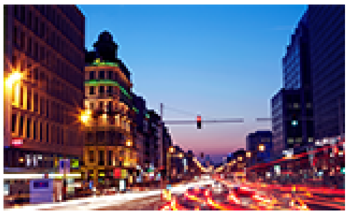
Presima Global Property Securities Concentrated Fund
Quarterly Report – June 2019



Investment Return Objective

Presima Global Property Securities Concentrated Fund aims to provide a total gross return of 2% p.a. or more above the Benchmark FTSE EPRA/NAREIT Developed Index Net TRI ($A hedged) over rolling four year periods.

Fund Performance[1]

For period ending 30 June 2019	1 month	3 months	1 year	3 years (p.a.)	5 years (p.a.)	Since Inception (p.a.)[2]
Total Return	**1.47%**	**-0.15%**	**6.55%**	**4.43%**	**7.05%**	**7.54%**
Benchmark	0.88%	-0.47%	7.73%	5.43%	7.48%	8.06%
Excess Return	0.59%	0.32%	-1.18%	-1.00%	-0.43%	-0.52%

[1] Past performance is not a reliable indicator of future performance. The value of an investment may rise or fall with the changes in the market. These performance returns are reported post fees but before taxes.
[2] Inception Date 31 May 2013.

Quarterly Overview and Outlook

After a strong start to the year, REITs were on average little changed during the second quarter, lagging both global bonds and equities. However, looking back at the last year, Global REITs continue to perform well. The asset class has been in focus not only because of the rising appetite for yield in a low interest rate environment, but also because real estate fundamentals remain strong and demand for private real estate assets remains high.

A few key market highlights marked the quarter. First, bond yields continued to move down with investors expecting more dovish monetary policy from almost all central banks around the globe. This should benefit REITs from a financing standpoint and show their attractiveness as a provider of yield. Second, the fundamental picture remains sound for Global REITs, as cashflow growth and asset values are expected to grow. The exception to this, however, is the retail sector where we see a large divergence in fundamentals and resulting quarterly returns. Lastly, there were significant developments in the German and American multi-residential space, with authorities bowing to public pressures by proposing stricter regulation on rents.

We continue to see a wide dispersion in pricing between private and public markets. While some clusters continue to trade at large premiums to the net value of their assets, some asset classes, notably US retail and office remain at steep discounts. This is reflective of investor expectations that private values will grow faster in sectors such as healthcare or industrial, while asset values in UK or in the US retail and office space are expected to stagnate or even fall. In some cases, we think that these anticipations can be exaggerated both on the optimistic and pessimistic side, creating opportunities for patient investors.

The second quarter favored REITs that were trading at premiums to private market values, following a more balanced picture in the first quarter. This shows that investors are willing to “pay up” for certain stocks or sectors without considering how the assets are currently valued by the private markets. Looking back at long term historical performance, we believe that REITs will ultimately reflect the value of their underlying asset.

BOND YIELDS CONTINUE TO MOVE DOWN

As stated previously, global bond yields certainly appeared top of mind for investors. With the market now pricing in a 100% probability that the Federal Reserve will cut its benchmark rate several times in 2019, appetite for government bonds spiked. Demand drove 10-year yields towards 2% in the US and deeply into negative territory for Japan and Germany. With global rates this low, the financing environment for REITs is even more favorable than over the last several months. As a result, REITs have been able to finance at lower rates and for longer maturities which in many cases will improve average financing costs. Interestingly, even debt issued by retail REITs was well received, marking a clear contrast with the negative sentiment towards these companies on the equity side. One can think that such low cost of debt will certainly be a tailwind for REITs’ earnings and cash flow growth in the coming quarters.

Falling bond yields also appears to have improved the attractiveness of REITs as a yield vehicle. Looking at all the major regions, we saw an expansion of the spread between 10-year bond yields and the implied yield of the assets held by REITs. In other words, investors are being compensated more to bear similar real estate risk with the global average spread now close to 3.9%, which is high relative to historical standards.

GLOBAL REIT OUTLOOK STILL FAVORABLE, BUT…

Now looking at REIT fundamentals and retail landlords, we note that while most sectors continued to record positive performance over the quarter, retail was a standout underperformer, particularly in the US and the UK. When examining funds from operations (FFO) growth expectations for the same sectors, we estimate that retail landlords will show below average growth over the next three years, but still outperform certain sectors such as lodging or self-storage.

However, when looking at independent valuations in private markets, retail stands out as being the only asset class where we see average values coming down and, in several cases, cap rates expanding. This highlights the lack of confidence by private investors over the future of brick and mortar retail and the amount of capital spending that these assets will require in the future. In some cases, listed markets are already anticipating a dramatically negative scenario, with listed retail REIT pricing implying significant value write-downs.

That being said, it's worth highlighting that not all retail landlords are created equal. When examining the 1-year performance of most major companies in the space, we note that that Asian retail-focused REITs, as well as strip centers and retail parks in the US, performed well. Perception around their operating fundamentals appears much more positive. However, the story is quite different for US and UK malls, as well as more highly levered companies. These firms have suffered although reported earnings show limited challenges to the sector, at least for now. Here, the lack of pricing evidence for assets in private markets as well as increasing capital expenditure requirements appears to be hurting investor sentiment.

RESIDENTIAL LANDLORDS TAKE PAUSE

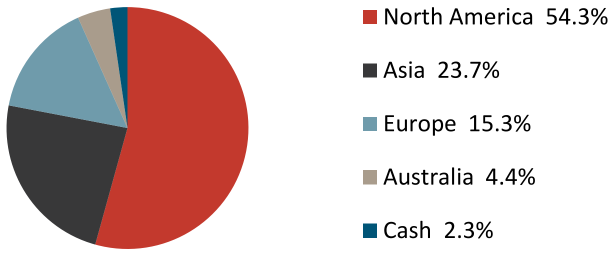
The quarter also saw significant news flow that might impact future growth prospects of several multi-residential landlords. In New York, the state legislature passed a law to strengthen rent controls. Meanwhile, in Germany, the Berlin Senate went a step further by proposing to freeze rents for up to five years. Looking at Berlin more closely, the significant gap between market and in-place rents had fueled protests by renters who feared significant increases in their cost of living over the mid- to long-term. With the growing dissatisfaction, authorities sided with tenants and have proposed rather extreme legislation which would, if accepted, impair growth prospects, particularly for Berlin-focused residential landlords.

Looking at the recent performance of the listed German residential sector, we saw a negative reaction with Berlin-focused Deutsche Wohnen and Ado being the hardest hit. Both companies' stock prices were down close to 25% for the quarter. For the moment, it appears that investors are not widely anticipating similar rent-freeze proposals to spread to other major cities in Germany, hence the better relative performance of more diversified landlords.

OUTLOOK

In the current environment, we are currently most optimistic on global logistics landlords, datacenters, single family rental and Japanese developers. We see above average earnings growth in these sectors as the main driver for future outperformance. Meanwhile, we are more cautious on US lodging, self-storage and net leases companies. RevPAR growth is anemic for the lodging sector, despite a strong economy, and earnings growth may turn negative as rising operating costs pressure margins. The self-storage sector is still dealing with the impact of high supply while the net lease sector is trading at unwarranted large premiums to asset value. In terms of supply, most sectors seem to be in equilibrium as construction starts represents only 1.2% of total stock. Supply over the next 12 months is expected to remain stable for multifamily, while the industrial sector is seeing above average supply being met by strong demand.

Regional allocation as at 30 June 2019



Top 10 holdings as at 30 June 2019

Stock	Country	%
PROLOGIS INC	United States	8.5
AVALONBAY COMMUNITIES INC	United States	7.7
WELLTOWER INC	United States	5.0
CK ASSET HOLDINGS LTD	Hong Kong	4.7
DIGITAL REALTY TRUST INC	United States	4.4
HUDSON PACIFIC PROPERTIES IN	United States	3.8
MITSUI FUDOSAN CO., LTD	Japan	3.8
PARAMOUNT GROUP INC	United States	3.8
INVITATION HOMES, INC.	United States	3.7
MACERICH CO/THE	United States	3.3

Top 3 Stock Contributors for June Quarter

Prologis	The industrial sector continues to be a top performer with private investors interest remaining strong, as highlighted by Blackstone's acquisition of the Global Logistic Properties portfolio for $18.7 billion. The pricing indicates a continued decrease in cap rates for the asset class and acted as a tailwind for Prologis.
Invitation Homes	Invitation Homes provided a reassuring outlook on its top-line growth and expense management during its 1Q-2019 earning release. Major shareholder Blackstone has also successfully reduced it's stake in the company which removes an overhang perceived by the market. Lastly, the company is largely immune to rent control measures which are on the rise in several metropolitan cities.
Simon Property Group	Earnings season turned out to be disappointing for retailers as many reported lower than expected same-store sales and margins and provided a cautious outlook for the remainder of the year. Potential tariffs on goods from China and Mexico may pressure margins even more and limit the ability to pay higher rents. Simon Property's stock performance was therefore negative for the month and the Fund did not own shares in the company.

Top 3 Stock Detractors for June Quarter

Macerich	Negative retailer results and potential tariffs on goods from China and Mexico impacted Macerich's stock performance. Dressbarn's store closure announcement and recent concerns over Forever 21's debt load, appeared to concern investors. An announcement of an asset sale to a JV partner that should provide positive asset pricing evidence and improve the balance sheet is still expected before the end of the year..
CK Asset Holdings	CK Asset underperformed with the escalation of the trade-war tensions in May. Investor sentiment in the Hong Kong property sector appeared to be negatively impacted and home prices are hovering around their all-time high. The company is also exposed to the Chinese residential and retail sectors which could also be affected by an economic slowdown in China. The stock bounced back in June after attracting new buyers for its Shanghai Upper West residential project.
Public Storage	The stock performed well during the quarter. However, we currently remain cautious on the self-storage sector, which is still dealing with the impact of high supply and is trading at premiums to asset value. The stock was not held in the fund during the quarter.

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Key Facts

APIR code	PPL0026AU
Management costs	1.00%p.a.
Benchmark	FTSE EPRA / NAREIT Developed Index Net TRI (hedged in $A)
Buy spread	+0.30%
Sell spread	-0.30%
Commencement	31 May 2013
Minimum investment	$20,000
Income distribution	Half-yearly

CONTACTS

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