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Global Real Estate

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Aberdeen Asset Management

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Global Real Estate Investment

- Why might you allocate to global real estate ?
- How might you allocate to global real estate ?
- What might you expect from a global allocation to real estate ?



Why allocate to global real estate ?

Two possible rationales

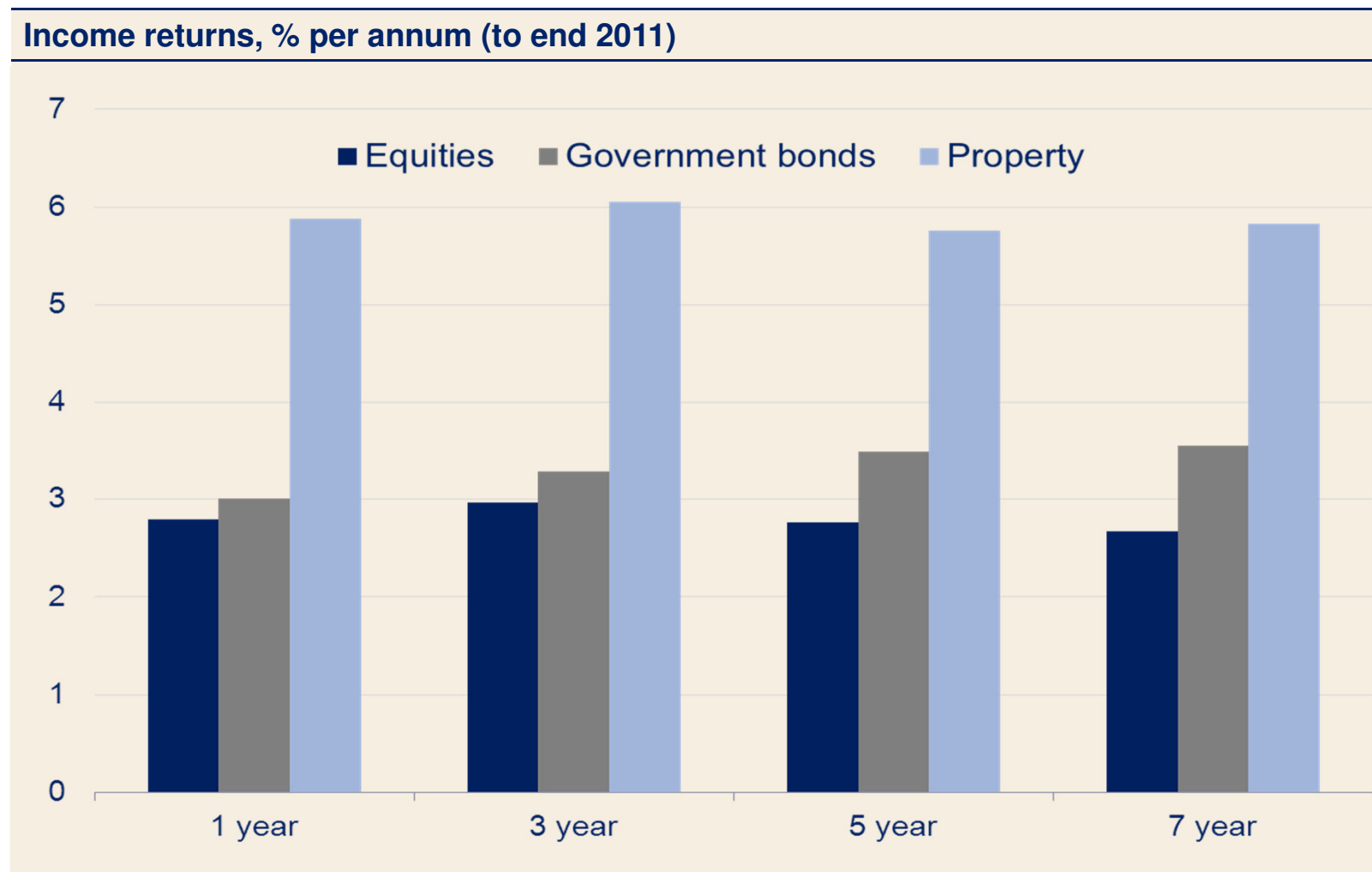
- Either
 - Income
 - Higher risk-adjusted returns
 - Multi-asset portfolio risk reduction
 - Risk reduction of domestic-only real estate portfolio
 - Long-term preservation of purchasing power

**Core, low
leverage
(below 40%
LTV)**

- Or
 - Total return enhancer
 - This strategy is largely incompatible with higher risk-adjusted returns
 - A private-equity, constant-vintage approach

**Value added or
opportunistic,
high leverage**

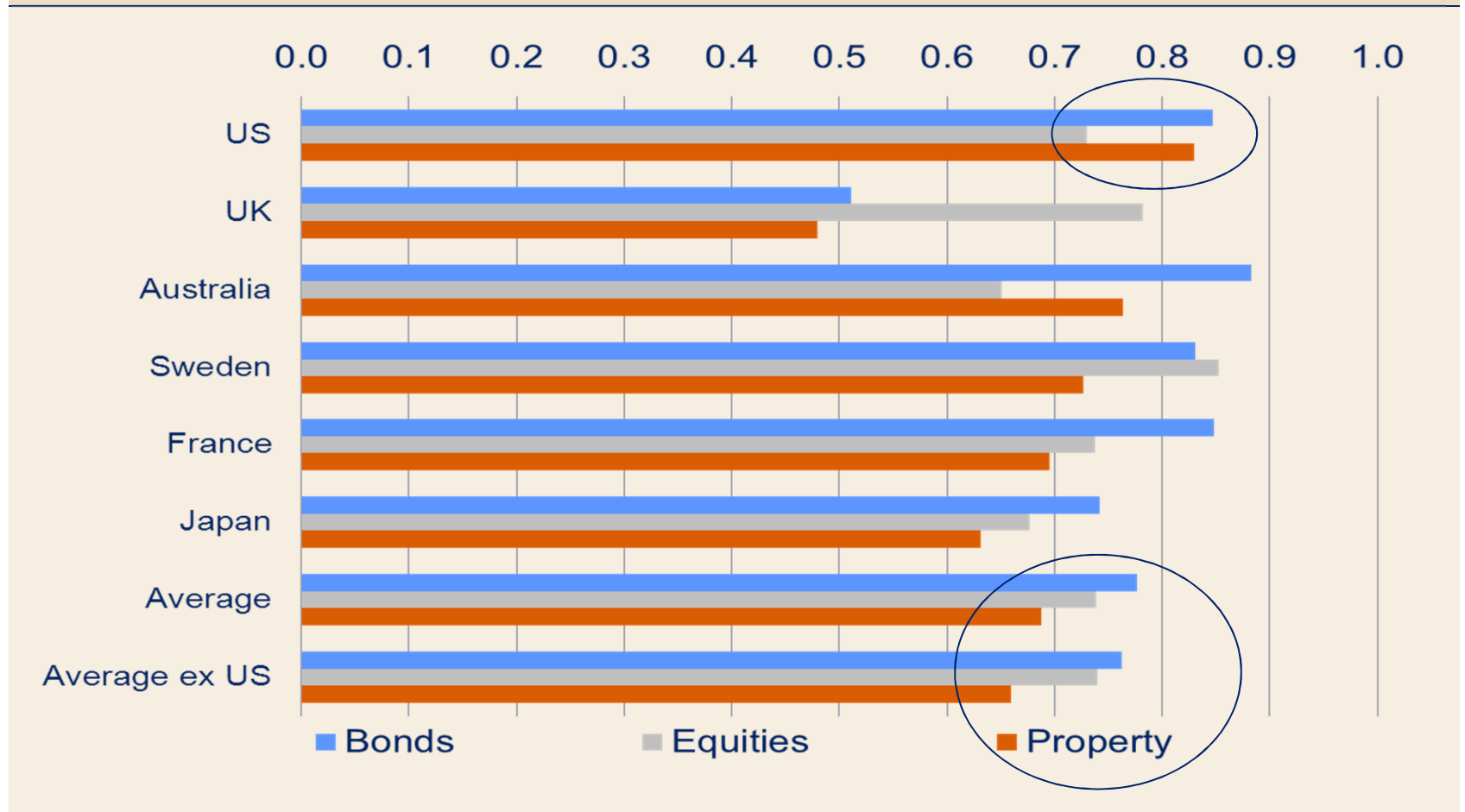
Global income returns across asset classes



Global property has offered the highest level of income return

Typically lower correlations within property

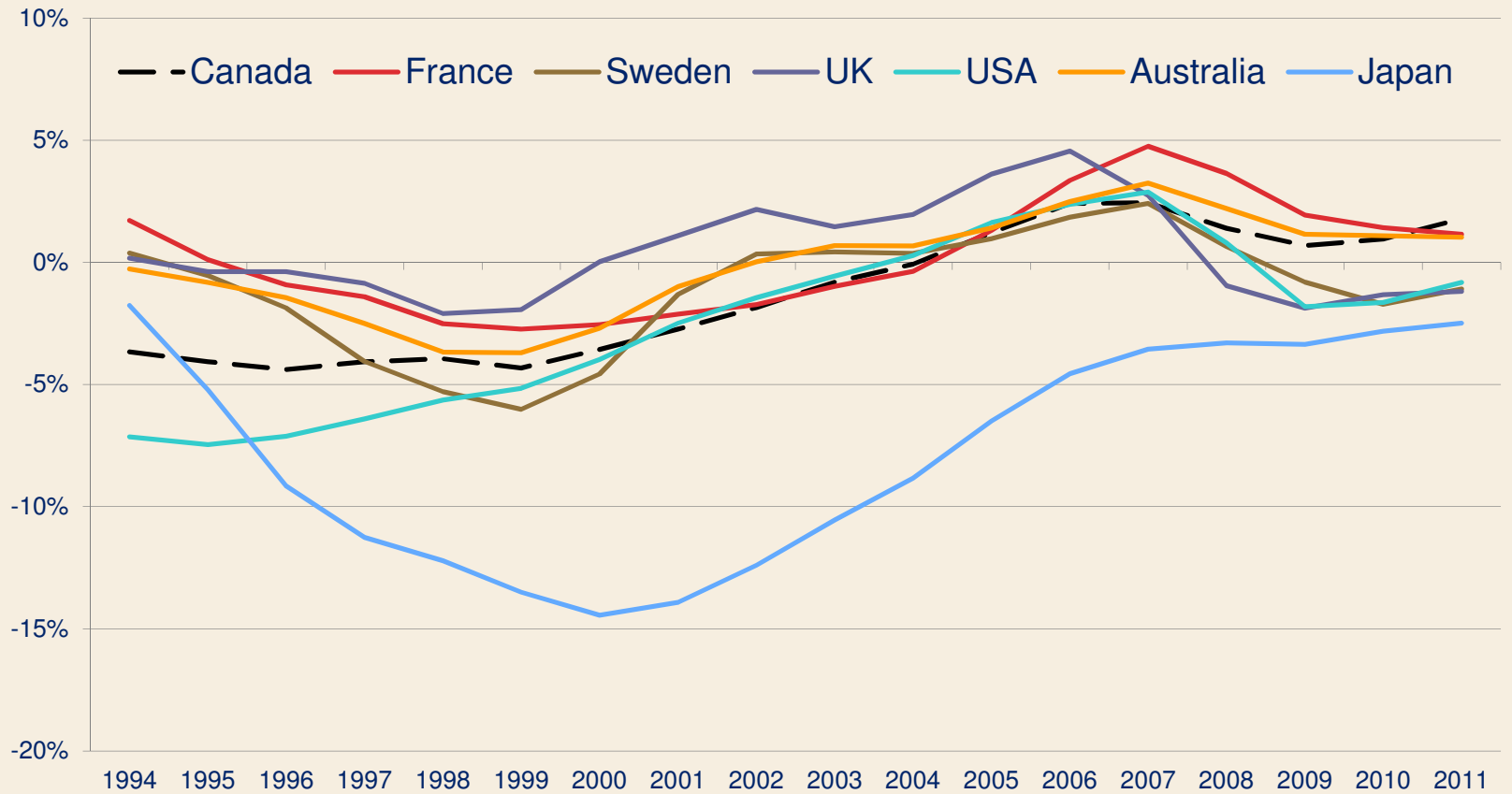
Canadian asset correlations with non-domestic markets



Strategic tilt towards markets with low correlations with Canada

Preservation of purchasing power

Capital growth net of Canadian inflation, rolling 10 yr periods (%pa)

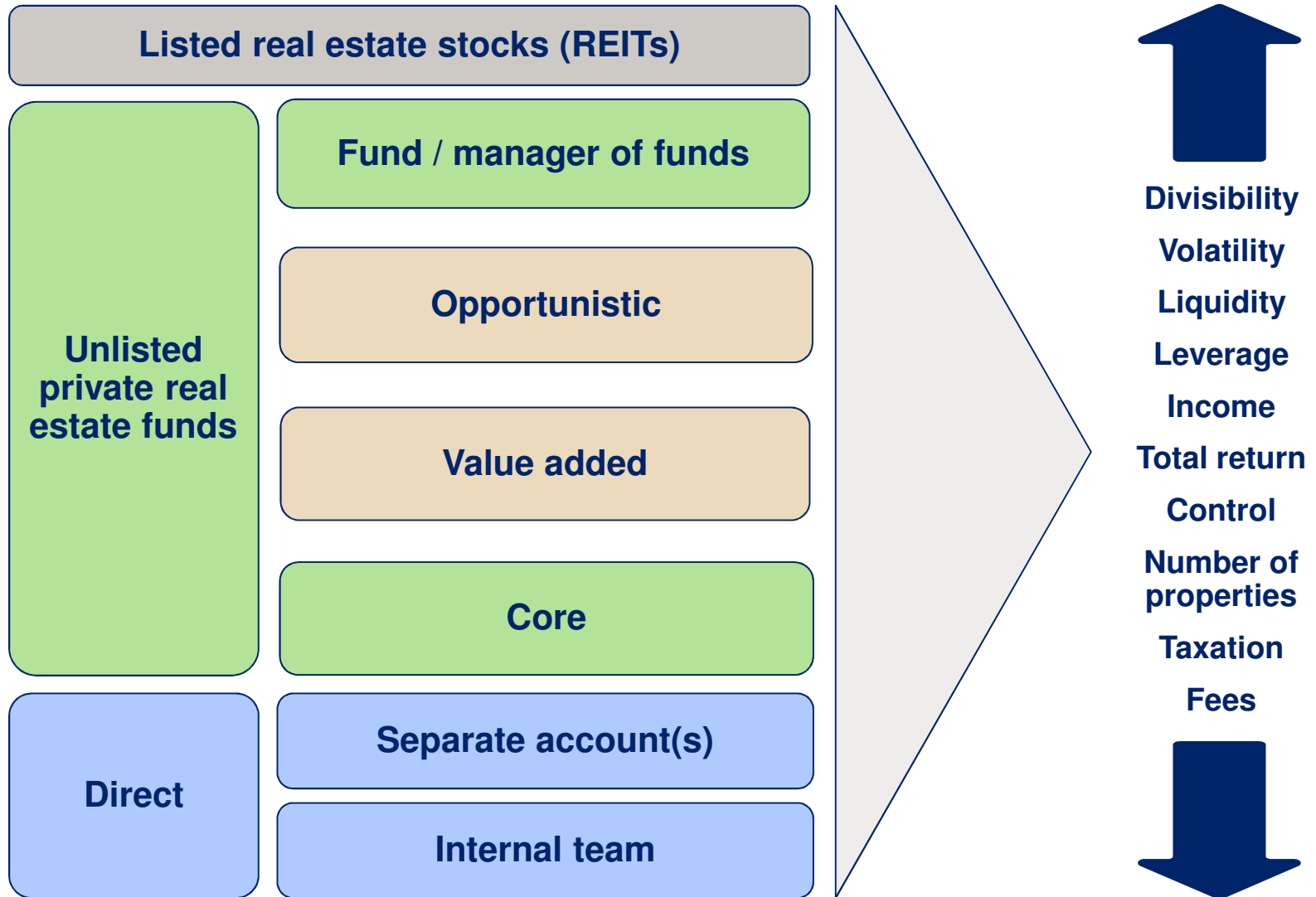




How might you allocate to global real estate ?

Entry points

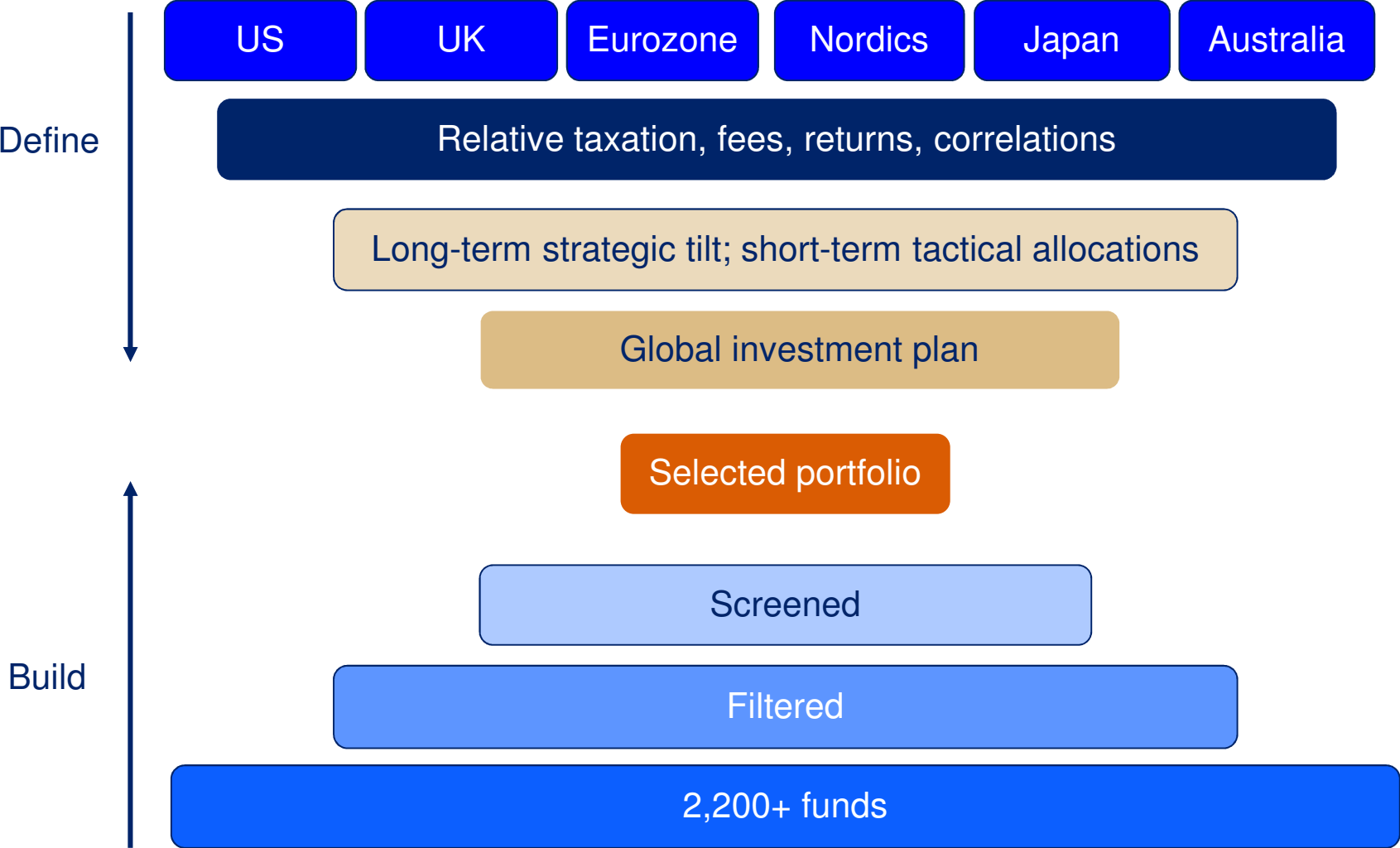
A series of trade-offs that influence the investor's experience





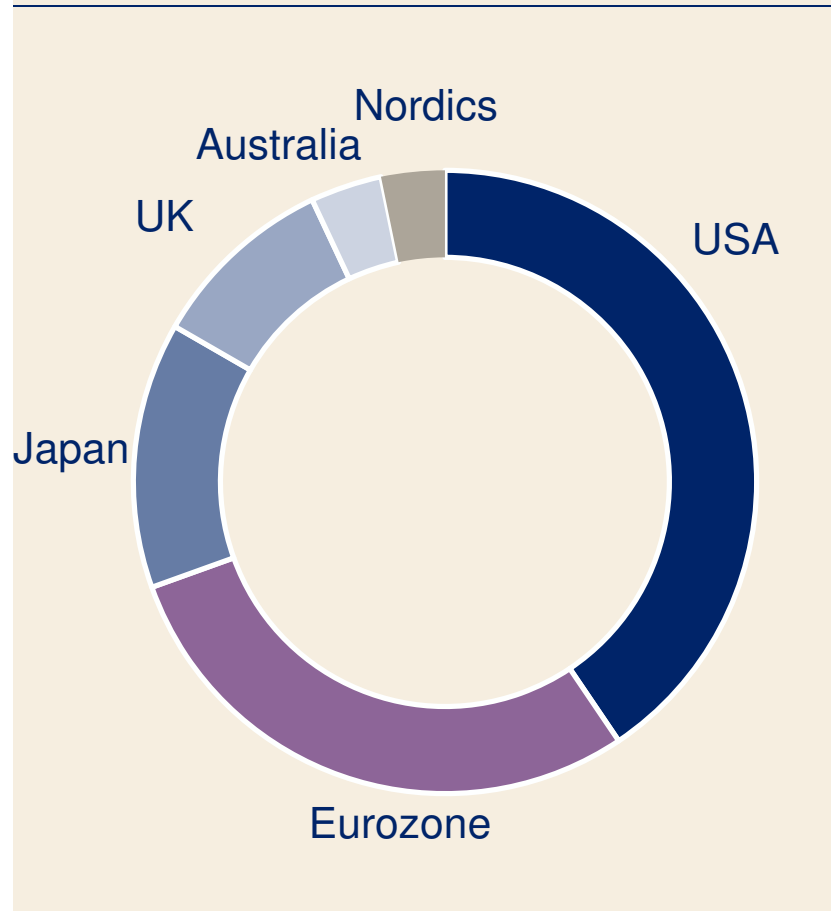
Exposure to global real estate

A global real estate portfolio

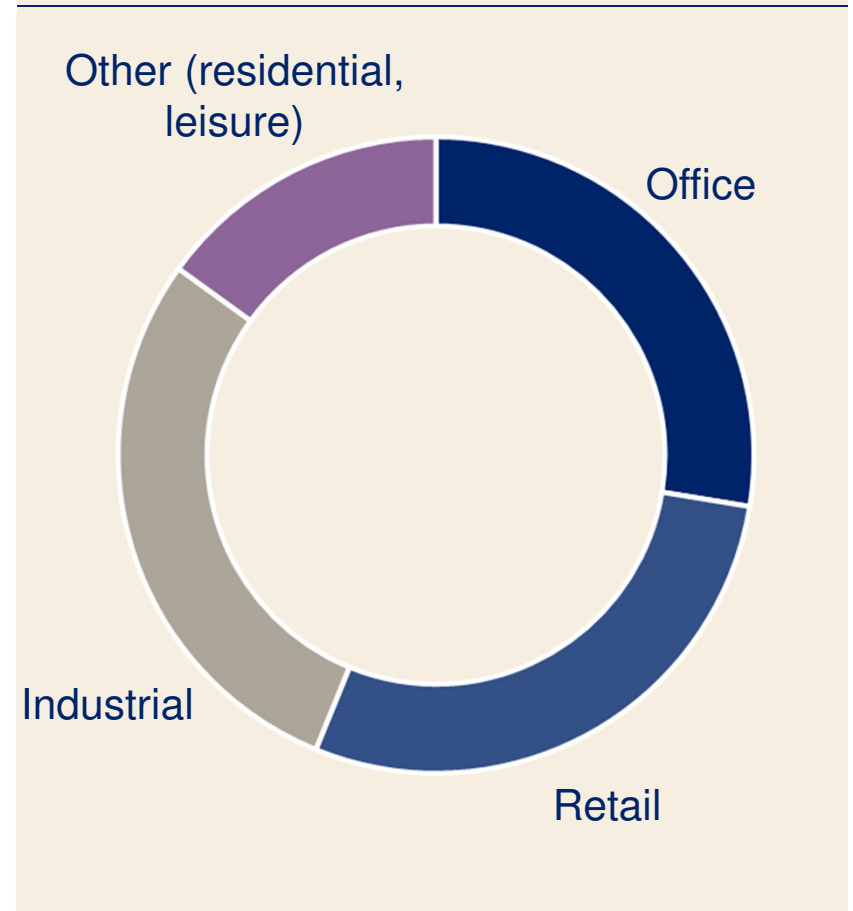


Global neutral property allocation

Global neutral allocation by country/region

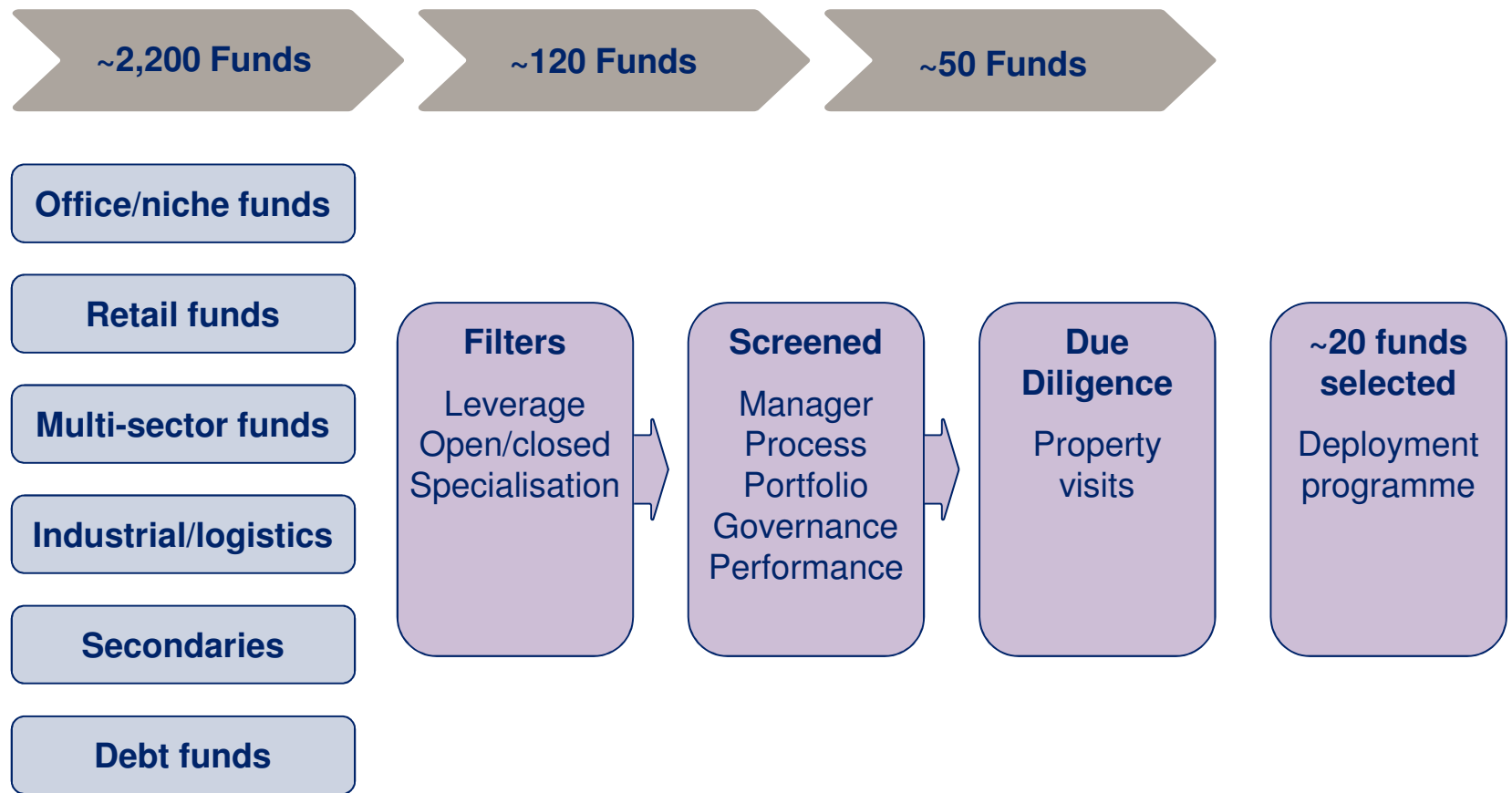


Global neutral allocation by sector



Broad global exposure to key core real estate markets

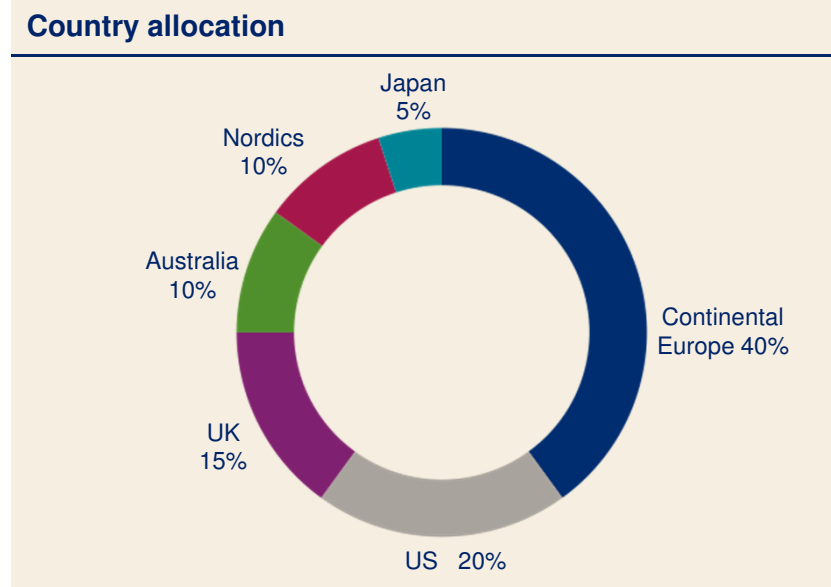
Selection process



Quality first - price second

Portfolio construction – illustrative example portfolio

Real Estate exposure profile	
Number of investments	20
Number of properties	1000+
Target return	7% net
Target leverage	30%



- Diversified exposure across managers
- Diversified across funds
- Large number of assets compared to direct exposure
- Broad country exposure
- Timing of investments determined by market pricing
- Anticipated timing
 - Australia, Japan
 - Germany, France
 - Nordics
 - UK, US
 - Further continental European countries

* Target returns are offered as strategy goals and are not referenced to past performance. There can be no guarantee the target returns will be achieved. The Target Return has been established by Aberdeen Asset Management ("Aberdeen") based on its assumptions of economic and property fundamentals which will impact real estate Net Operating Income, market interest rates that determine real estate cap rates, investment opportunities and the use of leverage. The target returns are Aberdeen's estimate based on Aberdeen's assumptions, as well as past and current market conditions. The target returns cannot account for the impact that unusual economic and market factors have on the implementation of an actual investment program. The use of leverage may subject investments to additional risk and could magnify losses.

Source: Aberdeen Asset Management, June 2012. Model portfolio is being used for illustrative purposes only. Allocations are subject change and your portfolio may not have the same allocations.



Summary

Global real estate

- Rationale*
 - Income
 - Higher risk-adjusted returns
 - Preservation of purchasing power
- Access
 - Core, low leverage real estate funds
 - Phased deployment depending upon fundamental pricing indicators
 - Quarterly liquidity
- Expectations**
 - Nominal total return, after fees of circa 7%pa over the next 10 years
 - Observed volatility of circa 8%

A global asset class with many desirable features

Source: Aberdeen Asset Management, 2012

* Information provided as strategy goals and are not referenced to past performance. There is no assurance the investment objective and performance goal of the strategy will be achieved.

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