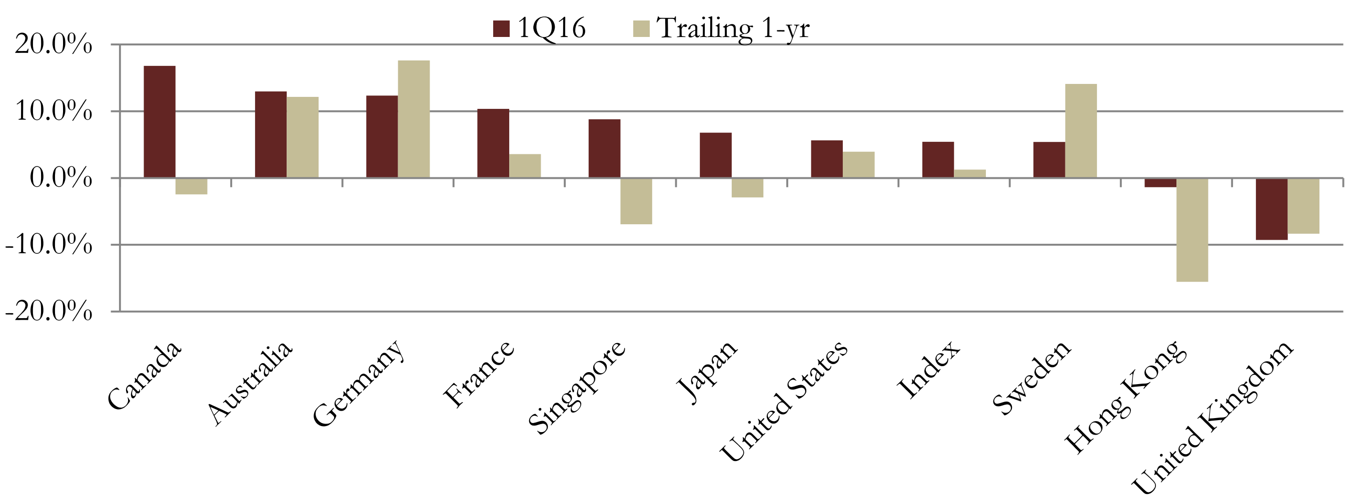
GLOBAL PROPERTY SECURITIES MARKET

	Total Return	
	1Q16	**Trailing 1-Year**
FTSE EPRA/NAREIT Developed Index ("Index")	5.4%	1.3%
Asia-Pacific	5.9%	-4.4%
Europe	2.2%	2.6%
North America	6.2%	3.6%
FTSE All World Developed Index	-0.1%	-2.8%
JP Morgan Global Aggregate Bond Index	5.7%	4.5%

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

After a volatile start to the year, global property securities ("Index") ended on a positive note in March to finish the quarter up 5.4%. Central banks actions, concerns over global growth, high yield credit market volatility and geopolitical events all contributed to a rollercoaster ride for investors. March's recovery was led by further indications from central banks in both the U.S. and Europe that interest rates are likely to remain low for now given continued uncertainty over the stability of economic conditions and the pace of growth going forward. The Index managed to easily outperform equities for the quarter, but did slightly lag bonds. In general, operating fundamentals remain favorable across a number of markets, although the pace of improvement has shown signs of moderating. Taken together with a supply picture that remains mostly balanced and a low interest rate environment due to an uncertain economic outlook, real estate appears positioned to benefit from this somewhat mixed environment that continues to persist.

Performance by Country
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 1Q16		
	North America	U.S.	Canada
Index Weight (%)	56.3%	53.5%	2.8%
Local Currency (%)	5.8%	5.6%	10.6%
USD (%)	6.2%	5.6%	18.8%

Source: FTSE EPRA/NAREIT and FactSet

North America was the strongest performing region globally with both the U.S. and Canada contributing to a strong start to the year. After global oil prices hit a 12 year low in January, oil prices began to rally in February on renewed prospects of production cuts, providing a lift to Canadian stocks that had lagged for most of last year from on-going weakness in the energy sector. A strengthening Canadian dollar provided a further lift to USD returns for the quarter.

Following the FOMC's decision in December to increase interest rates for the first time in a decade, the expectation going into the year was for further increases in the first half of 2016. Contrary to expectations, the U.S 10-year Treasury yield declined 48 bps in the first quarter to 1.78%. **The FOMC's decision in March to keep interest rates unchanged and its forecast for a reduced number of rate hikes in 2016 provided a lift to stocks to end the quarter.** While the U.S. economy continues to grow, with total nonfarm employment increasing by an average of 209,000/month in the first quarter, concerns that "global economic and financial developments continue to pose risks" were enough to keep rate hikes on hold for now.

In the U.S., the strongest performing property sectors were Triple Nets (+12.4%), Data Centers (+18.7%), Student Housing (+13.7%) and Self-Storage (+10.8%). Triple Nets have benefitted from a continued low interest rate environment that has resulted in favorable investment spreads, while Data Centers have benefitted from secular trends that are leading to continued growth in demand. Data center REIT DuPont Fabros Technology (+29.0%) was the top performing U.S. REIT for the quarter.

Office (-0.2%) was the weakest performing property sector despite indications from most earnings calls that operating fundamentals have continued to remain intact. Particular weakness was experienced by New York focused names when investors became spooked by market commentary from the CEO of SL Green during its fourth quarter earnings call in late January that was interpreted as being cautious about the NYC leasing outlook for 2016. SL Green and Paramount Group, which have large exposure to the New York market, were the weakest performing office names in the quarter.

Hotels (+5.6%) experienced a volatile quarter, initially selling off sharply in January on heightened concerns of a recession and then recovering over the balance of the quarter. M&A activity once again gave the sector a lift in March when China's Anbang Insurance Group made a $12.84 bn offer for Starwood Hotels & Resorts, topping the $12.0 bn offer made by Marriott International last November. Anbang also agreed in March to buy Strategic Hotels & Resorts from Blackstone for $6.5 bn. As the quarter came to a close, Anbang walked away from its bid for Starwood, leaving Marriott as the apparent winning bidder.

Entering 2016, there was speculation whether REITs could enjoy some incremental demand from the decision by S&P to carve out real estate from the financial services sector and make real estate securities the 11th GICS sector beginning in August 2016. While difficult to quantify, there was some anecdotal evidence towards the end of the quarter that it may have been a factor, together with continued low interest rates, in the rebound in REITs that began in mid-February and continued thru quarter end.

ASIA-PACIFIC (26.7% of the Index)

	Total Return 1Q16				
	Asia-Pacific	Australia	Hong Kong	Japan	Singapore
Index Weight (%)	26.7%	6.1%	7.2%	11.4%	2.0%
Local Currency (%)	1.1%	6.9%	-1.3%	-0.2%	3.3%
USD (%)	5.9%	13.0%	-1.4%	6.8%	8.8%

Source: FTSE EPRA/NAREIT and FactSet

The Asia-Pacific region experienced a volatile quarter in concert with jittery equity markets, which were impacted by large swings in commodity prices, central bank actions and concerns about a slowing Chinese economy. In the end, the region managed to produce a slightly positive LC return that was further enhanced in USD terms by a weaker USD that inflated unhedged returns from all countries except Hong Kong.

In a volatile market, the stability and yield of A-REITs was keenly sought as they managed to outperform almost all global markets. Reporting season confirmed that A-REITs remained well positioned with mall REITs in particular performing strongly after delivering healthy NOI growth. Specialty tenant sales were strong, particularly in the east coast non-resource markets. Consumer spending has been boosted by lower fuel prices and a lower savings rate as household wealth has expanded along with house prices. M&A also remained in the headlines with the battle for Investa Office Fund (IOF) heating up between Dexus Property Group and the incumbent external sponsor, Investa Office Management (IOM), which opposes Dexus recently sweetened offer for IOF.

For the second consecutive quarter, Hong Kong was the weakest performing country in the region. Hong Kong developers were particularly weak until reporting season brought some relief that conditions weren't as bad as had been feared. Rental income metrics generally held up well in office and suburban malls, balance sheets remained sound and several companies increased dividends. At its maiden full year results, Cheung Kong Property's chairman commented that Hong Kong is facing the toughest time in 20 years. Notwithstanding the difficult environment, the company has been buying back its stock as it is trading at a circa 30% discount to book and has effectively no debt. With other large Hong Kong property companies such as Sun Hung Kai Properties and Link REIT also trading at significant discounts, it appears that despite a challenging operating environment, much of the bad news may already be reflected in the stocks.

Japan had a relatively flat quarter in LC terms, but there was a large divergence in performance between J-REITs and Japanese operating companies (OPCOs). J-REITS had a total return of +10.2% in LC, while the OPCOs had a LC total return of -10.0%. With faith in Abenomics faltering, investors have had a strong preference for the safety of J-REITs versus more active earnings of the developers. With three quarters of all Japanese Government Bonds having negative yields, J-REITS are benefitting from negative interest rates which makes the low 3% dividend yield they offer look particularly attractive. J-REITs also continue to be boosted by the BOJ's asset purchasing program. The performance divergence between the J-REITs and OPCOs has resulted in the largest valuation gap between the two, as measured by Price to Net Asset Value, since the Great Financial Crisis.

Looking ahead, a slowing Chinese economy and government policy settings will likely continue to influence Asian real estate markets. Nevertheless, traditional imbalances from excessive real estate speculation and supply are not evident, which gives comfort that landlords should continue to benefit from relatively stable operating conditions in most markets.

EUROPE (17.0% of the Index)

	Total Return 1Q16					
	Europe	France	Germany	Sweden	UK	Europe (ex UK)
Index Weight (%)	17.0%	3.7%	3.3%	1.2%	5.5%	11.5%
Local Currency (%)	0.0%	5.2%	7.1%	1.4%	-7.0%	3.8%
USD (%)	2.2%	10.4%	12.4%	5.4%	-9.3%	8.8%

Source: FTSE EPRA/NAREIT and FactSet

Europe, which was the best performing region in 2015, started out the year on a rough note and was the weakest performing region in the quarter. The drag on performance for the region came mostly from the UK, which experienced increased weakening sentiment regarding the upcoming voter referendum to decide whether it will exit the EU (Brexit). While the timing of such a vote had been uncertain at the start of the year, and could have been pushed out until late 2017, in February it was proposed to hold the vote on June 23rd, thereby accelerating the uncertainty of the outcome for investors. The ECB also gave a lift to many of the non-UK stocks with its widely expected decision in March to expand the size of its QE program.

Although commentary from management on most earnings calls held during the quarter indicated that operating trends for commercial property within London and the UK continue to look favorable, the uncertainty regarding both the outcome and resulting effect on the UK economy of the June Brexit referendum became an increased headwind as the quarter progressed. The disparity in performance between the UK and Continental Europe was significant and further accentuated in USD terms by a weaker pound and stronger euro, respectively, in the quarter. With most UK stocks trading at discounts to NAV and many Continental Europe securities at premiums, it is fair to wonder which direction the gap in relative value will shift leading up to the vote in June. The difficulty for investors is that the outcome is binary. A vote to stay and UK stocks will likely rally and then shift the debate to the property cycle, while a vote to leave results in further weakness given the unknown implications of an exit.

Germany was the top performing country in Europe led by the German residential sector (+8.1% in LC). The saga of Vonovia's hostile takeover bid of Deutsche Wohnen ended in February when the majority of Deutsche Wohnen shareholders declined the offer. With operating fundamentals in the sector continuing to be favorable, it is perhaps no surprise that the sector (≈85% of Germany's weight) performed well with five companies among the top 15 in Europe in the quarter.

Spain (-7.3% in LC) was notably one of the weaker countries in the quarter, a reversal from last year when it was one of the top performing countries. An improving economy, together with an improved REIT structure in 2014, had led to new IPO's and increased investor interest in the region; however, last December's general election resulted in a fragmented parliament and the inability to form a coalition government. Unless the parties can agree to form a new government by May 2nd, the existing parliament will be dissolved and new elections will again be held on June 26th. The political uncertainty may be having an effect on business sentiment, and as a result, investor sentiment.

Switzerland (+6.3% in LC) was the second best performing country in the quarter despite real estate operating fundamentals that do not appear overly appealing given what might be viewed as an overvalued currency that is adversely affecting its export driven economy. That said, it may be benefitting from what could be perceived as somewhat of a "safe haven" status amongst the maze of uncertainty surrounding the upcoming Brexit referendum vote and the potential impact not just on the UK, but on Europe as a whole. **June could be filled with lots of political debate and central bank talk that will no doubt provide investors with plenty of anxiety as the vote approaches and could lead to increased volatility.**