

Global Property Securities

A liquid and diversified way of accessing real assets

Global property securities offer a liquid exposure to the world's leading retail and office buildings, plus specialist real estate segments that can provide new opportunities.

We offer a diversified and liquid exposure to traditional types of property assets as well as to new types of property segments designed to satisfy specialist market demands. We use a highly-defined, globally consistent investment process with an emphasis on absolute and relative risk.

Investors looking for exposure to property markets can choose direct property or property securities. Property securities are the shares of entities that own/manage/develop various types of property assets or are involved in property-related activities. The main structural definition of property shares are either Real Estate Investment Trusts (REITs) or REOCs' (Real Estate Operating Companies).

These listed property securities are designed to offer exposure to all types of property assets such as:

- CBD and suburban office buildings,
- super-regional/ regional/ sub-regional and convenience shopping centres,
- logistical warehousing,
- hotels,
- health care,
- self-storage,
- data centres,
- retirement assets and
- residential investment and development.

The key differential in choosing listed property over direct property assets is the greater liquidity and diversification that is achievable from investing in the publicly-traded form of exposure to property.

The investment case for global property securities

Access to illiquid assets in a liquid form



Investing in property securities provides the benefits of the asset class to a range of investors, not just those who can afford to take direct property exposure. A property securities portfolio invests in property companies which are traded daily, unlike investing in direct property where transactions can be costly and take a long time to complete. Direct property investors may have to wait to buy assets and generate returns, or wait to sell to realise cash.

Stable cash flows from fixed assets



The majority of the cash flow generated by listed property stocks is from contracted rental income from high quality buildings, making the income streams very stable. This tends to result in a secure dividend stream for investors. A range of issues influence the security of listed property's cashflows:

- An arduous development approval process limits new supply. High land and construction costs make new development expensive, reducing risks to cash flows for existing buildings.
- Property assets can also require large amounts of capital to be spent on them regularly in order to keep them well-maintained. This strategy keeps the buildings competitive, enabling them to attract higher rents and achieve consistently high occupancy rates.
- Publicly traded REITs or REOCs can access capital markets (debt or equity) to fund their various capex requirements at a competitive cost.

Listed property security types offer a relatively high yield



Listed property securities tend to provide relatively high income yields. REITs have a simple and transparent tax structure. Earnings derived from property assets held within a REIT for investment do not incur company income tax, provided at least 90% of the REIT's net profits are distributed to unit holders (the required distribution of profits differs by jurisdiction). REITs tend to pay high dividend yields. REOC structures and payout policies may differ in nature.

Diversification and some inflation protection



For an investor, listed property securities emulate direct asset ownership. Property values and returns are reflected in security prices over time, offering diversification from other asset classes. By allocating some of their assets to global property securities, investors can achieve more diversification by stock, sector and geography than by investing in direct assets. This diversification and a low level of correlation with other asset classes can improve an overall portfolio's risk/return profile.

Income generated by property has elements of an inflation hedge. This can be achieved indirectly, through increased demand for space during periods of economic expansion, and explicitly, when leases contain annual inflationary escalators.

Our approach to investing

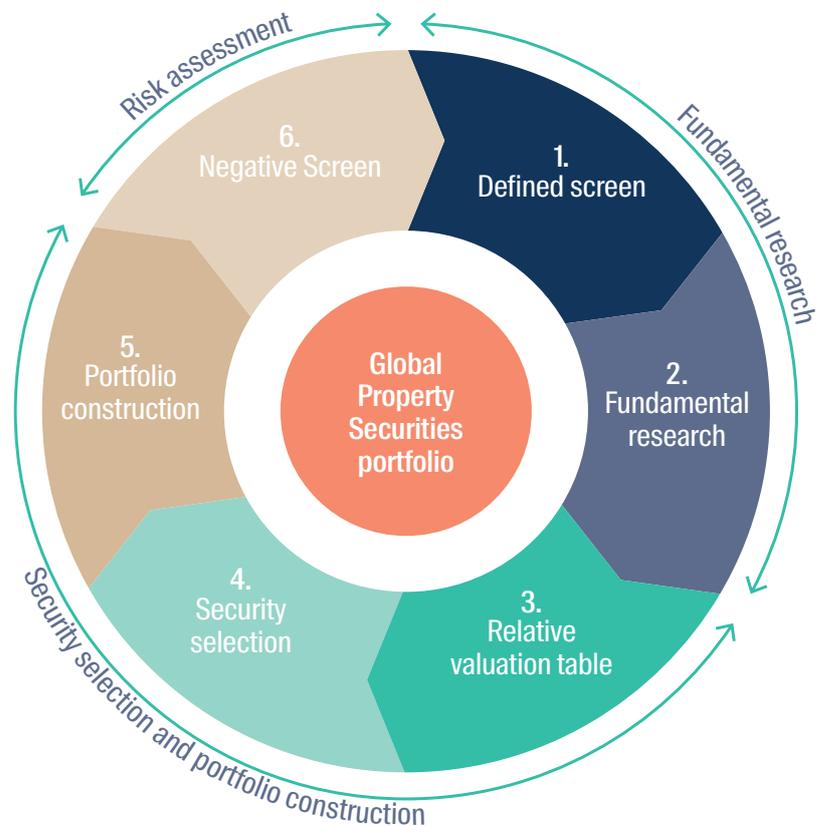
The investment team

Under the leadership of Stephen Hayes, the team consists of eight portfolio managers and two analysts, both of which are focused solely on investing in publicly traded real estate securities. The team members have an average over two decades of experience.

Our listed property team comprises highly experienced industry experts located in the world's major property regions.

Investment philosophy

We believe that real estate security returns are driven by a combination of local real estate fundamentals and broader capital market conditions. Due to the fundamentally localised nature of real estate, returns across different stocks have historically been characterised by low levels of correlation, and by a lack of uniformity. This phenomenon can lead to pricing anomalies and can present opportunities to generate excess returns by capital allocation, and regional or stock selection.



1. A defined screen focusing on market/sector risk, liquidity, financial leverage and quality

2. Detailed industry research, 500+ company visits per year

3. A range of relevant valuation measures including earnings-based and asset-based measures

4. Portfolio construction based on relative value and total return dispersion

5. Liquidity adjusted portfolio construction outcomes

6. Negative screen to help mitigate relative and absolute concentration risks

Key factors in our investment style

Main points supporting our investment style:

1. On the ground approach

We believe that having specialist property investors in each region is the most effective way to manage a global property securities portfolio. As such, the team's highly experienced regional specialists are based across the world's major property markets to provide on the ground research and knowledge that allows them to assess the risks and opportunities in the asset class.

2. Highly-defined, globally consistent investment process

We use a highly-defined consistent investment process which incorporates proprietary forecasting and valuation methodologies, risk-adjusted relative valuations and disciplined portfolio construction. There is an over-riding focus on absolute and relative risk. The targeted outcome is to allocate capital efficiently through bottom-up research and stock selection rather than to simply manage to an index.

3. Specialist approach

Our investment team members are experienced specialists focused solely on investing in publicly-traded property securities. They have a full understanding of stock specific endogenous risks, of the wider real estate market and of the macroeconomic conditions that can influence returns.

4. Environmental, social and governance

Our firm has integrated ESG across all investment processes that we manage. We believe that the consideration of ESG issues will lead to better risk return outcomes, which will ultimately improve long term returns for our clients. ESG issues are addressed using a two-pronged approach. Firstly, ESG considerations have been integrated into the investment process as a variable in the initial screen that determines the defined investment universe, and as a variable in determining the Beta in the Capital Asset Pricing Model for the NPV valuation methodology. Secondly, the team is a strong believer in investor rights and takes a pro-active stance on ESG issues, especially with regards to corporate governance.



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