

Excerpt from the 2013 PIN Global Alternatives Report:

Most Compelling Strategies and Geographies in Real Estate

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Recent months have seen markets display growing conviction in central banks' commitment to extremely loose monetary policy, and risk assets such as equities and high yield debt have rallied strongly. In many markets, this has made good quality real estate look relatively cheap. We believe that continued low interest rates across the developed world will be good for real estate from a capital market standpoint over the medium term, and any signs of job growth and/or household formation will be seen as evidence that the real estate asset class has recovered.

Outside of continental Europe, we believe that the better balance of risks means investors should be positioning for both upside opportunity and downside risk, taking on a less defensive posture from our view during the global financial crisis. Nevertheless, we believe investors should be selective to acquire only high-quality assets in markets with demographic support as a way to "future-proof" their investment portfolios.

The US Leads the Developed World

Over the medium term, we expect the US to be the strongest economy in the developed world, with policies and finances that are relatively positive for real estate. We are already seeing a number of positive signs in the auto and housing sectors; the financial sector is largely recapitalized; the equity markets are at all-time high levels; the corporate sector is financially very strong; and most importantly, employment trends are positive (weak, but positive). In some places capital flows are actually pushing valuations well ahead of fundamentals.

Europe: France, the Wild Card

We expect continental Europe will continue to experience difficulties for the foreseeable future. There has been no improvement in real estate credit conditions in continental Europe where banks are de-risking and building up capital in order to meet regulatory requirements. As debt conditions and economic fundamentals continue to deteriorate, our continental European focus remains on income-secure, defensive assets in the northern-tier countries.

Looking past the well-publicized difficulties of the southern European countries, we are increasingly focused on the health of the central core countries. With Greece, Italy, Portugal, Cyprus, Slovakia, Slovenia and Spain already in recession, the malaise may be spreading to healthier economies. Germany, which accounts for about 27% of the eurozone's output, saw slower growth in each of the past four quarters from the year-earlier period as orders at exporters fell.

France in particular appears problematic in the medium term – and not specifically because of a shift in federal government to a socialist model. Most would consider France the junior, but still very strong,

partner in the German/France alliance working to maintain stability for the eurozone. We believe there are serious questions to be asked about France's own long-term economic stability as the fundamentals in France are similar to those of the periphery, and the oversized banking sector remains over-leveraged.

Asia: the Japanese End-game

Overall, we expect returns in Asia-Pacific to improve in 2013, driven by improving occupier demand and growing investor interest. We believe Australia remains attractive over the long term, with its relatively stable and high yields. However, it is important to consider China's economy when evaluating Australia's due to the many export linkages.

Japan has benefited from reconstruction efforts, a surprisingly resilient consumer, and now the world's most aggressive monetary policy. Nevertheless, longer-term structural issues are so profound that short investment duration should be maintained. To be clear, Japan compensates for its large fiscal deficit with a current account surplus and high domestic savings rate, both of which are in decline. The trade account has shifted to deficit and will likely tip the current account into the red as well. Further, Japan's aging population is beginning to dis-save, selling assets to fund retirement.

We believe this will ultimately cause Japan to borrow from abroad, likely at higher rates than the domestic market has been willing to accept. The alternative is to pursue punishing austerity and large tax hikes. These factors very well could lead to a crisis of confidence and a re-pricing of Japanese debt and currency. Higher interest rates will have a cyclically negative reinforcing effect on the country's debt dynamics. Accordingly, we believe that investment opportunities in Japan should be kept very short term, and fully hedged for currency risk. Japanese investors should be considering global diversification to take advantage of current global capital market dynamics.

We believe sizeable investors should consider investing their real estate portfolios globally. In doing so, it is imperative to take a wide, and long-term view, considering fundamental drivers to economic growth, demographic trends, geopolitical influences and global capital flows. Matching investor risk tolerance to a global opportunity set has the potential to improve the risk/return equation and meet long-term investing objectives.

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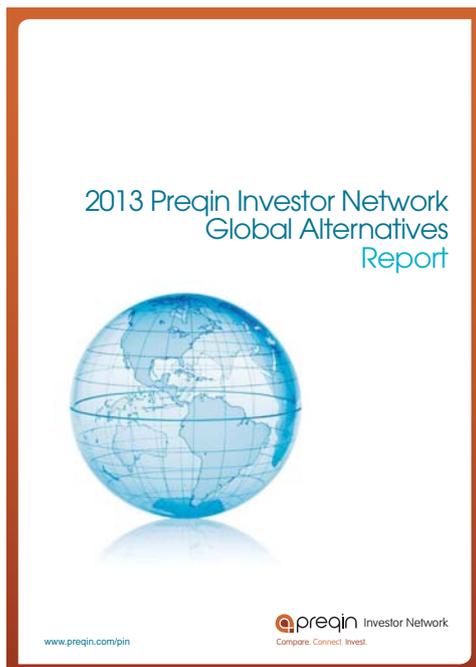
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- ▶ Alternative **funds open for investment**, including league tables.
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