



Listed real estate, an asset class decorrelated from global equity markets

Through Martin Maurel Pierre Capitalisation,
Rothschild & Co provides access to listed real estate,
a unique asset class and an alternative
from “traditional” equities.



Paul Reuge
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Why invest in listed real estate?

Paul Reuge: Listed real estate provides access to a diversified universe that is generally reserved to institutional investors. Buildings owned by property-management firms include offices, shopping centres, warehouses, healthcare facilities (retirement homes and clinics), and student residences. In Europe, this amounts to about 300 billion euros worth of properties.

Listed property-management companies benefit from tax-transparency laws, exempting them from corporate tax... As a consequence, these firms are required to return the majority of their revenues in the form of dividends, structurally making this asset class attractive from a yield generation perspective.

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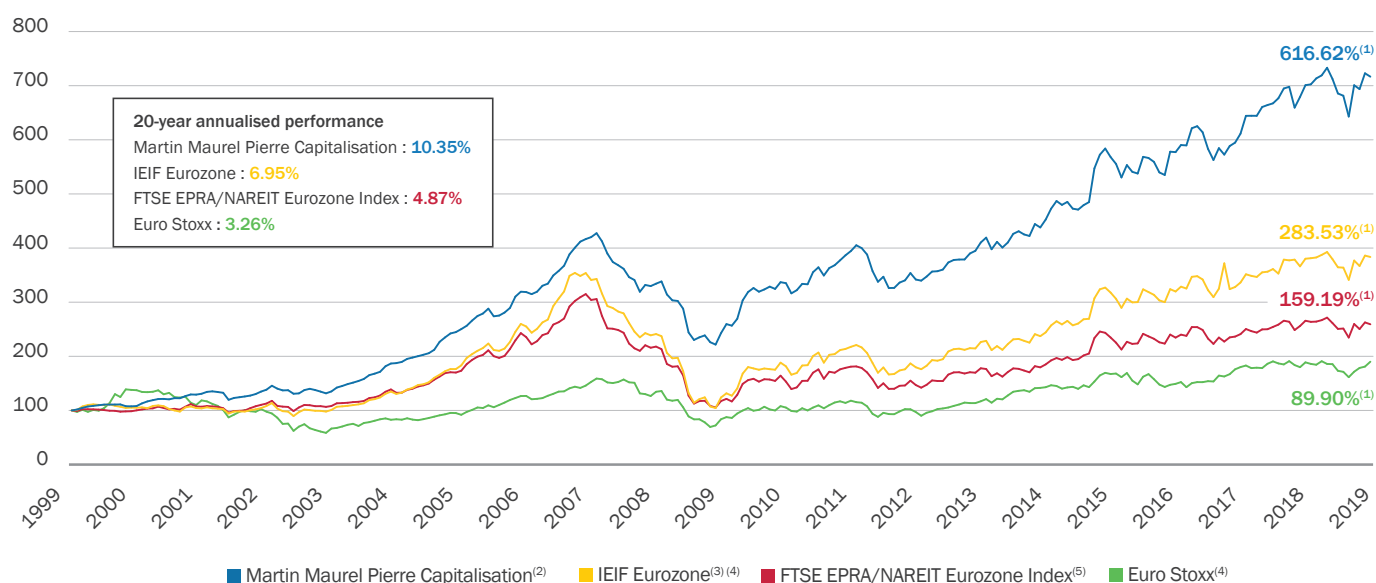
Regular studies, including those from NAREIT and EPRA, have demonstrated the benefits of including property-managers within a global portfolio. In fact, higher returns with stable volatility have been experienced. It is important to keep in mind that, over a holding period of at least five years, the correlation to the underlying assets (i.e., the real estate owned) is 0.8.

Could you tell us more about Rothschild & Co's expertise in this asset class?

P. R.: Martin Maurel Pierre Capitalisation has been around for almost 30 years. It is a “pure play” fund, meaning that we invest solely in property-management companies. We exclude any company whose main activity is not leasing buildings, such as developers and construction companies, to reduce the portfolio's risk.

As conviction investment managers, our stock-picking is based on clear choices and a medium-/long-term horizon. Hence, our asset selection and allocation may differ significantly from our benchmark.

Comparative 20-year performance of the Euro Stoxx, IEIF Eurozone and FTSE EPRA/NAREIT Eurozone Index with Martin Maurel Pierre Capitalisation



Sources: Bloomberg, Rothschild & Co Asset Management Europe, 30/04/2019
Past performance is not a reliable indicator of future performance and is not constant over time

(1) 20-year cumulative performance

(2) Fund performances are calculated after management fees, with dividends reinvested

(3) Benchmark index

(4) Index performances are on a net basis, with dividends reinvested

(5) Index performances are on a net basis, with dividends not reinvested

Originally, this fund was launched for our private bank's clients, who wished to have a lower volatility profile than other funds in this category, in addition to protecting capital in downward-trending markets.

How is the current environment favourable to this investment theme?

P. R.: The Central Banks' recent U-turn regarding their monetary policies, postponing potential rate hikes as fears of slower economic growth

resurfaced. The macroeconomic environment remains thus favourable to property-management companies so long we don't experience a reversal of the economic cycle.

Observing valuations, the current risk premium (i.e., the gap between capitalization rates and interest rates) is still far above its historical average and could therefore provide some cushion in the event of a rate hike.

For the full year, we expect well-positioned sectors to continue to fare well, driven mainly by higher rents (as yields stop compressing). We remain particularly vigilant to mergers and acquisitions given the valuation gap between listed and non-listed real estate. The sector's current discount could attract private investors. ■

“Our stock-picking is based on clear choices...”



Performance	2019	2018	2017	2016	2015	2014	5 years	1-year volatility
Martin Maurel Pierre Capitalisation C EUR	11.46%	-7.47%	18.86%	4.52%	15.35%	14.04%	58.31%	9.59%
IEIF Eurozone ⁽¹⁾	12.77%	-9.88%	16.55%	3.59%	16.43%	17.81%	57.57%	11.24%

Source: Rothschild & Co Asset Management Europe, 30/04/2019

(1) Benchmark index



Recommended investment horizon: 5 years

This subfund's risk level is 5 (with volatility ranging between 10% and 15%) and mainly reflects its positioning in French and European property companies. Historical data used in calculating this synthetic indicator may not be a reliable indicator of the subfund's future risk profile. The subfund's risk category is not guaranteed and is subject to change, either upward or downward, over time. The lowest risk category does not mean that the invest-

ment is without risk. The subfund offers no guarantee of invested capital. Other risk factors that are not adequately reflected in the indicator: credit risk and the impact of the use of techniques such as derivatives. The occurrence of one of these risks could lead to a decline in the subfund's net asset value. For more information on the subfund's risk profile and its main components, please refer to the prospectus.

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