Synchrony Swiss Real Estate Indirect Fund 3rd quarter 2025

Key facts

After two roaring quarters, Swiss indirect real estate eased off the accelerator – the SXI Real Estate Broad TR index posted a total return of just 0.5% in Q3. The SNB likewise struck a more measured tone in September, keeping its policy rate at 0%. By contrast, real estate investment managers remained undeterred and continued to raise capital at a brisk pace. As of 30 September, over CHF 4.5bn in funds had been raised, alongside numerous new products launches, two new listings on the SIX and two more expected in Q4 this year. All in all, we expect sector-wide capital raising to comfortably surpass CHF 6bn by year-end – a new record.

In terms of fundamentals, discount rates have dropped and there is a rise in positive revaluations of real estate portfolios on balance sheets as at 30 June 2025, contrary to what we observed in 2023-2024. In terms of cash flow, rent indexing leads to a delayed increase in turnover that is reflected in this quarter's financial statements. Interest rate cuts and the resulting lower financing costs are further boosting earnings per share, which is welcome news and should increase the total return on assets. However, there are signs that the steady growth in rental income observed in 2023 and 2024 will decline in 2025. All results also point to a marginal rise in vacancies, which remain very low.

For SIX-listed real estate securities, 2025 continues to favour equities, but the picture is more mixed than at 30 June – listed real estate equities lost 3.5% in Q3. As of 30 September, listed funds were up 5.3% YTD with a premium of 33.5%, while equities were up 14.4% YTD with a premium of 18.9%. There continues to be a divide between commercial real estate equities, which are in high demand, and residential equities, which are trading at significantly lower premiums. Among listed funds, the trend is reversed — only mixed and residential funds have managed to stand out in the market.

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Unlisted real estate assets (OTC or NAV) are no longer being devalued, bolstering return on equity. This should nudge the KGAST index over 4% in 2025. The latest figures at the end of August showed unlisted real estate at 2.7%.

Performance

In Q3, Class I shares of the Synchrony Swiss Real Estate Indirect Fund edged down 0.2%, while the benchmark SXI Real Estate Broad TR index gained 0.5%. The fund ended the last quarter up 7.4% YTD, in line with the benchmark (+7.5%).

In terms of allocation, our overweight position on real estate stocks paid off, as well as our solid stock selection. The fund benefited from our slight overexposure to commercial assets. The unlisted fund sleeve also pushed up performance. Conversely, fund selection within the listed real estate segment had a negative impact on overall results.

The main performance drivers were Swiss Prime Site Solutions Investment Fund Commercial (unlisted, +11.6%), Intershop (+28.7%), Mobimo (+15.4%), Allreal (+17.0%) and the fund IMMOFONDS (+12.4%). Performance was hampered by the fund's underexposure to Solvalor 61 (+13.9%) and UBS Sima (+5.7%), its exposure to Sika (-16.6%) and its overexposure to Schroder ImmoPLUS (-1.9%).

Management activity

In September, we took some profits on Edmond de Rothschild Real Estate SICAV - Swiss (ERRES Swiss) and Schroder ImmoPLUS. We are reinvesting the proceeds and available cash in Procimmo Real Estate SICAV - Industrial, UBS Sima, UBS Anfos, Swiss Prime Site AG and PSP Swiss Property AG.

While capital increases are on the rise, we remain very selective. In July, we subscribed to the capital increase of ERRES Swiss.

Portfolio positioning

This portfolio focuses on 25 securities selected based on our internal analysis process. We only invest in high-quality investment vehicles with assets in prime locations that retain their value but also produce rental income. Current dividend levels and future prospects are a key part of our analysis. A small selection of unlisted real estate also lowers the volatility of the portfolio, which remains below its benchmark. The fund's deviation from its benchmark is 33.5% (active share). The ex-ante beta is 0.99 and the ex-ante tracking error is 1.6%.

We remain overweight commercial real estate and have a slight overexposure to French-speaking Switzerland. We favour real estate stocks over listed real estate funds.