

# CROMWELL CENTERSQUARE REAL ESTATE FUND

Portfolio Manager Eric Rothman discusses the 2023 real estate investment trust (REIT) market, subsectors that look attractive, the role REITs play in a portfolio, and the outlook for real estate assets in 2024.

## ► Would you please summarize the effect that interest rate hikes have had on REIT investments?

Over the past 18-24 months, the Federal Reserve's monetary policy has weighed on the sentiment for REITs, resulting in deep discounts to valuations. In fact, as of September 30, 2023, the FTSE Nareit All Equity REITs Index traded at a 20% discount to its forward net asset value. In the "modern REIT era" that incorporates the past 30 years, a 15% discount has been breached only nine times. These periods tend to be brief, occur in periods of market crises, and signal to investors that REITs are oversold.

Indeed, when the Fed announced that it was near the end of its hiking cycle at the beginning of November, the view towards REITs improved and the Index rebounded 12% in the month—its best return since 2011. Strong returns also continued in December, significantly narrowing the discount that REITs were trading at.

## ► How has the composition of REITs changed in the "modern REIT era"?

The REIT market has become more than the traditional "four food groups" of retail, industrial, office and apartments. The new economy of real estate that represents a meaningful majority of the overall market includes data centers, cell phone towers, cold storage units, life science buildings, biotechnology, self-storage units and single-family residential. One notable fact: The combined weighting of traditional office, regional malls and hotels in the FTSE Nareit All Equity REITs Index comprise only about 10.5%. Data centers make up more of the Index than those three subsectors combined.

Alternatively, the areas we have been avoiding include regional malls given changing demographics and potentially limited consumer spending in the inflationary and higher rate environment.

## ► What role do REITs play in an overall asset allocation?

As a total return vehicle with historically less correlation to the equity market, publicly traded REITs offer diversification in an overall portfolio. REITs have both equity and fixed income investment elements, offering the potential for capital appreciation along with an income component. REITs also have a different return profile and durable cash flow, which should provide a less volatile income stream. We also have seen many REIT dividends continue to grow. In 2023, there were almost 90 dividend increase announcements, with an average increase of approximately 9%.



CLASS	INCEPTION	TICKER
Institutional	2/24/17	MRASX
Investor	12/31/97	MRESX

## Fund Facts

Specialty: **Real Estate**  
Fund AUM: **\$126.3 million**  
Holdings: **47**

## Sub-Advisor



CenterSquare Investment Management, the Fund's sub-advisor, is a management-owned firm specializing in real estate strategies, with \$13 billion in assets as of 12/31/23 and approximately 100 employees in 5 offices throughout the world. The Fund's portfolio managers have managed the Fund since 2006.

## PORTFOLIO MANAGERS



**Dean Frankel, CFA**  
Managing Director  
Head of Real Estate  
Securities

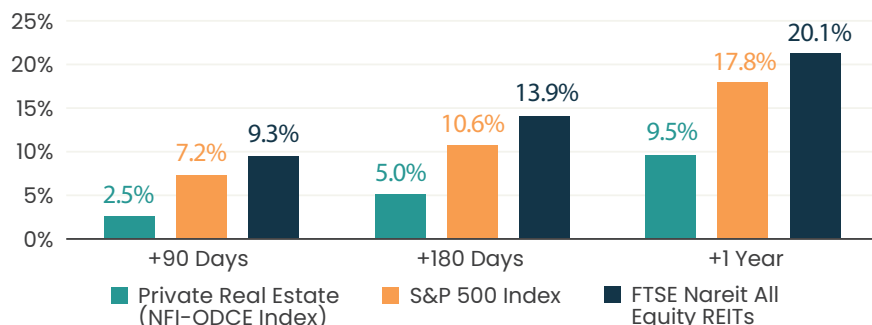


**Eric Rothman, CFA**  
Portfolio Manager  
Real Estate Securities

## ► What is your 2024 outlook for publicly traded real estate assets?

The Fed's end to rate hikes should have positive implications on publicly traded REITs. Historically, after the Fed has stopped raising rates, REITs have rallied. In the ensuing 90, 180 and 365 days, publicly traded REITs rose, on average, 9.3%, 13.9% and 20.1%, respectively. They have also outperformed private real estate and the broader equity market.

### Average Returns Post-Fed Hikes



Even with the year-end rally in REITs, they are trading at a discount relative to history. As of the end of 2023, the FTSE Nareit All Equity REITs Index had a 15x forward earnings multiple; historically it has ranged in the mid-twenties.

## About Cromwell Funds

Headquartered in Baltimore, MD, the Cromwell Funds provide Financial Advisors with high-quality, differentiated and actively managed strategies in a mutual fund format. The Funds are sub-advised by asset managers who have built a national reputation managing their investment strategies.

### Cromwell Funds' Sub-Advisors:

- » Aristotle Pacific Capital
- » CenterSquare Investment Management
- » Corbyn Investment Management
- » Foresight Group
- » Marketfield Asset Management
- » Tran Capital Management

## Contact Us

888.844.4110  
advisors@thecromwellfunds.com  
**thecromwellfunds.com**

**Investors should carefully consider the Fund's investment objectives, risks, charges and expenses before investing. For this and other information, please call 855.625.7333 or visit [thecromwellfunds.com](https://thecromwellfunds.com) for a prospectus. Read it carefully before investing or sending money.**

**Past performance is not a guarantee of future results. Index returns are not indicative of fund performance. Click [here](#) to obtain Fund performance.**

Mutual fund investing involves risk. Principal loss is possible. The Fund is subject to special risk considerations similar to those associated with the direct ownership of real estate. Real estate valuations may be subject to factors such as changing general and local economic, financial, competitive, and environmental conditions. A greater percentage of the Fund's holdings may be focused in a smaller number of securities which may place the Fund at greater risk than a more diversified fund. Investing in initial public offerings (IPOs) is risky and the prices of stocks purchased in IPOs tend to fluctuate more widely than stocks of companies that have been publicly traded for a longer period of time. Stocks purchased in IPOs generally do not have a trading history, and information about the companies may be available for very limited periods. Market prices of investments held by the Fund may fall rapidly or unpredictably due to a variety of economic or political factors, market conditions, disasters or public health issues, or in response to events that affect particular industries or companies. Companies that are in similar industry sectors may be similarly affected by particular economic or market events; to the extent the Fund has substantial holdings within a particular sector, the risks associated with that sector increase.

The FTSE Nareit All Equity REITs Index is an index of U.S. equity REITs. Constituents include all tax-qualified REITs with more than 50% of total assets in qualifying real estate assets other than mortgages secured by real property. The S&P 500 Index is a capitalization-weighted index of 500 stocks. The NFI-ODCE (NCREIF Fund Index - Open-End Diversified Core Equity) is a fund-level capitalization weighted, time-weighted return index and includes property investments at ownership share, cash balances and leverage (i.e., returns reflect the fund's actual asset ownership positions and financing strategy). Indices are unmanaged, are not available for investment and do not incur expenses.

Correlation measures the extent to which two variables are related. Cash flow is the total amount of money being transferred into and out of a business.

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