Property securities are the shares of companies, or Real Estate Investment Trusts (REITs), which invest in property. They are designed to offer investors exposure to commercial real estate and the associated investment attributes, such as a predictable income stream and capital appreciation. The type of property assets that can be held by REITs is diverse, and may include office buildings, shopping centres, warehouses, hotels, health facilities, self-storage, distribution centres and data centres.

Why invest in Global Property Securities?

Stable cash flows from fixed assets
The majority of the cash flow generated by REITs are derived from contracted rental income streams from high quality buildings, making them very stable. The expected stability of these cash flows can result in generating a secure dividend stream for investors.

Inflation protection
Income generated by property assets is an effective inflationary hedge. This can be achieved both indirectly, through increased demand for rental space, and explicitly, where the leases contain annual inflationary escalators.

Capital intensive assets
Property assets can require a lot of capital to be spent on them through a cycle to keep them well maintained. This keeps the buildings competitive, enabling them to attract higher rents and achieve consistently high occupancy rates. Publicly traded REITs’ and REOCs’ (Real Estate Operating Companies) use of capital markets can provide access to a very competitive cost of capital.

Diversification
The global property securities asset class is well diversified by asset, sector and geography. The low level of correlation both within the asset class as well as with other asset classes has the potential to improve a portfolio's overall risk/return profile.

Access and liquidity
Investing in property securities provides access to the benefits of the asset class to a range of investors, not just those who can afford to take direct 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.

Why invest in the Wholesale Global Property Securities Fund?

On-the-ground approach
The First Sentier Investors Global Property Securities team believe employing 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: Asia Pacific, Europe and the US to provide on the ground research and knowledge to assess the risks and opportunities of the asset class.

Highly defined, globally consistent investment process
The team use a highly defined, globally consistent investment process with an over-riding focus on absolute and relative risk. The targeted outcome is to allocate capital efficiently through thorough, bottom up research and stock selection, rather than to simply replicate an index.

Specialist approach
Investment team members – the majority of whom are very senior and experienced industry investment specialists – are focused solely on investing in publicly traded real estate securities. They have a full understanding of stock specific endogenous risks, the wider real estate market and the macroeconomic conditions which can affect them.

Environmental, Social and Governance (ESG)
First Sentier Investors has integrated ESG across all investment processes. They believe the consideration of ESG issues will lead to better risk return outcomes, which will ultimately improve long-term returns for clients.

The Global Property Securities team
Headed by Stephen Hayes, the Global Property Securities team consists of eight portfolio managers and three analysts, all of whom are focused solely on investing in publicly traded real estate securities. With each of the portfolio managers having over 20 years in the industry the team is highly experienced.
Wholesale Global Property Securities

Objective
To maximise total returns to the investor by investing in a portfolio of listed property securities from around the world. The option aims to outperform the FTSE EPRA/NAREIT Developed Index, hedged to Australian dollars over rolling three-year periods before fees and taxes.

Minimum suggested timeframe
At least 7 years

Risk
1 2 3 4 5 6 7
Low Medium High

Strategy
The option’s strategy is to bring together specialist resources in order to identify undervalued global real estate securities with minimal downside risk, sustainable earnings growth and good qualitative attributes. The option uses proprietary forecasting and valuation methodologies and a disciplined portfolio construction process with an over-riding focus on absolute and relative risk. The option provides investors with exposure to a broad selection of property-related investment opportunities including commercial, retail, lodging and industrial property assets. The option aims to hedge currency exposure.

Allocation

Portfolio manager

Stephen Hayes
Head of Global Property Securities

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