

# Global Property Equities Fund

## Commentary

April 2013

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### Overview

Equity markets made further gains in April, continuing their strong start to the year. The Nikkei again delivered the highest returns, as the Bank of Japan promised to double the country's monetary base within two years. The S&P 500 Index also hit record highs as the US Federal Reserve guided towards prolonged easing and employment numbers remained healthy. Listed real estate stocks significantly outperformed the wider market, with bond yields back at records lows, leading investors to look for income producing assets and the market to anticipate asset value growth in the coming months. Japanese property stocks were the best performers again this month, with signs of improvement in the Tokyo office market and a grab for yield driving stocks higher. Elsewhere, European stocks reversed some of their year-to-date underperformance and were also helped by strength in the euro and sterling. US REITs also made healthy gains as results season saw property fundamentals continuing to improve. Overall, the FTSE EPRA/NAREIT Developed Index gained 7.3% in US dollar terms.

### Performance and activity

Adjusting for benchmark timing differences the fund was marginally behind its index over the month. Stock selection was in line across the three regions and regional allocation was slightly detrimental due to our European underweight. Notable outperformers over the month included our overweight positions in Japanese developers Mitsui Fudosan and Mitsubishi Estates. Stock selection in the US mall space, via General Growth Properties and Simon Property Group, was also beneficial. Detractors included US healthcare names Medical Properties Trust and Sabra, and Dundee REIT in Canada.

In Asia we increased exposure to Japan early in the month and added to Australia, given the attractive yields on offer. This was funded by disposals of Global Logistics Properties, CapitaLand and Mapletree Greater China Commercial Trust in Singapore and a reduction of exposure to Hong Kong and Chinese developers. In North America we switched from Orient Express Hotels to Starwood in the hotel space. Finally, in Europe, we switched from Deutsche Wohnen to GSW among the German residential stocks, and in the UK sold out of Safestore, adding to British Land and Hammerson.

### Outlook

Global economic growth remains below trend and it is still hard to predict how politicians will balance the conflicting demands of bond markets and citizens. However, none of this is new news and risk appetite is increasing. Against this backdrop and with sovereign bond yields at record lows, the income return on property looks relatively attractive and has the important advantage of being a real asset and a reasonable inflation hedge. We expect average property values to recover in line with tenant demand, given the general lack of new development. However, in a weak economy there will be a big difference between the best and the rest. Equity market volatility is likely to persist over the coming months but with an attractive dividend yield and access to capital markets the companies in which we invest remain well-placed.

For further information on the Luxembourg-domiciled Henderson fund range please contact your local sales office or visit our website: [www.henderson.com](http://www.henderson.com)

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