

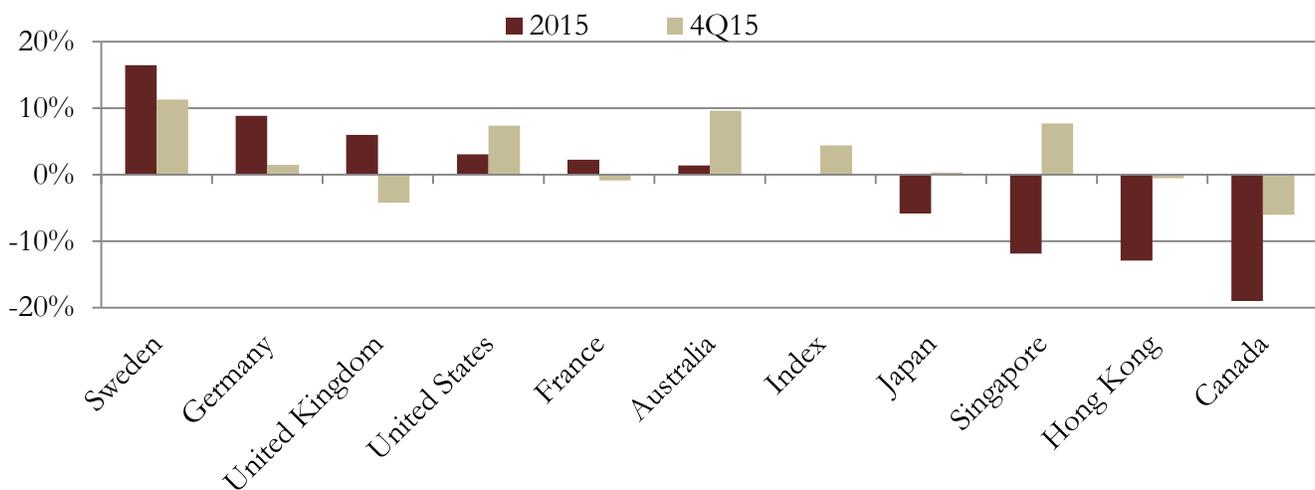
GLOBAL PROPERTY SECURITIES MARKET

	4Q15	2015
FTSE EPRA/NAREIT Developed Index ("Index")	4.4%	0.1%
Asia-Pacific	2.5%	-7.2%
Europe	0.0%	6.7%
North America	6.7%	1.8%
FTSE All World Developed Index	5.6%	-0.2%
JP Morgan Global Aggregate Bond Index	-0.9%	-2.7%

Source: Bloomberg, FTSE EPRA/NAREIT, and FactSet in USD

Global property securities (“Index”) ended a volatile year up 4.4% in the fourth quarter to finish flat for the year. The Fed raised short-term interest rates in December for the first time in almost a decade in an effort to express confidence that the U.S. economy was on a stable path and ready for the process of normalizing interest rates to begin. Across the Atlantic, the ECB disappointed the market by taking less aggressive quantitative easing action than had been expected. When the dust settled on 2015, many of the same questions that markets worried about in the second half of the year persisted as markets remained focused on the state of the global economy, interest rates and declining oil/commodity prices. Through all of the volatility, the Index managed to marginally outperform equities for the year and handily outperform bonds.

Performance by Country 4Q15 FTSE EPRA/NAREIT Developed Index



Source: FTSE EPRA/NAREIT and FactSet in USD for countries representing at least 1.0% of Index weight

NORTH AMERICA (56.3% of the Index)

	Total Return 4Q15		
	North America	U.S.	Canada
Index Weight (%)	56.3%	53.9%	2.4%
Local Currency (%)	6.9%	7.4%	-2.6%
USD (%)	6.7%	7.4%	-6.0%

Source: FTSE EPRA/NAREIT and FactSet

North America ended the year with strong performance in the fourth quarter. **The U.S. led the way for the quarter and the full year (+3.0%) as the backdrop of continued steady job growth, low interest rates and an occasional dose of M&A activity provided a constructive setting for real estate in what was an otherwise volatile year due to macro concerns.** Canada continued to lag as it has all year long, primarily as a result of the on-going weakness and uncertainty of the energy sector. A weak Canadian dollar further impacted USD returns for the full year (-19.0%).

While the initial reaction in December to the Fed's move to raise rates was somewhat muted since it was widely expected, **the market has shifted its focus to the timing and pace of any additional increases, as well as the underlying health of both the U.S. and global economy.** In Canada, October's national election resulted in a convincing win for the Liberal Party and the ouster of the incumbent Conservative Party. Although actions are likely in an attempt to shake the economy out of its doldrums, it appears too early to expect much that will impact the near to medium term outlook.

In the U.S., Self-Storage continued its trend of strong outperformance relative to other property sectors, both for the quarter (+16.7%) and for the year (+40.6%). Meanwhile, Industrial (+10.6%) maintained the momentum from the previous quarter after lagging in the first half of the year, while Apartment's performance stood out both for the quarter (+8.3%) and for the year (+16.5%). Each has benefitted from on-going strength in operating fundamentals throughout the year.

Office provided a mostly in-line total return for the quarter at +7.2%. However, performance for the full year lagged and was relatively flat. While companies with market concentrations in energy markets like Houston were weak throughout the year, sentiment in the fourth quarter also started to soften for those markets with a large technology concentration, such as the San Francisco Bay Area.

Hotels continued to be a notable laggard in performance among the short duration property sectors. It was the worst performing sector, both for the quarter (-2.0%) and for the full year (-23.7%). A strong USD and REVPAR deceleration have impacted performance. In November there was big news among the hotel operators (C-corps) when Marriott International announced that it had agreed to acquire Starwood Hotels & Resorts for \$12.2 bn. Healthcare also lagged in the quarter (+2.6%) and for the year (-7.3%) as concerns over supply of senior housing, reimbursement uncertainty for skilled nursing and rising interest rates have been headwinds.

Looking forward in the U.S., while the backdrop for real estate should remain positive in a moderately improving economy, macro concerns are likely to continue be a headwind and create periods of volatility. Separately, REITs could enjoy some incremental demand from structural changes in 2016, including: (1) FIRPTA Tax law changes that should make it easier for foreign pension funds to own direct real estate on the same footing as US pension funds; and (2) in August, S&P will carve out real estate from the financial services sector making real estate securities the 11th GICS sector.

ASIA-PACIFIC (26.4% of the Index)

	Total Return 4Q15				
	Asia-Pacific	Australia	Hong Kong	Japan	Singapore
Index Weight (%)	26.4%	5.7%	7.7%	10.9%	1.9%
Local Currency (%)	1.9%	5.8%	-0.5%	0.8%	7.5%
USD (%)	2.5%	9.6%	-0.5%	0.3%	7.7%

Source: FTSE EPRA/NAREIT and FactSet

While the Asia-Pacific region bounced back from a difficult third quarter and produced positive LC and USD returns, it was the weakest region for the full year and the only one with negative total returns in both LC and USD.

The Australian listed property sector benefited from the malaise in energy and commodity related stocks which encouraged investors to seek refuge in A-REITs, particularly those in search of yield. M&A also provided support for the market with the proposed merger of Investor Office Fund and Dexu Property Group, while non-index REIT Ale Property Group received a cash bid from its largest shareholder, Caledonia. Residential exposed A-REITs bounced back after a weak third quarter with Mirvac leading the way following comments from its chairman that the company would seek to unlock value in its business and later announcing a JV with a Chinese insurer to pursue residential development. Lastly, with the Reserve Bank of Australia on hold with interest rates since a mid-year reduction, the Aussie dollar strengthened in the quarter despite the weak outlook for commodities, providing a further boost to USD returns.

Hong Kong (HK) was again the weakest performing country in the region. Sentiment regarding the local economy continued to weaken due to the slowdown in mainland China, coupled with a strong currency that has made its goods and services less competitive. The Hong Kong residential market began to see declining prices in the quarter with the Hong Kong House Price Index falling 3% from its August 2015 peak, adversely affecting Hong Kong developers with residential exposure. Two of the large diversified Hong Kong conglomerates, Sun Hung Kai and Cheung Kong Property, were each impacted despite owning high quality assets that trade at significant discounts to published net asset values.

J-REITs had a total return of +4.2% in the quarter, supported by the Bank of Japan's decision in December to expand its asset purchase program, including an increase of the maximum possible positions in J-REITs from 5% to 10%. Meanwhile, Japanese developers were flat, weighted down by mid-single digit local currency declines in Sumitomo Realty and Mitsui Fudosan. The latter was impacted by revelations that a sub-contractor had performed faulty foundation work on a residential condo tower developed in 2006. Lastly, the Tokyo prime office market continues to benefit from improving occupancy and growing rents. Mitsubishi Estate, the largest of the Japanese developers and the dominant owner of office space in the premium office district of Marunouchi, continues to benefit from this trend and had a total return of +3.2% in the quarter.

Singapore's strong performance was driven by its largest index constituent, CapitaLand, which delivered a LC total return of +25% in the quarter. After a period of weakness, CapitaLand rebounded with the general recovery in China exposed stocks early in the quarter. During the period, CapitaLand also delivered a reasonable set of third quarter results from its China residential and retail divisions.

While China's slowing economy and government policy actions are likely to continue to impact Asian real estate markets, the lack of traditional imbalances from excessive real estate speculation and supply should allow landlords to benefit from relatively stable operating conditions in most markets.

EUROPE (17.3% of the Index)

	Total Return 4Q15					
	Europe	France	Germany	Sweden	UK	Europe (ex UK)
Index Weight (%)	17.3%	3.5%	3.0%	1.2%	6.3%	11.0%
Local Currency (%)	2.6%	1.9%	4.3%	11.9%	-1.6%	5.2%
USD (%)	0.0%	-0.9%	1.5%	11.3%	-4.2%	2.7%

Source: FTSE EPRA/NAREIT and FactSet

Europe weathered volatility from the November terrorist events in Paris and a negative December with the market's disappointment with the ECB to end the quarter flat, but was the best performing region for the full year on both a local currency (+15.6%) and USD (+6.7%) basis. Although the economic recovery within the region remains slower than desired and fragile at times, it continues to move forward, supported by a weaker euro, low oil prices and mostly accommodative central banks that have kept interest rates low. The U.K has been leading the way with its economic recovery more in line with that of the U.S., while the balance of Europe is experiencing quite a bit more dispersion in the pace of recovery.

The divergence in performance between UK and Continental Europe property stocks widened in the fourth quarter. Concerns around the UK property markets being later in the real estate cycle, particularly the London office market, together with uncertainty surrounding the timing, outcome and impact of a potential vote in 2016 for the UK to exit the EU (“Brexit”) likely contributed to the weakness of UK securities. The UK majors/large caps were weak in the quarter and for the year, while some of the small and mid-cap companies were among the better performers. Notable among the small caps was self-storage operator Safestore Holdings, which was the best performing UK security both for the quarter and the year with LC total returns of +21.3% and +58.9%, respectively. While Continental Europe outperformed the UK by a wide margin for the full year in LC, the difference in USD was much smaller (+6.7% versus 6.0%).

German residential property companies had a mixed quarter with LC returns in the mid 4% range, but had a strong performance for the full year with total returns above 20%. The sector continues to benefit from favorable operating fundamentals; however, more headlines of late have been on the M&A front. Following Deutsche Wohnen's aborted offer for LEG Immobilien last quarter, Germany's largest residential company (Vonovia) elected to stir the pot in October by making a hostile €14 bn stock and cash offer for Deutsche Wohnen. Two small cap residential companies were clear beneficiaries in the quarter from further consolidation speculation in the sector with ADO Properties and Grand City Properties each up over 20% in LC.

Sweden was the best performing country in the quarter as Swedish stocks reacted positively to the Riksbank's decision in October to increase the size of its bond-buying program due to continued low inflation. The strong performance of the Swedish stocks is not totally surprising given how accommodative the Riksbank has been throughout the year despite strength in the economy. The Spanish listed market, while still a small part of the Index, continued to gain more traction as its economy experienced a favorable pickup in growth after many difficult years, enhancing investor enthusiasm for property stocks in the region. Spanish property securities returned +7.5% in the quarter and 30.5% for the full year, each in LC.

Looking ahead, there is greater caution as yield compression appears to be nearing an end and further improvements in capital values will become more dependent upon rental and income growth, which will require continued progress with the economic recovery. Macro issues will likely continue to create periods of volatility during the year with issues such as immigration, a potential Brexit, central bank policy and global growth all in the mix.