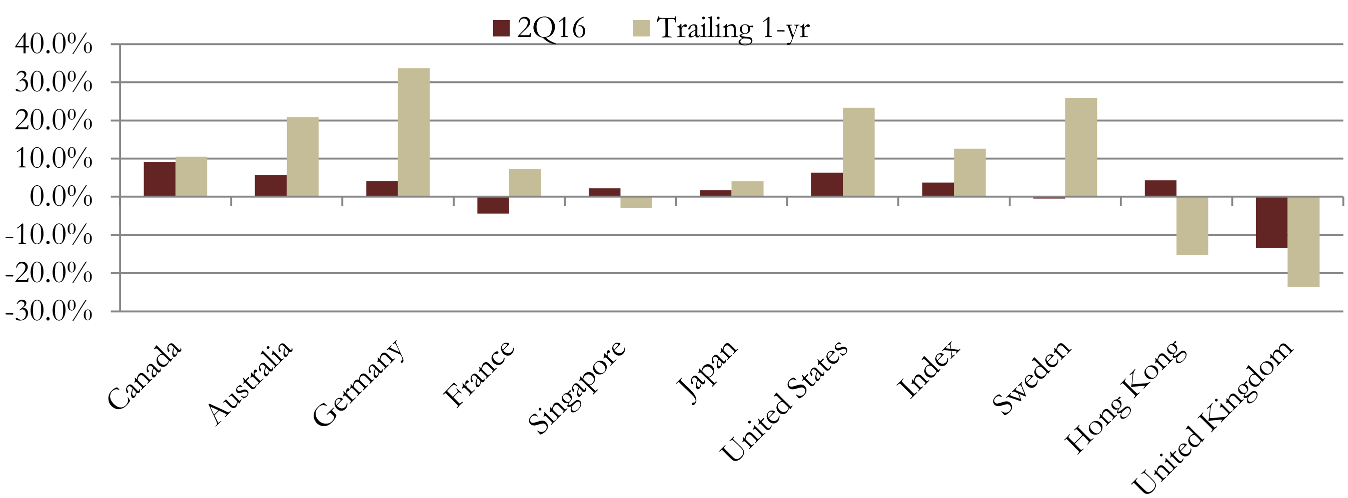
**GLOBAL PROPERTY SECURITIES MARKET TOTAL RETURNS**

| | 2Q16 | YTD | Trailing 1-Year |
|---|---|---|---|
| FTSE EPRA/NAREIT Developed Index ("Index") | 3.7% | 9.4% | 12.6% |
| Asia-Pacific | 3.4% | 9.5% | 0.7% |
| Europe | -4.9% | -2.8% | 0.9% |
| North America | 6.5% | 13.1% | 22.6% |
| FTSE All World Developed Index | 1.1% | 1.0% | -2.2% |
| JP Morgan Global Aggregate Bond Index | 2.7% | 8.6% | 8.9% |

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

**Global property securities ("Index") delivered another positive quarter of absolute performance despite continued political and economic uncertainty around the globe.** The U.K.'s June 23rd voter referendum on its membership in the European Union (EU) dominated the headlines as quarter end approached, with the vote to leave the EU (Brexit) catching markets by surprise. Global markets' initial reaction was negative and there was a flight to safety as sovereign bond yields declined further. The most severe share price reaction was in the U.K. where it may take years to negotiate the terms of its exit and understand the long-term impact on its economy. Equity markets in the balance of Europe declined less, but no doubt will be impacted by the ongoing uncertainty. Markets elsewhere around the globe managed a slight rebound at quarter end as the reality of lower rates for longer provided a tailwind for property securities and investors search for yield in the face of what will continue to be uncertainty regarding the pace and sustainability of economic growth. Through it all, the Index managed to outperform both bonds and equities for the quarter with absolute returns for the year quite strong.

**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

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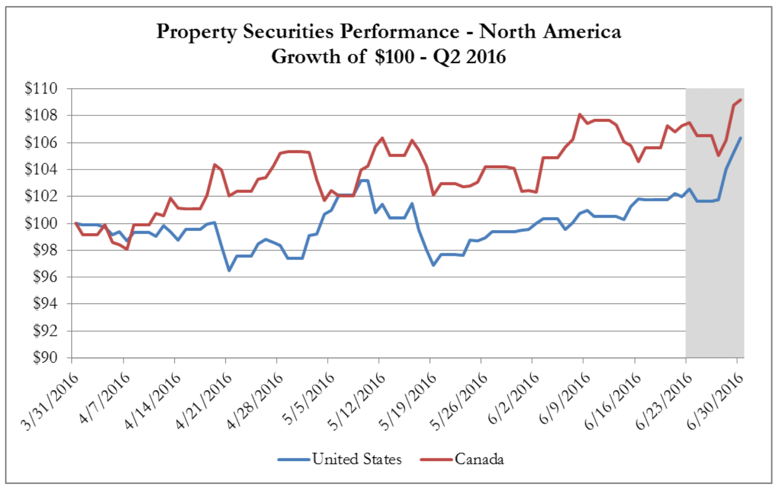
**NORTH AMERICA (58.2% of the Index)**

| | Total Return 2Q16 | | |
|---|---|---|---|
| | North America | U.S. | Canada |
| Index Weight (%) | 58.2% | 55.3% | 2.9% |
| Local Currency (%) | 6.5% | 6.4% | 9.7% |
| USD (%) | 6.5% | 6.4% | 9.2% |

*Source: FTSE EPRA/NAREIT and FactSet*

**North America was again the strongest performing region globally with both the U.S. and Canada riding the momentum of the first quarter**. While Canada's economy is still struggling to gain traction, improving sentiment from a rebound in global oil prices and an attractive dividend yield has lifted Canadian property stocks after a challenging 2015. Property stocks in both Canada and the U.S. easily outperformed their respective equity indices.

The FOMC's decision at its mid-June meeting to keep interest rates unchanged appeared to be a function of both weaker than expected job growth in the prior months, as well as some caution ahead of the U.K.'s Brexit vote the following week. **The U.S. ultimately proved to be the beneficiary of a flight to safety in the immediate aftermath of the Brexit vote, given the uncertainty for investors regarding its impact, both on the global economy and financial markets.** The total return for the U.S. was +2.6% for the quarter up until the Brexit vote and +3.7% for following the vote. Investors looked beyond the initial shock and uncertainty and focused on U.S. REIT's attractive yields, sound capital structures and favorable fundamentals for most property sectors in a "lower for longer" world of rates and returns, moderate growth economy.




**Property sectors with a secular growth story continued to demonstrate strong performance. Two of the best performing property sectors in the U.S. were Data Centers and Industrial.** While strong growth in demand for Data Centers from secular trends is not new, the emergence of increased demand for Industrial from internet retailers is a theme that has recently gained more visibility and proven to be a tailwind for the sector. **Interest rate sensitive sectors such as Triple Nets and Health Care also outperformed, benefitting from the continued decline in the U.S. 10-year Treasury yield.**

**More cyclical sectors such as Apartments and Hotels were among the weakest performing property types in the quarter.** The performance for Apartments was volatile throughout the quarter with sentiment for the group becoming more negative in early June after Equity Residential lowered its 2016 same-store revenue and NOI guidance and alluded to weakness in its New York and San Francisco portfolios.

**U.S. REITs have had a great run both year-to-date and over the trailing 12 months.** Valuations appear full for some sectors and less so for others, but risk premiums for owning real estate remain wide, providing some support for values. While supply is in check overall, there are some markets with concerns, so investors will need to remain vigilant given what will continue to be an environment with periods of heightened uncertainty and volatility.

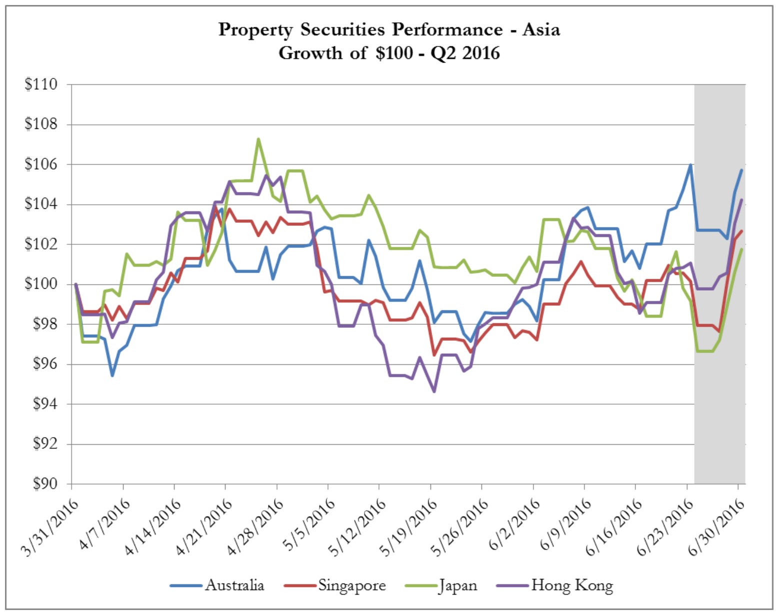
**ASIA-PACIFIC (26.3% of the Index)**

| | Total Return 2Q16 | | | | |
|---|---|---|---|---|---|
| | Asia-Pacific | Australia | Hong Kong | Japan | Singapore |
| Index Weight (%) | 26.3% | 6.1% | 6.8% | 11.2% | 2.2% |
| Local Currency (%) | 0.2% | 9.3% | 4.4% | -7.1% | 2.2% |
| USD (%) | 3.4% | 5.8% | 4.4% | 1.8% | 2.2% |

*Source: FTSE EPRA/NAREIT and FactSet*

**The Asia-Pacific region experienced elevated volatility in the quarter largely as a consequence of the U.K.'s referendum.** The local currency (LC) total return for the quarter up until the Brexit vote was -1.1% and +1.3% for the small post Brexit period. Currencies remained volatile and impacted USD returns. While the LC return for the region in the quarter was flat, USD investors benefitted from a stronger Japanese Yen that appreciated 9.0% versus the USD in the quarter.

**A-REITs held up well in an otherwise uncertain environment, finishing the quarter as one of the better performing markets globally.** With the Reserve Bank of Australia cutting rates further in May and the 10-year government yield declining a further 54 bps in the quarter, A-REITs mid 4% dividend yield and secure cash flows attracted investors. For Westfield Corporation, whose retail portfolio is split about 75%/25% between the U.S. and London, a stronger USD helped offset concerns over its London exposure although its total return for the quarter still lagged A-REITs overall. Westfield also ended months of speculation when it announced at its Annual General Meeting in May that it would maintain Australia as its primary stock exchange listing.




**Japan stood out given it is the only country in the region with negative LC total returns both for the quarter and year-to-date.** A surprise positive 1Q GDP print in May following a contraction in 4Q was met with some skepticism and mostly offset by concerns over the continued strong Yen affecting exports, as well as disappointment over the lack of any further stimulus and a Brexit-induced flight to safety. Japanese equities were weak in the quarter with the TOPIX down 7.5%. The higher beta Japanese Operating Companies (OPCOs), more so than the yield oriented J-REITs, were also caught in the downdraft of share prices for equites despite posting decent FY16 results for the year ending March 2016. For the quarter, the J-REITs provided a total return of -1.8% in LC versus -13.4% for the OPCOs, demonstrating investor preference for J-REITs' higher yield despite trading at material value premiums relative to the OPCOs.

While the environment both in the region and globally is expected to remain uncertain, **real estate securities with secure cash flows and attractive dividend yields should continue to perform well given that the traditional imbalances from excessive real estate speculation and supply remain largely in check.**

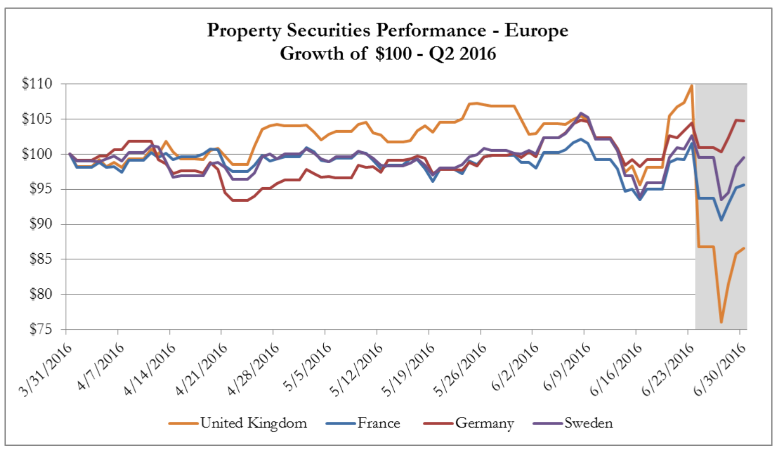
## EUROPE (15.5% of the Index)

| | Total Return 2Q16 | | | | | |
|---|---|---|---|---|---|---|
| | Europe | France | Germany | Sweden | U.K. | Europe (ex U.K.) |
| Index Weight (%) | 15.5% | 3.4% | 3.2% | 1.2% | 4.6% | 10.9% |
| Local Currency (%) | -1.1% | -1.9% | 6.8% | 4.0% | -6.9% | 1.9% |
| USD (%) | -4.9% | -4.4% | 4.1% | -0.5% | -13.4% | -0.8% |

*Source: FTSE EPRA/NAREIT and FactSet*

**After much debate, on June 23rd voters in the U.K. decided by a slight majority in a non-binding referendum they would be better off outside of the European Union and suddenly Brexit dominated global headlines.** The U.K. is the fifth largest economy in the world and London is a global city with many positive attributes that have historically been attractive to business and investors. It may take years before we know if that was the correct choice, but the market's initial response was a resounding "no" given the political and economic uncertainty that lies ahead.

Performance for the quarter was a tale of before and after the vote. Speculation mounted as the vote approached that the outcome would be to remain. **The U.K.'s total return in LC for the quarter was +6.5% prior to the vote, while for the remainder of the quarter subsequent to the vote was -12.6%.** The sharp decline in the Sterling after the vote only served to further the pain in USD terms. The UK was one of the few countries globally where property securities underperformed broader equities. The FTSE 250, a better indicator of investor sentiment towards the U.K. economy than the FTSE 100, was down 3.9% for the quarter. Property securities for the balance of Europe (ex U.K.) outperformed equities in the Eurozone as measured by the Eurostox 50, which was down 4.7% for the quarter. The LC total returns (ex U.K.) were +2.8% and -0.9% pre and post Brexit, respectively.




**For U.K. property markets, the transition until an eventual EU exit will be filled with uncertainty that is likely to slow business investment and leasing decisions, while also weakening business and consumer sentiment.** The Central London office market faces the greatest downside risk. The single market access enjoyed within the EU has made London the financial center of Europe, as well as an attractive market for the growing technology, media and telecom sector. Not surprisingly, property companies with London office exposure suffered the biggest declines in share prices in the immediate post Brexit sell-off given concerns about weaker demand and downward pressure on rents. Retailers and retail landlords will also be impacted by the uncertainty, likely resulting in the continued flight to quality on the part of retailers that was already ongoing even prior to the vote. While too early to predict how much property values may correct, current market pricing for U.K. property companies that have suffered some of the largest share price declines implies gross asset values by as much as 20% - 30%. Continued low rates and a weak Sterling that is at a 30-year low, which could attract global capital, may help offset some of the possible decline.

**Performance for the balance of Europe (ex U.K.) fared better on a relative basis**, however long-term questions remain over how the balance of the EU will be impacted and whether other countries may one day face similar votes.