





















	Market forecasting ability		
Stock selection skills	Good	Poor	
	Active management	Active management	
Good	concentrate on a few buildings	concentrate on a few buildings	
	shift sector weights based on forecasts	hold market weights	
	Active management	Passive managemen	
Poor	diversify	diversify	
	shift sector weights based on forecasts	hold market weights	



























	Investments	% Core	% Development	0%	30%	40%	50%	60%
Current Portfolio	11	75%	25%					
Total return (%p.a. pre-tax and fees)				5.7%	7.1%	7.7%	8.3%	8.7%
Probability of negative returns				23.4%	26.1%	27.6%	29.7%	32.8
Portfolio A - Low-risk / capital	10	4000/	00/					
preservation Total return (%p.a. pre-tax and	18	100%	0%					
fees)				4.1%	5.0%	5.3%	5.6%	5.7%
Probability of negative returns				15.0%	18.8%	21.0%	23.6%	28.2
Portfolio B - High-return / capita growth	1 11	79%	21%					
Total return (%p.a. pre-tax and				5.4%	6.8%	7.4%	8.0%	8.39
rees) Probability of negative returns				25.4%	28.1%	29.5%	31.4%	34.3

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Summary	ımmary					
Portfolio	Expected return	Negative return prob				
Low risk, unleveraged (1a)	4.1	15.0				
Low risk, leveraged (1b)	5.3	21.0				
High risk, unleveraged (2a)	5.7	23.0				
High risk, leveraged (2b)	8.3	30.0				
Current, unleveraged (3a)	5.4	25.0				
Current, leveraged (3b)	8.0	31.0				
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## The GPIF case

#### December 20, 2017 6:00 am JST

## Japan's pension giant steps into real estate GPIF diversifying portfolio away from stocks and bonds

#### bonds

The Government Pension Investment Fund has been taking on riskier assets due to historically low bond yields

TOKYO -- Japan's Government Pension Investment Fund is starting to actively invest in domestic real estate funds in a bid to boost its returns.

The GPIF, which has no internal real estate expertise, has already decided to diversify its portfolio away from stocks and bonds. The entity will invest up to 5% of its 156 trillion yen (\$1.37 trillion) holdings in alternative assets such as infrastructure projects, private equity and real estate. The fund has been looking for outside asset managers specializing in those areas since April.

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# Strategy: issues to consider

- Investment options
  - Private or public
  - Direct or indirect
  - Debt or equity
  - Geographies
  - Property types
  - Risk style
- Liquidity?
- Currency? (Yen was at a 0.50 high v sterling in 2015; now 0.75)
- Global demographics and megatrends
- What risk limits would you put in place?

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# Target exposure by product

	Global targets	Regional targets
Private unlisted	45%	US – 15%
core / core-plus		Asia Pacific – 5%
		Europe – 25%
US REITs and Listed Equities	-	US - 10%
Non-US REITs	10%	Europe – 5% Asia Pacific – 5%
Value-add and Opportunistic funds	15%	-
JVs and co- investments	20%	-
Debt	15%	-

	Structure	Manager	Style	Start of Investment
Infrastructure	In-house investment in a unit trust	OMERS / DBJ	Core – Developed	Feb 2014
	Discretionary	Sumitomo / Stepstone	FoF / Core – Global	Jan 2018
	Discretionary	Nomura / Pantheon	FoF / Core – Global	Feb 2018
	Discretionary	DBJ	FoF / Core – Japan*	Mar 2018
Real Estate	Discretionary	Mitsubishi-UFJ	FoF / Core – Japan	Dec 2017
	In-house investment in a private REIT	Various	Core – Japan	Jan 2018
	Discretionary	Asset Management One / CBRE GIP	FoF / Core – Global	Sep 2018
Private Equity	In-house investment in a unit trust	DBJ / IFC	Consumer focus in EM	Jun 2015
	Discretionary	Neuberger Berman	FoF / Higher Risk	April 2020