

CONSILIA CAPITAL



Real Estate Securities Funds Monthly

Period End: September 2014

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September 2014

Summary

This month we have divided the report into the following sections:

1) A summary of September performance by fund mandate and size (p3)

Mandate	September return US\$%
Japan	-3.68
Global Infrastructure Fund	-4.69
US Real estate	-5.28
Real Assets Fund	-5.94
Asian Real estate	-6.04
European real estate	-6.06
Global Real Estate	-6.69
Global REIT	-6.70

2) A summary of YTD 2014 performance (p4)

Mandate	YTD return US\$%
Global Infrastructure Fund	11.31
US Real estate	10.94
Global REIT	8.43
Japan	6.58
Global Real Estate	5.69
Asian Real estate	4.94
European real estate	4.23
Real Assets Fund	-1.43

3) Focus: Risk adjusted Performance Metrics (ps 5-6)

In our March 2013 edition we focused on the various risk adjusted performance measures available, as well as posing the question how we should define the risk of a mutual fund; volatility/standard deviation, maximum /monthly drawdown, or a form of VaR ? This month we look at how the different mutual fund asset classes we monitor (Global Real Estate, Global REIT, Infrastructure and Real Assets), have performed, on various different risk –adjusted bases, over different time periods.

4) Detailed performance statistics by region (ps7-13) for September 2014

For each mandate we show: the dispersion of returns by Fund AUM, popular benchmark returns and volatility, average, maximum and minimum fund returns, the best performing funds by size, for each mandate. For consistency, all returns are rebased in US\$.

Finally, it is important to note that there are no recommendations or investment advice contained in this publication, and that it is not intended for retail investors. This report represents only a very small summary of the outputs of our database, and the bespoke research and advisory service work we undertake for clients. For further details of our work please contact us.

September 2014 performance summary

Firstly we show how each region and asset class has performed during the month, with the range of maximum and minimum outcomes. (Figure 1). Secondly, we look at the differences in performance of each mandate classified by size of Fund (Figure 2).

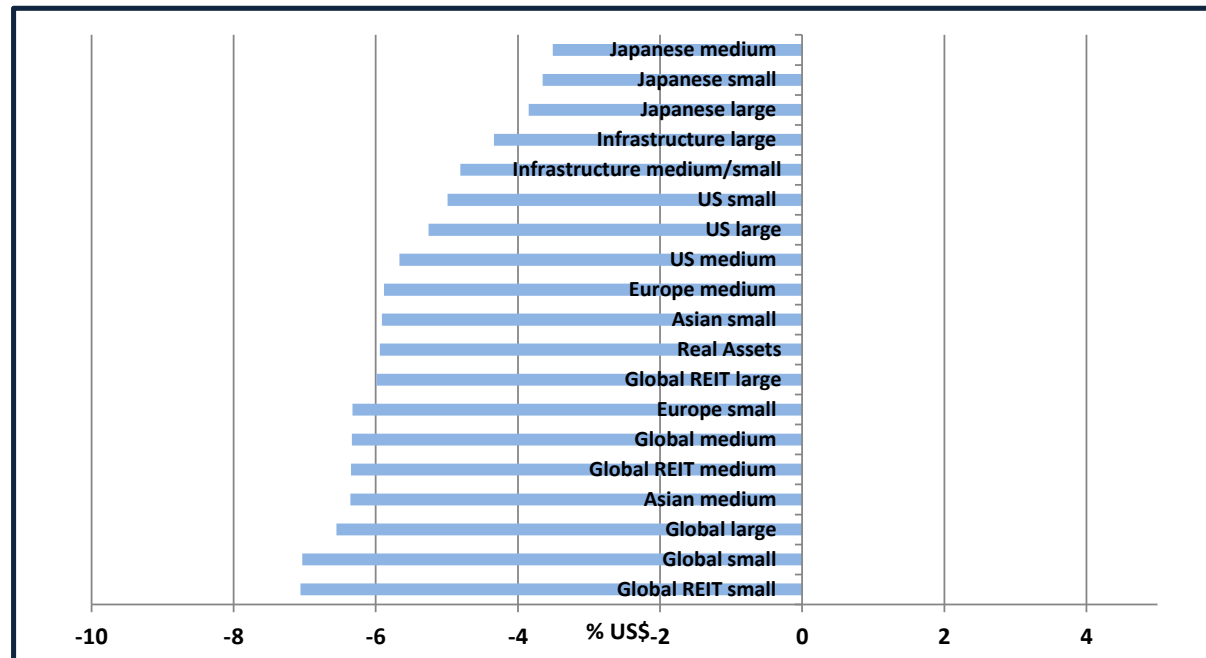
Figure 1 Fund performance September 2014

Funds	Average (%)	Max (%)	Min (%)
Japan	-3.68	0.98	-5.61
Global Infrastructure Fund	-4.69	-1.33	-8.08
US Real estate	-5.28	18.57	-17.54
Real Assets Fund	-5.94	-4.26	-7.77
Asian Real estate	-6.04	0.45	-11.44
European real estate	-6.06	-1.76	-7.76
Global Real Estate	-6.69	0.98	-13.62
Global REIT	-6.70	-2.31	-10.68

Source: Consilia Capital, Bloomberg

- Japanese funds were the best performers, albeit still generating negative returns.

Figure 2 September 2014 performance by mandate and fund size



Source: Consilia Capital, Bloomberg

YTD 2014 performance summary

Firstly we show how each region and asset class has performed YTD, with the range of maximum and minimum outcomes (Figure 3). Secondly, we look at the differences in performance of each mandate classified by size of Fund (Figure 4).

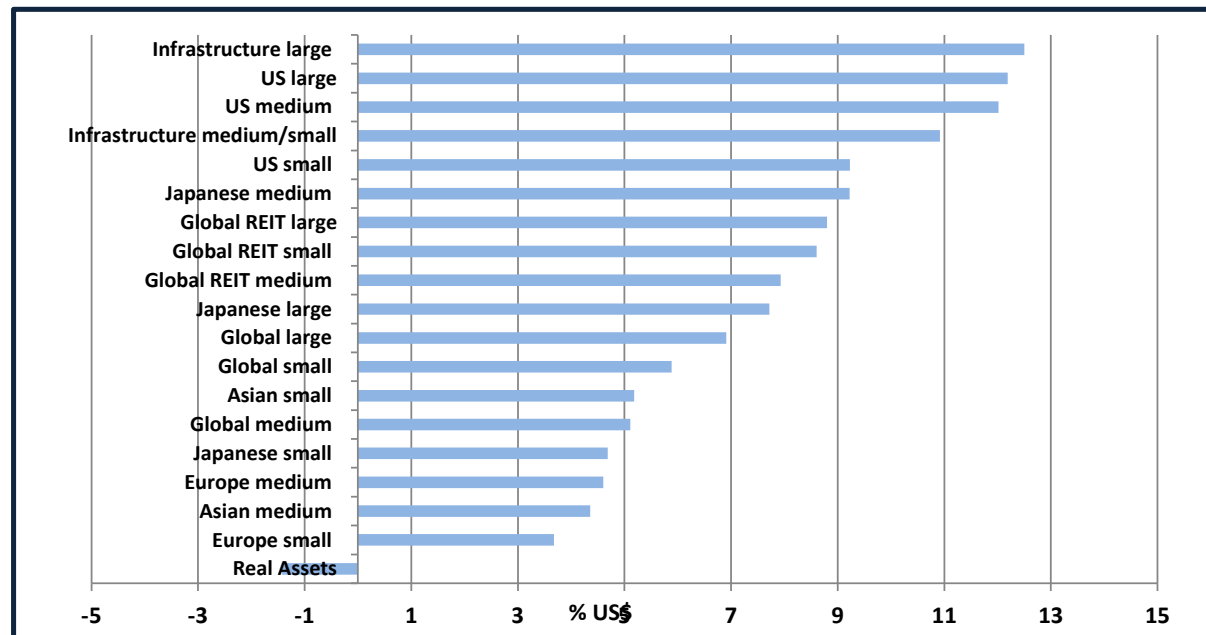
Figure 3 Fund performance YTD 2014

Funds	Average (%)	Max (%)	Min (%)
Global Infrastructure	11.31	23.49	-15.78
US Real estate	10.94	42.00	-37.60
Global REIT	8.43	17.45	-2.71
Japan	6.58	17.80	-21.28
Global Real Estate	5.69	26.95	-19.34
Asian Real estate	4.94	30.95	-6.86
European real estate	4.23	12.24	-15.55
Real Assets Fund	-1.43	6.12	-12.08

Source: Consilia Capital, Bloomberg

- Results for the first three Quarters are all positive, with the exception of real assets.

Figure 4 YTD 2014 performance by mandate and fund size



Source: Consilia Capital, Bloomberg

Focus: Risk adjusted performance metrics

In our March 2013 edition we focused on the various risk adjusted performance measures available, as well as posing the question how we should define the risk of a mutual fund; volatility/standard deviation, maximum /monthly drawdown, or a form of VaR ? This month we will be looking at how the different mutual fund asset classes we monitor (Global Real Estate, Global REIT, Infrastructure and Real Assets), have performed, on various different risk –adjusted bases, over different time periods.

Unadjusted Returns

Firstly we take the raw returns, which we show, as ever, in US\$ terms.

Figure 5 Raw performance by asset class

Funds	YTD	3 years	5 years	From trough	From peak
Global Infrastructure	11.31	52.78	71.51	166.91	38.47
Global Real Estate	5.69	43.58	61.63	241.48	-7.99
Real Assets Fund	-1.43	12.27	12.77	62.65	-14.42

Source: Consilia Capital, Bloomberg

As can be seen global real estate and infrastructure performance has been broadly similar (remember we are taking equal weighted average return of actual funds rather than index data), with a couple of notable differences:

Global real estate has shown significantly greater performance from the trough of the market in March 2009, whilst from the peak (which we have taken as February 2007), infrastructure has a material advantage. Real asset funds have consistently underperformed over these periods.

Risk measures

Secondly we look at various risk measures, including volatility, 3 and 5 year maximum drawdown, and finally tracking error.

Figure 6 Risk measures by asset class

Funds	260 D Vol	3 Yr Max DD	5 year Max DD	Tracking error
Global Infrastructure	11.11	-13.25	-17.78	3.85
Global Real Estate	9.78	-15.52	-22.27	3.89
Real Assets Fund	7.50	-12.68	-16.60	7.21

Source: Consilia Capital, Bloomberg

Interestingly, global real estate securities funds in our universe have a lower unweighted average 260 day volatility (9.8%) than Global Infrastructure Funds (11.1%), with a very similar tracking error (3.9%). Real asset

Real Estate Securities Funds Monthly

funds exhibit lower volatility, but given the diversity of holdings and lack of established benchmarks it is not surprising they have a higher tracking error.

In terms of maximum drawdown over 3 and 5 years it is Real Asset Funds with the lowest risk profile, and Global real estate the highest, although it should be noted that in relative terms their profiles are quite similar.

Risk adjusted measures

We show below 4 risk adjusted return measures, commonly used.

Sharpe ratio (over 3 and 5 years) defined as the ratio of annualized excess return above the risk free rate divided by the variability of return.

Information ratio: The ratio of annualized excess return compared to annualized tracking error

Treynor Ratio: the ratio of annualized excess return above the risk free rate divided by Beta.

Sortino Ratio: The ratio of annualized excess return above the minimum acceptable return divided by downside risk

Figure 7 Risk adjusted performance by asset class

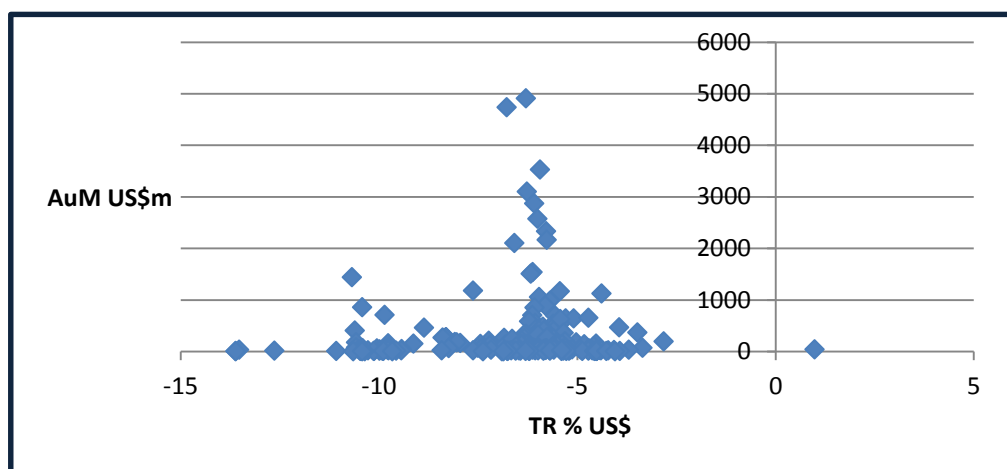
Funds	3yr Sharpe	5 yr Sharpe	Information	Treynor	Sortino
Global Infrastructure	1.68	1.04	-0.15	0.15	1.28
Global Real Estate	1.10	0.70	-0.33	0.07	0.63
Real Assets Fund	0.30	-0.02	-0.50	-0.03	-0.10

Source: Consilia Capital, Bloomberg

Looking at the results in Figure 7 we would make the following observations

- The reduction in volatility for mutual funds over the last five years has led to an improvement in Sharpe ratios (the primary risk adjusted measure) for both global real estate and infrastructure funds over the period.
- Although the unweighted average Information Ratio is marginally negative across our universe of funds this disguises a wide variation, with a maximum of 1.49 for Global Real Estate Funds and 1.45 for Infrastructure Funds.
- Similarly, whilst the average Treynor ratio (which uses portfolio beta rather than volatility as the risk denominator) across all global real estate funds is only marginally positive, this again disguises a variety of outcomes, with a maximum of 0.33 in the sector.
- Sortino ratios (which use downside risk as the risk denominator) are positive for both Infrastructure and Real estate.
- Given that Real Assets Funds have not shown significant absolute performance, but do have similar risk metrics it is not surprising that on a risk adjusted basis they are the worst performing of the three asset classes.
- In summary, we believe that, given market volatility and the focus on different risk components, these risk adjusted measures will be increasingly important when comparing fund performance.

Global Funds Performance September 2014



By Fund size

Fund	Average	Maximum	Minimum
Global large	-6.55	-4.39	-10.69
Global medium	-6.34	-2.82	-10.61
Global small	-7.03	0.98	-13.62

Best Performing Funds

Global Large Funds

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
Invesco Global Real Estate Income Fund	-4.39	1.00	6.45	1,120	Open-End
SWIP Multi-Manager - Global Real Estate	-5.29	0.45	9.79	637	OEIC
Schroder Global Property Securities Fund	-5.44	0.29	9.60	1,164	Unit Trust
Henderson Horizon - Global Property Equ	-5.69	0.29	10.14	974	Open-End
Principal Global Real Estate Securities Fu	-5.77	0.68	9.81	2,161	Open-End

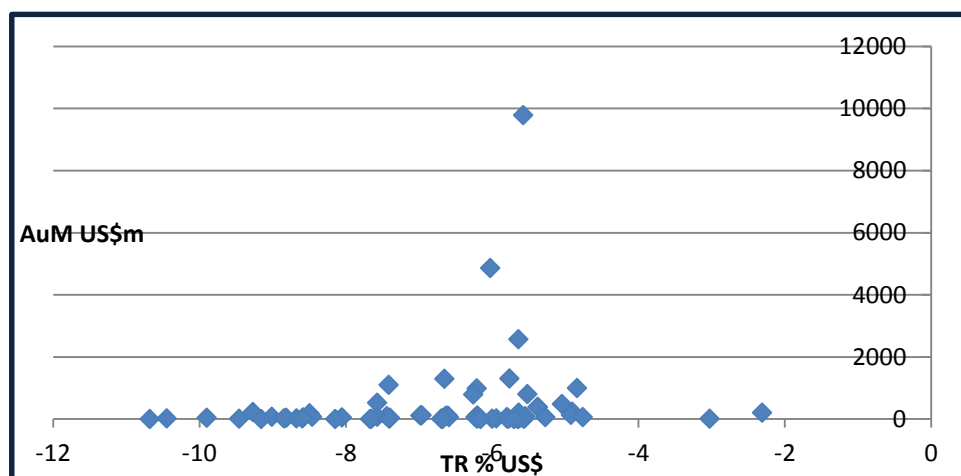
Global Medium Funds US

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
HSBC Open Global Property Fund	-2.82	1.91	13.69	192	Open-End
IAM-Immo Securities Fund	-3.49	4.13	6.84	362	FCP
DWS Sachwerte	-3.94	2.56	5.72	462	Open-End
M&G Global Real Estate Securities Fund	-4.52	1.62	9.59	146	Open-End
Crescent Global Investment Fund	-4.59	1.11	7.56	97	OEIC

Global Small

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
Fima Proprius Inc	0.98	n/a	n/a	33	Closed-End
Timbercreek Global Real Estate Fund	-3.36	1.14	19.29	67	InvTrust
Satrix Property Index Fund	-3.70	n/a	n/a	29	Open-End
H&A Fonds-Select Total Return Strategie	-3.93	0.05	2.09	6	Fund of Funds
KAF Global Diversified Property Fund	-4.05	1.46	9.23	1	Fund of Funds

Global REIT Funds Performance September 2014



By Fund size

Fund	Average	Maximum	Minimum
Global REIT Large	-5.99	-4.84	-7.41
Global REIT Medium	-6.35	-2.31	-9.27
Global REIT Small	-7.06	-3.03	-10.68

Best Performing Funds

Global REIT Large Funds

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
Okasan World REIT Selection US	-4.84	4.09	11.50	999	Fund of Funds
Nomura Global REIT Open	-5.52	3.34	9.17	801	Fund of Funds
Nikko LaSalle Global REIT Fund	-5.57	3.54	10.47	9,779	Fund of Funds
DIAM World REIT Index Fund	-5.64	3.59	10.61	2,563	Fund of Funds
Daiwa Global REIT Open Fund	-5.76	3.16	11.13	1,308	Fund of Funds

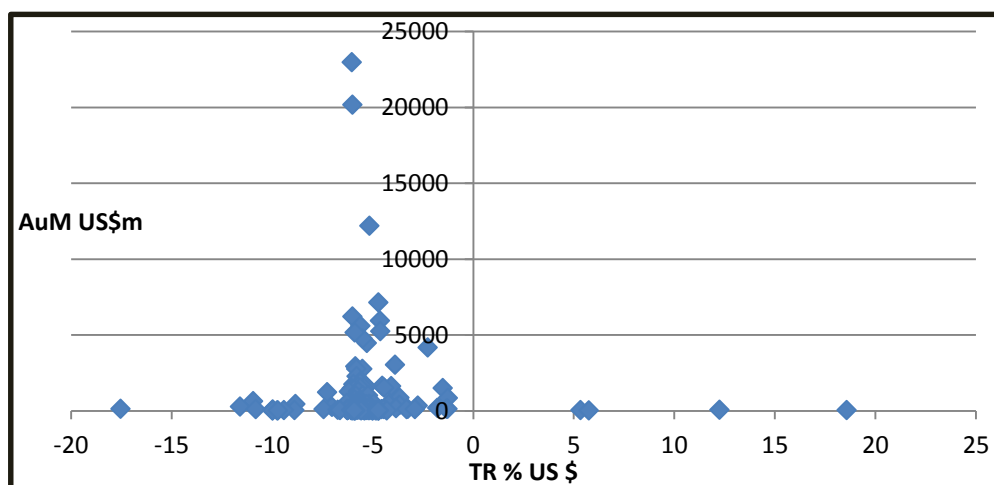
Global REIT Medium Funds

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
Yuanta Global REITs Fund	-2.31	0.96	9.26	208	Unit Trust
Daiwa Developed Market REIT Alpha Ope	-4.76	4.70	7.45	64	Open-End
Daiwa Fund Wrap International REIT Sele	-4.90	3.79	11.20	233	Open-End
Standard Life Investments Global SICAV -	-4.92	1.89	10.26	133	SICAV
LGT Select REITS	-5.04	0.95	9.43	484	Open-End

Global REIT Small Funds

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
Nomura World REIT Currency Selection F	-3.03	4.75	8.63	7	Open-End
Sumitomo Mitsui Global REIT Plus	-5.27	2.74	12.31	57	Fund of Funds
Nomura World REIT Index - Nomura Disc	-5.55	3.68	10.63	89	Open-End
Nomura World Reit Index Fund - DC Pens	-5.56	3.64	10.63	43	Open-End
Capital Global REIT Balanced Fund	-5.56	1.00	8.18	21	Unit Trust

US Funds Performance September 2014



By Fund size

Fund	Average	Maximum	Minimum
US Large	-5.25	-1.51	-7.26
US medium	-5.67	-1.26	-11.59
US small	-4.99	18.57	-17.54

Best Performing Funds

US Large Funds

Fund	Sep 2014 TR %	Sharpe Ratio	Volatility%	AUM US\$	Type
Forward Select Income Fund	-1.51	2.24	4.55	1,469	Open-End
Fidelity Real Estate Income Fund	-2.27	1.80	3.85	4,145	Open-End
Cohen & Steers REIT and Preferred Inc	-3.66	1.94	9.87	854	Closed-End
Third Avenue Real Estate Value Fund	-3.89	1.33	7.61	3,014	Open-End
CGM Realty Fund	-4.09	1.14	13.61	1,600	Open-End

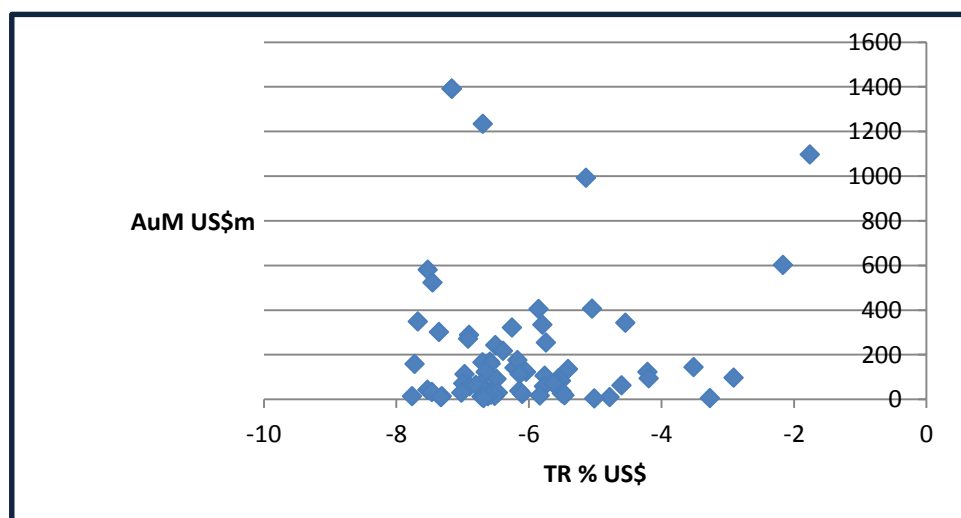
US Medium Funds

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
Fidelity Series Real Estate Income Fund	-1.26	2.57	2.53	828	Open-End
Nuveen Real Estate Income Fund	-2.76	0.53	14.73	324	Closed-End
Denali Fund Inc/The	-3.25	1.84	9.46	111	Closed-End
DIAM US REIT Income Plus	-3.32	4.80	9.03	77	Open-End
Cohen & Steers Total Return Realty Fund	-3.67	0.81	10.27	355	Closed-End

US Small Funds

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
Direxion Daily Real Estate Bear 3x Shares	18.57	-1.13	34.61	16	ETF
ProShares UltraShort Real Estate	12.25	-1.14	21.63	44	ETF
ProFunds Short Real Estate ProFund	5.75	-1.28	10.74	10	Open-End
ProShares Short Real Estate	5.34	-1.19	11.25	19	ETF
Versus Capital Multi-Manager Real Estat	-1.27	2.76	2.09	111	Fund of Funds

European Funds Performance September 2014



By Fund size

Fund	Average	Maximum	Minimum
Europe medium	-5.88	-1.76	-7.72
Europe small	-6.32	-3.27	-7.76

Best Performing Funds

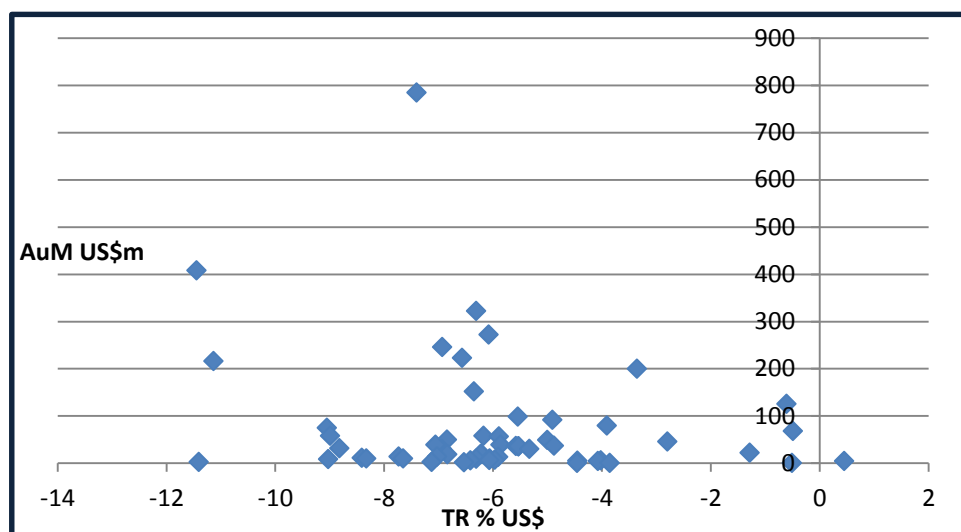
European Medium Funds

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
Credit Suisse Real Estate Fund Property	-1.76	1.86	11.80	1,096	Closed-End
UBS CH Institutional Fund - Swiss Real	-2.16	2.37	7.53	602	Open-End
F&C Property Growth & Income Fund	-2.91	3.03	6.75	98	Open-End
Mi-Fonds CH - SwissImmo	-3.51	2.28	6.43	144	Open-End
Premier Funds - Premier Pan European	-4.19	2.25	9.31	95	Open-End

European Small Funds

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
UBS ETF CH-SXI Real Estate CHF	-3.27	2.04	6.08	6	ETF
Palatine Asset Management - Palatine	-4.78	2.48	7.98	10	FCP
E&G FONDS - Immobilienaktien Europa	-5.01	1.66	8.46	4	SICAV
Henderson European Property Securities	-5.46	1.57	12.44	18	Unit Trust
LYXOR ETF EPRA Developed Europe	-5.50	2.23	12.04	27	ETF

Asian Funds Performance September 2014



By Fund size

Fund	Average	Maximum	Minimum
Asian medium	-6.35	-0.61	-11.44
Asian small	-5.91	0.45	-11.41

Best Performing Funds

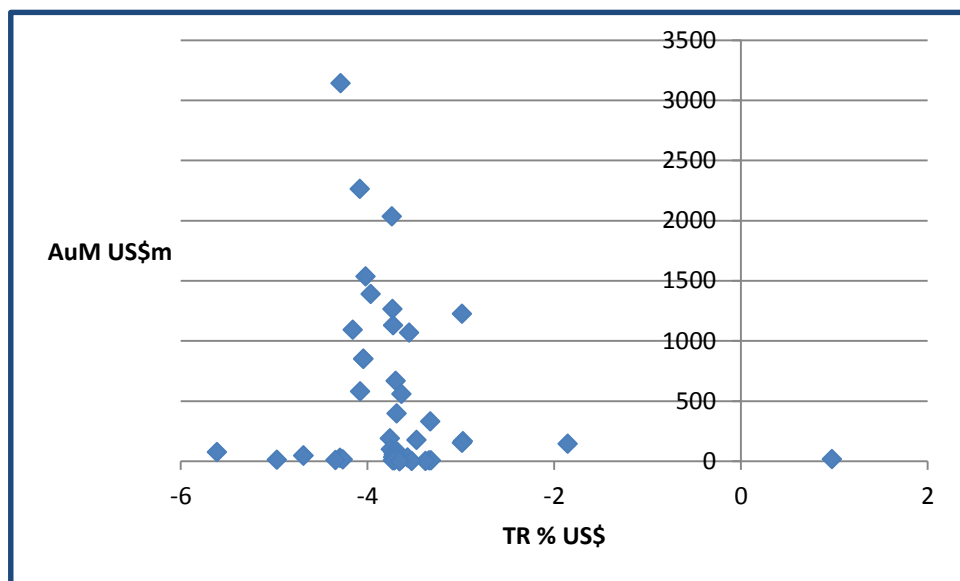
Asian Medium funds >US\$75m Aum

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
B&I Pan-Asian Total Return Real Estate	-0.61	1.69	8.15	125	Open-End
SMTAM Asia REIT Research Open	-3.91	2.25	8.46	79	Open-End
Public Mutual - PB Asia Real Estate Inc	-4.91	-0.05	6.23	91	Unit Trust
Public Mutual - Public Far-East Property	-5.55	-0.38	8.78	98	Unit Trust
Parvest Real Estate Securities Pacific	-5.89	0.21	15.94	56	SICAV

Asian Small funds

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
db x-trackers CSI300 REAL ESTATE UCITS E	0.45	0.07	24.86	4	ETF
B&I Pacific Real Estate Securities Fund	-0.49	2.25	3.96	68	Open-End
Kotak India Equity Fund	-1.28	2.08	18.21	22	Open-End
B&I Asian Real Estate Securities Fund	-2.80	1.40	7.61	45	Open-End
OTP Asian Real Estate Fund of Funds	-3.85	0.61	9.08	0	Fund of Funds

Japanese Funds Performance September 2014



By Fund size

Fund	Average	Maximum	Minimum
Japanese large	-3.85	-2.99	-4.29
Japanese medium	-3.51	-1.85	-5.61
Japanese small	-3.65	0.98	-4.97

Best Performing Funds

Japanese Large funds

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
DLIBJ DIAM J-REIT Open	-2.99	1.80	10.02	1,225	Fund of Funds
Mitsubishi UFJ J REIT Open	-3.55	1.77	10.66	1,068	Fund of Funds
Listed Index Fund J-REIT Tokyo Stock Exch	-3.63	1.78	9.77	559	ETF
MHAM Mizuho J-REIT Fund	-3.70	1.81	11.05	667	Fund of Funds
MHAM J-REIT Index Fund	-3.72	1.73	10.82	1,129	Fund of Funds

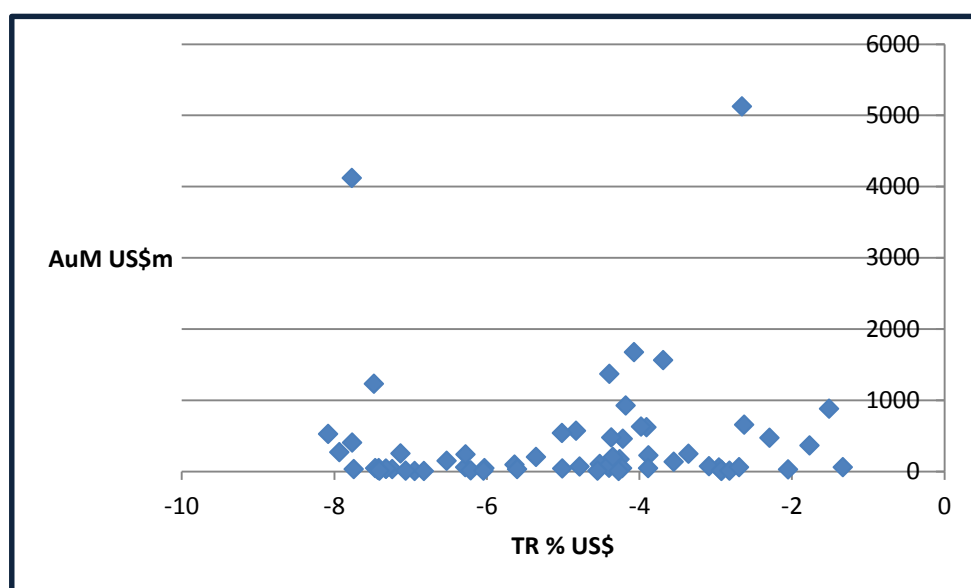
Japanese Medium funds

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
DIAM Strategic J-REIT Fund	-1.85	2.12	12.51	145	Open-End
DLIBJ DIAM J-REIT Open	-2.98	1.83	12.57	166	Fund of Funds
Daiwa Fund Wrap J-REIT Select	-3.33	2.07	12.17	330	Open-End
Okasan J REIT Open - Monthly Dividend	-3.35	1.86	12.22	199	Fund of Funds
Nomura J-REIT Open	-3.47	1.91	12.29	176	Fund of Funds

Japanese Small funds

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
Mizuho JREIT Fund USD	0.98	2.91	10.44	17	Open-End
Daiwa DC Daiwa J-REIT Active Fund	-3.32	2.04	10.43	6	Open-End
Daiwa J-REIT Fund	-3.34	2.02	10.45	6	Fund of Funds
Daiwa ETF TOPIX-17 Real Estate	-3.38	-0.45	27.23	2	ETF
Mitsubishi UFJ Fund Manager -	-3.53	1.85	10.73	3	Open-End

Infrastructure/Real Asset Funds September 2014



By Fund size

Fund	Average	Maximum	Minimum
Global infrastructure large	-4.34	-1.51	-8.08
Global infrastructure medium/small	-4.81	-1.33	-7.93
Real assets	-5.94	-4.26	-7.77

Best Performing Funds

Global Infrastructure Large

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
Nomura Deutsche High Dividend Infra	-1.51	4.86	11.26	877	Open-End
Deutsche Invest I Global Infrastructure	-2.62	5.22	9.74	653	SICAV
First State Global Listed Infrastructure Fu	-3.69	1.33	8.67	1,557	OEIC
First Trust Energy Infrastructure Fund	-3.91	1.85	18.03	617	Closed-End
Nuveen Global Infrastructure Fund	-3.98	1.78	8.79	626	Open-End

Global Infrastructure Medium/ Small

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
Cathay Global Infrastructure Fund	-1.33	2.24	12.11	56	Unit Trust
BlackRock Utility and Infrastructure Trus	-1.77	1.91	10.02	359	Closed-End
BZ Fine Funds BZ Fine Infra	-2.05	2.56	10.66	23	Open-End
iShares Global Infrastructure UCITS ETF	-2.29	1.67	9.04	468	ETF
Investors Global Infrastructure Class	-2.69	1.79	10.26	56	Open-End

Real Assets Funds

Fund	Sep 2014 TR %	Sharpe ratio	Volatility %	AUM US\$m	Type
FP Real Assets Fund	-4.26	0.22	4.95	168	Open-End
MKB Real Estate Fund of Funds	-4.27	n/a	n/a	2	Fund of Funds
Prudential Real Assets Fund	-4.52	0.76	7.37	103	Open-End
Devonshire Balanced Real Return Fund	-4.55	-0.68	6.12	6	Open-End
Cohen & Steers Real Assets Funds Inc	-5.35	0.62	6.43	202	Open-End

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