chain. By centralising previously dispersed distribution into fewer, larger facilities, occupiers can optimise staff and stock management and capture economies of scale and low cost of use. This can be delivered by the addition of full height racking, mezzanine floors and automated handling systems.

The REIT has performed well since its launch in December 2013, with its annualised NAV total return of 13.5% comfortably exceeding its 9% per annum target. It has also delivered dividend growth every year and currently offers a **prospective yield of 4.8%**.

Tritax Big Box REIT plc has traded at a premium to NAV for the vast majority of its history, allowing it to grow significantly through equity issuance at a premium. However, the fund has dramatically de-rated over the last several months and its shares now trade at a 3% discount to NAV, which we believe offers good value relative to its history. With a 4.8% dividend to boot, we rate the shares a **strong buy**.