

**SHINING A LIGHT ON THE.....  
Schroder Global Cities Real Estate Fund**

**AT A GLANCE**

Investment Objective
The Fund aims to provide income and capital growth in excess of inflation (as measured by the UK Consumer Price Index) plus 3% per annum (after fees have been deducted) over a three-to-five-year period by investing in equity and equity related securities of real estate companies worldwide. This cannot be guaranteed, and your capital is at risk. The Fund is actively managed and invests at least 80% of its assets in equity and equity related securities of real estate companies worldwide which generate the majority of their earnings from real estate investment related activities. The Fund may invest in real estate investment trusts. The Fund seeks exposure to companies that invest in cities that the Investment Manager believes will exhibit continued economic growth, supported by factors such as strong infrastructure and supportive planning regimes.

Fund Factsheet Link
<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0GBR06FLW">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0GBR06FLW</a>

Management	
Manager Name	Start Date
Hugo Machin	15 <sup>th</sup> August 2014
Tom Walker	15 <sup>th</sup> August 2014

**FUND PERFORMANCE**

Performance from 1<sup>st</sup> January 2016 to 31<sup>st</sup> October 2022:

	2016	2017	2018	2019	2020	2021	2022
<b>Schroder Global Cities Real Estate Fund</b>	19.96%	4.22%	-3.38%	26.12%	26.77	26.77%	-19.14%
<b>CPI + 3%</b>	5.49%	7.12%	5.70%	5.21%	4.20%	10.55%	15.12%

Performance over 12 months, 3 years, 5 years and since new fund manager:

	1 year	3 years	5 years	Since new fund manager
<b>Schroder Global Cities Real Estate Fund</b>	-14.91%	-1.45% p.a.	4.25% p.a.	6.96% p.a.
<b>CPI + 3%</b>	17.17%	10.04% p.a.	8.29% p.a.	7.10% p.a.

*You should note that past performance is not a reliable indicator of future returns, and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

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Tracking Error	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
6.08	-1.40	62.39	100.48	94.54	52.78	0.92	0.77	Growth / Mid

Volatility Measurements	
3-Yr Std Dev (volatility)	17.08%
3-Yr Mean Return (average)	-1.45%

Investment Style Details	
Giant	2.47%
Large	22.02%
Medium	61.88%
Small	6.81%
Micro	0.47%

Top 5 Holdings – 54 Equity Holdings		
Prologis Inc	Real Estate	6.03%
Welltower OP LLC	Real Estate	5.07%
Equinix Inc	Real Estate	4.99%
Public Storage	Real Estate	3.79%
Extra Space Storage Inc	Real Estate	3.78%

Top 5 Regions	
United States	63.73%
Japan	10.77%
Eurozone	7.68%
United Kingdom	5.32%
Asia – Developed	4.79%

Bull points (pro)	Bear points (con)
<ul style="list-style-type: none"> <li>• Focused on different parts of the real estate market – life sciences, self-storage, healthcare, data centres etc</li> <li>• High levels of occupancy, strong growth and low levels of debt across the portfolio</li> <li>• Leases provide inflation protection</li> <li>• Sustainability focus</li> <li>• Active engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Inflation increasing material costs of development</li> <li>• Rate rising globally and increased debt burden</li> <li>• Poor recent performance and rising inflation means fund failing to bear benchmark</li> <li>• Sector out of favour</li> </ul>

Fund Benchmark	CPI + 3%
Fund size (Mil)	GBP 1470.93
Ongoing charge	0.82%

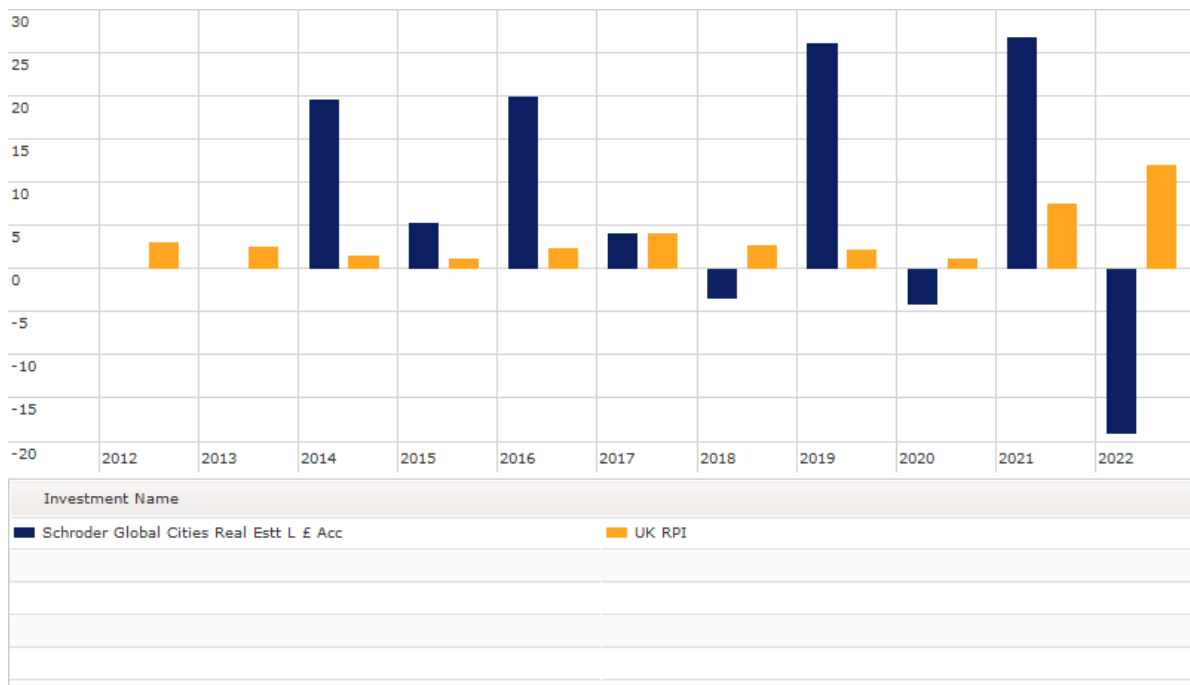
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## UPDATE....

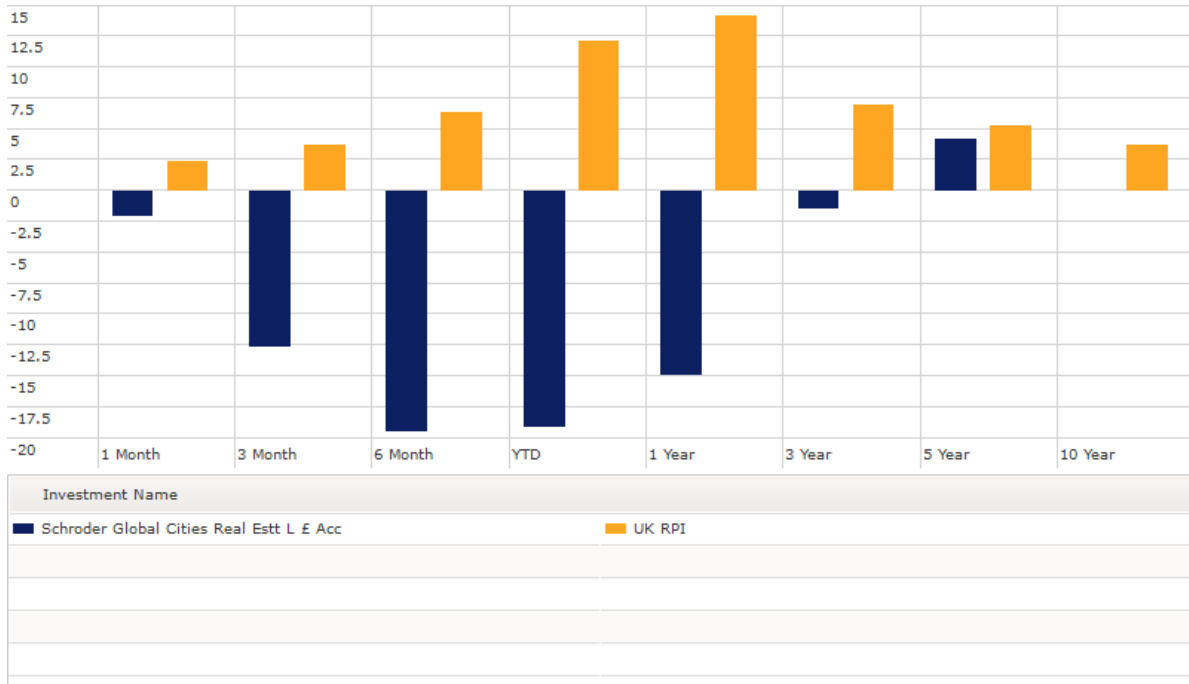
The strategy works on the premise that certain cities will grow more strongly than the counties they are in. They call these global cities, and this is where they search out the best opportunities. Within this they are looking at the strength of that city in terms of demand, infrastructure, regulation, barriers to entry etc, and then place alongside that the strength of an individual company. In looking at companies they consider low leverage, good corporate governance, and valuation.

The look and feel of holdings will therefore be different to other Global Property Strategies. Some of the key areas of investment are life sciences, self-storage, apartments, healthcare, data centres, facilities management, manufactured homes, and industrials.

Turning to performance, the strategy aims to deliver performance above CPI + 3%. In the current environment the strategy is significantly behind the target. Inflation impacts the cost of development, and rising rates create uncertainty within the sector.



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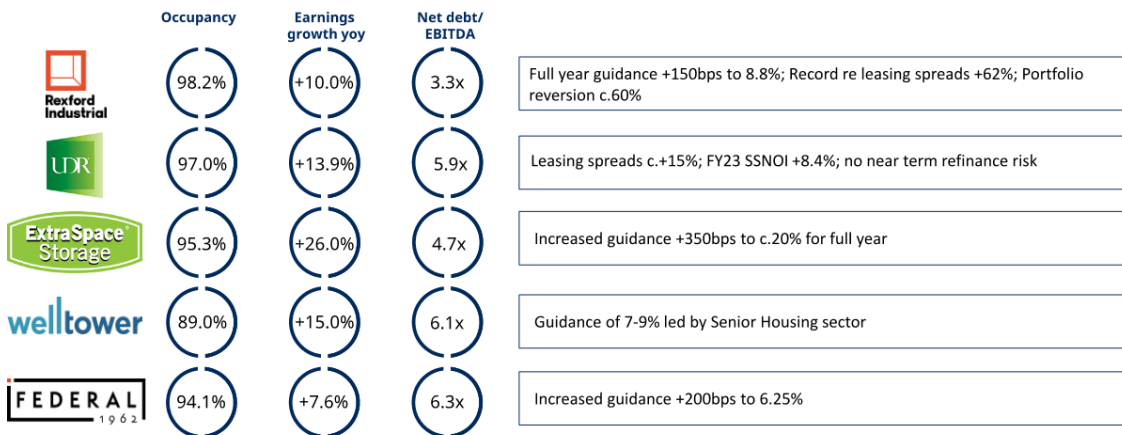


The market views inflation, interest rates and rising cost of debt as negative for the whole sector and doesn't identify high quality investments. What we know is that when the market recovers the focus will turn to quality and this strategy should recover on the back of that.

The holdings enjoy high levels of occupancy, strong earnings growth, and low levels of debt.

## Global Cities

### Top 5 active positions



Source: Green Street & Company meetings, September 2022. Companies shown are for illustrative purposes only and not a recommendation to buy/sell

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Inflation can be a positive for real assets such as property, as can be seen in the chart.



## Real assets & inflation

Leases provide protection

**% Indexation**



Direct link to inflation on a lagged annual basis

**% Fixed Uplift**



Typically 2-4%

**% Market review**



Inflationary increase captured at lease end typically <1 year

**% No review**



Inflationary increase captured at lease end typically 2 years

**% other**



Turnover linked leases

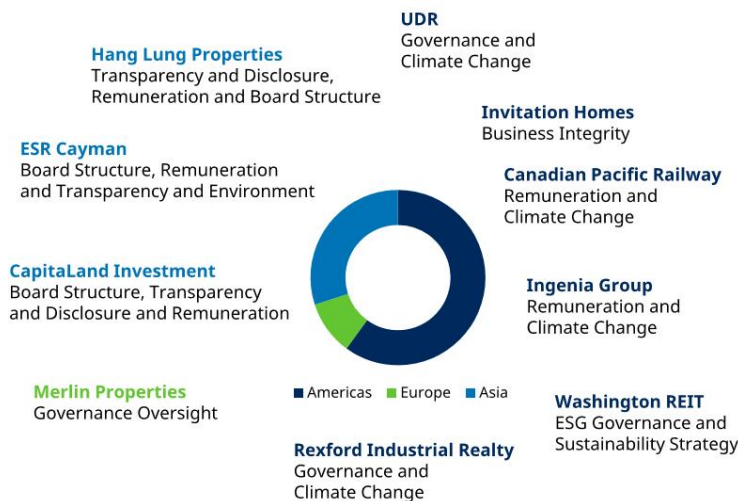
Source: Schroders, 2022. For illustrative purposes only and not a recommendation to buy/sell

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What will change the market is easing of monetary policy, falling inflation and economic stability. These will be a catalyst for re-rating of the market in an upward trajectory. As it stands valuations are cheap and with the strategy there is the sustainability and the focus on prime assets.

The team actively engage with companies in terms of sustainability, as is demonstrated below:

## Engagements



Source: Schroders.

## Q1 2022

This quarter we held detailed sustainability engagements across a variety of different sub-sectors on a wide variety of topics

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Example holdings include:

UDR – manages, buys, sells, develops, and redevelops real estate properties in targeted US markets

Rexford Industrial – invests in industrial property throughout Southern California

Extra Space Storage – the second largest operator of self-storage facilities in the US

Welltower – delivers health care infrastructure necessary to facilitate better treatment at lower costs and keep patients out of the hospital. They provide real estate capital to leading seniors housing operators, post-acute care providers and health systems. Through the capital they provide these companies are able to grow, innovate and ultimately provide better care

In summary, the real estate sector has had a difficult period with rising rates, inflation and rising cost of debt driving down performance. However, this strategy focuses on cities with growth prospects. It has a strong focus on sustainability and also benefits from high occupancy rates, inflation protection and a resilient income stream. Once we see stability within markets then this strategy should start to perform.

*The source of information in this note has been provided by Schroders and is correct as of November 2022. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to decide based on these notes we cannot take responsibility for this, and you should carry out your own research before deciding. We would also recommend that you receive advice before following up on any decision.*