

SWIP Multi-Manager Global Real Estate Securities Fund

April 2009

Fund overview

The fund invests in Real Estate Investment Trusts (REITs) and property-related companies listed on international stock exchanges mainly in North America, Europe, Asia and Australia, through a combination of skilled investment managers. This diversified structure gives convenient access to property assets around the world across a broad spectrum of sectors – office, retail and industrial.

Fund characteristics

REITs offer a number of advantages compared to other ways of investing in property including direct ownership. REITs are securities listed on a stock exchange and, as such, behave much like equities in the very short-term. Like equities and bonds they can be traded every day that the stockmarket is open and don't need a very large minimum investment as bricks and mortar does. However, their long-term returns are not correlated to those of equities and bonds which make property securities an excellent diversifier, allowing investors to reduce overall portfolio risk.

Economic cycles in different property markets and sectors are largely driven by local factors such as GDP growth, taxation policies and government initiatives. A portfolio of international property stocks therefore provides greater stability for investors and a wider opportunity set for active managers than would be available in a single market or region. The multi-manager strategy provides stability for investors and a wider opportunity set than investing with a manager who focuses on a single market or region.

Managers in the fund

The fund invests through three managers who offer complementary approaches and regional focus. The European component of the fund is managed by SWIP and Russell has the responsibility of selecting managers to cover the non-European component of the fund.

| Manager | Fund Weight |
|----------------|-------------|
| SWIP | 19% |
| Invesco | 31% |
| Cohen & Steers | 35% |
| Perennial | 15% |

Scottish Widows Investment Partnership

- **Mandate Inception** : Q2 2006
- **Location** : Edinburgh
- **Asset Class** : Europe

SWIP has a highly experienced real estate team of 28 professionals with an average of 14 years' industry experience. SWIP uses fundamental in-house research that identifies the true worth of property stocks. Using its own research the firm identifies property company stocks it considers to be undervalued by the market. In doing so, SWIP uses macroeconomic research of real estate markets and sectors, combined with bottom-up views of individual property companies. SWIP has a large direct property portfolio with access to information on market movements. This is linked into the securities analysis mainly through the research team's output and co-operation on research topics.

Invesco Perpetual

- **Mandate Inception** : Q2 2006
- **Location** : Dallas, Texas
- **Asset Class** : Global excluding Europe

INVESCO performs qualitative and fundamental analysis to identify property companies with the greatest return potential within controlled levels of risk. INVESCO analyses properties and market cycles and tends to favour stocks with consistent cash flow growth, positive earnings revisions and higher dividend yield coverage. INVESCO has a comprehensive security valuation process. Portfolio managers are responsible for selecting stocks in their regions and are able to incorporate local market factors. Country selection is primarily a function of bottom-up stock selection.

Cohen & Steers Capital Management

- **Mandate Inception** : Q2 2006
- **Location** : New York
- **Asset Class** : Global excluding Europe

Cohen & Steers has extensive experience in researching and investing in property securities around the world. The key investment professionals work together to create a bottom-up investment process supported by a fully dedicated team of property company analysts. Having previously worked in joint venture arrangements with some of the most experienced real estate portfolio managers in the industry, the investment team has acquired in-depth knowledge of global property stock valuation methodologies.

Perennial Investment Partners

- **Mandate Inception** : Q4 2008
- **Location** : Sydney
- **Asset Class** : Global excluding Europe

Perennial's investment process focuses on bottom-up stock picking on a global basis and Russell believes only a few managers can do this well. A key strength of Perennial is the quality of its security research which Russell views as exceptional and as sophisticated as the best in the industry. It does not make investment decisions primarily on a country or sector basis which sets it apart from its peers. Russell believes this, as well as the team's passion for global property securities, gives Perennial a key advantage when it comes to identifying profitable opportunities within the global real estate securities market.

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