

# CROMWELL CENTERSQUARE REAL ESTATE FUND

Portfolio Manager Eric Rothman discusses the quiet performance advance of real estate investment trusts (REITs), how rate cuts have been a catalyst for REIT performance and institutional investors' interest in real estate.

## ▶ With REITs' quiet performance advance, do real estate stocks have further room to run?

In the third quarter of 2024, Real Estate was the second-best performer among the S&P 500's 11 sectors, and over the past year ended September 30, 2024, the FTSE Nareit All Equity REITs Index rose 35%. Even with the significant advance, we believe real estate stocks have more room to run. Since the end of 2021, when the Federal Reserve started raising interest rates, through September 20, 2024, there has been a 30-percentage point gap between the performance of the FTSE Nareit All Equity REITs and the S&P 500 Indices.

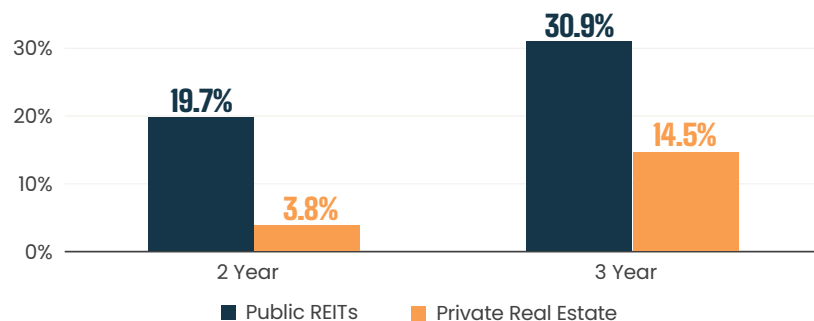
This gap also leaves room for REITs to catch up from an earnings and valuation standpoint. Historically, many REITs have traded 2-3x higher on a forward multiple basis than the S&P 500. Currently, REITs are more than 1x lower multiple than the S&P 500.

With the Fed's September rate cut along with several cuts planned, we appear to be in a new monetary environment. Lower interest rates tend to benefit the REIT market in many ways, including the fact that REITs' dividend yields become more competitive. Importantly, sentiment has improved. While understated, sentiment can be a powerful mover of the capital markets.

## ▶ How have REITs historically performed after the Fed starts a rate cutting cycle?

Policy rate cuts have historically been a catalyst for REIT performance. Historically REITs have experienced double digit returns over the following 2 and 3 years after the first rate cut. In addition, public REITs have also outperformed private real estate.

### Average Total Returns of REITs Post-Fed Hikes\*



\*Average of returns beginning 6/30/1990, 6/30/1995, 9/30/1998, 12/31/2000, 9/30/2007, 9/30/2008, 6/30/2019 and 3/31/2020. The closest quarter-end relative to the Fed rate cut is used as the start date for the analysis. Private real estate=NFI-ODCE Index; Public REITs=FTSE Nareit All Equity REITs Index. Source: CenterSquare, Bloomberg, NCREIF as of 9/6/2024.



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

## Fund Facts

Specialty: **Real Estate**

Fund AUM: **\$112.2 million**

Holdings: **55**

## Sub-Advisor



CenterSquare Investment Management, the Fund's sub-advisor, is a management-owned firm specializing in real estate strategies, with \$15 billion in assets as of 9/30/24 and approximately 100 employees in 5 offices throughout the world. The Fund's portfolio managers have managed the Fund since 2006.

## PORTFOLIO MANAGERS



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Managing Director  
Head of Real Estate  
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**Eric Rothman, CFA**  
Portfolio Manager  
Real Estate Securities

## ► Would you please comment on institutional buying activity in the Real Estate sector?

We are pleased to see capital from institutional buyers, institutional assets, and private equity looking for alternative real estate companies with solid assets, strong balance sheets, and top-tier management teams.

A period of tumult in commercial real estate markets can expose companies with weaker, undercapitalized balance sheets, but, conversely, it also highlights those that have well-capitalized, strong balance sheets. We have seen many REITs emerge as a stronger company after purchasing a weaker peer at an accretive value and driving its own earnings growth.

In addition, merger and acquisition activity can be a strong signal that there's a valuation opportunity in the market. Earlier this year, there were two different take-private transactions, both led by Blackstone, the world's largest alternative asset manager.

What is most encouraging is the amount of capital from sophisticated buyers investing in the REIT and broader commercial real estate markets. Earlier this year, there were two IPOs, which we have not seen in over two years:

1. American Healthcare REIT launched in early February and has doubled its initial IPO price through the end of the third quarter of 2024.
2. Lineage, an industrial REIT and logistics solutions provider, raised \$4.4 billion and was 10 times oversubscribed.

Debt capital appears to be lining up on the sidelines to come into the market. In the unsecured bond market in the third quarter, there has been \$14 billion of unsecured bonds issued, adding up to a total of \$41 billion on a year-to-date basis.

## 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
- » Mutual of America Capital Management
- » Tran Capital Management

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

Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security. Click [here](#) to view the top 10 holdings. Any of the securities identified and described herein are for illustrative purposes only. Their selection was based on nonperformance-based objective criteria.

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 S&P 500 Index is a capitalization-weighted index of 500 stocks. 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 NFI-ODCE Index (ODCE is short for Open End Diversified Core Equity) is an index of investment returns reporting on both a historical and current basis the results of 38 open-end commingled funds pursuing a core investment strategy. Indices are unmanaged, are not available for investment and do not incur expenses.

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