

First Sentier Global Property Securities

A liquid and diversified way of accessing real assets
For professional investors only

 **First Sentier**
Investors

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:

- Central Business District (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.

RISK FACTORS

This is a financial promotion for The First Sentier Global Property Securities Strategy. This information is for professional clients only in the UK and EEA and elsewhere where lawful. Investing involves certain risks including:

The value of investments and any income from them may go down as well as up and are not guaranteed. Investors may get back significantly less than the original amount invested.

- **Currency risk:** the Fund invests in assets which are denominated in other currencies; changes in exchange rates will affect the value of the Fund and could create losses. Currency control decisions made by governments could affect the value of the Fund's investments and could cause the Fund to defer or suspend redemptions of its shares.
- **Single sector risk:** investing in a single economic sector may be riskier than investing in a number of different sectors. Investing in a larger number of sectors helps to spread risk.
- **Single country / specific region risk:** investing in a single country or specific region may be riskier than investing in a number of different countries or regions. Investing in a larger number of countries or regions helps spread risk.
- **Charges to capital risk:** The fees and expenses may be charged against the capital property. Deducting expenses from capital reduces the potential for capital growth.
- **Property securities risk:** the Fund invests in the shares of companies that are involved in property (such as real estate investment trusts) rather than in property itself. The value of these investments may fluctuate more than the underlying property assets.
- **Emerging market risk:** Emerging markets tend to be more sensitive to economic and political conditions than developed markets. Other factors include greater liquidity risk, restrictions on investment or transfer of assets, failed/delayed settlement and difficulties valuing securities.

For a full description of the terms of investment and the risks please see the Prospectus and Key Investor Information Document for each Fund.

If you are in any doubt as to the suitability of our funds for your investment needs, please seek investment advice.

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.



Potential for 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 (although of course, this cannot be guaranteed). 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 capital expenditure (capex) requirements at a competitive cost.



Listed property security types have the potential to 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 seven portfolio managers and three analysts, all of whom 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 risks, of the wider real estate market and of the acroeconomic 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 have the potential to 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.

For further institutional enquiries contact institutionalenquiries@firstsentier.com

For wholesale enquiries contact enquiries@firstsentier.com

Important Information

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