

Schroders

Global Cities
www.schrodersglobalcities.com

Tom Walker – Co-Head of Global Real Estate Securities



@GlobalCities_

September 2017

For professional investors only. Not suitable for retail clients

Two solutions

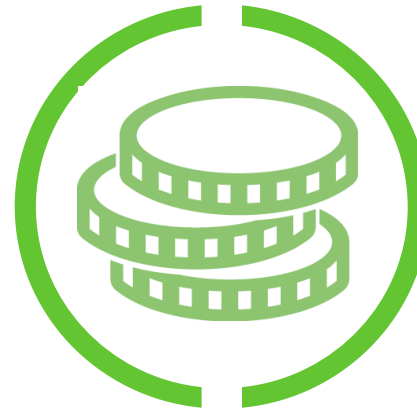
Global Cities and Global Cities Income

Global Cities



TOTAL RETURN

Global Cities Income



DURABLE INCOME

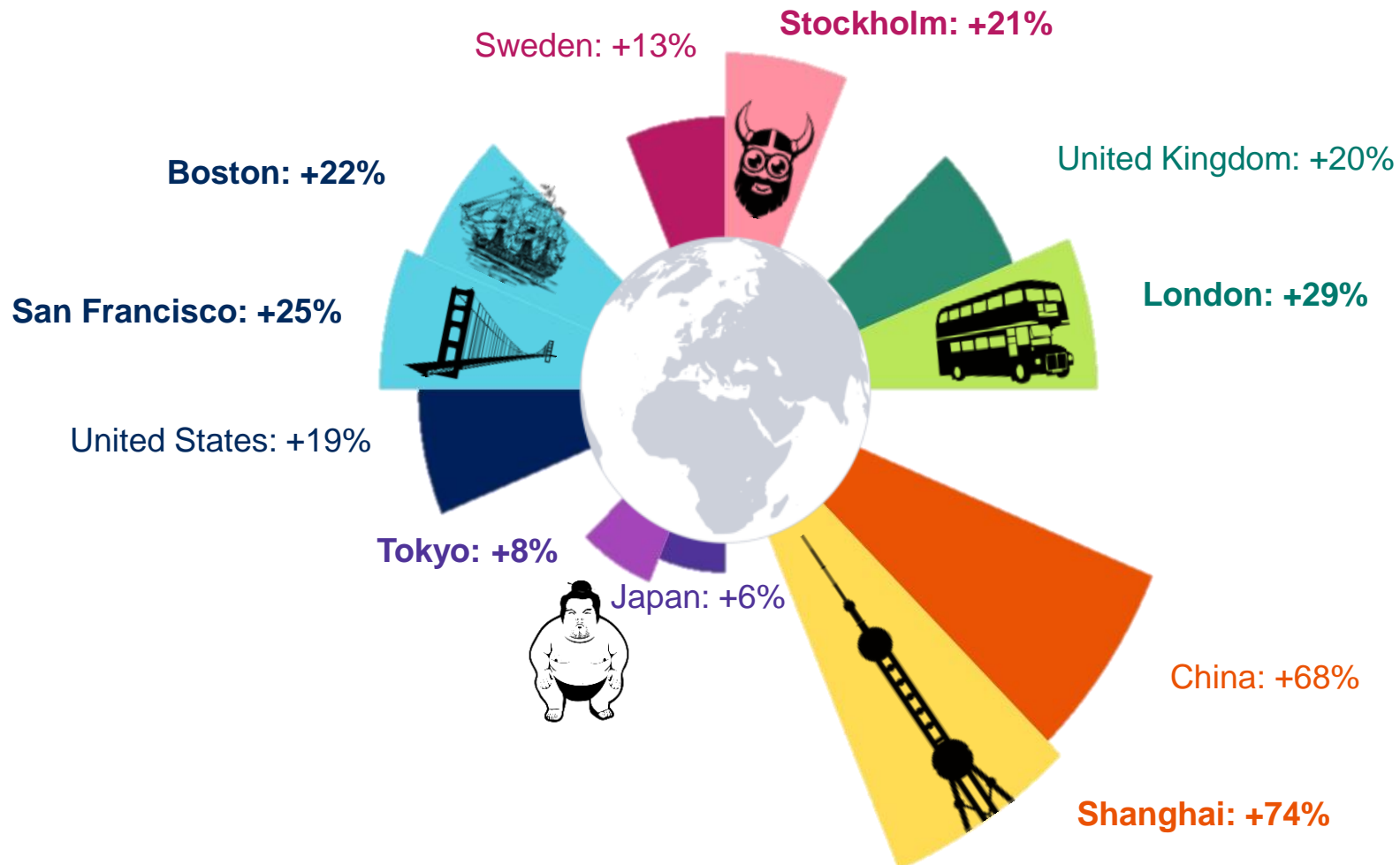
Global Cities

Mass points of consumption



Source: www.vimeo.com, March 2017.

Global Cities



Source: Schroders, Oxford Economics. Chart shows 10 year cumulative GDP growth forecast from 31 December 2016
For illustrative purposes only and should not be viewed as a recommendation to buy or sell

What makes a successful global city?

The functional perspective



Economic
clout



Ease of doing
business



Demographics
and liveability



Cost



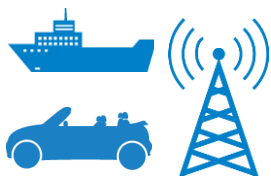
Intellectual
capital and
innovation



Technological
readiness



City
gateway



Transportation
and
infrastructure



Sustainability
and the natural
environment

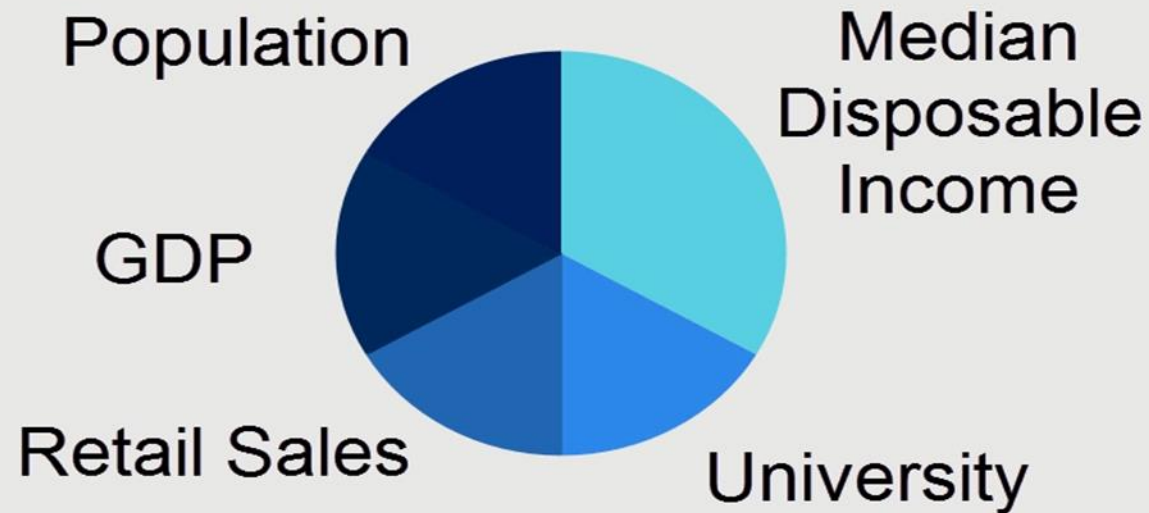


Health, safety
and security

Source: Schroders. Note: access to mainland China is provided through listings on the Hong Kong exchange.

Global Cities

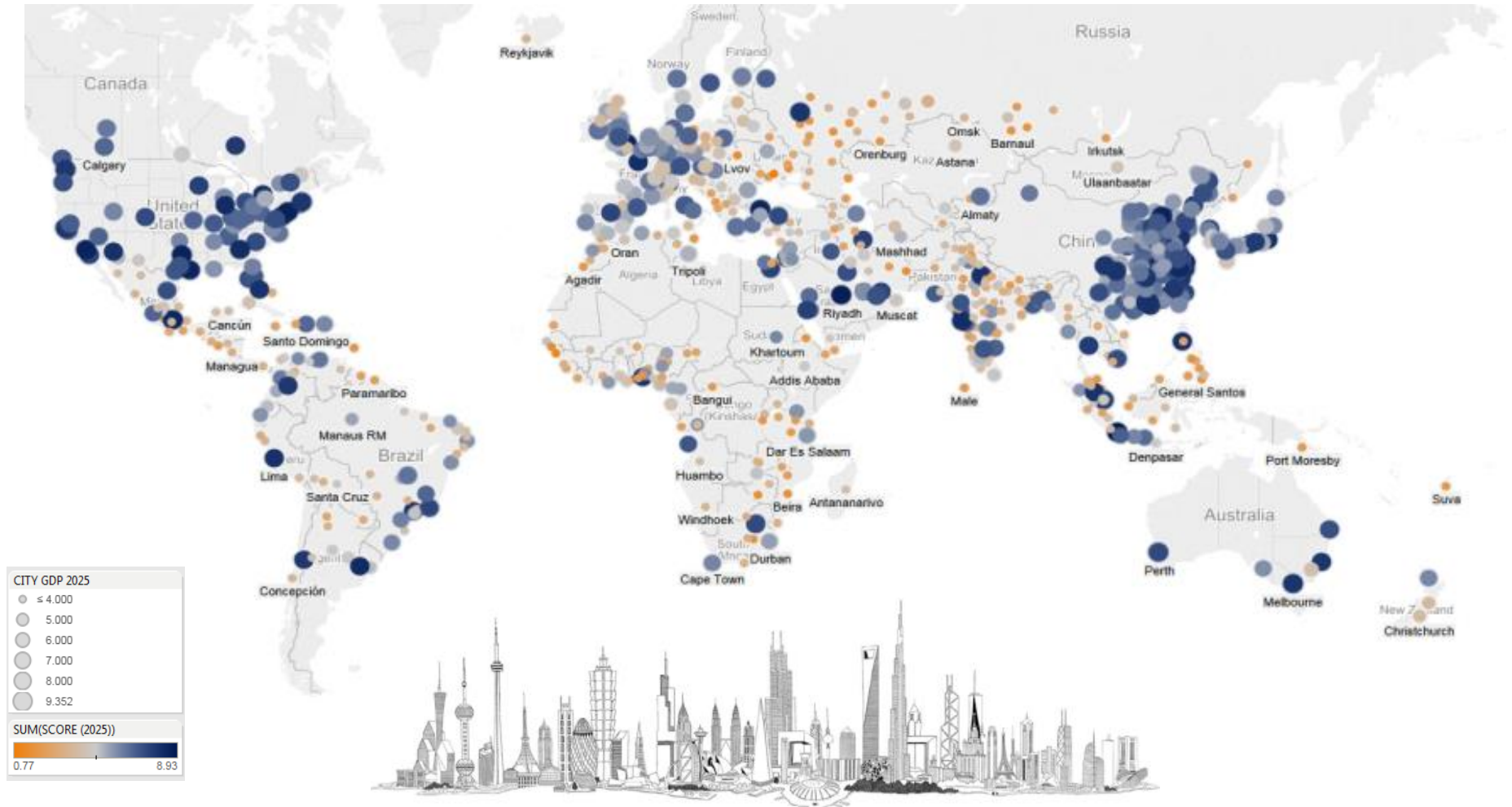
Creating the Schroders index



Source: Schroders.

Global Cities

Ranking cities



Source: Schroders, Oxford Economics, March 2016. For illustrative purposes only and should not be viewed as a recommendation to buy or sell

Global Cities

Mapping companies' exposure

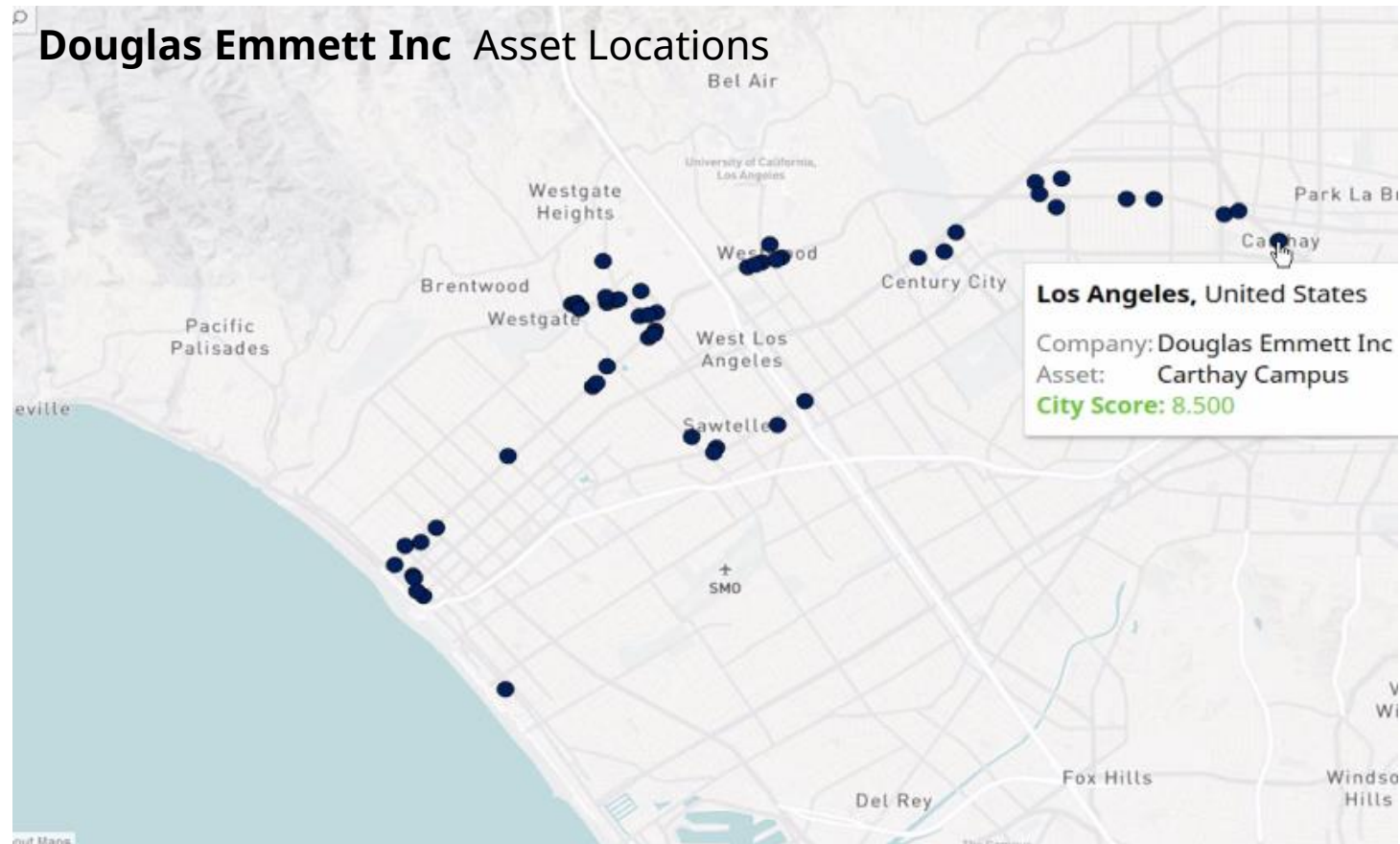
Asset ID	Company name	Asset name	Latitude	Longitude	City	Country	Zip Code	Asset Sector	Asset Score
48451	Douglas Emmett Inc	8383 Wilshire	34.06501	118.37339	Los Angeles	United States	90211	Office	8.5
48452	Douglas Emmett Inc	9100 Wilshire	34.06669	118.39021	Los Angeles	United States	90212	Office	8.5
48453	Douglas Emmett Inc	9601 Wilshire	34.06741	118.40337	Los Angeles	United States	90210	Office	8.5
48454	Douglas Emmett Inc	8484 Wilshire	34.06464	118.37563	Los Angeles	United States	90210	Office	8.5
48455	Douglas Emmett Inc	Beverly Hills Medical Center	34.06666	118.38624	Los Angeles	United States	90211	Office	8.5
48456	Douglas Emmett Inc	Village on Canon	34.06940	118.40016	Los Angeles	United States	90210	Office	8.5
48457	Douglas Emmett Inc	150 S. Rodeo	34.06550	118.40094	Los Angeles	United States	90212	Office	8.5
48458	Douglas Emmett Inc	Camden Medical Arts	34.06898	118.40396	Los Angeles	United States	90210	Office	8.5
48459	Douglas Emmett Inc	Carthay Campus	34.06108	118.36751	Los Angeles	United States	90048	Office	8.5
48460	Douglas Emmett Inc	1901 Ave of the Stars	34.05957	118.41773	Los Angeles	United States	90067	Office	8.5
48461	Douglas Emmett Inc	Century Park Plaza	34.06216	118.41583	Los Angeles	United States	90067	Office	8.5
48462	Douglas Emmett Inc	Century Park West	34.05872	118.42147	Los Angeles	United States	90067	Office	8.5
48463	Douglas Emmett Inc	One Westwood	34.05752	118.44712	Los Angeles	United States	90024	Office	8.5
48464	Douglas Emmett Inc	Westwood Place	34.05885	118.44213	Los Angeles	United States	90024	Office	8.5
48465	Douglas Emmett Inc	10880 Wilshire	34.05852	118.44293	Los Angeles	United States	90024	Office	8.5
48466	Douglas Emmett Inc	10960 Wilshire	34.05787	118.44592	Los Angeles	United States	90024	Office	8.5
48467	Douglas Emmett Inc	The Tower	34.05805	118.44507	Los Angeles	United States	90024	Office	8.5
48468	Douglas Emmett Inc	Westwood Center	34.06060	118.44383	Los Angeles	United States	90024	Office	8.5
48469	Douglas Emmett Inc	Westside Towers	34.03308	118.45193	Los Angeles	United States	90064	Office	8.5
48470	Douglas Emmett Inc	Executive Tower	34.03613	118.44267	Los Angeles	United States	90064	Office	8.5
48471	Douglas Emmett Inc	Cornerstone Plaza	34.03449	118.45553	Los Angeles	United States	90025	Office	8.5
48472	Douglas Emmett Inc	Olympic Center	34.03928	118.43864	Los Angeles	United States	90064	Office	8.5
48473	Douglas Emmett Inc	Bundy/Olympic	34.03230	118.45225	Los Angeles	United States	90064	Office	8.5
48474	Douglas Emmett Inc	11777 San Vicente	34.05350	118.46841	Los Angeles	United States	90049	Office	8.5
48475	Douglas Emmett Inc	Brentwood Executive Plaza	34.05303	118.46644	Los Angeles	United States	90049	Office	8.5
48476	Douglas Emmett Inc	Brentwood Medical Plaza	34.05194	118.47212	Los Angeles	United States	90049	Office	8.5
48477	Douglas Emmett Inc	Coral Plaza	34.05263	118.46832	Los Angeles	United States	90049	Office	8.5
48478	Douglas Emmett Inc	Brentwood/Saltair	34.05266	118.47281	Los Angeles	United States	90049	Office	8.5
48479	Douglas Emmett Inc	Saltair/San Vicente	34.05266	118.47281	Los Angeles	United States	90049	Office	8.5
48480	Douglas Emmett Inc	Brentwood SV Medical	34.05266	118.47281	Los Angeles	United States	90049	Office	8.5
48481	Douglas Emmett Inc	San Vicente Plaza	34.05266	118.47281	Los Angeles	United States	90049	Office	8.5
48482	Douglas Emmett Inc	Brentwood Court	34.05185	118.47240	Los Angeles	United States	90049	Office	8.5
48483	Douglas Emmett Inc	Westwood II	34.04704	118.46304	Los Angeles	United States	90024	Office	8.5

Douglas Emmett

Source: Schroders, June 2017. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Global Cities

Mapping companies



Source: Schroders, March 2017. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Global Cities

Mapping companies – highest exposure

Company scores

- | | |
|----|------------------------------------|
| 1 | Douglas Emmett Inc: 8.3 |
| 2 | Capital & Counties Properties: 8.3 |
| 3 | Great Portland Estates PLC: 8.3 |
| 4 | Shaftesbury PLC 8.3 |
| 5 | Workspace Group PLC 8.3 |
| 6 | Hudson Pacific Properties: 8.2 |
| 7 | Derwent London PLC: 8.2 |
| 8 | Rexford Industrial Realty Inc: 8.2 |
| 9 | SL Green Realty Corp: 8.1 |
| 10 | Empire State Realty Trust – A: 8.1 |

Source: Schroders, June 2017. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Global Cities

Mapping companies – lowest exposure excluded from portfolio

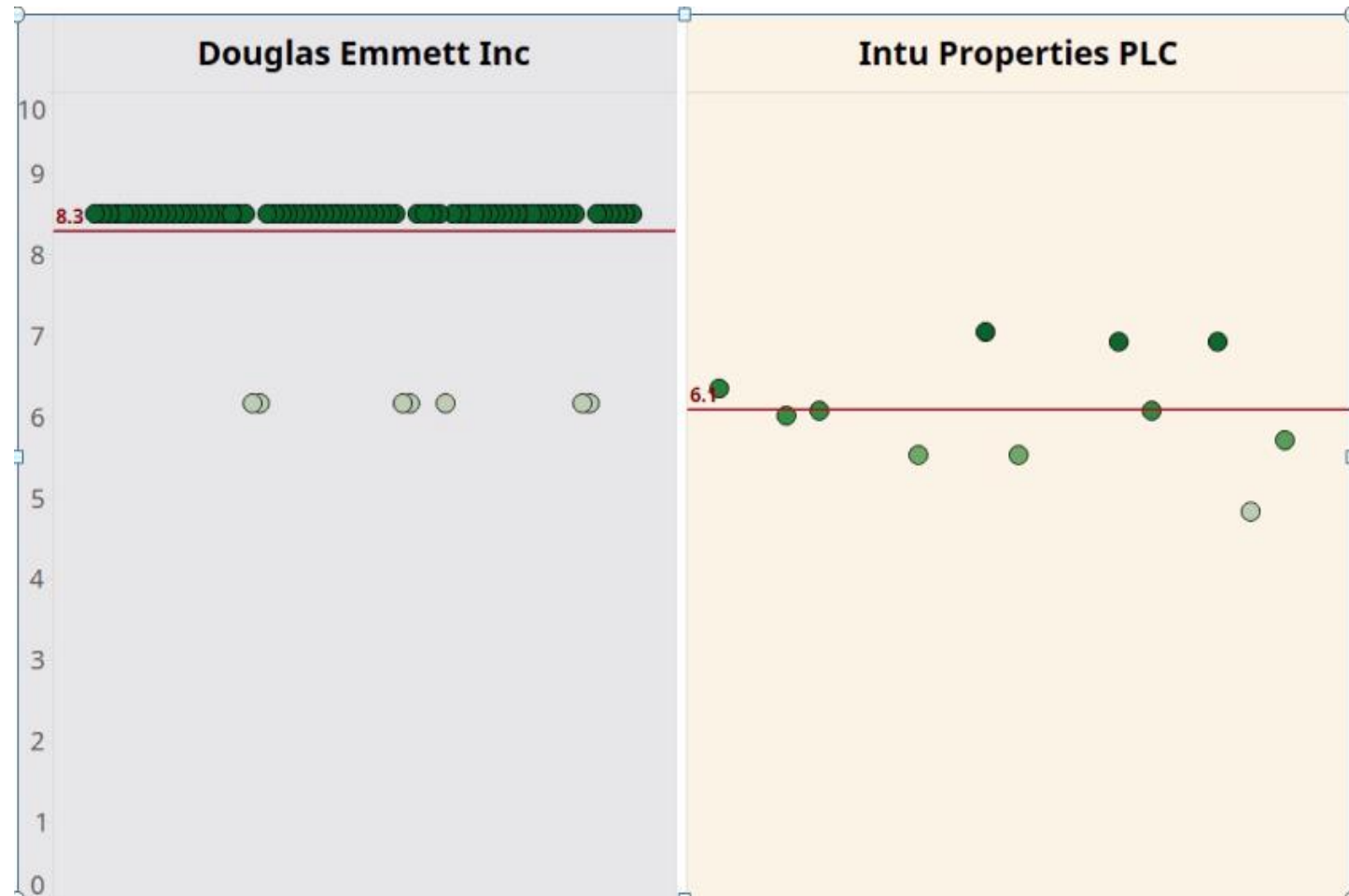
Company scores

169	Klepierre 6.6
170	AccorHotels 6.6
171	LondonMetric Property 6.6
172	Vastned Retail 6.4
173	Befimmo 6.4
174	Lok'n Store Group 6.3
175	Deutsche Wohnen AG-BR 6.3
176	Wereldhave NV 6.1
177	Intu Properties PLC 6.1
178	LEG Immobilien 5.2

Source: Schroders, June 2017. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Global Cities

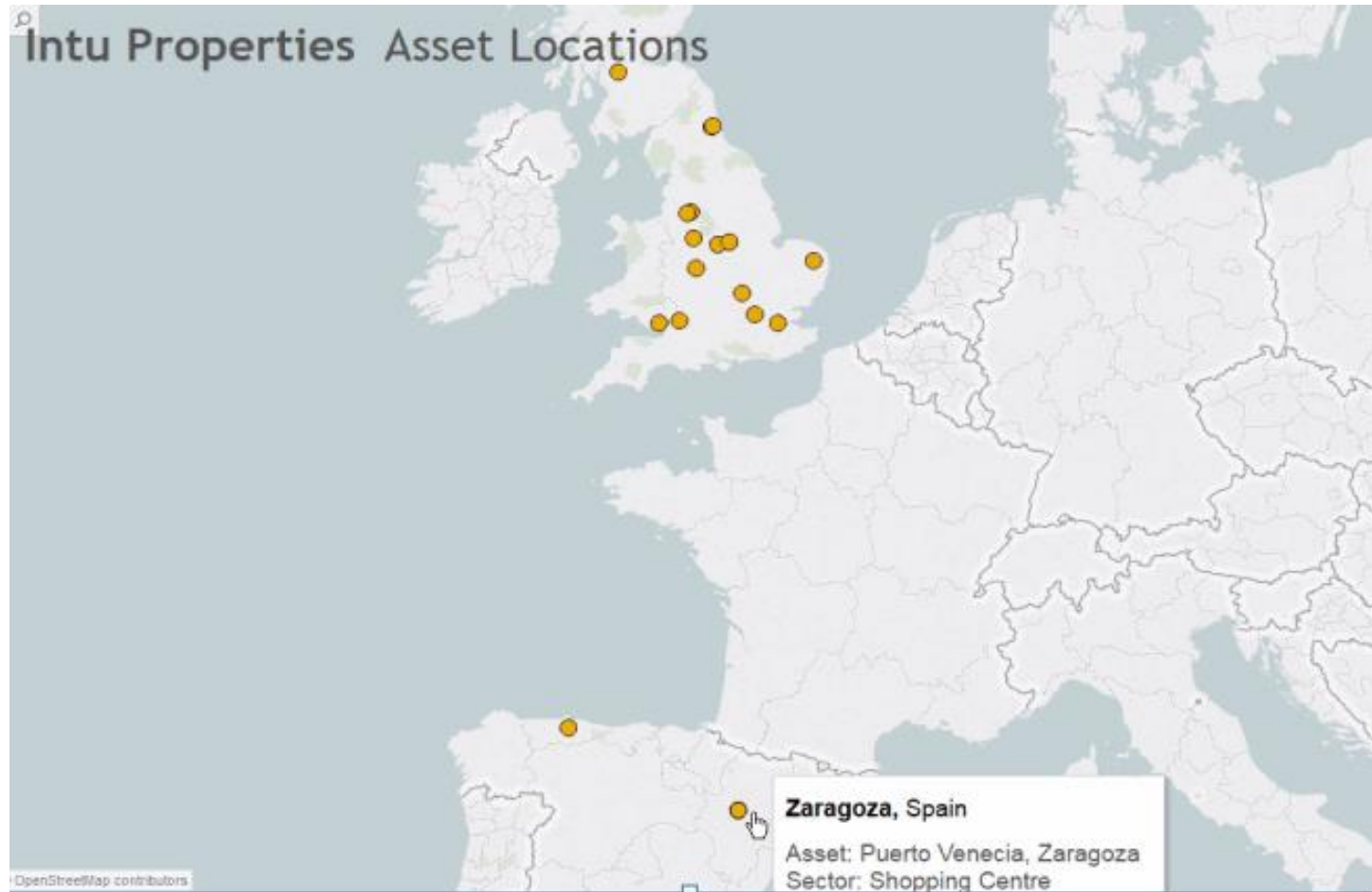
Mapping companies – comparing city exposure



Source: Schroders, June 2017. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Global Cities

Mapping companies – no exposure to the two leading European cities



Source: Schroders, March 2017. For illustrative purposes only and should not be viewed as a recommendation to buy or sell

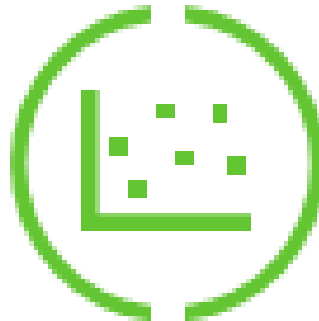
Investment process

Stage 1 – Unique Global Cities research

Global Cities Ranking



Company City Score



Company Long Term Index



**QUANTIFY LONG TERM
PRICING POWER**

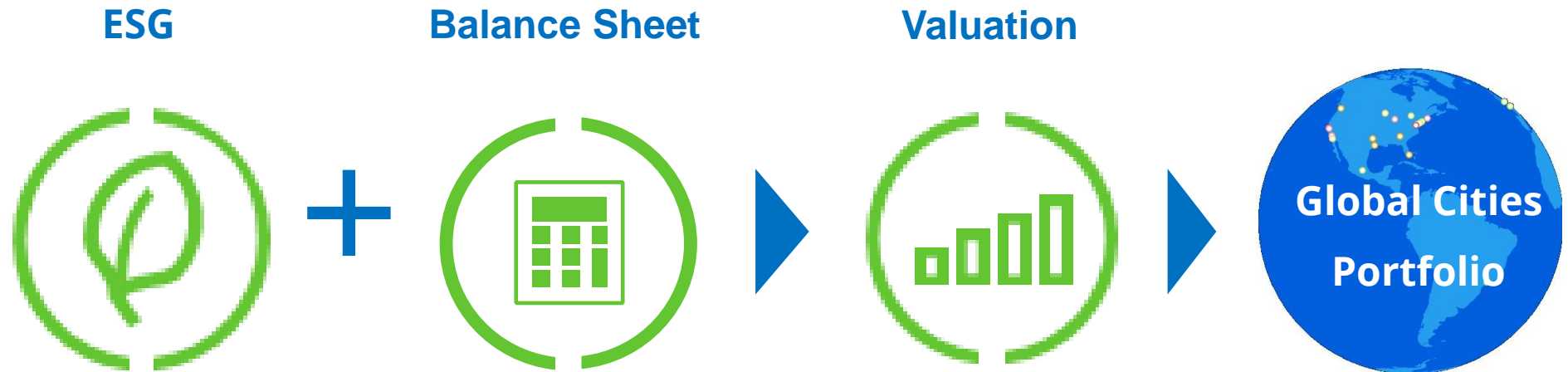
**ASSET DATABASE CALCULATES
GLOBAL CITY EXPOSURE**

**EXCLUSIVE GLOBAL
CITY FOCUS LIST**

Source: Schroders.

Investment process

Stage 2 – Risk and valuation analysis



ASSESS CORPORATE RISK

**CALCULATE TOTAL
RETURN**

**LONG TERM
INVESTMENT**

Sovereign Wealth Fund

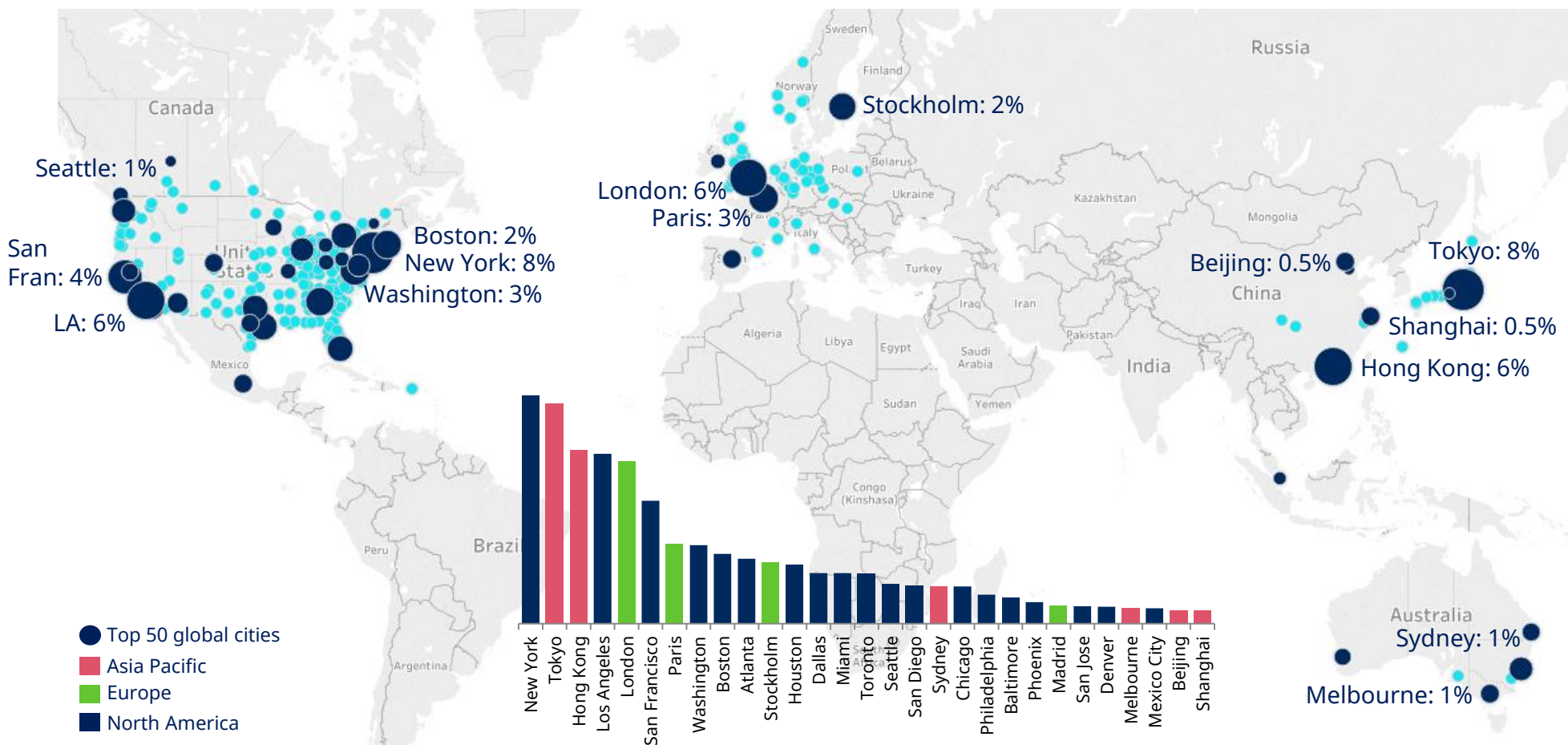
Multi generational horizon



Source: Schroders. For illustrative purposes only and should not be viewed as a recommendation to buy or sell

Global Cities

Portfolio exposure

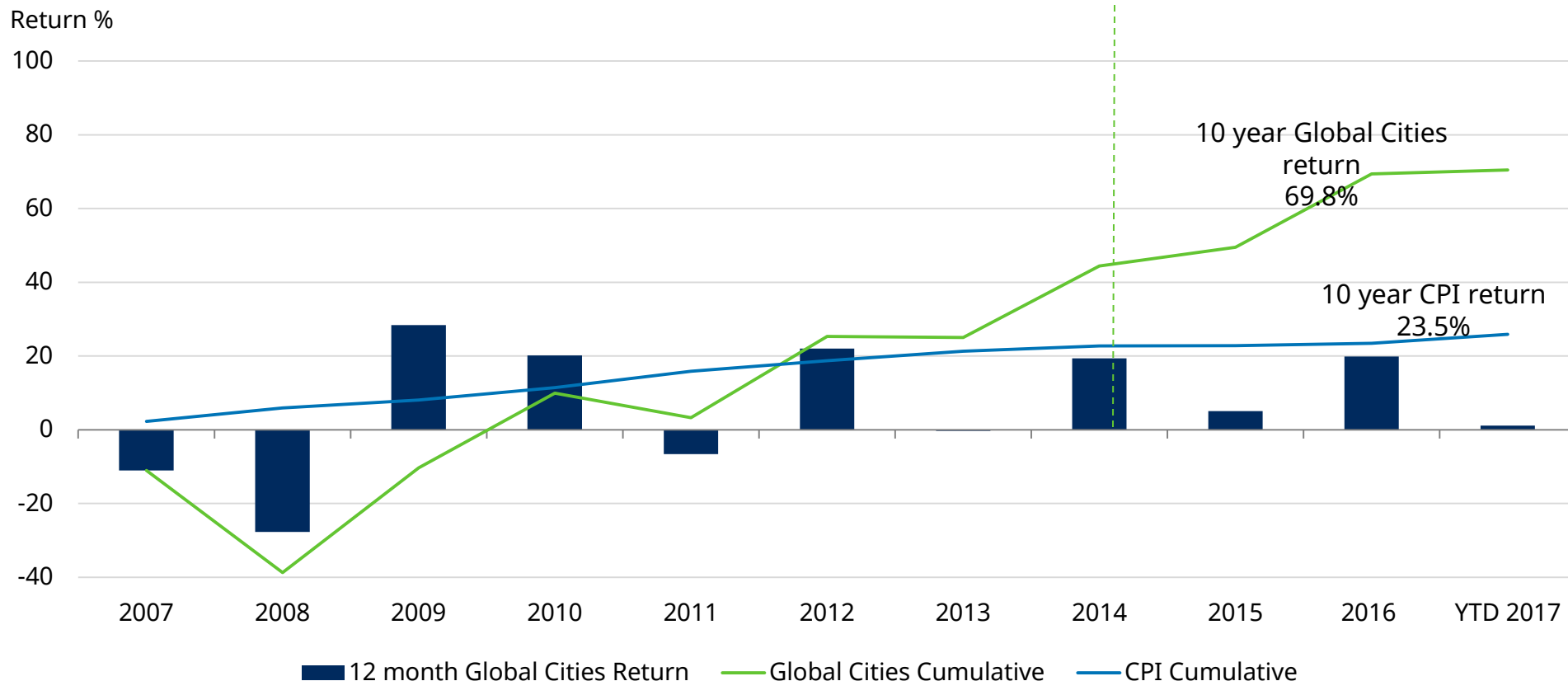


Source: Schroders, company reports, July 2017. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Schroder Global Cities Real Estate

Performance over last ten years

Average 12 month return over last 10 years Global Cities 6.9% vs. CPI 2.4%



Source: Schroders, 30 June 2017. Z Acc shares, GBP, NAV to NAV (bid to bid), adjusted for dividends, net of ongoing charges. Past performance is not a guide to future performance and may not be repeated.



For more information please visit:

www.schrodersglobalcities.com



@GlobalCities_

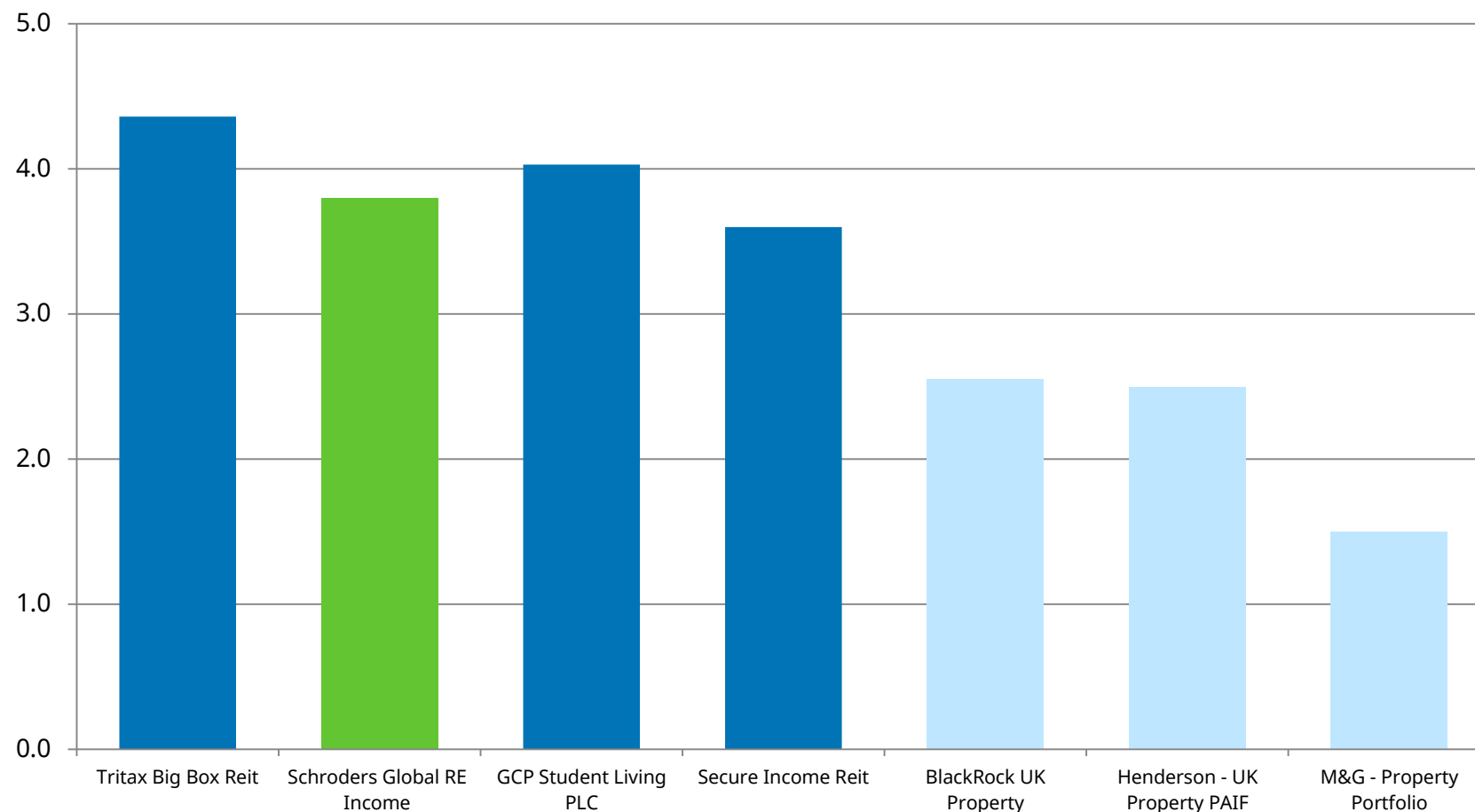




Schroder Global Real Estate Securities Income

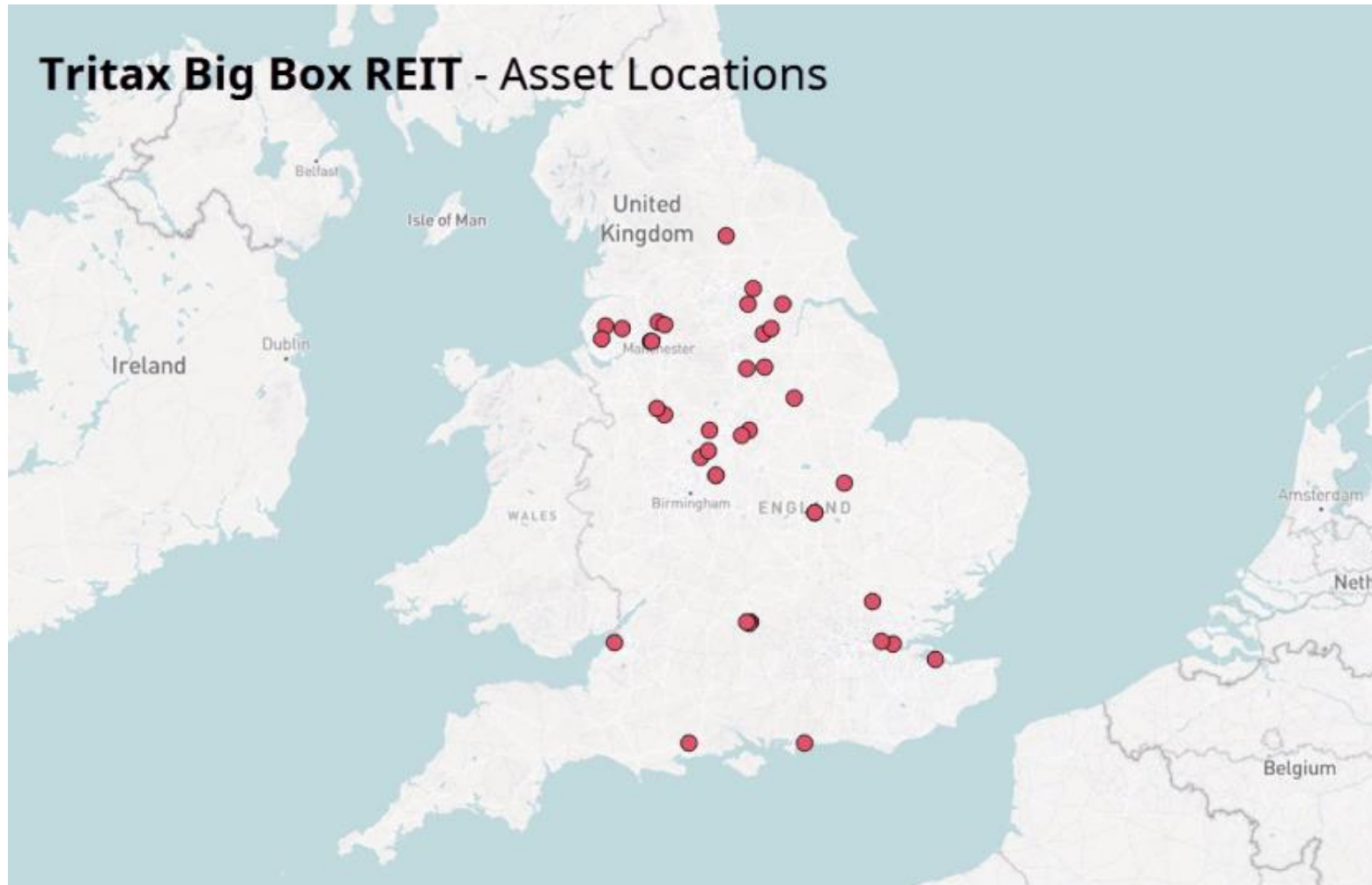
Distribution Yields

September 2017



Source: Bricks & Mortar data taken from Morningstar - 12 Month Yield is the sum of a fund's total trailing 12-month interest and dividend payments divided by the last month's ending share price (NAV) plus any capital gains distributed over the same period. As at 19 September 2017. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Regional exposure



Source: Schroders, July 2017. For illustrative purposes only.

Global diversification



Source: Schrodters, July 2017. For illustrative purposes only.

Schroder Global Real Estate Securities Income

Investment process

**Investment
universe**



**Income
Sustainability**



**Company
City Score**



Valuation



Portfolio



Schroder Global Real Estate Securities Income

Performance (net of fees)

Periods to 31 August 2017

	1 month	3 months	YTD	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.) ¹
Schroder Global Real Estate Securities Income	+0.3%	+1.7%	+2.6%	-0.4%	+11.0%	+9.1%	+8.5%
FTSE EPRA/NAREIT Developed Dividend+ index	+2.7%	+3.4%	+2.8%	+1.3%	+13.7%	+12.6%	+11.3%

Discrete yearly performance

	Q2/2016– Q2/2017	Q2/2015– Q2/2016	Q2/2014– Q2/2015	Q2/2013– Q2/2014	Q2/2012– Q2/2013
Schroder Global Real Estate Securities Income	+6.2%	+33.4%	-1.0%	+0.1%	+13.2%
FTSE EPRA/NAREIT Developed Dividend+ index	+2.5%	+33.7%	+9.2%	+1.5%	+18.2%

- Fund is unconstrained, but uses the FTSE EPRA/NAREIT Developed Dividend+ index for comparison purposes

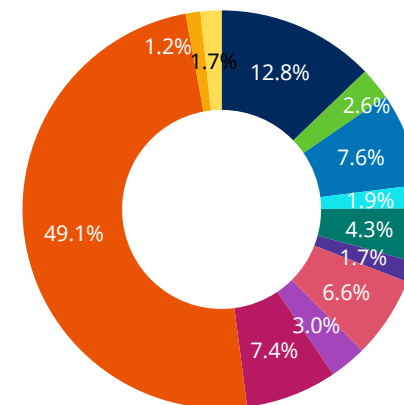
Source: Schroders, Total return, Bid to Bid. Z Acc shares, GBP, adjusted for dividends, net of ongoing charges, since launch numbers since sub-fund launch.

¹Since inception taken from 18 February 2011. Past performance is not a guide to future performance and may not be repeated.

Schroder Global Real Estate Securities Income

Liquid real estate exposure

Top 5 holdings	Market Cap (in GBP million)	Dividend yield*
1 Artis Real Estate Investment Trust	1,565	8.2%
2 Gaming & Leisure Properties	7,709	6.7%
3 Unibail-Rodamco	23,919	4.8%
4 Hersha Hospitality Trust	760	6.1%
5 Klepierre	25,667	5.2%



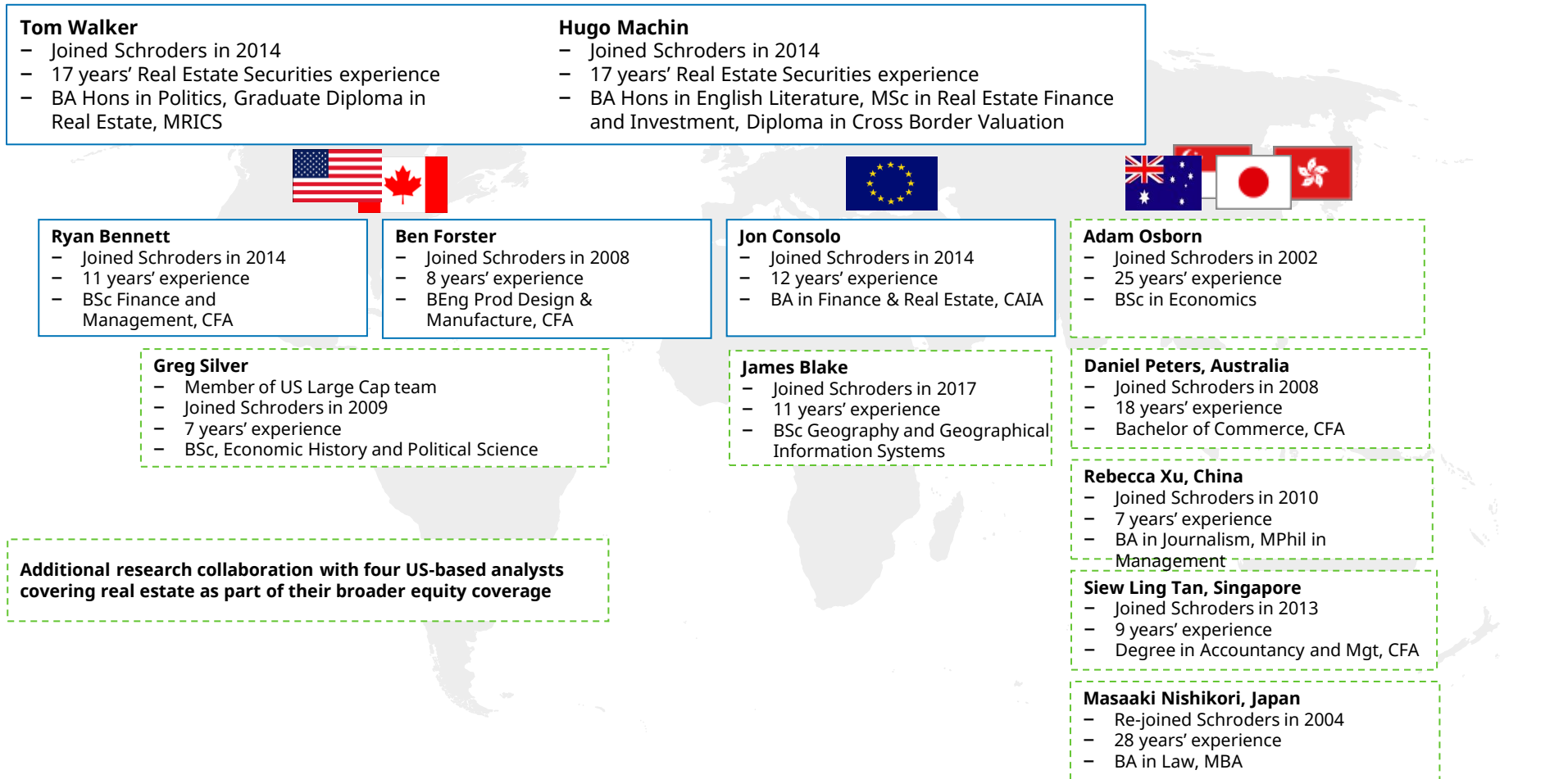
Source: Schroders, 30 June 2017. For illustrative purposes only and should not be viewed as a recommendation to buy or sell. * Bloomberg, 13 July 2017



Appendices

Locally based research team

Local knowledge of markets and sector drivers



Source: Schroders, as at September 2017. Blue box indicates a REIT specialist.

Schroder Global Cities Real Estate Performance (net of fees)

Periods to 31 August 2017

	YTD	2016	2015	Since 1 Oct 2014	Since inception (p.a.) ¹
Schroder Global Cities Real Estate Z Acc	+3.8%	+23.1%	+5.1%	+47.8%	+7.8%

Discrete yearly performance

	Q2/2016– Q2/2017	Q2/2015– Q2/2016	Q2/2014– Q2/2015	Q2/2013– Q2/2014	Q2/2012– Q2/2013
Schroder Global Cities Real Estate Z Acc	+6.8%	+24.3%	+7.0%	+0.8%	+14.2%

Source: Schroders, Z Acc shares, GBP, NAV to NAV (bid to bid), adjusted for dividends.

¹Since inception taken from 9 December 2005. Past performance is not a guide to future performance and may not be repeated.

Fund positioning

Schroder Global Cities Real Estate as at 31 August 2017

Regional/country exposure

Asia	25.4%
Hong Kong	8.6%
Singapore	0.0%
Australia	6.7%
Japan	10.1%
Other Asia	0.0%
Europe	19.1%
France	2.5%
UK	5.3%
Other Europe	11.3%
North America	55.5%
USA	52.3%
Canada	2.6%
Mexico	0.6%

Top 10 holdings

Security	Country	Sector	Portfolio weight %
Deutsche Wohnen	Germany	Residential	3.9%
Sun Hung Kai Properties	Hong Kong	Diversified	3.5%
The Link REIT	Hong Kong	Retail	3.2%
Healthcare Trust of America	United States	Healthcare	2.9%
Alexandria Real Estate Equities	United States	Office	2.8%
Rexford Industrial Realty	United States	Industrial	2.7%
Interxion Holding	Netherlands	Office	2.7%
Howard Hughes	United States	Retail	2.5%
Federal Realty Investment	United States	Retail	2.4%
Mirvac Group	Australia	Diversified	2.4%
			29.1%

Source: Schroders. Portfolio weights shown are excluding cash. Securities and countries shown are for illustrative purposes only and not a recommendation to buy or sell. Data subject to rounding.

Global investment framework

Risk score

		Scoring output		Portfolio positioning					
		[STEP 1] Risk score	[STEP 2] Valuation score	Model portfolio weighting <i>Range based on risk score</i> <i>Position based on valuation upside</i>					
				+0%	+1%	+2%	+3%	+4%	+5%
322	CHAMPION REIT	5.8							
323	CHEUNG KONG PROPERTY HOLDINGS	7.8							
324	HANG LUNG PROPERTIES LTD	7.0							
325	HENDERSON LAND DEVELOPMENT	3.0							
326	HYSAN DEVELOPMENT CO	6.8							
327	KERRY PROPERTIES LTD	1.0							
328	NEW WORLD DEVELOPMENT	1.5							
329	SINO LAND CO	1.5							
330	SUN HUNG KAI PROPERTIES	6.7							

Risk score determines investable range

Source: Schroders. Securities are for illustrative purposes only and are not a recommendation to buy or sell.
Forecast risk warning: Please refer to the important information slide at the end of this presentation.

Global investment framework

Value score

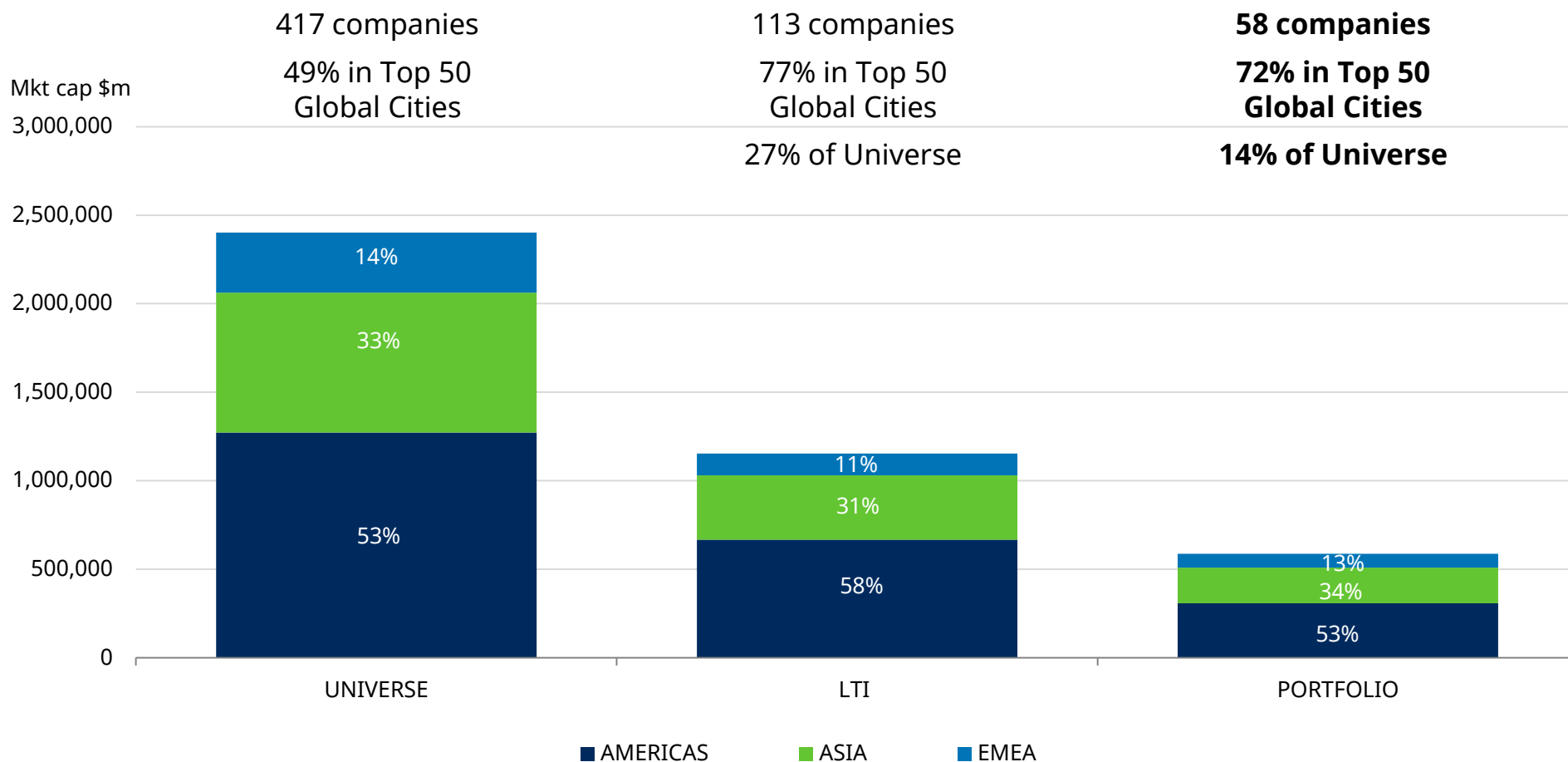
		Scoring output		Portfolio positioning								
		[STEP 1] Risk score	[STEP 2] Valuation score	Model portfolio weighting <i>Range based on risk score</i> <i>Position based on valuation upside</i>							Tgt abs	Adj req
				+0z	+1z	+2z	+3z	+4z	+5z	+6z		
322	CHAMPION REIT	5.8	2.7								0.0%	→ +0.0%
323	CHEUNG KONG PROPERTY HOLDINGS	7.8	5.6								0.4%	→ +0.4%
324	HANG LUNG PROPERTIES LTD	7.0	6.7								1.2%	→ +1.2%
325	HENDERSON LAND DEVELOPMENT	3.0	0.7								0.0%	→ +0.0%
326	HYSAN DEVELOPMENT CO	6.8	9.2								2.3%	↑ +2.3%
327	KERRY PROPERTIES LTD	1.0	8.2								1.4%	→ +1.4%
328	NEW WORLD DEVELOPMENT	1.5	8.1								1.3%	→ +1.3%
329	SINO LAND CO	1.5	8.7								1.1%	→ +1.1%
330	SUN HUNG KAI PROPERTIES	6.7	9.3								3.0%	↑ +3.0%

Value score determines positioning within investable range

Source: Schroders. Securities are for illustrative purposes only and are not a recommendation to buy or sell.
Forecast risk warning: Please refer to the important information slide at the end of this presentation.

Global Cities

Filtering our universe to select the best opportunities



Source: Schroders, Bloomberg, July 2017. Chart aggregates company market capitalisations, it is not weighted by % share. For illustrative purposes only and should not be viewed as a recommendation to buy or sell.

Important information

For professional investors or advisers only. This material is not suitable for retail clients.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

The views and opinions contained herein are those of the Global Real Estate Securities team. They do not necessarily represent views expressed or reflected in other Schroders communications, strategies or funds and are subject to change.

The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. Information herein is believed to be reliable but Schroder Unit Trusts Limited (Schroders) does not warrant its completeness or accuracy. No responsibility can be accepted for error of fact or opinion. Reliance should not be placed on the views and information in the document when taking individual investment and/or strategic decisions.

The forecasts included in this document should not be relied upon, are not guaranteed and are provided only as at the date of issue. Our forecasts are based on our own assumptions which may change. We accept no responsibility for any errors of fact or opinion and assume no obligation to provide you with any changes to our assumptions or forecasts. Forecasts and assumptions may be affected by external economic or other factors.

Schroder Global Cities Real Estate risk factors:

Funds which invest in a smaller number of stocks can carry more risk than funds spread across a larger number of companies. Funds that focus on specific sectors can carry more risk than funds spread over a number of different industry sectors. The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses. The fund is not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Equity prices fluctuate daily, based on many factors including general, economic, industry or company news. In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares. Failures at service providers could lead to disruptions of fund operations or losses. The counterparty to a derivative or other contractual agreement or synthetic financial product could become unable to honour its commitments to the fund, potentially creating a partial or total loss for the fund. A derivative may not perform as expected, and may create losses greater than the cost of the derivative. The fund uses derivatives for leverage, which makes it more sensitive to certain market or interest rate movements and may cause above-average volatility and risk of loss.

Schroder Global Real Estate Securities Income risk factors:

As a result of fees being charged to capital, the distributable income of the fund may be higher but there is the potential that performance or capital value may be eroded. Funds that focus on specific sectors can carry more risk than funds spread over a number of different industry sectors. The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses. The fund is not tied to replicating a benchmark and holdings can therefore vary from those in the index quoted. For this reason the comparison index should be used for reference only. Equity prices fluctuate daily, based on many factors including general, economic, industry or company news. Investments in smaller companies can be less liquid than investments in larger companies and price swings may therefore be greater than in larger company funds. In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares.

Important information

Failures at service providers could lead to disruptions of fund operations or losses. The counterparty to a derivative or other contractual agreement or synthetic financial product could become unable to honour its commitments to the fund, potentially creating a partial or total loss for the fund. A derivative may not perform as expected, and may create losses greater than the cost of the derivative. The fund makes use of financial derivative instruments. It is expected that the strategy will typically underperform a similar portfolio with no derivative overlay in periods when the underlying stock prices are rising, and outperform when the underlying stock prices are falling, thereby reducing the volatility of returns. Because the fund intends to pay dividends regardless of its performance, a dividend may represent a return of part of your investment. The fund uses derivatives for leverage, which makes it more sensitive to certain market or interest rate movements and may cause above-average volatility and risk of loss

Issued in September 2017 by Schroder Unit Trusts Limited, 31 Gresham Street, London EC2V 7QA. Registered No: 4191730 England. Authorised and regulated by the Financial Conduct Authority. PRO00841



Contact

Schroder Investment Management Limited,
31 Gresham Street, London EC2V 7QA.

[schroders.com](https://www.schroders.com)

Schroders