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VIEW OF THE WORLD

The Townsend Group

INTRODUCTION

Institutional Investors throughout the world remain acutely focused on high levels of economic uncertainty. Taken together with the cyclical nature of real estate, many are asking what this means, and where opportunities lie, for their portfolios.

In this, our first View of the World for 2019, we are pleased to share our views on the global outlook for real estate markets and the different investment themes emerging around the world. We develop these views from a unique vantage point, as one of the world's leading real estate investment advisers, driven by a number of key factors, including:

- **Scale & Proprietary Data** – derived from our work advising $139.9bn in clients real estate assets, and managing $16.4 billion of assets[1]
- **Global Investment Capabilities** – since 2004, we have committed or invested capital to the value of $157.7 billion[1]
- **Deal Sourcing** – last year alone, we sourced $50.5 billion of potential co-investment opportunities
- **Global Relationships** – through which we receive best-in-class research and commentary from a global network of real estate managers

To discuss any of the views or themes highlighted in this publication, please don't hesitate to get in touch.

Thank you,

Prashant Tewari
Christian Nye

[1] As of September 30, 2018, Townsend had assets under management of approximately $16.4 billion; and provided advisory services to clients who had real estate/real asset allocations exceeding $139.9 billion.

ABOUT THE AUTHORS

Prashant Tewari

Prashant Tewari is a partner of The Townsend Group and a member of the Investment Committee and the Global Macro Strategy Committee. Mr. Tewari leads global investment strategy for the firm, bringing over nineteen years of global real estate investment, capital raising, and banking experience to the firm.

Prior to joining The Townsend Group in 2014, Mr. Tewari was a Co-Portfolio Manager/Senior Research Analyst with Alliance Bernstein, responsible for a $2.5 billion global fund investing in REITs and other real estate securities. Mr. Tewari has previously held roles with McKinsey & Co., and Standard Chartered Bank within the Asia real estate group. He has lived and worked in the US, Europe, and Asia.

Mr. Tewari received an MBA with honors from the Booth School of Management at the University of Chicago, a post-graduate diploma from the Indian Institute of Management where he was awarded the Director's medal for academic excellence, and a BS from the Indian Institute of Technology.

Christian Nye

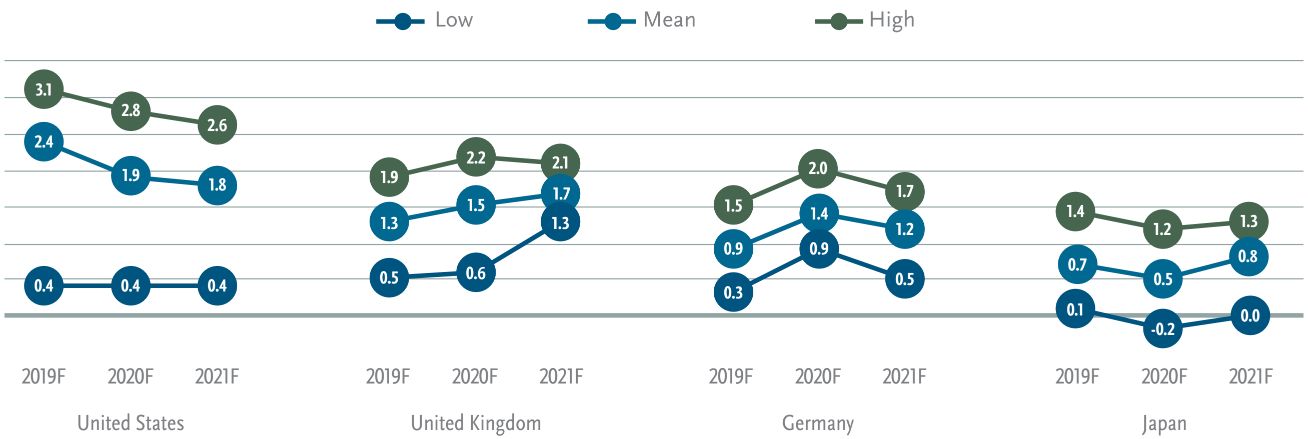
Christian Nye joined Townsend in 2016 and is an Associate in the Advisory Group and on the research team. His main responsibilities include portfolio analytics, performance reporting, and supporting the development of Townsend's View of The World.

ECONOMIC OUTLOOK

Risk and uncertainty driven by geopolitics

- While economic fundamentals have been healthy, the level of uncertainty is unprecedented as witnessed in the divergence of forecasts by various economists
- The Trade War, populist movements, Brexit, and global monetary policy continued to weigh on markets at the end of 2018 and contributed to the prevailing uncertainty
- Going in to 2019, a softening Chinese economy, slowdowns in Europe and Japan, a moderating US economy, and waning fiscal and monetary stimulus are lowering expectations
- Our base case continues to be an extended economic recovery, but testing investment and portfolios for various economic scenarios is critical for assessing and managing downside risk
- Real estate is uniquely positioned in this environment: good quality real estate has leverage in an improving economy, while at the same time, good income generation offers downside protection
- Select investment themes, backed by secular trends, might have a lower correlation to the economic cycle

Uncertainty Reflected in Diverging Economic Forecasts
Real GDP Growth Forecasts (YoY%)



Source: Bloomberg (April '19)

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KEY INVESTMENT THEMES

1 Low Interest Rates Offering Accretive Returns

2 Evolving Demographics and Migratory Trends Re Shaping Housing Preferences

3 Changing Consumer Behaviour Disrupting and Creating Opportunities

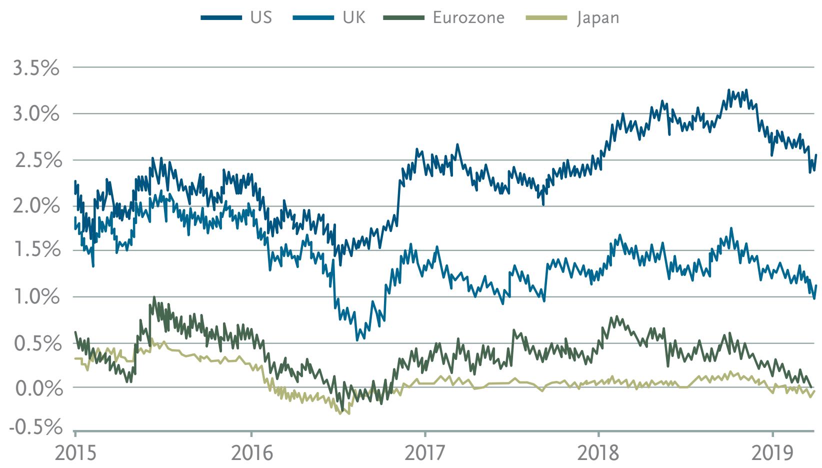
4 Preferences for Modern, Collaborative Workplaces Driving Tenant Demand

INVESTMENT THEME 1

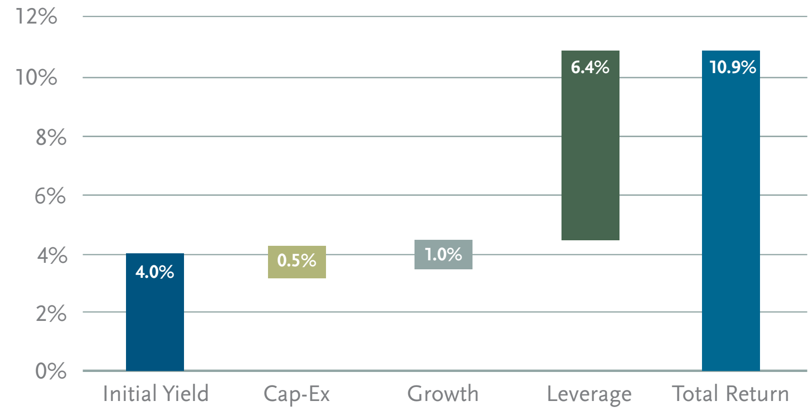
Low interest rates offering accretive returns

- Growth concerns have shifted monetary policy in multiple large developed economies
  - The European Central Bank reversed course and restarted the QE program after just a 2 month pause
  - The US Federal Reserve has put rate hikes on hold
- For now, investor concerns of cap rate expansion due to rising interest rate environments have decreased
- Regions like continental Europe and Japan, where interest rates are very low, offer very accretive leverage to the cash flow generated by good-quality real estate investments
- Low cost of debt also provides attractive levered value-add investment opportunities, especially in markets like the US and Australia that are experiencing higher growth on a relative basis
- Investors need to be mindful of an increase in development activity triggered by the low cost of financing

Interest Rates Remain Low
10-Year Govt Bond Yields



Return Profile of Levered Core European Property (65% LTV)



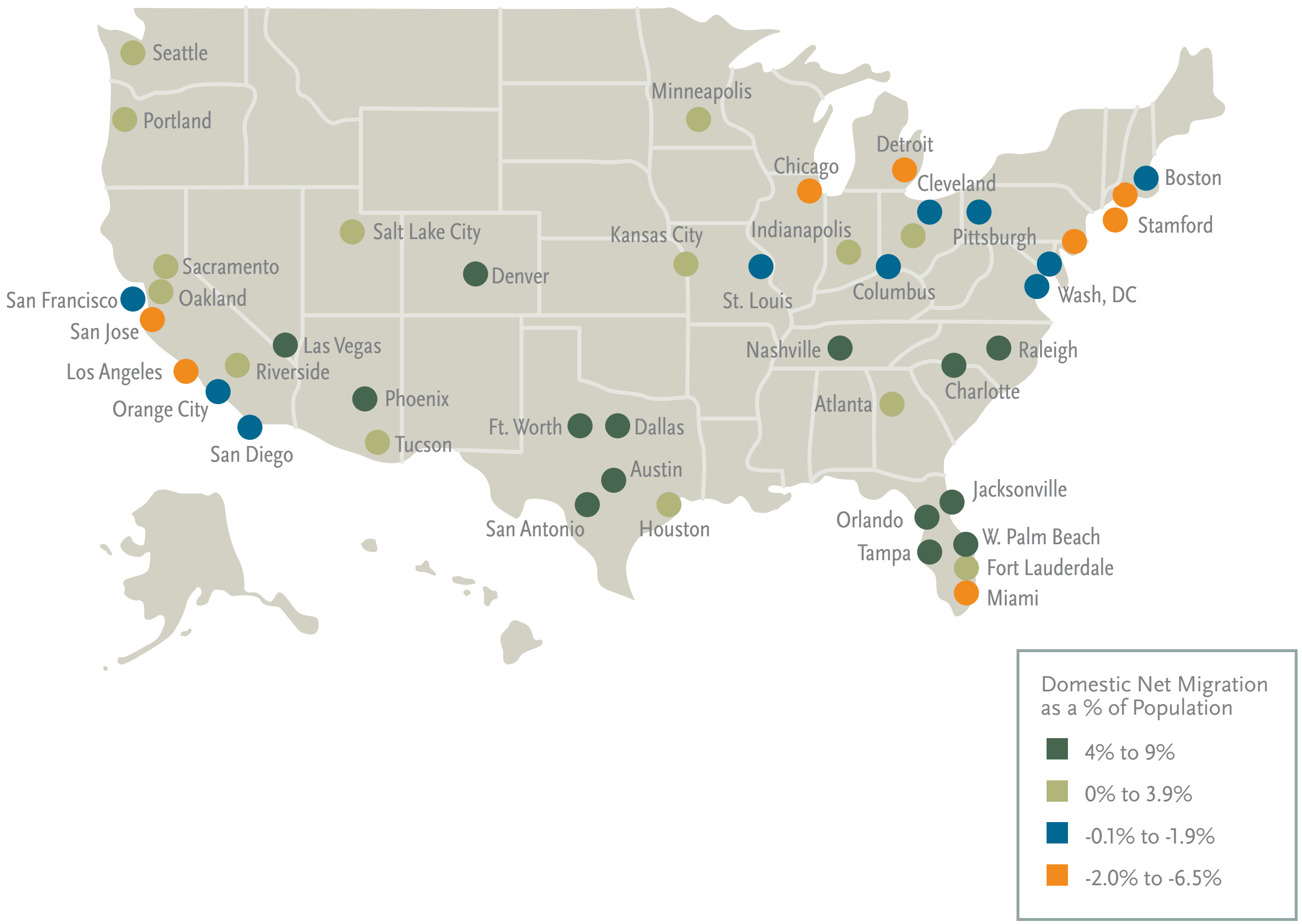
Source: Bloomberg, CBRE, The Townsend Group

INVESTMENT THEME 2

Evolving demographics and migratory trends reshaping housing preferences

- Millennials entering their early to mid-30s are shifting their preferences towards suburban apartments to start families and/or settle down
  - Purchasing a house remains out of reach, as a result of pricing and a greater burden of student debt than previous generations
- Migration continues to favor and benefit the warmer, low-tax smile states
- Lower cost of capital from REITs and core funds are funding significant development in the apartment sector; while growing demand justifies development, we are still cautious in market/submarket selection

US Population Moving South and West
2013-2017 Domestic Net Migration by Market



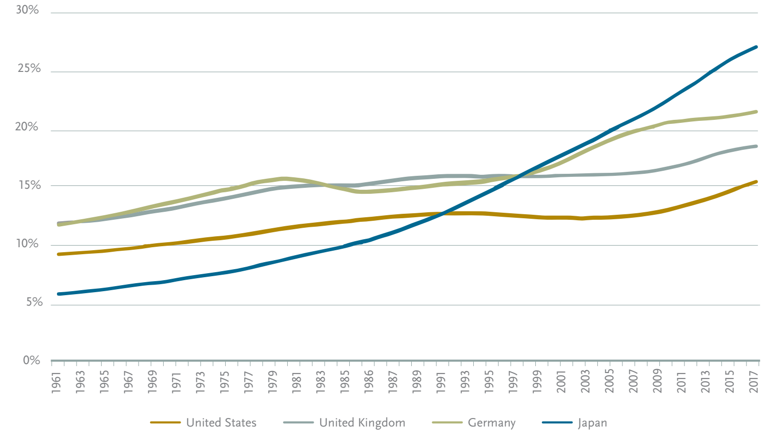
Source: Bloomberg, U.S. Census Bureau, Clarion

INVESTMENT THEME 2

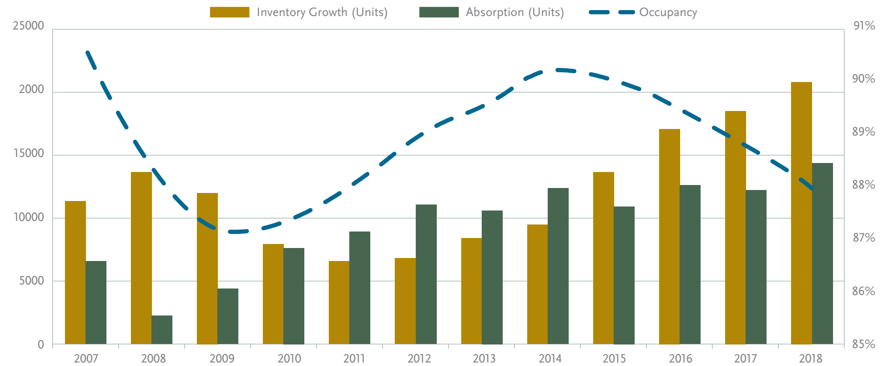
Evolving demographics re-shaping housing preferences

- Globally, an aging population is creating demand for purpose-built senior housing, although demand is just beginning to accelerate from this trend
- Medical office stands to benefit from outsized demand placed on the health care system by an aging generation of baby boomers
- In addition, long-term demographic trends should support lower growth rates and interest rates
- Pockets of overbuilding have weighed on near term fundamentals, but overall senior housing supply is nowhere close to meeting long-term demand
- While the population of people over 65 is growing at a high rate, growth in this demographic does not directly translate to demand in the short-term and investors need to be mindful of the fact that senior housing is typically not utilized for at least another decade after turning 65

Aging Populations to Drive Demand For Senior Housing
% of Population Over 65



Senior Housing Supply and Demand
(Independent + Assisted Living)



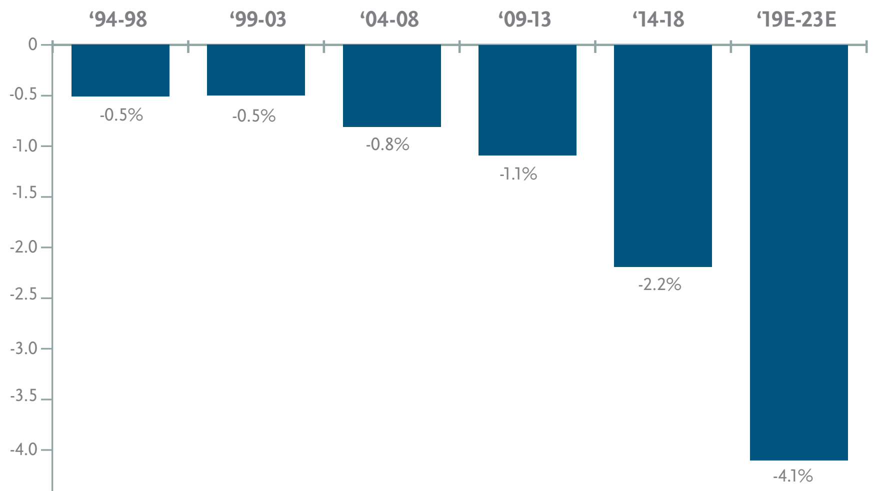
Source: Bloomberg, U.S. Census Bureau, Clarion, World Bank

INVESTMENT THEME 3

Changing consumer behaviors disrupting and creating opportunities

- The secular trend of shift in preference towards e-commerce continues
- While Amazon has been the undisputed leader in e-commerce, many other retailers continue to follow suit in developing their own logistics networks and e-commerce capabilities
- The next big industry focus is to build 1-day and same-day distribution infrastructure, by focusing on infill distribution nodes in proximity to population dense areas
- Additionally, given rental costs are such a small portion of the supply chain, paying a premium rental rate to reduce transportation costs is economically rational
- In Europe, e-commerce as a percentage of retail sales is projected to pick up across the continent and continue to increase demand for industrial warehouses. Relative to the US, Europe's e-commerce infrastructure and adoption rate remains in its early development stages
- On the other side, retail fundamentals continue to deteriorate

Estimated Brick and Mortar Sales Growth Loss Due to E-Commerce (% YoY)



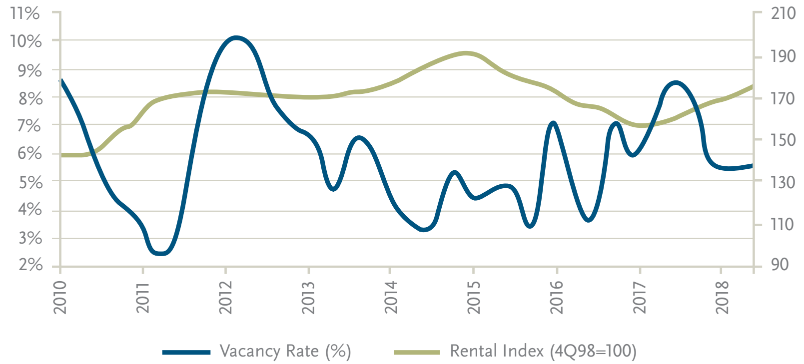
Source: Bloomberg, REIS, CBRE, Green Street, U.S. E-commerce Department Retail Trade Report

INVESTMENT THEME 4

Preferences for modern, collaborative workplaces driving tenant demand

- Growing tenant demand for creative space, open office concepts, and overall consolidation of space per worker is driving the evolution of new office products
- Select office markets are in cyclical upswing, providing strong growth prospects, given limited supply in the foreseeable future and strong economic growth
- Employment generation, which has been led by high tech services, is creating tenant demand for office space, while falling vacancies and rising rents are producing a strong fundamental basis for investing
- New York City presents an interesting case where recent effective rent growth has been low, but reversionary rent growth in specific assets has seen quite accretive returns
- The Singaporean economy is participating in the global economic growth, with 2019 GDP growth expected to be around 2.5%
- Consequently, demand for office space in Singapore has outpaced supply and created strong dynamics to push rent growth

Singapore Prime Office Vacancy Rates and Rental Index



Source: Colliers, Bloomberg, REIS

GENERAL DISCLOSURES

There can be no assurance that any account will achieve results comparable to those presented. Past performance is not indicative of future results. Investing involves risk, including possible loss of principal. Returns reflect the equal-weighted returns calculated during the periods indicated. Note: If including Core, this is value-weighted. In addition, the valuations reflect various assumptions, including assumptions of actual unrealized value existing in such investments at the time of valuation. As a result of portfolio customization/blending and other factors, actual investments made for your account may differ substantially from the investments of portfolios comprising any indices or composites presented.

Due to the customized nature of Townsend's client portfolios, the performance stated may be considered "hypothetical" as it does not reflect the experience of individual client portfolios, but rather aggregate client positions in the stated investment strategy.

NON REGULATORY ASSETS UNDER MANAGEMENT

As of September 30, 2018, Townsend had assets under management of approximately $16.4 billion. When calculating assets under management, Townsend aggregates net asset values and unfunded commitments on a quarterly basis. Townsend relies on third parties to provide asset valuations, which typically takes in excess of 90 days after the quarter end. Therefore, assets under management have been calculated using September 30, 2018 figures where available but may also include June 30, 2018 figures. Assets under management are calculated quarterly and includes discretionary assets under management and non-discretionary client assets where the client's contractual arrangement provides the client with the ability to opt out of or into particular transactions, or provides other ancillary control rights over investment decision-making (a/k/a "quasi-discretionary"). Regulatory AUM is calculated annually and can be made available upon request.

ADVISED ASSETS

As of September 30, 2018, Townsend provided advisory services to clients who had real estate/real asset allocations exceeding $139.9 billion. Advised assets includes real estate and real asset allocation as reported by our clients for whom Townsend provides multiple advisory services – including strategic and underwriting advice for the entire portfolio. Advised assets are based on totals reported by each client to Townsend or derived from publicly available information. Advised assets are calculated quarterly. Select clients report less frequently than quarterly in which case we roll forward prior quarter totals.

DISCLOSURES

NOTE REGARDING PROJECTIONS AND FORWARD-LOOKING STATEMENTS:

The information provided in this report contains estimates, return data and valuations that are based upon assumptions and projections. Such estimates and assumptions involve judgments with respect to, among other things, future economic and competitive conditions; real estate market conditions; occupancy and rental rates; and the like, which may not be realized and are inherently subject to significant uncertainties and changes, all of which are difficult to predict and many of which are beyond the control of the General Partner and Townsend Holdings LLC d/b/a The Townsend Group ("Townsend") and the investment managers of any indirect fund investments. Accordingly, no assurance can be given that such projections will be realized, and actual conditions, operations and results may vary materially from those set forth herein. The Limited Partner is cautioned that the predictions and other forward-looking statements reflected in this report involve risks and uncertainty, including without limitation, risks incident to investment in real estate and to investment in "non-core" real estate funds. In light of the foregoing factors, actual returns and results are likely to differ substantially from the forward-looking statements contained in this report, and the Limited Partner is cautioned not to place undue reliance on such forward-looking statements and projections. The words "estimate," "anticipate," "expect," "predict," "believe" and like expressions are intended to identify forward-looking statements. Investors should make their own investment decisions without relying on this document. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this document.

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The NFI-ODCE Index is a capitalization-weighted, gross of fees, time-weighted return index with an inception date of 1/1/1978. Published reports may also contain equal-weighted and net of fees information. Open-end funds are generally defined as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, subject to contribution and/or redemption requests, thereby providing a degree of potential investment liquidity.
The term Diversified Core Equity style typically reflects lower risk investment strategies utilizing low leverage and generally represented by equity ownership positions in stable US operating properties (as defined herein). The NFI-ODCE is a quasi-managed index based on the periodic review by the Index Policy Committee ("IPC") of the index's criteria thresholds.

The S&P 500 Index is an unmanaged market capitalization weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent US equity performance.

The Barclays US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency).

Index figures do not reflect deduction of fees, expenses, or taxes. One cannot invest directly in an index.

Value-Added: Funds that generally include a mix of core investments and others that will have less reliable income streams. The portfolio as a whole is likely to have moderate lease exposure and moderate leverage. As a result, such portfolios should achieve a significant portion of the return from appreciation and are expected to exhibit moderate volatility.

Opportunistic: Funds of preponderantly non-core investments that are expected to derive most of their returns from appreciation and/or which may exhibit significant volatility in returns. This may be due to a variety of characteristics such as exposure to development, significant leasing risk, high leverage, or a combination of risk factors.