



see money differently

A photograph of an open book with white pages, tied with a white string bookmark. The book is positioned on the left side of the page, with the pages fanning out towards the right.

## Nedgroup Investments Global Property Fund

Quarter Two, 2021

# Nedgroup Investments Global Property Fund

Commentary produced in conjunction with sub-investment manager, Resolution Capital

Indicator	3 months	1 year	3 years p.a.	Since Inception <sup>#</sup> p.a.
Portfolio*	8.84%	23.01%	7.59%	5.96%
Performance indicator <sup>+</sup>	9.17%	33.58%	6.39%	4.30%
Difference	-0.33%	-10.56%	1.20%	1.66%

\* Net USD return for the Nedgroup Investments Global Property Fund, C class. Source: Morningstar

<sup>#</sup> 12 August 2016

<sup>+</sup> FTSE EPRA/NAREIT Developed Index (in USD Net Ret)

## Summary points

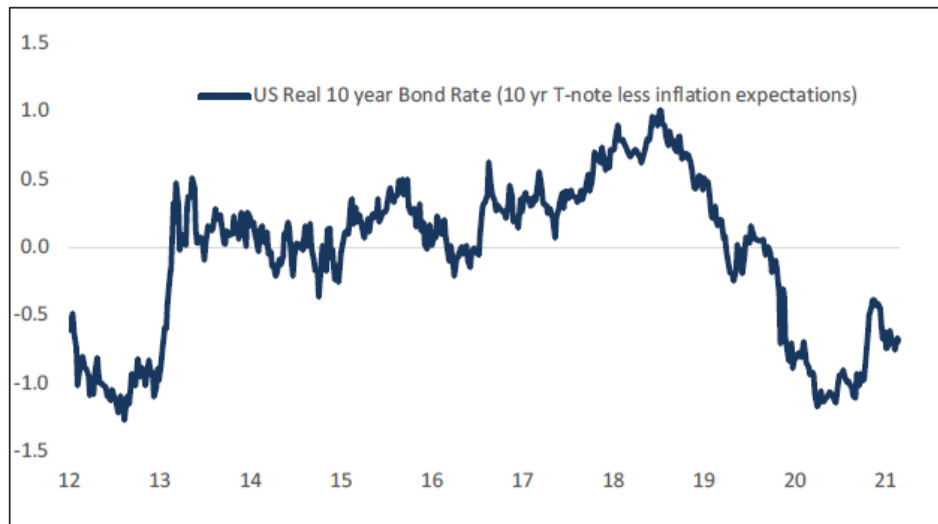
- The better performing real estate sectors in the quarter were self-storage, residential and industrial, all demonstrating solid pricing power which is critical in a more inflationary setting.
- Exposure to specialist network-dense data centres, senior housing and self-storage generated strong returns for the portfolio.
- Strong operating fundamentals also continued in the U.S. residential market, as low interest rates fuelled demand and supply bottlenecks are slowing the production rate of new homes.
- In Germany, the Federal Court found that a Berlin local government rent freeze introduced in 2019 was unconstitutional.
- Softening office market conditions in Tokyo and Hong Kong have reduced earnings growth outlooks.
- Commercial real estate currently exhibits limited evidence of excessive property development activity.
- US replacement cost of construction expected to increase over 20% for the two-year period through 2021, the fastest rate ever.
- REIT M&A heated up during the quarter with a slew of transactions including several public-to-private deals.
- The portfolio remains oriented to sectors and companies that have strong secular tenant demand drivers and appropriate capital structures.
- Select smaller exposure to sectors with the prospect of improvement in cashflows as the pandemic eases.

## Market and portfolio commentary

Global REITs generated strong positive returns, buoyed by a confluence of supportive factors, most importantly improving operating conditions for real estate, but further enhanced by elevated industry mergers and acquisition activity. Adding fuel to asset prices generally, many central banks reiterated their commitment to holding interest rates near historic lows for an extended period even as major economies show signs of a strong recovery and rising inflation became the topic du jour.

After rising sharply in the prior quarter, interest rates retraced, with markets seemingly accepting the view that inflationary pressures will be transitory. While this is certainly the view espoused by many central banks, the U.S. Fed nevertheless brought forward its timeline for potential rate hikes to 2023, signalling that it stands ready to moderate monetary policy settings earlier than previously indicated if required. We view the shift in policy timing to be the result of a sharp economic rebound.

## US real bond yield

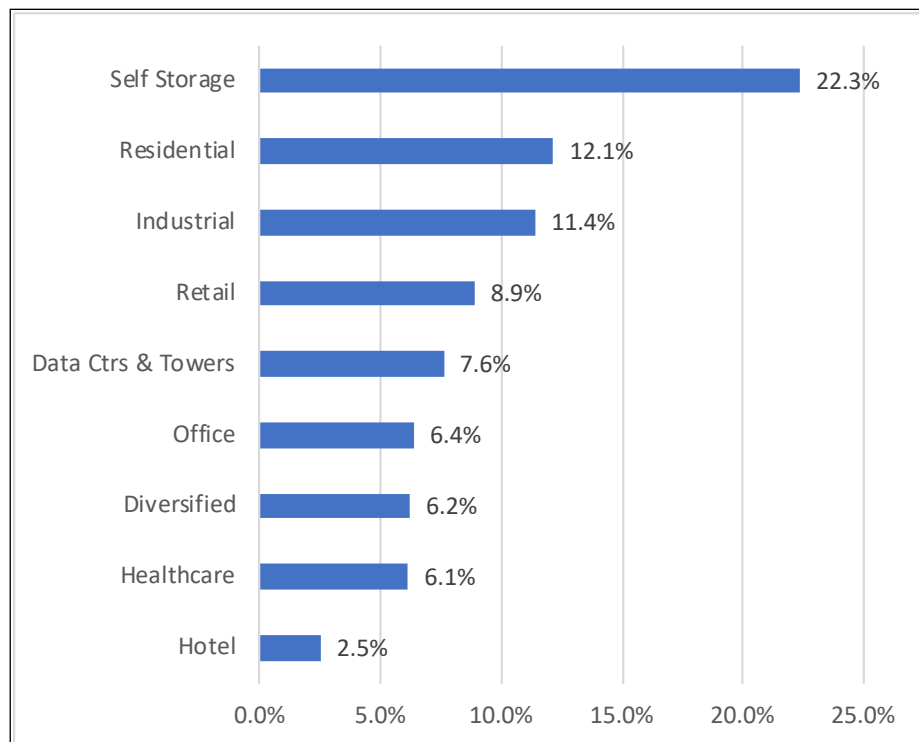


Source: Bloomberg

Across the broader equities market, growth stocks marginally outperformed value as the re-opening trade matured and interest rates eased. Global REIT sub-sector performance was more mixed with hotels (value) at the lower end of the sector returns and data centres (growth) marginally underperforming the group.


The better performing real estate sectors were self-storage, residential and industrial – all demonstrating solid pricing power which is critical in a more inflationary setting. Importantly, leases for storage and residential are typically short in duration (1 month and 1 year respectively) and thus more responsive to changing conditions.

## Qtr Ending 30 June 2021 REIT Sector Total Returns\*



Source: FactSet, RCL, FTSE EPRA Developed Index

Portfolio returns were in line with the index over the quarter as positive contributions from stock selection in data centres and healthcare were offset with negatives in office and retail.



Our exposure to a specialist network-dense data centre REIT generated strong returns for the quarter. This was arguably a combination of solid underlying operating performance and news that the stock was to be included in the widely recognised global real estate benchmark, the FTSE EPRA NAREIT Global Real Estate Index. With an equity market capitalisation of ~US\$70bn, on full weighting, the company is likely to be the second largest stock in the benchmark, with an index weight of circa 4% based on current prices. The company remains our preferred exposure in the data centre sector due to stronger pricing power afforded by its network-dense focus.

Elsewhere our exposure to senior housing and medical office buildings, generated strong returns as the market became more confident of its earnings recovery. By now, the majority of its residents have been vaccinated and senior housing communities are once again accepting new entrants into this needs-based shelter.

Self-storage enjoyed strong gains in the quarter with Portfolio overweight exposures to two positions providing notable positive contribution to performance. Transactional evidence suggests REITs are “cheap to the real estate” while there is mounting operational evidence that record-high occupancy levels are proving sticky despite lock-down restrictions being eased. Strong economic growth and a robust housing market support storage demand. As a result, landlords are achieving 8-10% rent increases on existing customer contracts and new lease rates are positive.

Strong operating fundamentals also continued in the U.S. single family home market. Current conditions highlight the issues vexing central planners trying to stimulate the economy with low interest rates, while at the same time supply bottlenecks are slowing the production rate of new homes, contributing to a squeeze on home prices, rents and affordability.

In the U.S., despite strong demand and surging home prices, some home builders have reportedly slowed production in light of labour and materials shortages. House prices are rising at the fastest pace in over a decade, if not decades, in many major markets. In Austin Texas, over the past year homes have been selling at an average 7% above the list ask price. Only a decade after excessive home building helped cause the GFC, the U.S. is now experiencing a shortage of circa 3 million homes which is unlikely to be resolved any time soon.

Housing pressure is a global issue. In Germany, local government attempts to curb rent growth through regulatory hurdles were dealt a blow in Berlin when the Federal Court found that a rent freeze introduced in 2019 was unconstitutional. Regardless of legality, the rent cooling measure simply served to dissuade new supply or modernising existing rental homes, exacerbating the demand-supply imbalance. Clarification of the regulatory situation opened the way for Vonovia (VNA), the German apartment landlord behemoth, to launch a €29 billion all cash takeover bid for Berlin specialist apartment owner Deutsche Wohnen (DWIN). The German residential market remains highly regulated and a politically sensitive issue, which in some respects suggests meaningful supply will be difficult to deliver and rental increases met with hue and cry.

Asian property developers also detracted from performance, particularly office focused holdings. The rotation from value stocks, together with softening office market conditions in Tokyo and Hong Kong, limited earnings growth outlooks.

## **Inflation myth-busting**

Despite central planners espousing excessive inflation pressures to be temporary, investor focus on the impact of inflation on real estate and REITs has not been quelled.

It's worth noting that some of us started our careers in a period of mid/high single digit inflation with nominally high and rising interest rates. In that environment, real estate was seen as a hedge against inflation as long as the economy expanded and rents increased. We learned that the issue to be most concerned about was excessive property development activity, particularly debt fuelled, which ultimately led to excessive vacancy rates and clogged the debt market with non-performing loans. As far as commercial real estate and REITs are concerned, we see limited evidence of this dynamic today.

Over much of the past two decades the narrative to justify positive REIT returns has focused on declining nominal interest rates being a tailwind for yield-focused investors.

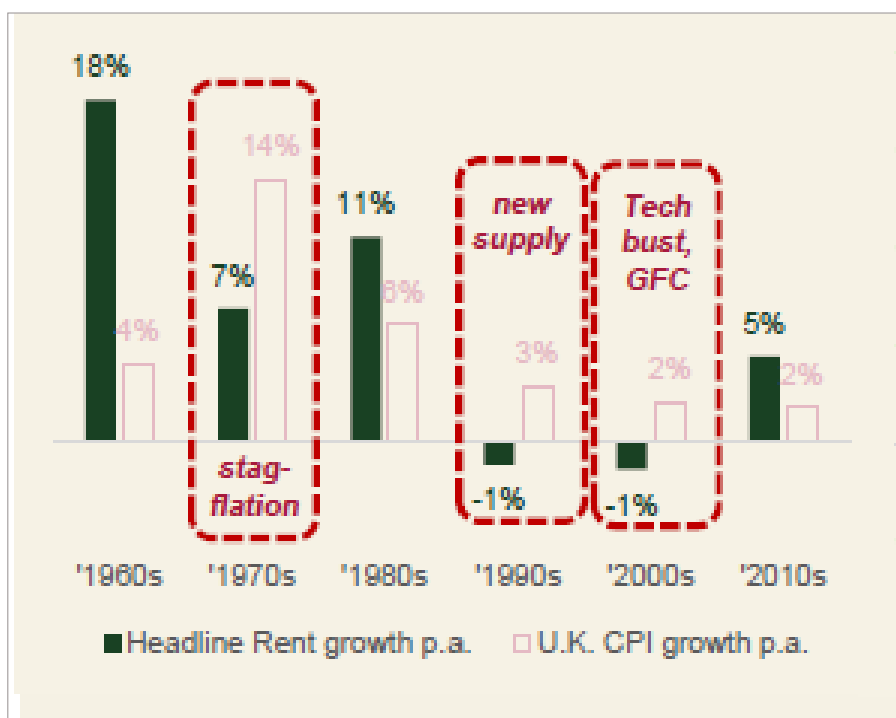
Our contention remains that it is vital to focus on strong operating fundamentals, and more specifically, segments of the property market that offer robust tenant demand and low vacancies, which should result in real pricing power for landlords. We see the disparate performance of retail shopping centres versus logistics property over the past decade as evidence of this dynamic – the land and buildings must be relevant to the needs of the economy, regardless of interest rates.

Interest rates are an outcome of broad economic conditions and have a bearing on appraisal of all assets and attitudes to spending and saving. It seems market commentators or those with vested interests alter the narrative to find a convenient explanation based on prevailing macro conditions rather than real estate market dynamics.

Following significant disruption in 2020, real estate operating fundamentals are stabilising and confidence continues to grow as 2021 unfolds. REITs report greatly improved rent collections, and tenants are renewing and expanding their space needs. Office users remain the most circumspect and retail is the most improved in markets emerging from lock-downs as a consequence of advancing vaccination rates.

Our two caveats for this supportive backdrop are: (1) economic growth that creates the conditions for more commercial building space demand; and (2) an absence of excessive building supply causing elevated property vacancy rates. We remember that it took almost a decade for Australian and London City office markets to absorb the over-building of the late 1980s and for the assets to produce competitive returns.

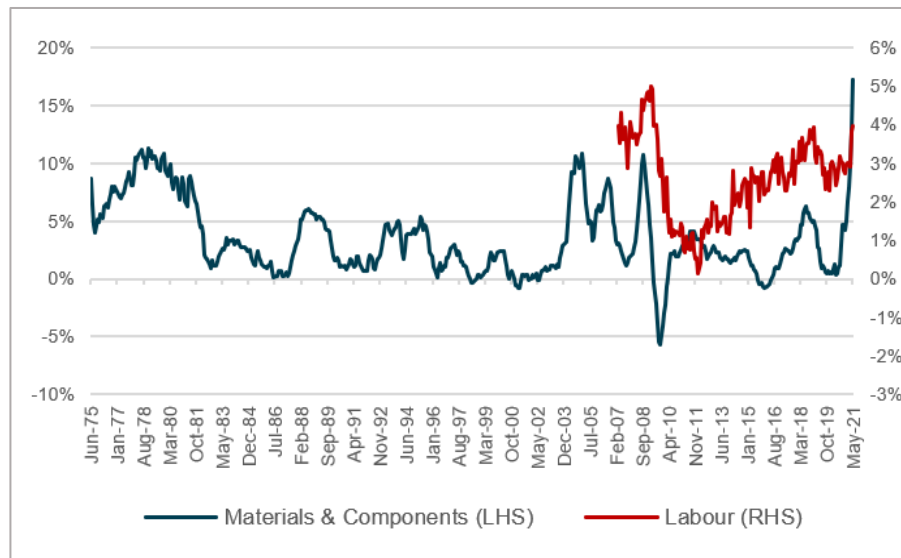
### London City Office Rent Growth and Inflation



Source: London School of Economics, Oxford Economics, Green Street Advisors

It is also important to note the impact that broad-based inflation can have on the economic rent, i.e. the rent required to justify new construction. If inflation is transmitted to the cost of construction, developers will charge higher rents to justify new projects – so long as they are building space to cater for growing segments of the economy. Rising construction costs have certainly been a more prominent feature in recent months – with logistics REIT Prologis (PLD) noting on its Q1 earnings call “We have begun to see a rapid acceleration in replacement cost. In the US, we expect replacement cost to increase 20% to 25% over the two-year period through 2021, the fastest rate ever”.

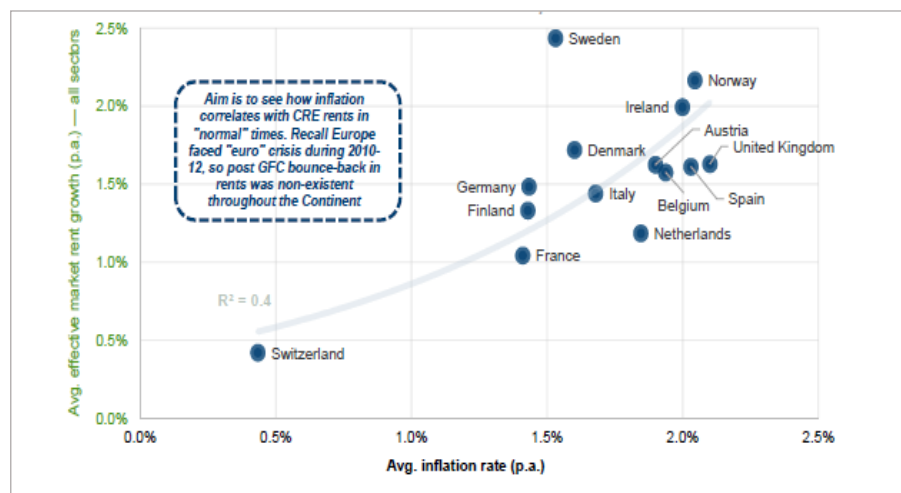
## Cost of construction (US PPI %yoy)



Source: Bloomberg

Real estate sub-sectors can also respond differently to inflation. Sectors that have shorter duration contracts such as hotels (daily contracts) and self-storage (monthly contracts) can re-price much more quickly than longer lease duration sectors such as office and retail. While investors need to pick their spots, it is important to recognise that rents and values can, and have, performed well in inflationary periods.

## Inflation vs Rental Growth 2000-2020\*



\*excludes 2008-09 GFC and 2020 pandemic

Source: London School of Economics, Oxford Economics, Green Street Advisors

While it may be that the current inflationary forces are only temporary, the Portfolio is nevertheless exposed to segments of the real estate universe that are enjoying solid pricing power due to strong secular trends – some of which have been reinforced by Covid:

- Logistics - ecommerce
- Data centres and cell towers – digitisation
- Life Science lab/office – med-tech
- Single Family Residential – demographics
- Self-storage – WFH/labour mobility

## M&A – From Grave Dancer to Rave Dancer

REIT M&A heated up during the quarter with a slew of transactions summarised in the following table.

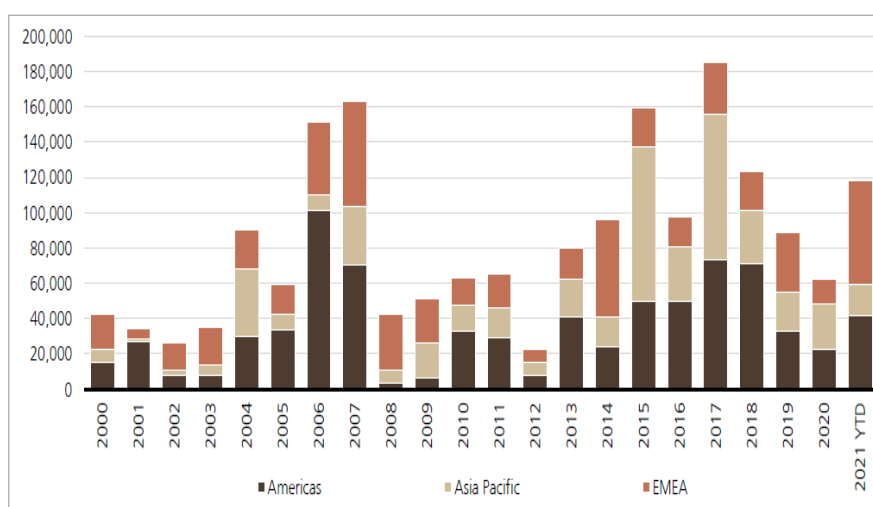
**M&A deals Q2-21**

Target	Acquirer	Consid	Country /Sector	Est Value (local m)
Deutsche Wohnen	Vonovia	cash	Germany residential	€29,000
Monmouth	Equity Commonwealth	stock	USA industrial	US\$3,400
Weingarten	Kimco	stock	USA strip retail	US\$5,900
VEREIT	Realty Income	stock	USA net lease	US\$17,000
New Senior Invest	Ventas	stock	USA healthcare	US\$2,300
APN Property Grp	Dexus	cash	Australia prop fund mgr	A\$308
Globalworth Prop	CPI Property/ Aroundtown	cash	CEE diversified	€2,600
<b>Public-to-private deals</b>				
QTS	Blackstone	cash	USA data centre	US\$10,000
Soho China	Blackstone	cash	China office	HK\$44,600
St Modwen	Blackstone	cash	UK industrial, resi	£1,500
GCP Student Living	Scape/APG /Blackstone	cash	UK student hsng	1,000

Source: Resolution Capital, company reports

Blackstone was again actively involved in a number of public-to-private deals. Nevertheless, despite the enormous dry powder available to private equity managers and the turmoil of Covid, it is noteworthy that very few distressed buying opportunities emerged during the worst of the pandemic. Government and lender support was no-doubt critical in averting widespread distress.

**Listed Real Estate M&A volume (US\$m)**



Source: UBS, Dealogic, M&A Analytics



The preponderance of public-to-public transactions, which were mostly scrip funded, during this quarter perhaps reflects an acknowledgement by the targets that, having survived a significant risk event and mostly recovering to near pre-pandemic levels, they do not see further material upside from here, or at least not without the benefit of scale. For the acquirers, a lack of meaningful acquisition opportunities in the direct market, the opportunity to enhance returns via cost synergies and the generous availability of low interest rate finance were motivating factors to various degrees.

While the aforementioned Vonovia takeover offer for Deutsche Wohnen was the biggest transaction, it was only one of several prominent listed real estate marriages.

Among other REIT takeover bids it launched during the quarter (summarised in the preceding table), private equity giant Blackstone (BX) made its first sizable acquisition in the data centre sector, announcing a US\$10bn (including debt and capex) takeover of QTS Realty Trust (QTS). The all-cash deal was a 21% premium to last price and reflected an earnings multiple of 29x and EBITDA multiple of 25x. QTS is a predominantly wholesale/hyperscale portfolio in the U.S. (with a small EU segment) with a large exposure to Atlanta and Northern Virginia. Operationally it has reported strong leasing volumes in recent years and it has an attractive development platform with approximately 700 acres of developable land principally in Northern Virginia, New Jersey and Atlanta.

The macro backdrop for data centre demand remains supportive. Leasing volumes remains strong, driven by increased cloud adoption which is tracking at >20% annual growth. There are now more than 15-20 CSPs (cloud service providers) compared to ~5 a few years ago, helping to diversify leasing concentration risks.

Nevertheless, landlord pricing power in the wholesale segments remains challenged by supply in some markets. This was highlighted by CyrusOne (CONE) which held its first ever investor day as part of a range of initiatives taken by the new management team ostensibly aimed at closing the valuation gap to peers. Instead, the market took the newly disclosed information negatively leading to a sell off as the company guided to weaker than expected rental reversions in the next three years.

## New frontiers – here comes the Sun-belt

Several REITs recently made initial forays into new markets or expanded into existing smaller ones, as summarised in the following table.

Company	Sector	Current market focus	New market(s)
Kilroy Realty (KRC)	US office	West Coast	Austin
Kimco Realty (KIM)	US strip shopping centre	East Coast	Sunbelt*
Federal Realty	US strip shopping centre	Bi-coastal	Phoenix
Equity Residential (EQR)	US multi-family	Coastal gateway cities	Atlanta, Austin^
Camden (CPT)	US multi-family	Sunbelt	Nashville
Host Hotels (HST)	Hotels	Various	Austin, Florida*
Washington REIT (WRE)	Residential and Office	Washington DC	Georgia, N Carolina, S Carolina
Switch (SWCH)	US data centres	Nevada, Michigan, Georgia	Austin & Houston
Equity Commonwealth (EQC)	Cash*	office	US industrial
Big Yellow (BYG)	UK self storage	London / South East	Regional England*
Castellum (CAST)	Office & industrial	Sweden, Norway	Finland*

\*expansion; ^ intended entry; Source: Resolution Capital, company reports

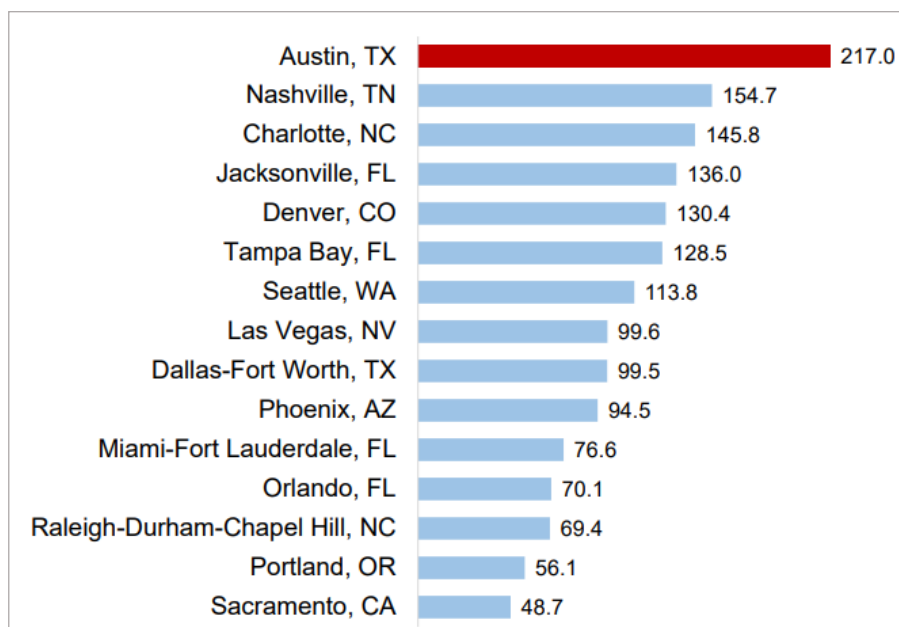


In the U.S., it was notable that some coastal focused players have begun to target the Sunbelt region. Whether these investments signal something is wrong in key home markets such as San Francisco, LA, NY or Boston, or are an acknowledgement that the Sunbelt is no longer the supply-riddled backwater that it historically was, is now a moot point. At this juncture it appears that Covid has caused many to refresh their attitudes towards the sustainability of super-charged population and jobs growth in locations which have long offered attractive lifestyle choices with the benefit of warmer climes, cheaper housing, less congestion and lower taxes.

As a case in point, U.S. office REIT Kilroy Realty (KRC) made its first investment away from the West Coast by acquiring a newly developed office building in Austin, Texas. The US\$580m acquisition comes only months after KRC sold The Exchange on 16th in San Francisco for US\$1.08bn, allowing the REIT to tax effectively re-invest part of the approximate \$500m profit it made on that sale.

KRC believes that Austin shares many characteristics of its home markets, having the fourth largest concentration of tech talent in the U.S., behind San Francisco, Seattle and New York, with barriers to entry in the Austin CBD which has resulted in similar rent growth to its U.S. West Coast markets over the past decade. KRC believes that tenant demand in Austin is now deeper and more established than even a couple of years ago. Moreover, circa 80% of KRC's top 15 technology tenants have a presence in Austin. The company believes it can leverage its tenant relationships with many of these West Coast headquartered customers.

### Tech in-migration



Source: Kilroy, LinkedIn. Represents net inflow of tech workers per 10,000 LinkedIn users.

Expanding beyond traditional core markets wasn't solely a U.S. phenomenon. The UK self-storage operator Big Yellow Group (BYG) acquired its joint venture partners' 80% stake in the Armadillo portfolio comprising 25 stores located in smaller regional cities across the UK. In part, the transaction recognises the difficulty in growing scale in BYG's core markets in the densely populated areas in the southeast, as well the potential to capture upside from urban flight in a post-Covid world. The deal was also priced attractively with a 7.9% NOI yield on assets that BYG has managed for more than a decade.

### Asset light

Real estate funds management initiatives appear to be regaining favour in some REIT markets – a phenomenon seen in the heady days prior to the GFC. Perhaps this is an acknowledgement from those REITs that funds management strategies afford them the opportunity to enhance returns on capital and grow scale for their asset management platforms without having to acquire assets at current prices on their own balance sheets.

The strong earnings per share growth and premium multiples afforded to the likes of Goodman Group (GMG) and Charter Hall (CHC) no doubt provide encouragement. In South Africa, Growthpoint (GRT) has recently commenced a funds management initiative to expand into new areas such as student housing. In the U.S., student housing REIT American Campus Communities (ACC) intends to expand its development activities via JVs with investors to be identified later, while Boston Properties (BXP) entered a partnership with two sovereign wealth funds with a target to acquire up to US\$2bn of office assets.

In Australia, Dexs (DXS) expanded its funds management activities, adding A\$5.4bn in assets under management when investors voted to transfer management of an unlisted fund from the stricken AMP platform. Separately, DXS paid A\$308m to acquire listed property fund manager APN Property Group (APD). Dexs also continues to grow its healthcare segment, joining the fray as a white-knight in Australian Unity's battle to stave off a takeover bid for the latter's unlisted healthcare property fund from Canadian-listed healthcare REIT and funds manager, Northwest Healthcare (NWH). In exchange for taking a 7% stake in the Australian Unity Healthcare Fund, DXS gains a share of fee revenues from the vehicle and has a first right over the management platform should Australian Unity decide to sell.

## Timber – green skies ahead

Whilst intuitively difficult to reconcile, prices for logs and lumber are not necessarily correlated. The log price results from both the supply of the mature trees and the demand from the sawmills and pulp mills. It is widely understood that robust housing activity, both home renovation and new home construction, has increased demand for wood products significantly. However, sawmill capacity has not been able to keep pace with end user demand, primarily because labour shortages have limited processing activity.

**Log (stumpage) and Lumber Prices US\$**



Source: Forest2Market

Travel distance to a sawmill is a significant limiting factor for timberland owners. It is largely uneconomical to transport logs more than 100 kilometers to a sawmill. So while timber prices appear to be global, sawmill capacities are decidedly local. Thus, despite strong demand for wood products, demand for logs has been curtailed by sawmill throughput capacity constraints. Long lead times and significant capital required to build new sawmill capacity exacerbate the bottleneck.

Timber is a renewable resource that captures carbon, which is in stark contrast to other building materials such as steel and concrete which generate significant greenhouse gases as they are manufactured. We see green skies ahead for Timber REITs as demand remains strong, supply is limited by production constraints and timber's green credentials are under appreciated in a broader environmental context.

## Boston – Life science fever

During the quarter we visited Boston to take the temperature of the market. Over the past decade the life science market in and around Boston has evolved considerably. It is no longer singularly focused on Kendall Square, although Kendall remains the A++ location and has seen net rents almost triple in the past decade to US\$125 per square foot, putting it amongst the most expensive office locations in the U.S. today. High rents and limited availability are prompting life science activity to spread to other locations in the metro area.

There is a lot of venture capital (VC) that has been raised for life science, and this is fuelling a race to secure real estate for the investee companies. Life science has evolved to such a level of sophistication, through DNA mapping and RNA intervention, that biopharma is an increasingly viable path for developing solutions to a range of medical problems. The rapid development of vaccines in response to the Covid-19 pandemic provides high profile credibility to biopharma solutions.

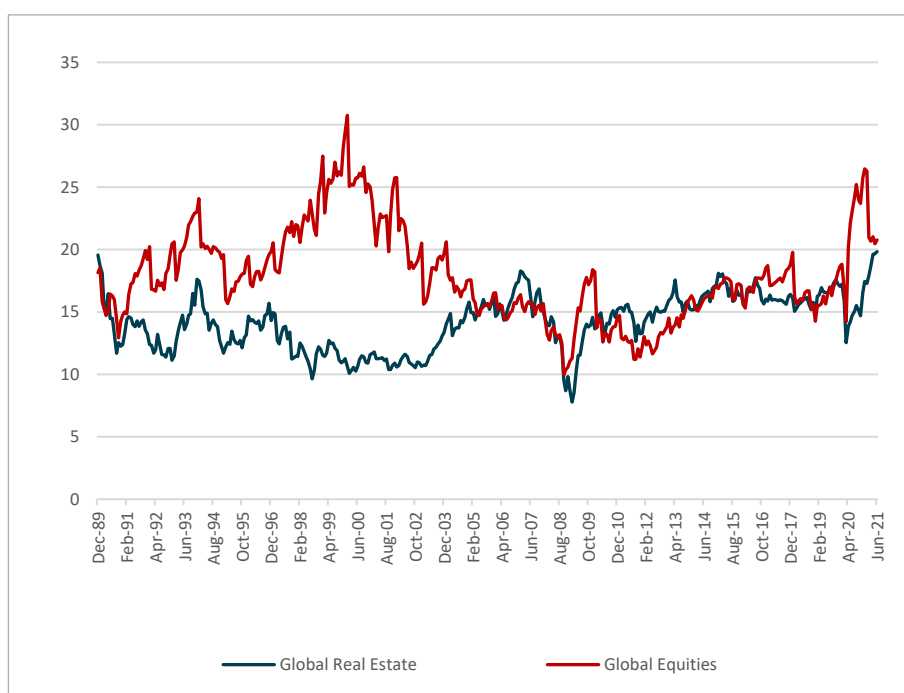
We met with a Harvard chemistry professor who has founded numerous biotech companies to gain insights into his greatest non-science challenges. They were firstly, having adequate space for R&D and early-stage production operations and secondly, attracting/retaining people. In his view, a biotech company's future is dependent on the success or failure of the science outcome. The price of real estate is almost inconsequential in comparison.

## Outlook – strong growth, strong pricing

The REIT market is currently powered by expectations of an operational rebound from the Covid-lows. Widespread government stimulus coupled with rapidly growing vaccination rates in many countries is proving to be a powerful combination for jump starting business and consumer behaviour. With leasing activity improving, the internal growth profiles for many REITs are poised for a multi-year expansion. Additionally, REITs have excellent access to capital, which enables them to undertake accretive investment activity through mergers, acquisitions, and development.

Reflecting this favourable backdrop, REIT valuation multiples are elevated, although REITs are not alone as equities multiples, bond prices and asset values generally are at or near historic highs.

**Real Estate and Equities earnings multiples**

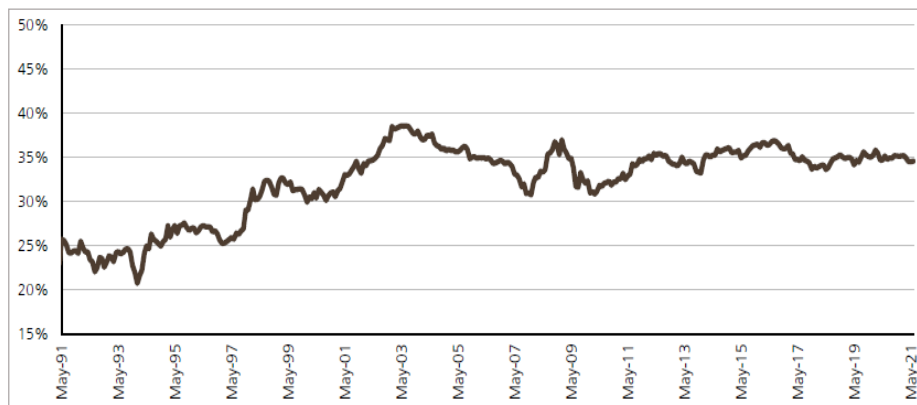


Source: UBS

Should economic growth disappoint, REITs' operational momentum may stall. Property taxes and macroprudential policies targeting real estate are latent risks as governments attempt to deal with the inequitable outcomes of massive stimulus programs. Once again, these risks are not necessarily idiosyncratic, as slower economic growth and/or higher corporate taxes would impact broader equities as well. In fact, many REITs will not be materially impacted if corporate taxes are increased.

REIT balance sheets are, by and large, in good shape. Mitigating some of our concerns around elevated levels of M&A and new market expansions is that REITs involved in these activities are generally not leveraging up to do so (with Vonovia the obvious exception).

**Debt / Total Assets – Global listed real estate**



Source: UBS, Datastream

Should inflationary pressures persist, REITs can provide some protection. Landlord pricing power is key and thus a focus on real estate operating fundamentals, as always, is paramount. Here, occupancy rates and rental growth are supportive and new building supply is not excessive.

In sum, we remain constructive on the return outlook for the portfolio. The portfolio remains oriented to sectors and companies that have strong secular tenant demand drivers and appropriate capital structures while also having select exposure to segments with the prospect of further improvement in cashflows as the pandemic eases.

## ESG – engagement agenda

This year we have seen a wave of commitments across global capital markets to counter climate change. Net Zero target announcements are spreading like wildfire, and investor expectations for corporate response to and mitigation of climate change are evolving rapidly for the better. Our approach on this issue is centred on engagement which provides us the opportunity to influence investee companies to adopt best practice ESG standards. For us, that includes alignment with the Paris Agreement.

To add robustness and ensure a systematic approach, every year we set an engagement agenda. Here, we analyse the performance of our portfolio holdings across a couple of key ESG issues and engage with those who fall short of our standards. For example, in prior years we have focused on gender diversity and environmental disclosures. This year we focused on climate change. This involved assessing portfolio holdings according to the below criteria:

- 1. Does the company have an emissions reduction target that aligns with the Paris Agreement?**
- 2. In line with TCFD recommendations, has the company undertaken a physical risk assessment to understand how the portfolio will be affected by climate change?**

The first of these points is about how the company is contributing to the decarbonisation of the global economy. At this stage, we're focusing on scope 1 and 2 emissions, which is to say, the emissions under direct operational control of the company. However, ideally coverage should include scope 3 emissions.

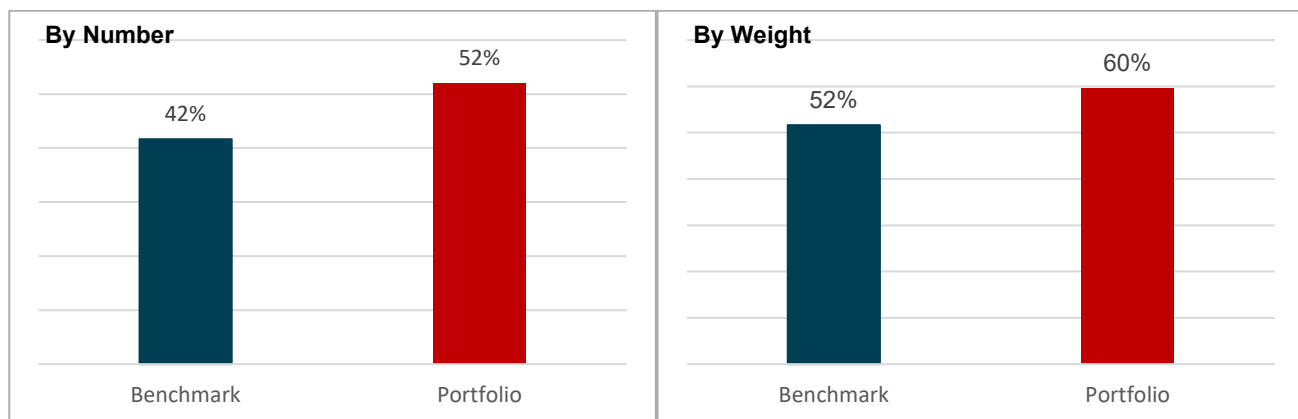


Targets should be accompanied by a credible plan of action and/or include shorter term interim targets to ensure current management is accountable as well.

The purpose of the second question is to assess how thoughtful an investee company is in incorporating the risks associated with climate change, including rising sea levels, extreme weather events, and rising temperatures, into their investment decisions.

Heading into the exercise, the portfolio was in decent shape versus the benchmark. Most portfolio holdings reported GHG emissions data and over half had a Scope 1 and 2 GHG reduction target. The average emissions reduction target was 45%, implying an approximate 3.3% reduction per annum – more than the 2.7% pa reduction needed to achieve Paris goals according to CRREM . However, twenty-three companies in our portfolio either did not report a GHG reduction target, or one that was not sufficiently ambitious.

#### Companies with Paris aligned GHG reduction targets



Source: Resolution Capital

Whilst we are still engaging with a few of these companies, initial results are encouraging. Eleven companies responded with credible and near terms plans to implement a GHG reduction target, bringing the total number companies in the portfolio that are, or will be, Paris aligned to 75%.

There were however a few companies whose response revealed some reticence to implement a GHG reduction target. Reasons varied depending on geography and sector. For instance, targets require adequate GHG data, hence for some companies – typically in the US sunbelt or Canada which have generally been slow to adopt best practice environmental disclosures – there was a lot of work that needed to go into reporting and verifying GHG data before a target could be set.

In other instances, the company was operating in a sector that had complicating factors that rendered target setting more difficult. Whilst we try not to be too prescriptive in our approach, our view is that whatever the complicating factor may be, there needs to be a sense of urgency given the importance of the issue across all stakeholders, and an ability to articulate progress and objectives.

Hence, for the companies that did not demonstrate a clear intention to become Paris aligned, our approach requires us to follow up with company management, talk through the issues, and apply pressure. We leave the meeting communicating the importance of an ambitious environmental strategy and our intention to follow up in six months to ensure that progress is being made. If engagement does not yield any progress, we could use proxy voting as an escalation tool and vote against company directors.

## ESG – a Green voting backflip

Last year we reported that investors in German listed office landlord Alstria Office REIT (AOX) had voted 95.1% in favour of receiving a proposed optional Green Dividend of €0.01 per share in cash rather than having the company invest the equivalent amount into two identified carbon reduction projects which did not meet the company's return expectations.



This year, in a notable reversal and what is believed to be a first, 85.2% of shareholders voted in favour of investing in projects that will not meet the company's return expectations, but are effective in climate change mitigation. The projects identified include the installation of additional solar power generation in Alstria's portfolio, as well as an external R&D project focusing on carbon removal alternatives for the real estate industry. An equivalent amount will be deducted from next year's dividend.



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### FEES

A schedule of fees and charges is available on request from Nedgroup Investments. One can also obtain additional information on Nedgroup Investments products on our website.

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