

**MEDIA RELEASE**

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## **Property securities continue to provide a better investment option in a low liquidity market, say First State's Nicholas and Martin**

Whilst pooled funds holding properties continue to suffer from a lack of liquidity in the market, property stocks and REITs give investors the confidence of being able to cash their holdings at the time when they need to, according to **Andrew Nicholas** and **Stuart Martin**, managers of the **First State Global Property Securities Fund**.

The fund, 'A' rated by both Standard & Poor's and OBSR, invests globally in a broad selection of securities issued by Real Estate Investment Trusts (REITs) or companies that own, develop and manage real property. The **First State Global Property Securities Fund** is the top performer in the IMA Property sector since September 2006, when the fund was launched, as well as over 1 and 3 years.

Nicholas comments:

'In the aftermath of the global credit crisis, direct property investment funds across the UK and the rest of Europe continue to find it difficult to sell underlying assets and raise cash.

'You only have to look at headlines over the past couple of years to see many examples of how investors seeking to preserve their capital and repatriate cash are being prevented from doing so by recurring bans of redemptions imposed by a number of such funds. Some funds have subsequently been dissolved. Assets are being put up for sale with no bids, limited interest or well below book value or simply taking months for sales to complete. There must be nothing more frustrating than trying to exit an investment in a market with so few buyers.

'In contrast, global real estate equity funds, whilst not immune to falls in capital values, provide their investors with a higher level of surety of being able to get their capital back should they need it. These funds aim to capture consistent medium to longer term returns through maintaining a focus on both rental income and underlying asset value.'

Martin adds:

‘Apart from the benefit of good liquidity, funds investing in property companies and REITs globally have the additional advantage of being well diversified. Their recovery post credit crisis has been earlier and faster than that of direct property markets, helped by their exposure to assets in emerging markets such as Asia. Whilst property securities funds are relatively more volatile, they are also more flexible in terms of their asset allocation and therefore can better respond to changing market conditions.’

The FTSE EPRA Global Real Estate Index of real estate equities worldwide recovered from its quarterly low point at the end of March 2009 posting a return of 74% to the end of June 2010, compared to 16.5% for direct property funds as measured by the IPD UK Pooled Property Fund Indices (PPFI).

Investment professionals consider commercial property a key component of a diversified portfolio but Martin says that gaining exposure to the asset class without the use of pooled funds can be extremely difficult for the average investor, given the size of these properties and complexities involved in the process of investing in them.

Martin concludes:

‘Traditionally for many investors their exposure to property assets has been tied to their home or, in some cases, open ended direct property funds which in the UK tend to focus on domestic assets. However, this landscape is now changing. The long-awaited introduction of UK REITs in January 2007, which removed double taxation on investment in publicly listed property companies, has played a significant role in highlighting key benefits of property securities, such as their liquidity and opportunity to diversify globally.’

-Ends-

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**Notes to editors:**

**About First State Investments**

First State Investments provides specialist asset management services to wholesale and institutional investors across a diverse range of asset classes, including Asia Pacific and global emerging market equities, global equities, property securities, infrastructure and global natural resources. First State has more than 190 staff in London and Edinburgh and provides a range of specialist investment products to investors. First State is part of Colonial First State Global Asset Management, the consolidated asset management business of the Commonwealth Bank of Australia. Colonial First State Global Asset Management is Australia's largest fund manager. It employs investment professionals in Sydney, London, Edinburgh, Hong Kong, Singapore and Jakarta. Colonial First State Global Asset Management is a signatory to the United Nations' Principles for Responsible Investment, a voluntary program which encourages best practice in environmental, social and corporate governance issues.

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