

# Nedgroup Investments Global Property Fund

Robert Promisel

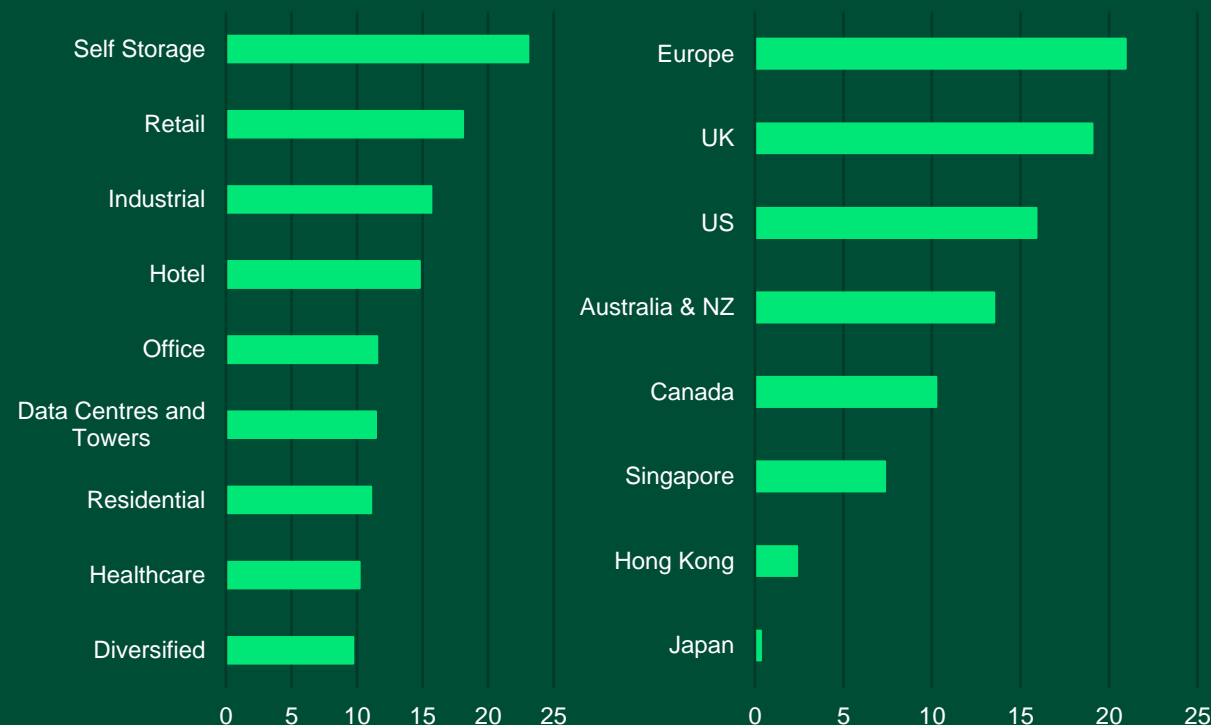
Portfolio Manager of the Nedgroup Investments Global Property Fund

see money differently

Marketing  
Communication

	31 December 2023	30 September 2023	Change Quarter	Change 12 Months
Global Real Estate Securities*	4,933	4,279	15.3%	9.7%
Global Equities^	9,885	8,873	11.4%	23.8%
US 10 Year Bonds	3.88%	4.57%		
US 90 day bills	5.35%	5.46%		

## Subsector and Regional Index Total Returns Quarter ending 31 December 2023



Source: Factsheet

\*FTSE EPRA/NAREIT Developed Index (USD) Net TRI

^MSCI World Developed Total Return Index (USD) Net TR

FTSE EPRA/NAREIT Developed Index local currency as at 31 December 2023

- ▶ Rates “higher for longer”
  - ➡ Bonds sell-off
- ▶ REITs lagging broader equities
- ▶ Property transaction activity stalled
- ▶ Cap rates widening
- ▶ REIT operating conditions sound but higher finance costs
- ▶ REIT balance sheets well positioned
- ▶ Select areas of real estate distress / dividend cuts
  - U.S. Office
  - Highly levered European stocks

# Performance



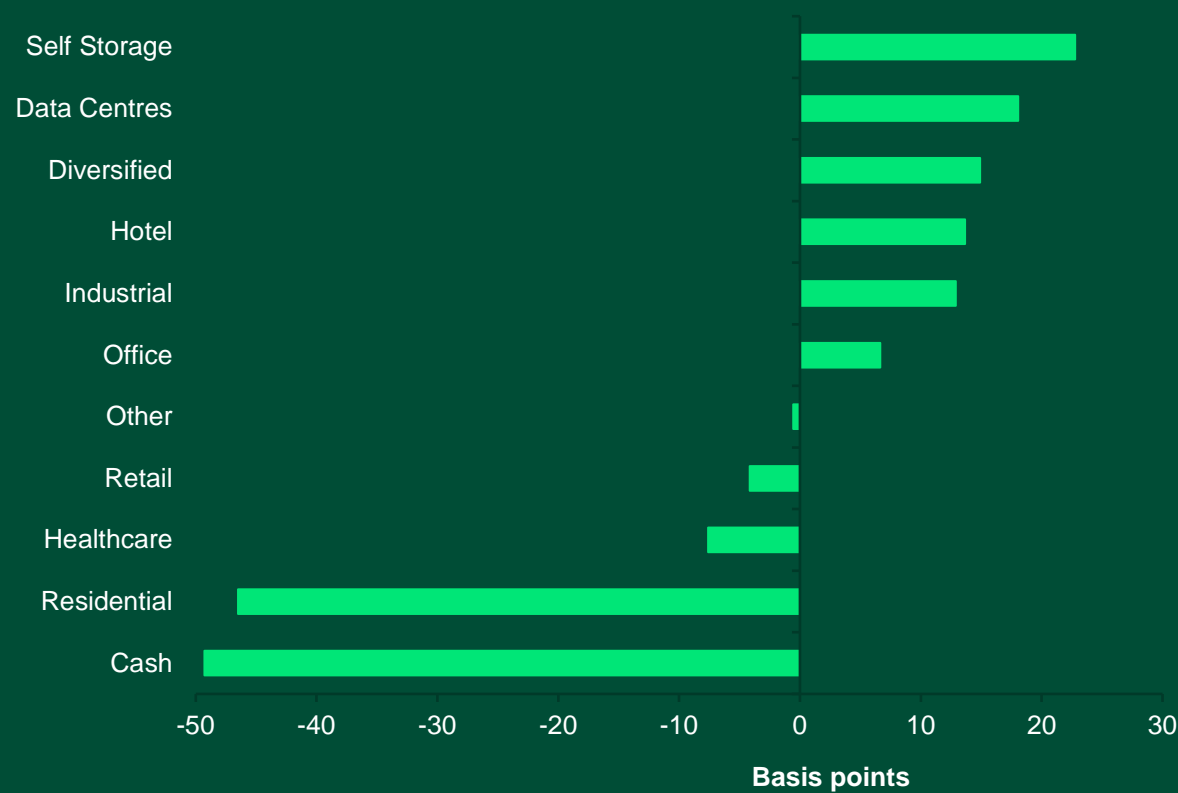
Periods to 31 December 2023	Nedgroup Investments Global Property A (USD)	FTSE EPRA Nareit Developed NR USD	Excess Return
Quarter	14.7%	15.3%	-0.6%
1 year	8.1%	9.7%	-1.6%
3 years (p.a.)	0.2%	1.2%	-1.0%
5 years (p.a.)	3.4%	2.8%	0.6%
Since Inception* (p.a.)	2.3%	1.5%	0.8%

# Sector and Regional Attribution

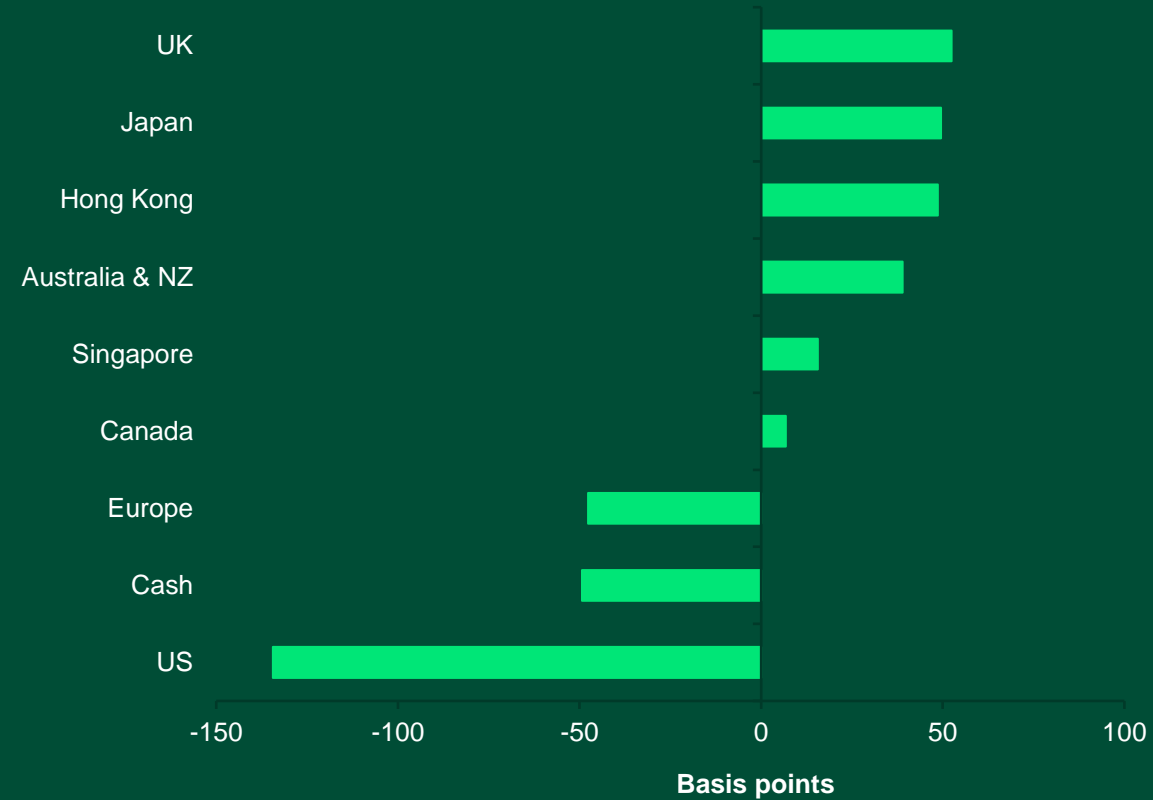
## Quarter to 31 December 2023



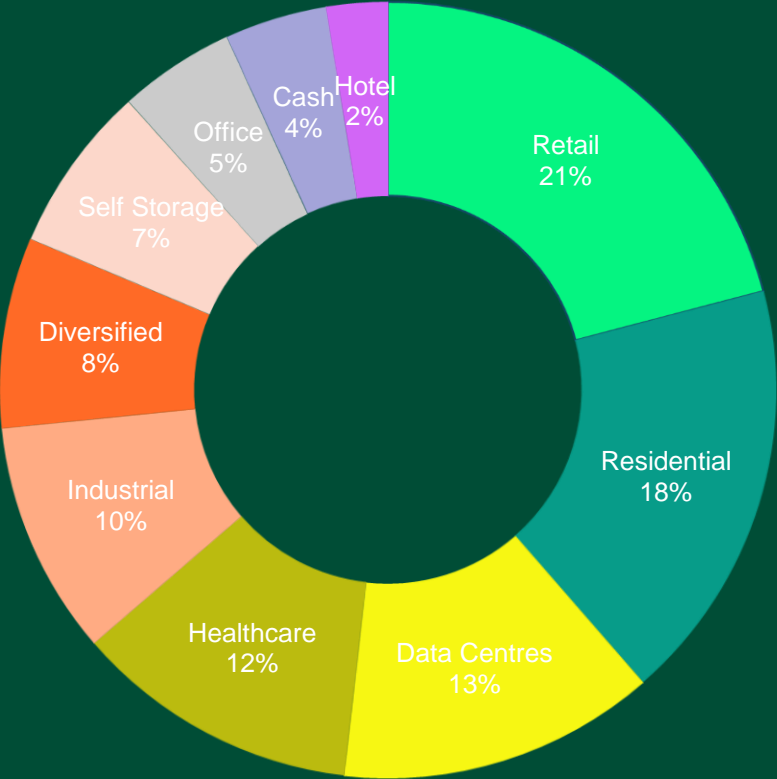
Sector Attribution



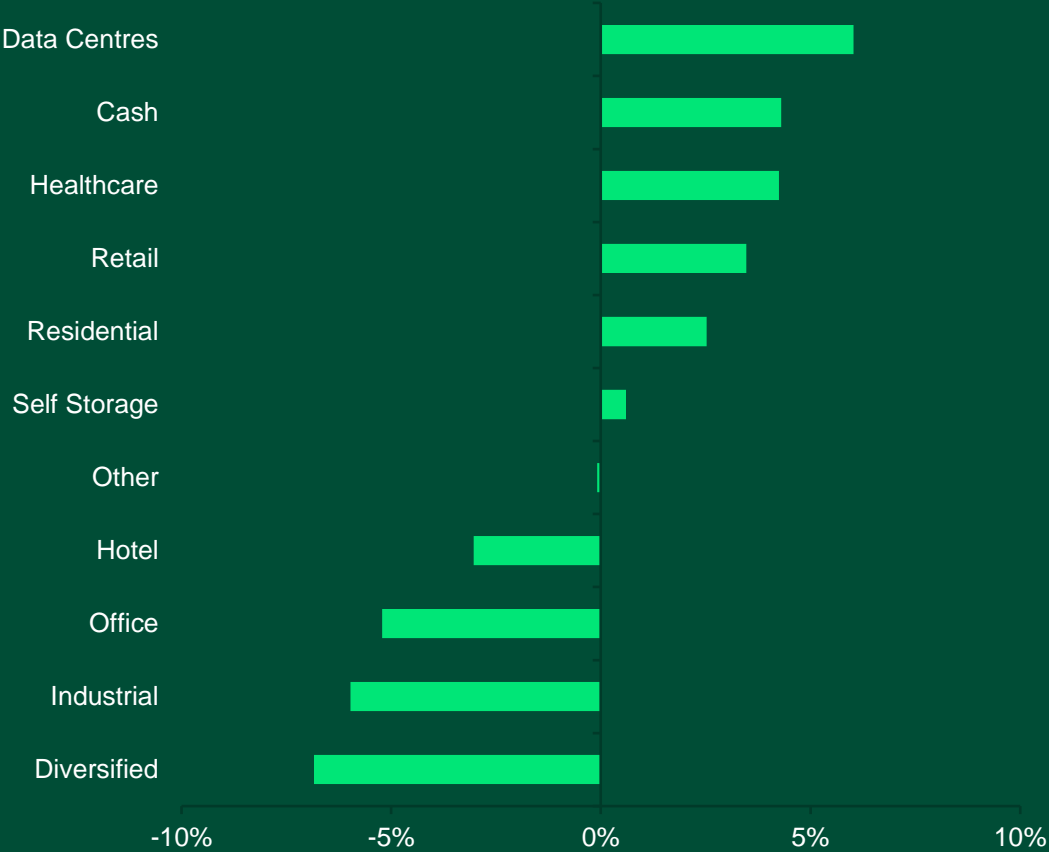
Regional Attribution








Portfolio Sector Exposure



Over/Underweight versus Performance indicator



# Global REITs – Economically relevant real estate

RESIDENTIAL 18%	DATA CENTRES / TOWERS 13%	HEALTHCARE 12%	LOGISTICS 10%	NECESSITY RETAIL 10%
				
Housing undersupply	Digitisation, AI	Ageing Population	Supply chain realignment	Return to the store

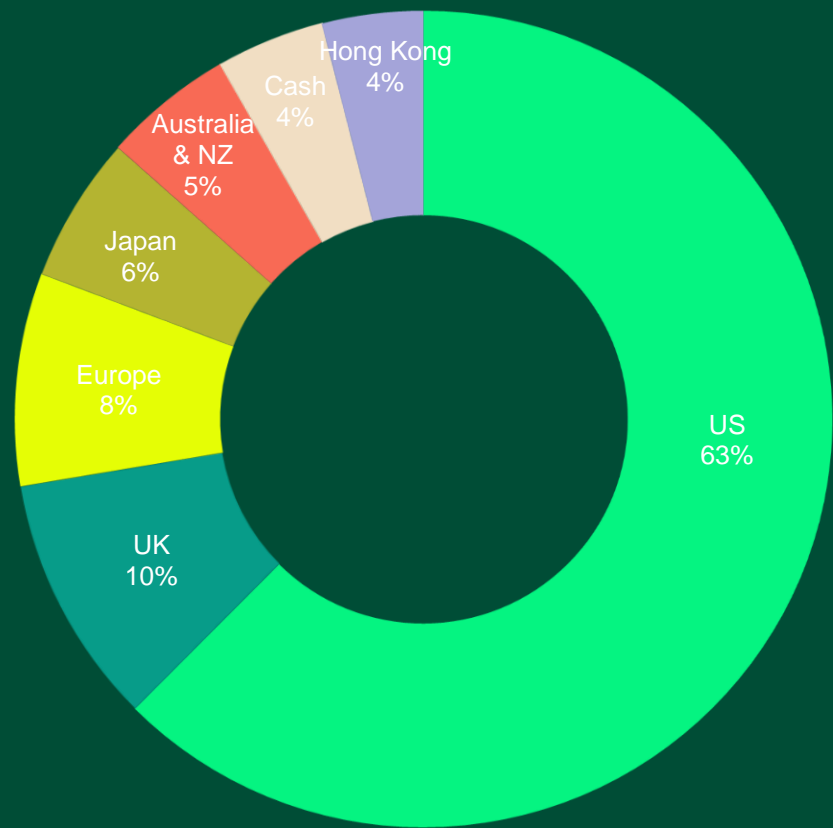


NB: % represents the proportion of the sector in Resolution Capital Global Hedged Strategy as at 31 December 2023.

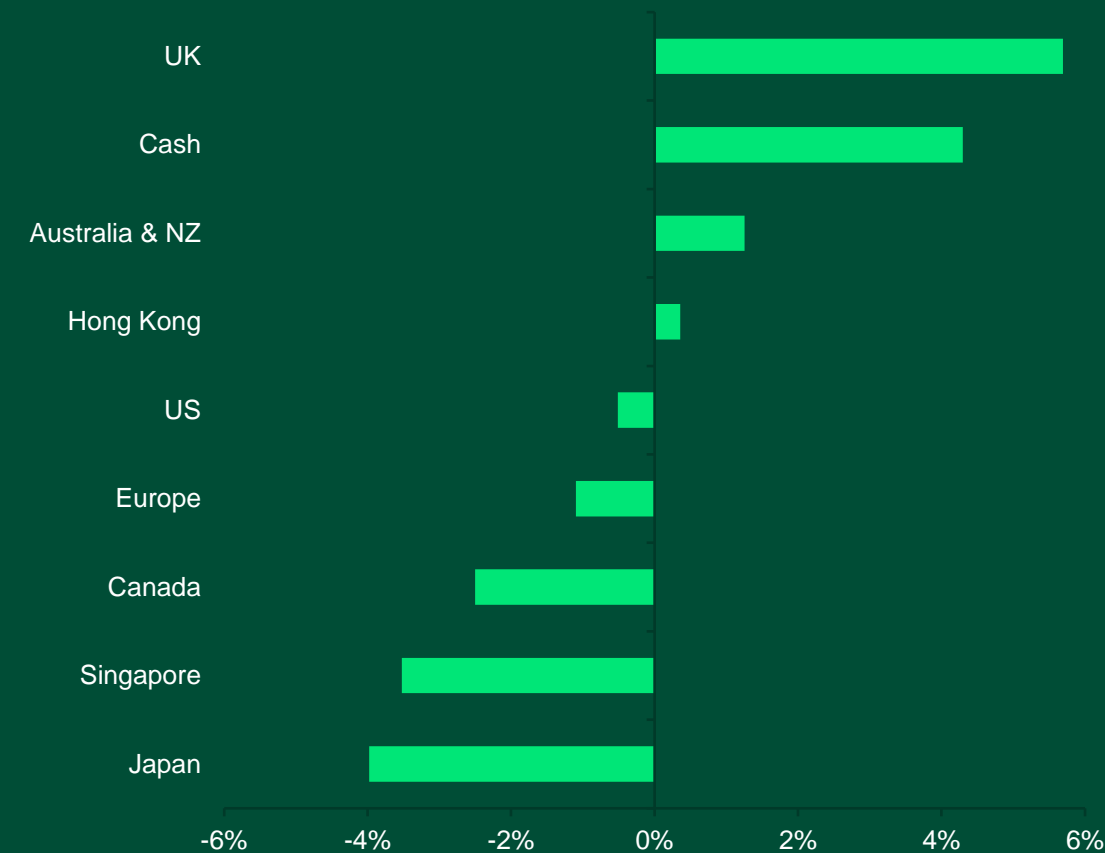
# Regional Positioning



Portfolio Regional Exposure



Over/Underweight versus Performance indicator





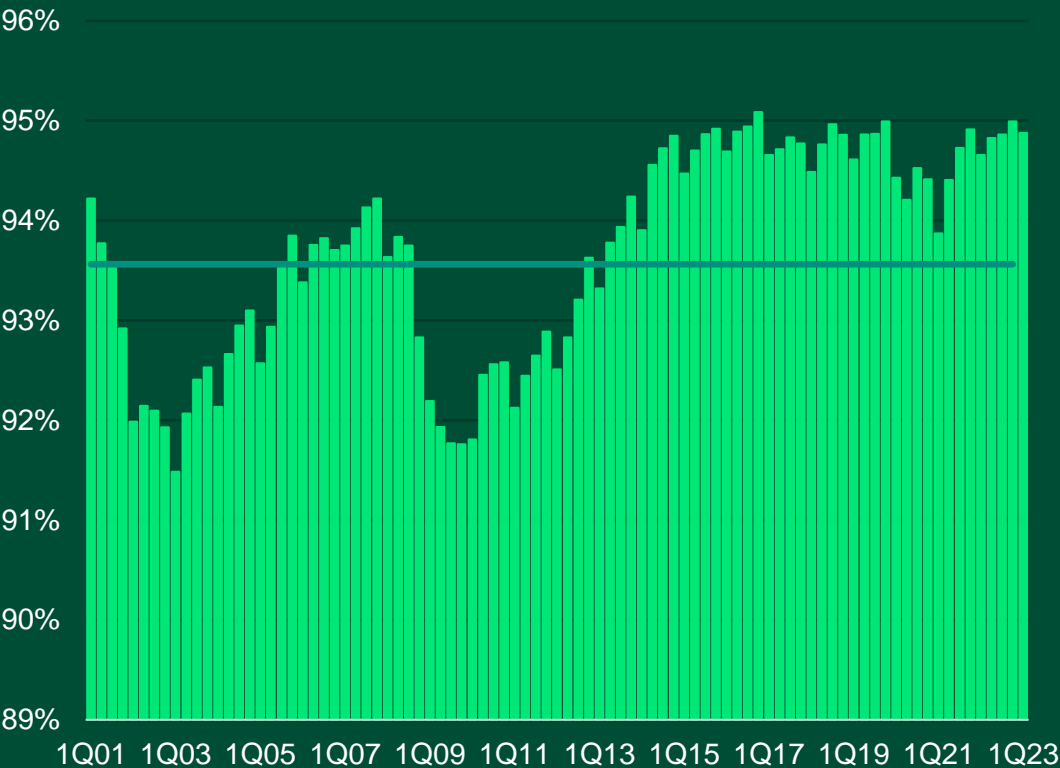
# Top 10 Holdings



Stock	Sector	Listing	% of portfolio*
Prologis	Industrial	US	6.5%
Equinix	Data Centres and Towers	US	6.5%
Welltower	Healthcare	US	6.2%
Invitation Homes	Residential	US	4.3%
Digital Realty Trust	Data Centres and Towers	US	4.3%
Realty Income	Retail	US	4.0%
Mitsui Fudosan	Diversified	Japan	3.7%
Federal Realty	Retail	US	3.6%
Equity Residential	Residential	US	2.7%
Link	Retail	Hong Kong	2.6%
<b>Total</b>			<b>44.4%</b>

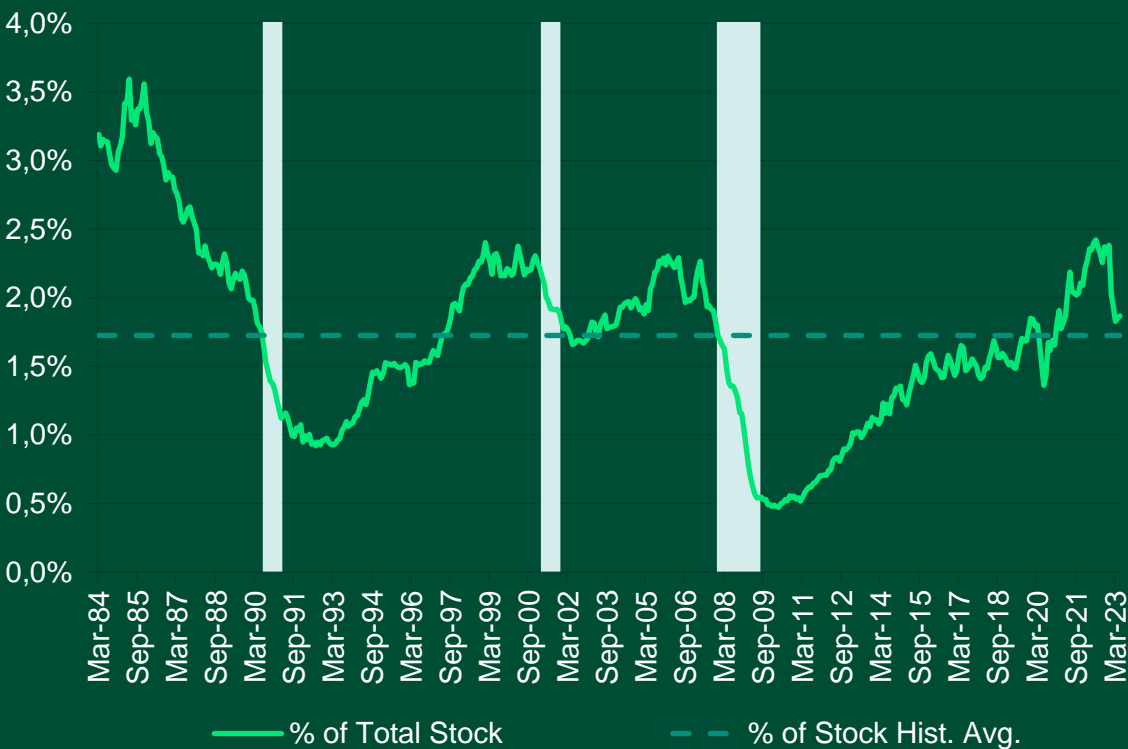
# Solid Fundamentals

## Quality Platforms U.S. REITs: Record High Occupancy



Source: Citi Research 06/2023

## Moderate Supply U.S. Aggregate Construction Starts as % of Inventory

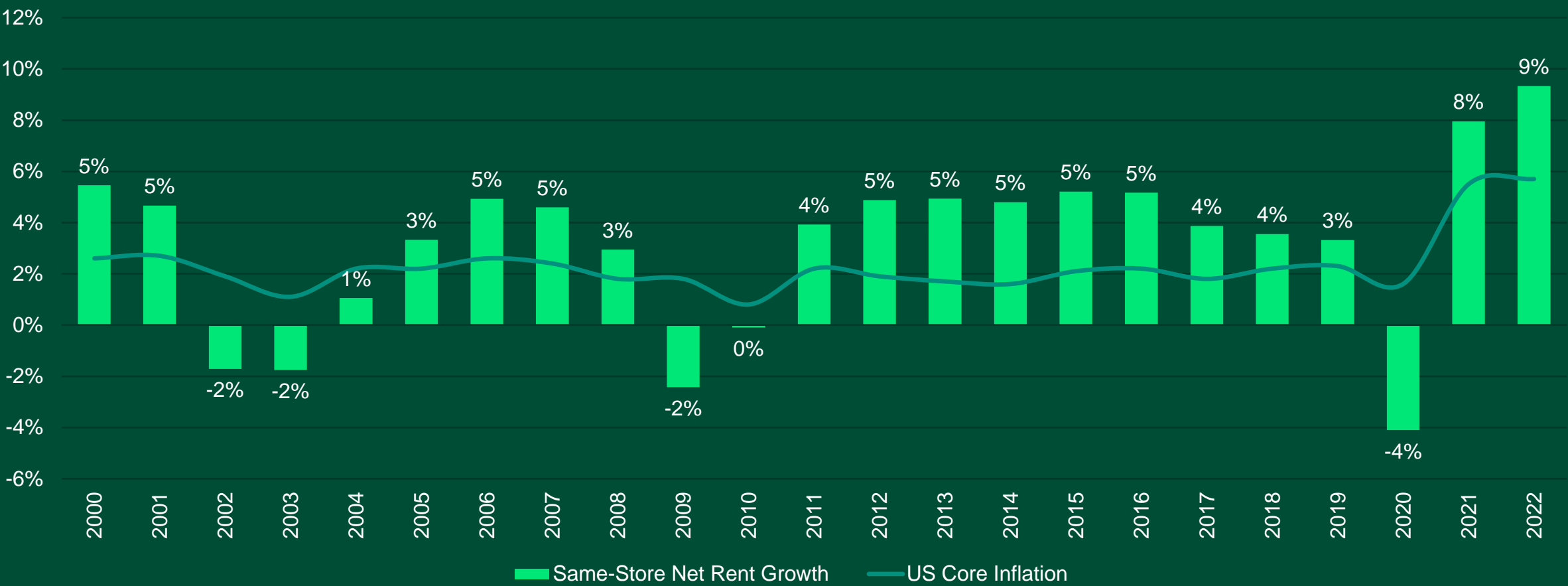


Source: Citi Research 06/2023

# Real Income Growth

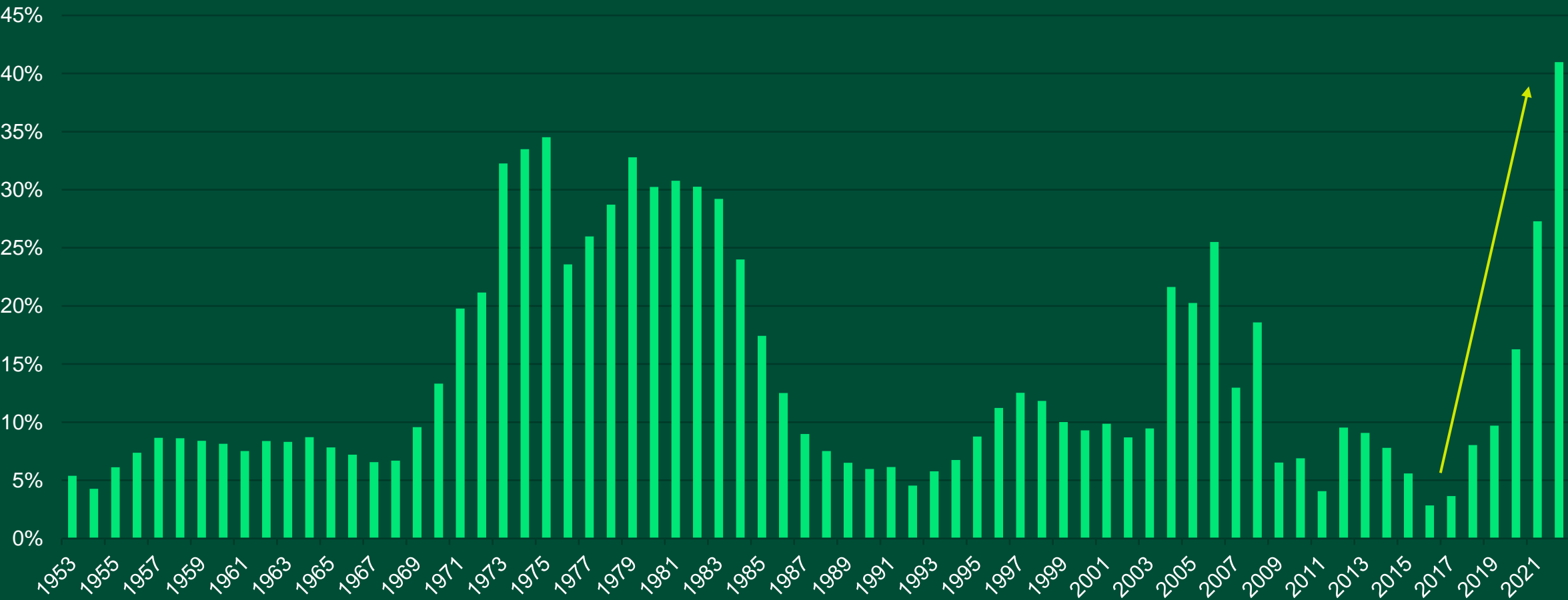


Real Estate Income Growth v Inflation



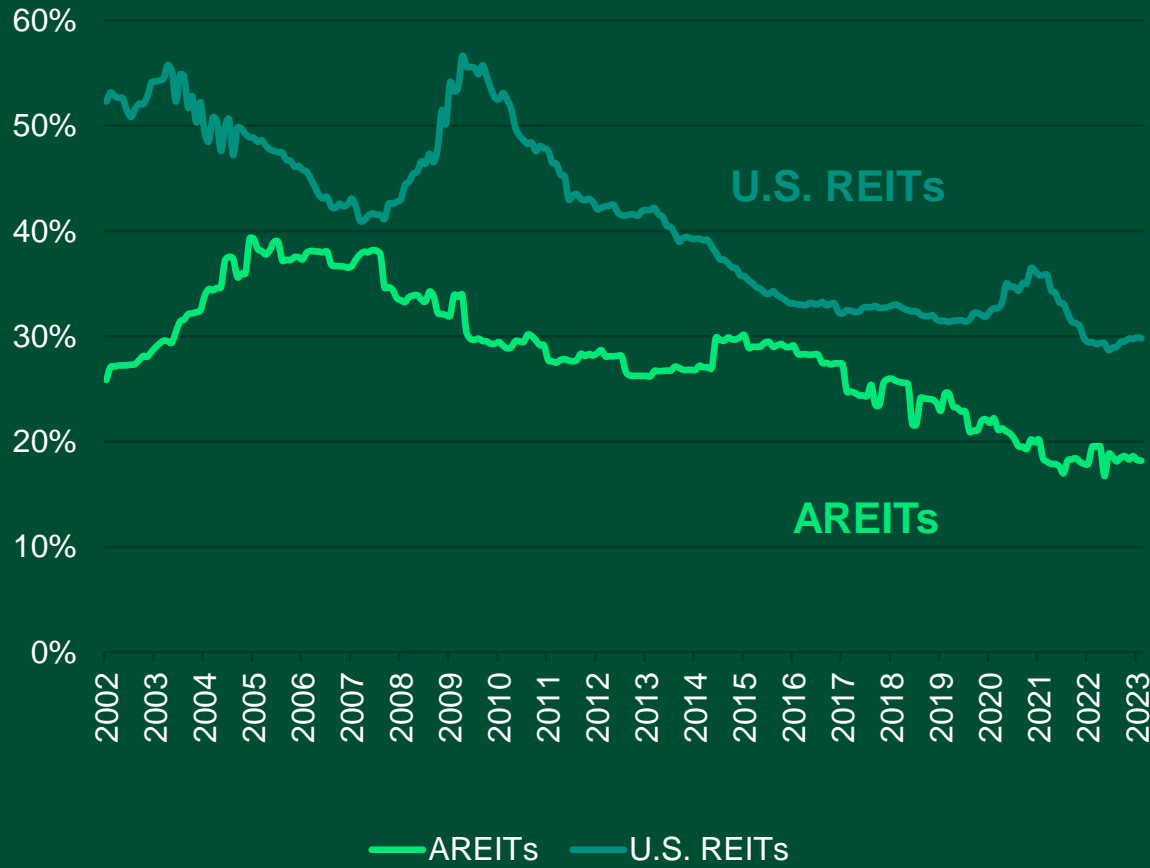
# Rising replacement costs underpins rents

Rolling 3 Year Real Property Replacement Cost Trend



# Sound capital structures

## Net Debt / Gross Asset Value (LTV)

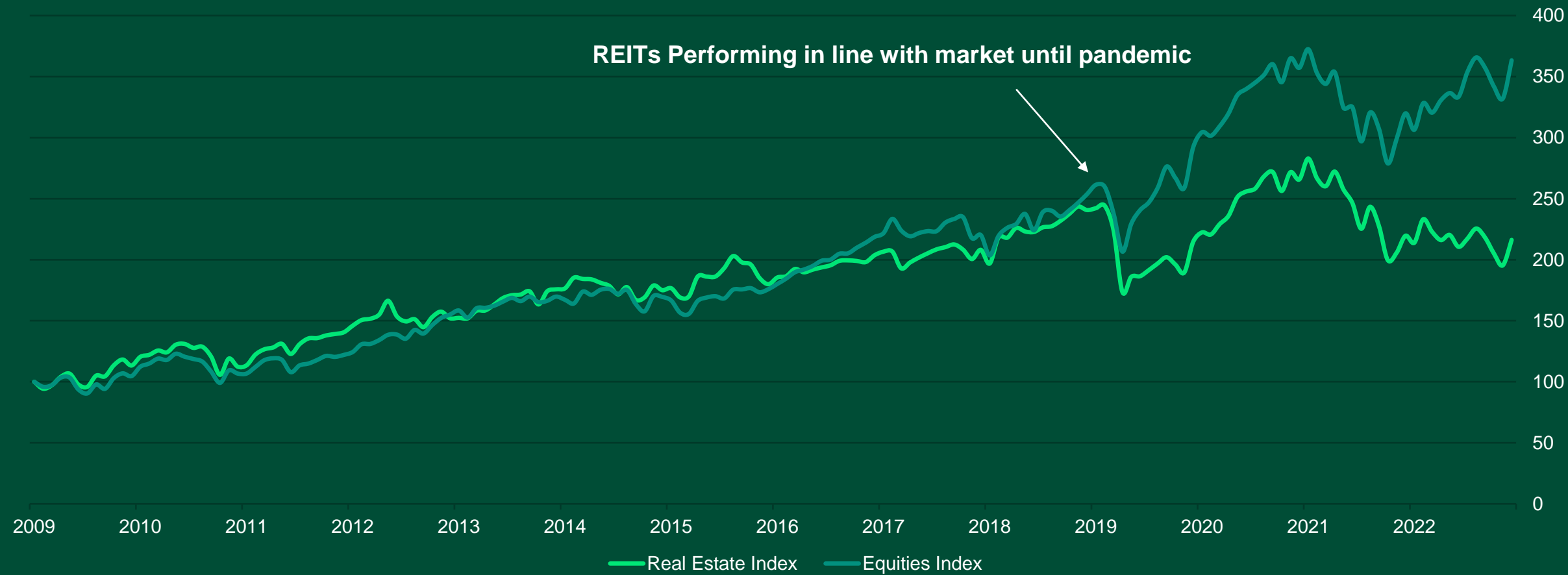


## Resolution Capital Portfolio

- ▶ Modest leverage: LTV 28%
- ▶ Laddered long term debt: Avg 6.7 yrs
- ▶ 88% debt hedged / fixed rate
- ▶ Diversity of debt sources
- ▶ Low dividend payout ratio
- ➔ Positioned to take advantage of opportunities

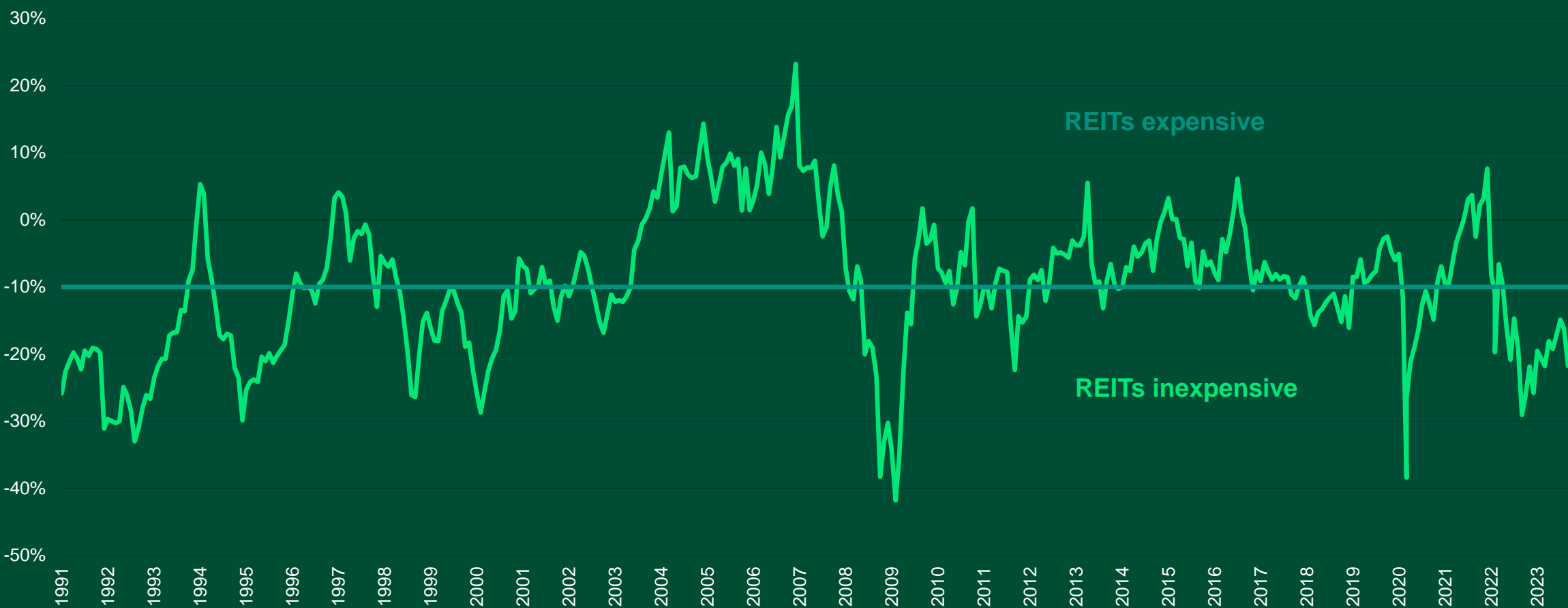
# Opportunity knocks?

Global REITs vs Global Equities Total Returns Index



# REITs: The real estate value play

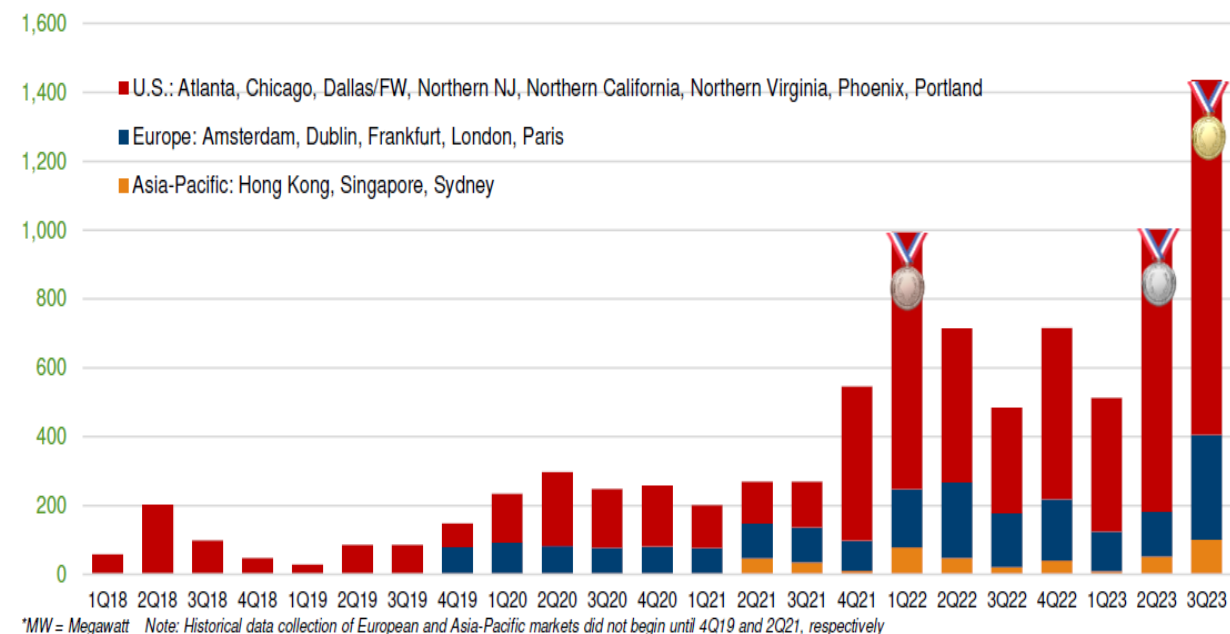
Global REITs – Price to Net Asset Value



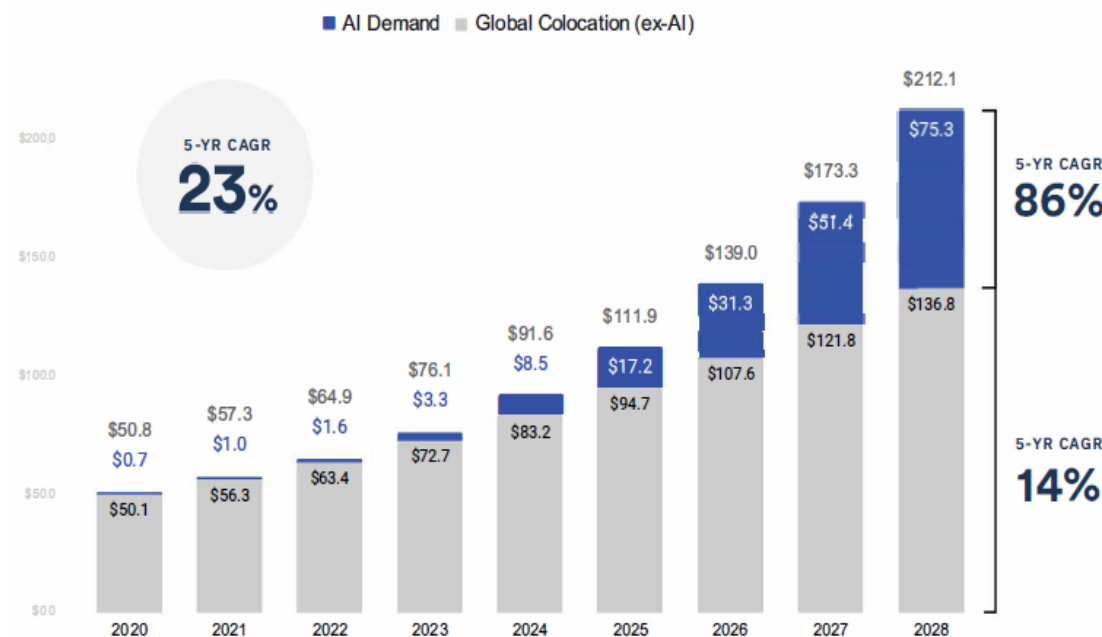
# Data Centres – Digitisation continues

- Record leasing demand absorbing market supply
- Landlord Pricing power has returned – limited availability in key data center markets
- AI – early days but long term positive for data center leasing

Quarterly New Leasing Activity  
Top Global Data Centre Markets (in MW)\*



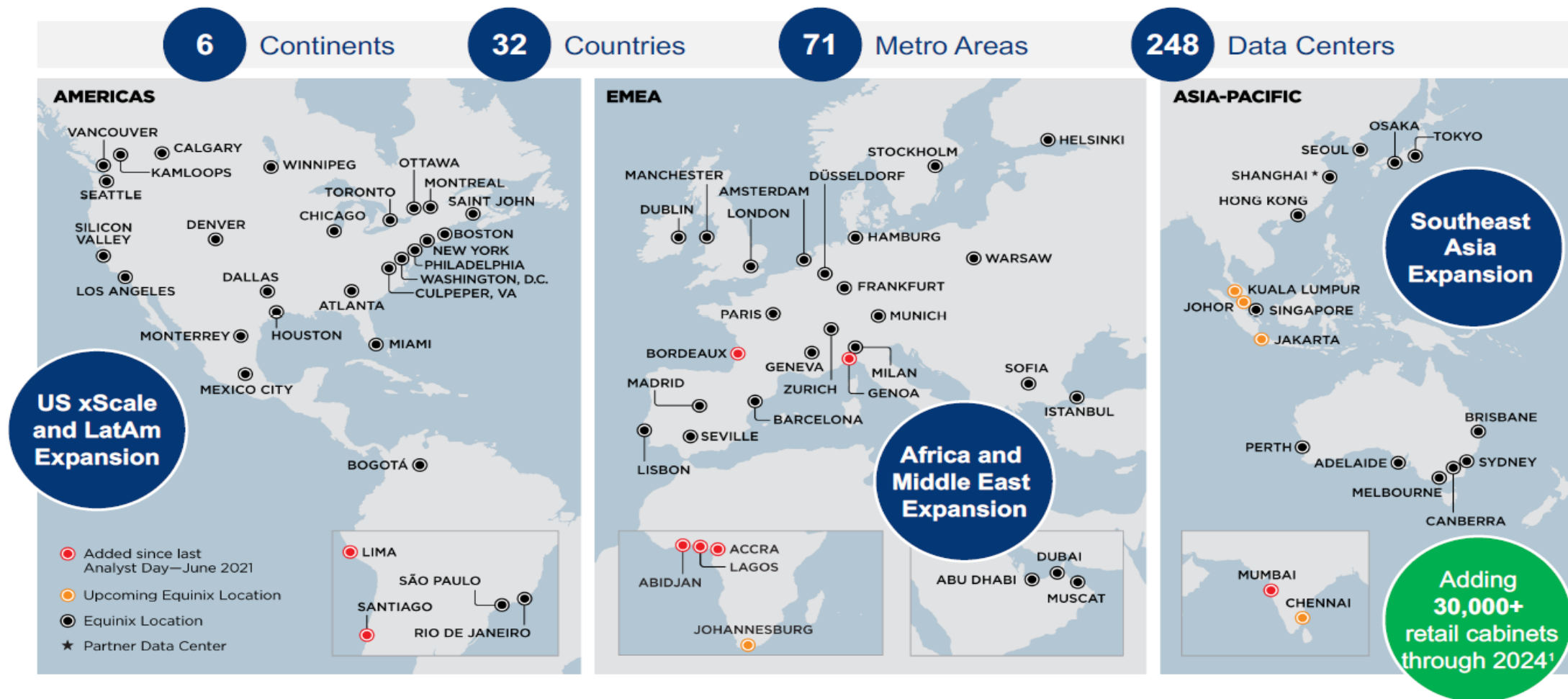
AI Impact: Global Market Forecasts





# Equinix (EQIX) – Critical infrastructure for the global digital economy

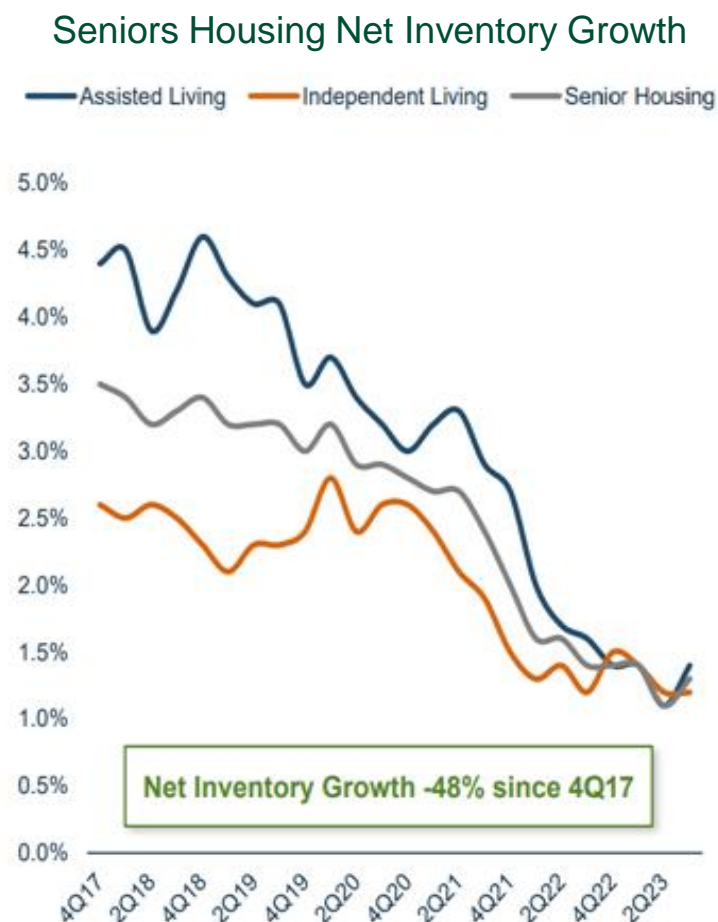
EQIX has a global footprint



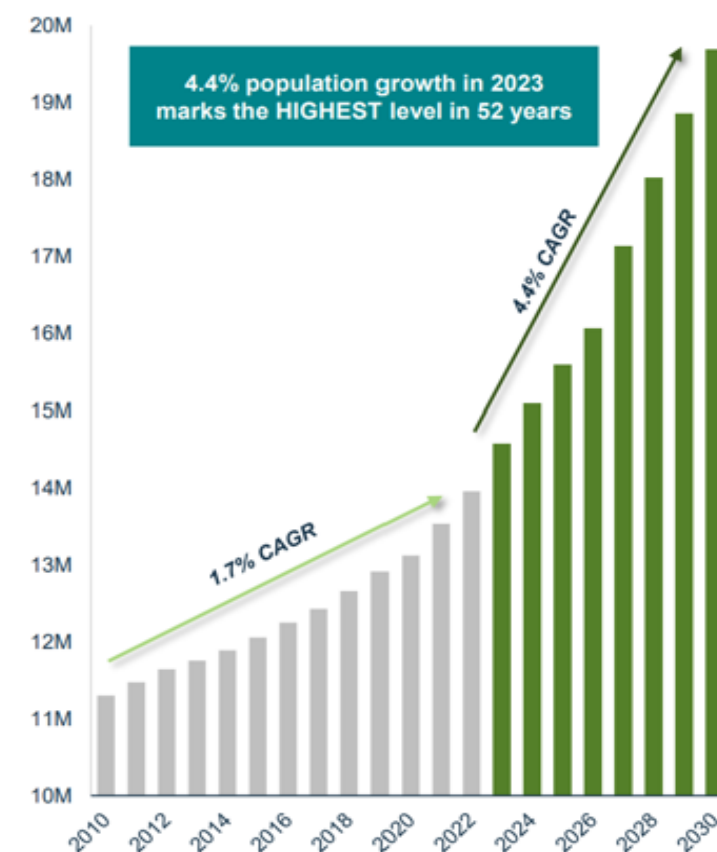
# Healthcare – focused on seniors housing

- Favourable demographics from aging population + needs-based demand = less economically sensitive real estate
- Low levels of new supply
- Occupancy bouncing back but still below pre-pandemic levels
- Operator margins under pressure (expenses), but improving
  - Labour shortage easing

## Dramatic slowdown in seniors housing new supply



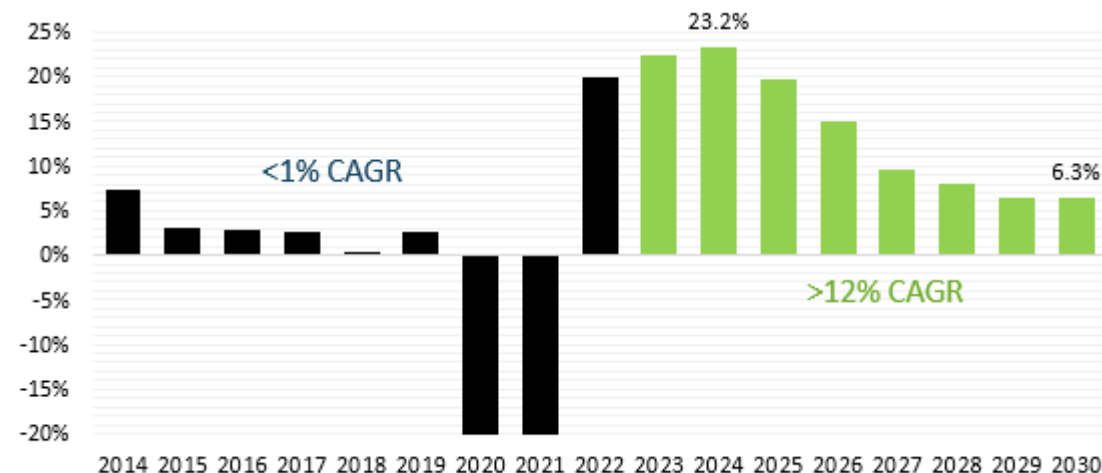
## U.S. 80+ Population Growth



# Welltower (WELL) – Strong Decade Ahead

- Diversified U.S. healthcare REIT: seniors housing (70%), medical office (25%) and post-acute care
- US\$58bn enterprise value
- ~2,000 properties across the U.S., Canada, and UK
  - ~88% of rental income generated in the U.S.
- Strong Occupancy recovery following COVID impact
- Supply / demand imbalance due to aging demographics / limited new supply outlook
- Sound balance sheet
  - 31% LTV, 5.7x ND / EBITDA

## WELL Same-Store NOI Growth – Seniors Housing Operating

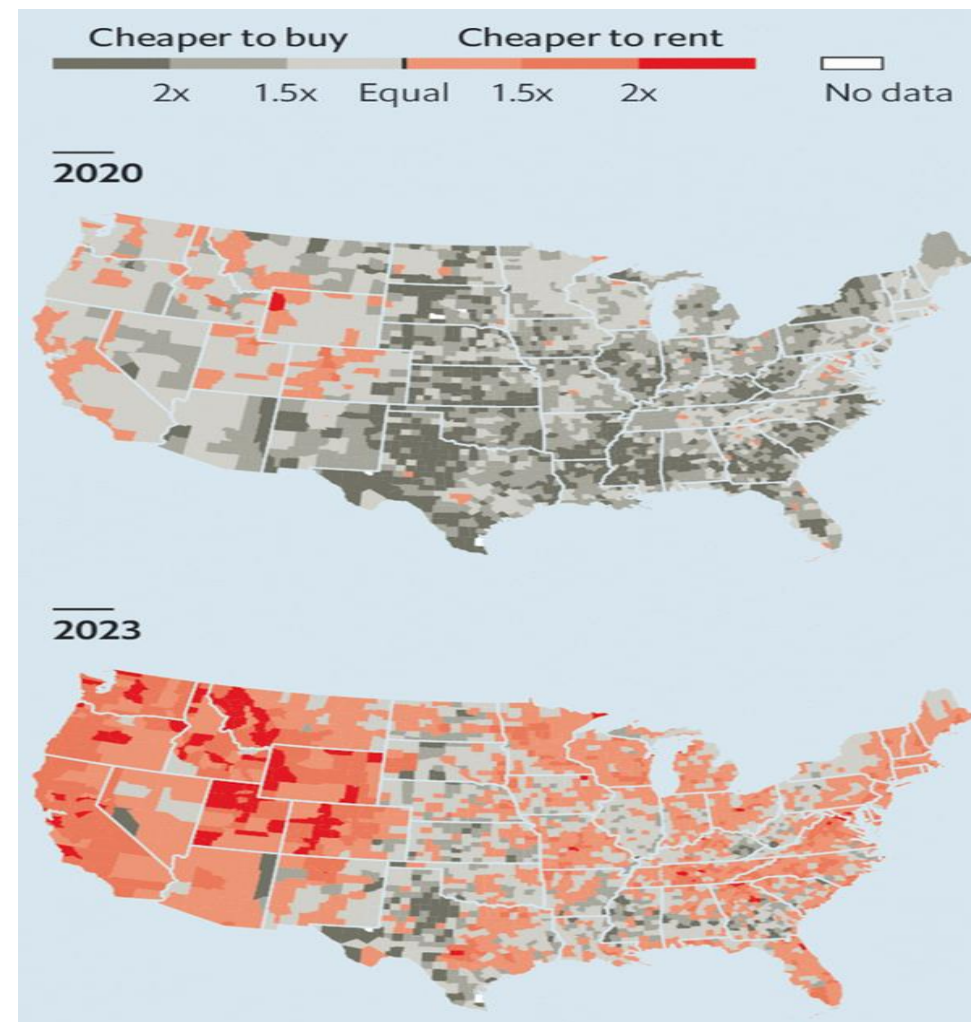


Source: Welltower Company Filings, 06/2023

# Residential – Housing affordability challenge supports U.S. rental market

- Residential = 18.5% of the portfolio (O/W). In the U.S., portfolio focused on:
- **Coastal U.S. multifamily**
  - Overall apartment deliveries are at historical highs, but supply concentrated in sunbelt markets.
  - Value proposition for coastal living has improved vs sunbelt given significant run up in the latter's rent growth over last few years
- **Single family homes**
  - Cumulative supply deficit of circa 3m homes
  - Demographics support demand given millennials aging into milestones associated with single-family home living
- **MHCs (trailer parks)**
  - Defensive income stream, continued low supply, low capex requirements
- Residential of all types benefitting from mortgages rates > 7% (affordability favors renting). Rent-to-incomes are healthy and can absorb rent increases.
- Risk of recession & job pressures → Strong U.S. residential REITs balance sheets provide finance firepower

## Cost of buying vs renting a property



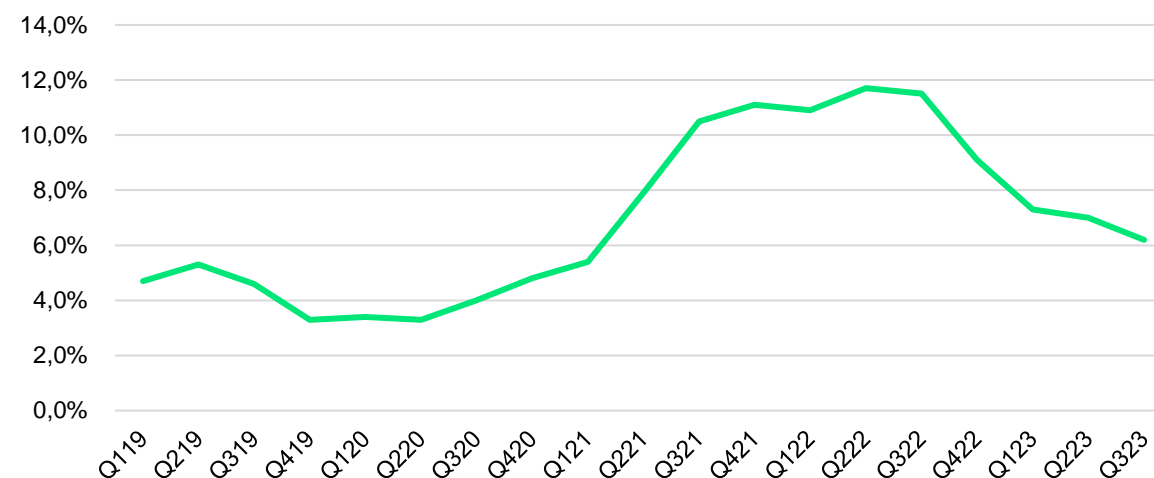
Source: The Economist, Jan 2024



# Invitation Homes (INVH) – “Safe as houses”

- 85,000 rental free-standing homes, US\$28bn enterprise value
- Atlanta, Florida, Phoenix, California, Carolinas, Seattle, Texas
- Created out of sub-prime bankruptcies
- Benefitting from WFH/bulging ‘sunbelt’
  - Portfolio occupancy 97.6%
  - Superior population, jobs, wages growth
- Sound balance sheet:
  - ~30% loan to value (Net Debt/EBITDA 5.3x)
  - Limited debt maturities < 2026

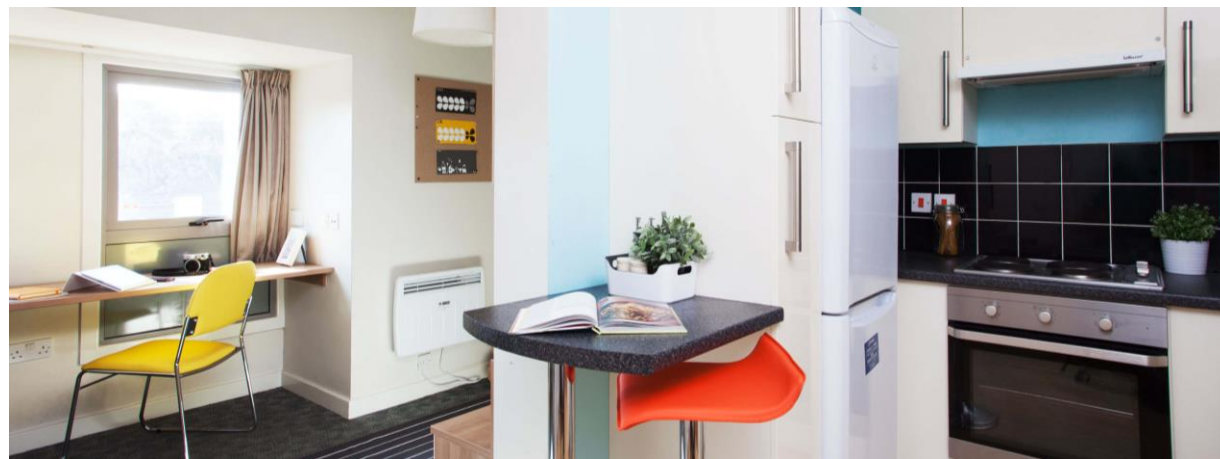
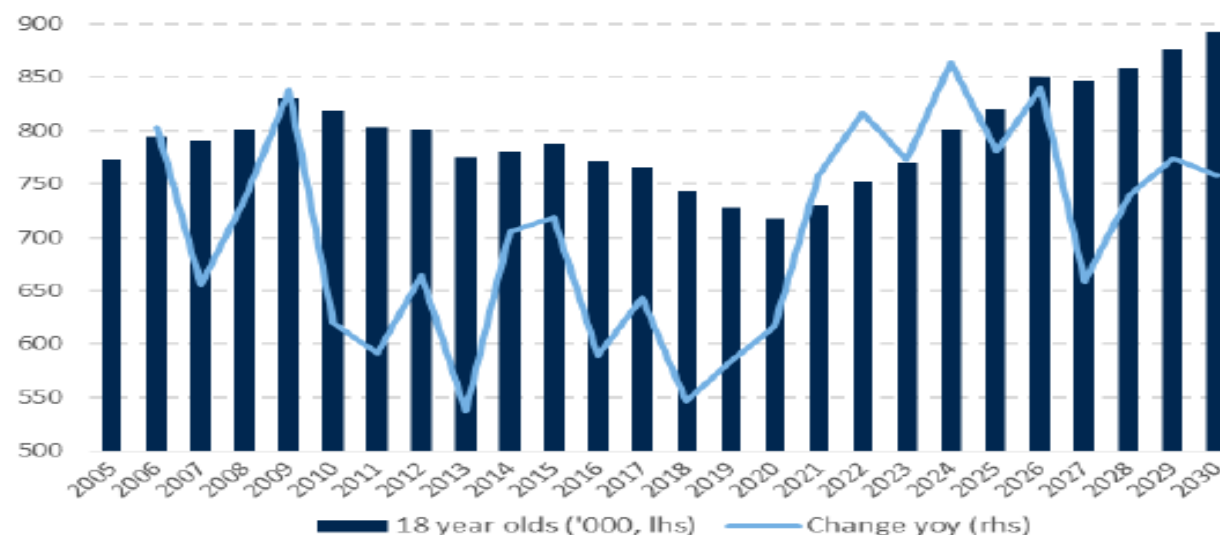
## INVH Rent Growth



# Unite Group (UTG) – First Class Honours

- Leading UK student accommodation provider
  - £6bn portfolio / c.70,000 beds
- Record student demand / constrained supply
  - 99% occupancy
  - 7% rent growth
- Defensive income profile
- Profitable development pipeline enhancing returns
- Solid balance sheet: <6.5x net debt/EBITDA, ~25% LTV
- 3 yr EPS growth forecast avg. 9% p.a.

Number of 18-year-olds in UK increasing circa 22% by 2030

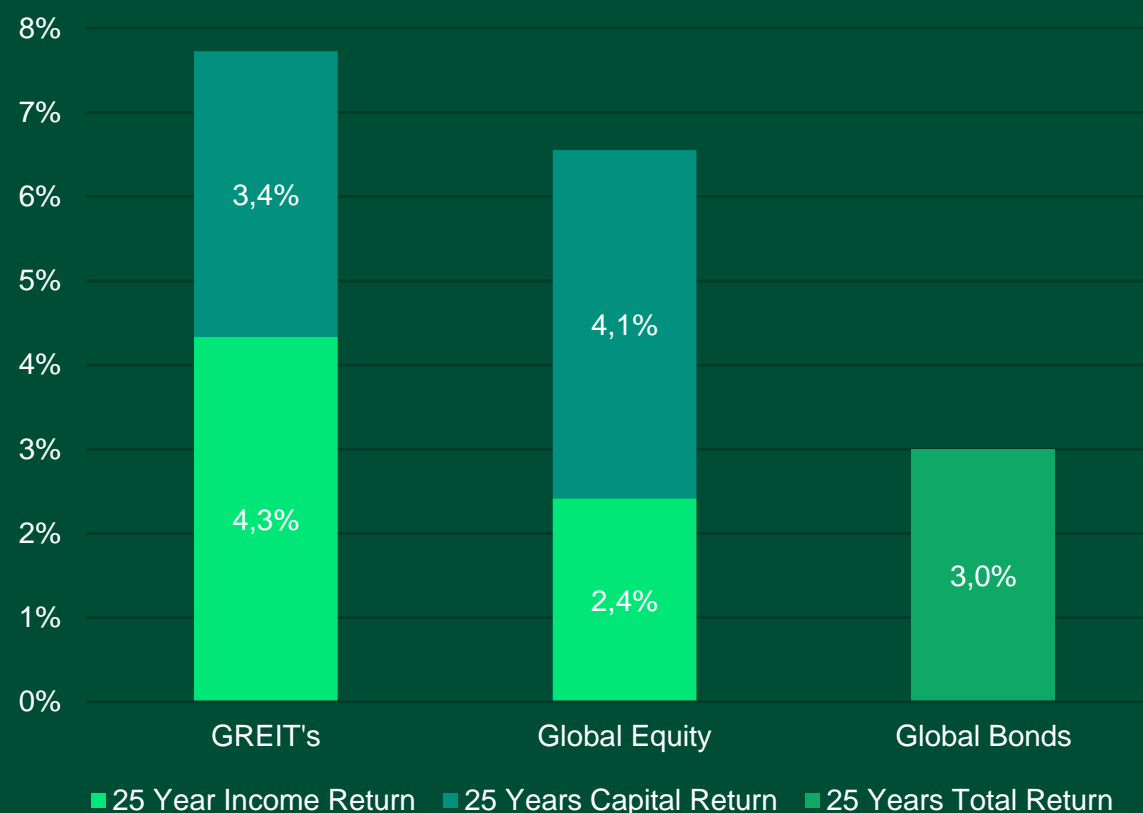


# Outlook – Positioned for Real Returns

- ▶ REITs best-in-class management platforms
  - Above average portfolio occupancy
  - Sustainability + technology leadership
- Supportive supply outlook
- Strong capital structures to take advantage of opportunities
  - Moderate leverage, investment rated
  - Limited short/medium term refinance
  - Sustainable dividends
- ▶ Growing cashflows (Inflation hedge), 5% compound earnings
- ▶ Trading below unlisted valuations

## Building Wealth in your portfolio

### 25 Year Total Return of REITs v Equities v Bonds



# Thank you.

see money differently



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Fees are outlined in the relevant Sub-Fund supplement available from the Investment Manager's website.

The Sub-Funds are valued using the prices of underlying securities prevailing at 11pm Irish time the business day before the dealing date. Prices are published on the Investment Manager's website. A summary of investor rights can be obtained, free of charge at [www.nedgroupinvestments.com](http://www.nedgroupinvestments.com).

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