

Growth will likely be lower than we have seen over the medium- to long-term, but the growth will be more sustainable.

GENERAL ECONOMIC OVERVIEW



While growth slowed across most of the Asia Pacific region in the first quarter of 2014, activity did pickup during the second and third quarters. Financial conditions have remained broadly supportive across the region, with strong credit growth, rising equity and bond fund flows and stronger asset prices. The near-term outlook for the region remains robust. Growth will likely be lower than we have seen over the medium- to long-term, but the growth will be more sustainable. Domestic demand is expected to drive much of the growth, given favorable financial conditions and healthy labor markets. Export growth is also expected to be a positive contributor with a recovering U.S. economy as the primary growth market.

Lower commodity prices have reduced CPI inflation expectations and are helping growth-supportive monetary policy. We are anticipating that most Central Banks will take a 'lower for longer' stance or in some cases introduce fresh easing. An example of this was the surprise October 31st announcement by the Bank of Japan (BOJ) to increase their annual target purchases of Japanese Government Bonds (JGBs) from JPY 70 to 80 trillion, among other easing measures. The resulting weaker Yen may prompt other Central Banks to adjust their own monetary policies.

In China, growth has eased as authorities look to reduce risks that are stemming from the credit expansion over the past few years and as they transition to a more balanced economy with a higher rate of consumption. That said growth of 7.3% this year (Capital Economics) is still significant for the world's second largest economy.

Since 2007 transactions (excluding land sales) in the target markets (Singapore, Hong Kong, Seoul, Shanghai and Taipei) on average have accounted for almost 40% of all Asia Pacific transaction activity, or close to 70% of Asia Pacific excluding Japan and Australia.

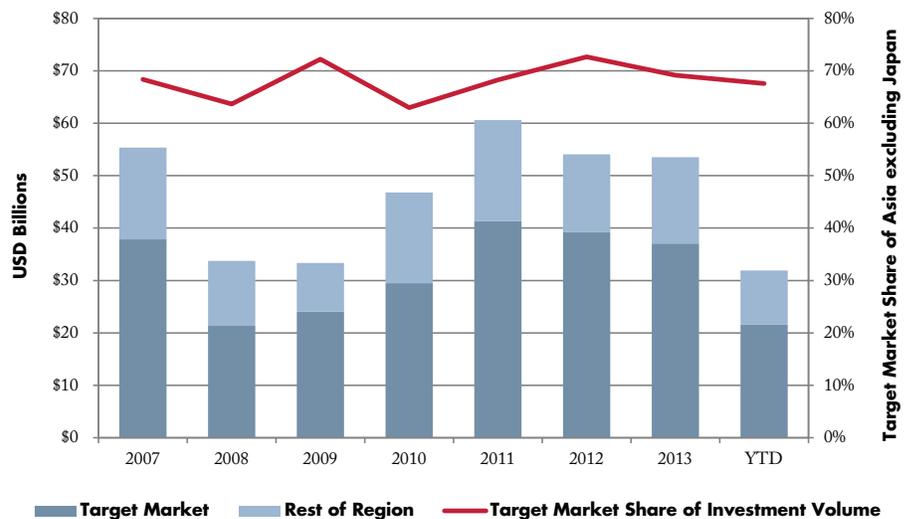
Further China is on track to add a record number of new urban jobs this year and wage growth continues to be strong. We believe there is a tolerance for a gradual and managed slowdown from policymakers.

REAL ESTATE REVIEW

The region’s mature markets continue to see strong demand for core assets in prime markets, underpinned by low interest rates and bond yields. Across the region improving financial market sentiment is also increasing risk appetite for non-core assets with investors willing to take vacancy, location and covenant risk, in locations where property yields are at a premium to core assets. Bank lending costs remain less than property yields in most mature markets, resulting in leverage being accretive to income returns. Across the region demand for office space is steadily improving leading to declining vacancy rates and rent growth. Most mature markets in the region offer nominal leasing incentives that typically cover fit-out periods (one or two months on a three-year lease) meaning gross rental gains translate directly to net effective rental growth.

Higher short-term rates in the U.S. will likely lag the economic and labor market recovery there and are expected to occur more gradually than some had feared earlier in the year. In the Asia Pacific region, we believe this will translate into improved occupational sentiment, thereby demand and income growth through lower vacancy or higher rents. For investors, higher debt costs will no doubt limit their bid prices but we anticipate the market can absorb a gradual increase in interest rates. First if income gains outstrip the marginal additional debt servicing cost, the effect on values should be muted. Moreover, as long-term rates rise the current spread to property yields has room to narrow in many mature markets before impacting cap rates.

TRANSACTION VOLUME IN TARGET MARKETS



Source: Real Capital Analytics

As mentioned earlier transaction volumes in the region and in the Fund’s target markets have been robust. Since 2007 transactions (excluding land sales) in the

target markets (Singapore, Hong Kong, Seoul, Shanghai and Taipei) on average have accounted for almost 40% of all Asia Pacific transaction activity, or close to 70% of Asia Pacific excluding Japan and Australia. More recently over the first three quarters of 2014 transaction volumes in Hong Kong, Shanghai and Taiwan are higher than they were for the same period in 2013. Volumes were lower in Singapore and Seoul, partly due to a lack of available product. We are aware of a number of pipeline deals in our target markets that should bring full year volumes to be on par with 2013 levels for most of our target markets.

HONG KONG

KEY REAL ESTATE INDICATORS

	Vacancy Rate	Rents	Absorption	Completions	Cap Rates
Office (Central)	3.6% ↓	↑	↑	↓	↓
Retail (Shopping Centre's)	2.2% ↓	↑	↓	↓	↔
Residential	4.1% ↓	↔	↑	↓	↔

Source: JLL, Hong Kong Rating and Valuation Department

Note: For the vacancy rate, rents and cap rates the arrows reflect the trend for the current quarter compared with the comparable quarter one year earlier. For absorption and completions the arrows reflect the 12-months through to Q3 2014 trend compared with the 12 months through to end Q3 2013. For vacancy rates, a down arrow indicates declining vacancy rates or an improvement in market fundamentals. For cap rates, a down arrow indicates falling cap rates.

At the end of the third quarter, Hong Kong attracted the world's media attention due to the student protests. In response to the perceived less than promised democratic electoral reforms for the upcoming 2017 elections, students walked out of class and onto the streets in protest. The protests were concentrated in three areas that were fairly limited in size, Mongkok in Kowloon and Admiralty and Causeway Bay on Hong Kong Island. At the writing of this report, the protests continue, surprising in their length, but at a lower level of intensity than during the first week. While it's unclear what the full impact, if any, the protests will have on the economy and property markets, at the moment, we do not anticipate they will be highly significant. The disruption is very localized and daily life has found an 'adjusted normal'. The protest sites are typically retail locations and research (Standard Chartered) suggests retail trade affected at the sites is likely to be offset by trade moving to other retail locations, e.g. footfalls at suburban malls have been reported to be 5-10% higher during the protests.

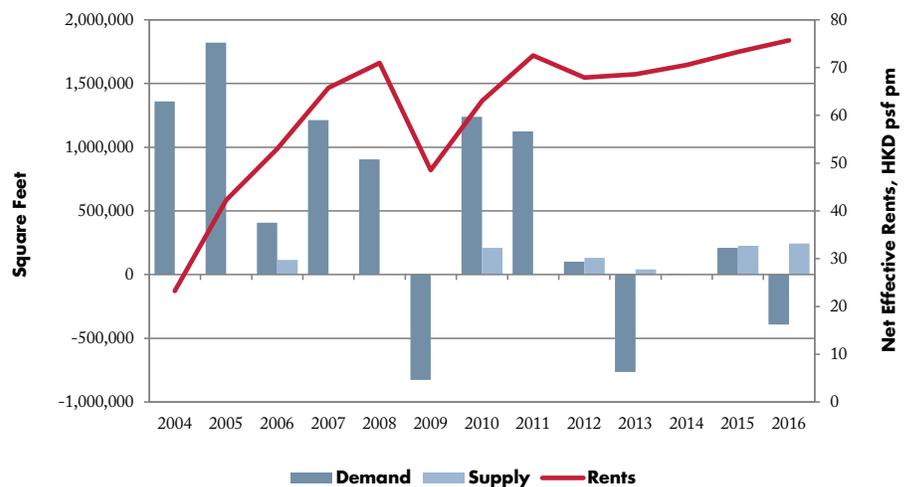
Hong Kong's retail sales finally picked up in August after falling for six straight months from February 2014, rising 3.4% year-over-year. Over the first eight months of 2014 sales contracted by only 1% as compared to the same period in 2013. The category experiencing the greatest weakness continues to be the Jewelry, Watches and Clocks, and Valuable Gifts category (-16.3% January to August compared to the same period a year ago), which is heavily dependent on high-end sales to Mainland visitors. Visitors from Mainland China have reduced their spending since the beginning of an anti-graft/anti-corruption campaign by Chinese authorities, moving

away from luxury goods and shifting their spending to mid-priced products. Retail categories which are driven more by domestic consumption and necessity spending such as Food, Alcoholic Drinks and Tobacco (other than supermarkets) (+8.8%), Supermarkets (+5.9%) and Other Consumer Goods (+7.5%) have shown steady growth year to date. The decline in spending for luxury items has resulted in higher vacancy in some high street locations, particular secondary streets in prime shopping districts that had previously benefited from a spillover of tenants from primary streets. In this environment we continue to prefer neighborhood-focused retail where retailers are focused on everyday goods and services (necessity based retail) and customers are drawn from the surrounding residential catchment.

Hong Kong's labor market is very tight, with unemployment steady at about 3.1%.

In the Hong Kong office sector, demand exceeded supply over the first nine months of the year. In fact no recorded supply came online in the three main office submarkets on Hong Kong Island (Central, Wanchia/Causeway Bay and Hong Kong East) plus across the harbor in Tsim Sha Tsui (TST). The only new supply was 25,500 square feet in Kowloon East, which was well below the net absorption of 285,000 square feet, driving the vacancy rate in the submarket down from 7.8% at the start of the year to just 5.7% at the end of 3Q 2014. With very low vacancy rates in the other submarkets, ranging from 1.6% (Hong Kong East) to 3.6% (Central) we believe rents will be demand sensitive.

HONG KONG ISLAND DEMAND, SUPPLY AND RENTAL OUTLOOK



*Note: Hong Kong Island refers to Central, Hong Kong East and Wanchai/Causeway bay
Source: JLL*

In their October 2014 World Economic Update the International Monetary Fund (IMF) projected GDP growth in Hong Kong of 3% this year and 3.5% in 2015. Similarly Capital Economics are projecting 2.5% growth this year, rising to 3.5% next year. Moreover Hong Kong's labor market is very tight, with unemployment steady at about 3.1%. The latest Manpower Employment Outlook Survey suggests favorable hiring intentions over the short-term and enough activity to support modest office occupational growth. The overall net employment outlook, which is defined as those reporting an increase in total employment less those expecting to

Certain controls and restrictions that were put in place by authorities have helped reduce the impact of risks that were forming in the residential market in Singapore

decrease employment, seasonally adjusted, over the fourth quarter, was unchanged at 15%. The Finance, Insurance & Real Estate (FIRE) sector reported an outlook of +18%.

Overall, we believe rent growth will be positive for 2014, up by 2 to 4% in Central. Next year growth should remain steady, likely in the 3 to 5% range for the full year. Some occupiers continue to analyze the cost/benefit of reducing their Central presence, where rents are HKD 100 per square foot per month, and leasing space in lower cost locations, such as Kowloon East, where rents are considerably cheaper, HKD 33 per square foot per month. In June of this year, Citigroup forward-purchased the East Tower of One Bay East in Kowloon East (developed by Wheelock Properties, a Hong Kong developer) for self-occupation (HKD 8,790 per square foot). They joined Manulife, who purchased the West Tower of the same project in April 2013 (HKD 10,596 per square foot). Across the market recent pricing has been strong and we expect vendors will hold their current asking values. Transaction volume over the first three quarters of 2014 was higher when compare to the same time period in 2013. This activity helped reported capital values in the quarter to remain stable and yields were firm at about 3% or under for grade A office buildings on Hong Kong Island.

**SINGAPORE
KEY REAL ESTATE INDICATORS**

	Vacancy Rate	Rents	Absorption	Completions	Cap Rates
Office (CBD)	6.0%	↓	↑	↓	↑
Retail (Shopping Centre)	1.8%	↓	↑	↑	↔
Residential	7.1%	↑	↓	↓	↑

Source: JLL, Singapore Urban Redevelopment Authority
 Note: For the vacancy rate, rents and cap rates the arrows reflect the trend for the current quarter compared with the comparable quarter one year earlier. For absorption and completions the arrows reflect the 12-months through to Q3 2014 trend compared with the 12 months through to end Q3 2013. For vacancy rates, a down arrow indicates declining vacancy rates or an improvement in market fundamentals. For cap rates, a down arrow indicates falling cap rates.

Not long after Singapore released an advance estimate of Q3 2014 GDP growth, which was above most estimates (+1.2% quarter-over-quarter annualized versus -0.1% quarter-over-quarter annualized in Q2), the IMF congratulated Singapore “on the success of their macroeconomic management in supporting economic activity while keeping inflation under control”. The IMF is currently projecting growth in 2014 and 2015 to be around 3% per annum, which is in line with the Monetary Authority of Singapore (MAS) projections of 2.5% to 3.5% per annum and Capital Economics view of 3% this year and 3.5% in 2015. Inflation is currently low and steady with the MAS narrowing their full-year 2014 forecast, indicating that they believe near-term inflation risks are under control. Over the medium-term a tighter labor market due to fewer foreign workers is expected to support wage

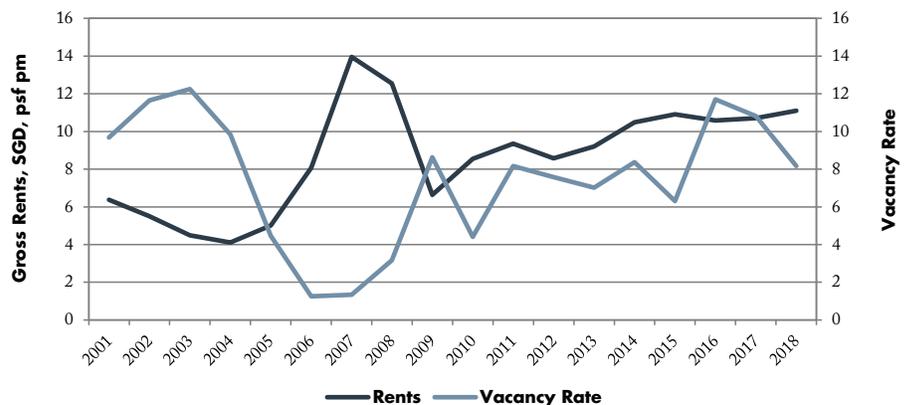
growth, potentially generating inflation above current expectations. The later trend is expected to be supportive for real estate rents in the retail and residential sector.

Certain controls and restrictions that were put in place by authorities have helped reduce the impact of risks that were forming in the residential market. For instance, residential prices have grown strongly since the Global Financial Crisis (GFC) thanks in part to the low interest rate environment. The measures that were introduced included higher purchasing and seller stamp duties, as well as restricting debt servicing exposure. These controls have reduced prices and lowered transaction volumes.

This modest level of demand growth (GDP at about 3% per annum), coupled with high occupancy and limited supply has led to an increase in office rents. From their trough in 4Q 2012 to end-Q3 2014, office rents in Singapore have grown 20%. During the same time period occupied space grew 3.5% and vacancy ended the quarter at 6.0% (down from 7.6% at 4Q 2012). By our estimate rent for renewals for grade A space in the CBD were 5% to 6% higher on a three-year lease and we are projecting they will increase 7% to 8% by the end of the year and further after that.

Leasing demand in the CBD is coming from a range of occupiers including commodities, finance and insurance, pharmaceutical, technology, media and telecom (TMT). IT and social networking firms are also expanding in prime space as they position themselves to attract staff. Preleasing interest is also robust with CapitaGreen a 700,000-square-foot (NLA) office development that is due to be completed by the end of the year, reported to be about 30% committed (up from 12% in 2Q 2014). South Beach Tower in the city fringe also recorded a good pre-commitment rate with about 20% preleased, up from 10% in 2Q 2014, ahead of its completion this year. The market expects both projects to be well leased on their completion, possibly over 50% from CapitaGreen.

SINGAPORE CBD RENTS AND VACANCY RATE



Source: JLL

Next year there will be very little new office supply coming on line in the CBD and compounding the lack of supply some space will be removed from the market for redevelopment. On balance, we project the market to be undersupplied in 2015,

With yields for grade A office assets in Seoul at about 5% the market offers a yield advantage over many of the regions other gateway markets (Hong Kong 2-3%, Singapore 3-3.5%, Tokyo 3.5-4%).

however, rent gains may be moderated by previous gains (full year 2014 growth could be up to 15% bringing trough to end 2014 to 22%). We are also expecting large supply in 2016. Occupational demand should remain robust and diversified, with Singapore remaining a key gateway market to the region.

A number of sale transactions during the quarter have supported pricing. In July, Anson House, a CBD office building, was sold to SEB, a German fund manager, for USD 131.4 million (USD 1,807 per square foot). In September a benchmark sale occurred when the Straits Trading Building was sold to Sun Ventures, a private purchaser, for USD 343.7 million (USD 2,200 per square foot). On a per square foot basis this sale was the highest recorded for a whole block in six years as opposed to strata or part ownership sales which transact at a 10 to 15% premium. Despite these and other recent sale transactions, the gap in pricing expectations between buyers and sellers remains in place with buyers pricing in higher interest rates and sellers pricing in rental gains.

There have been several headwinds for the retail sector. Operators have been challenged by a decrease in Chinese visitor arrivals, tighter foreign labor restrictions and e-commerce competition rising (e-commerce revenues could double between 2013 and 2015, Merger Alpha as reported by DTZ). These have combined to leave prime shopping center rents broadly unchanged since mid-2011. Moreover for landlords, around half of the new supply forecasted to be completed through to 2019 is expected to come on line between 4Q 2014 and 2015, creating competition for tenants.

That said, there were several new brands in the market and existing retailers are expanding their footprint. Examples include the debut of Muji and Tokyu Hands, both Japanese lifestyle stores. Under Armour, an American sports brand, added its second and third standalone stores in the third quarter. In this volatile environment we prefer the stability of the neighborhood retail sector, meaning retail stores that are located in close proximity to where people live, and provides for their daily needs. We believe this provides returns similar to shopping centers but with lower volatility.

**SEOUL
KEY REAL ESTATE INDICATORS**

	Vacancy Rate	Rents	Absorption	Completions	Cap Rates
Office (Overall)	9.8% ↓	↑	↓	↑	↓

*Source: JLL, CBRE, Bank of Korea
Note: For the vacancy rate, rents and cap rates the arrows reflect the trend for the current quarter compared with the comparable quarter one year earlier. For absorption and completions the arrows reflect the 12-months through to Q3 2014 trend compared with the 12 months through to end Q3 2013. For vacancy rates, a down arrow indicates declining vacancy rates or an improvement in market fundamentals. For cap rates, a down arrow indicates falling cap rates.*

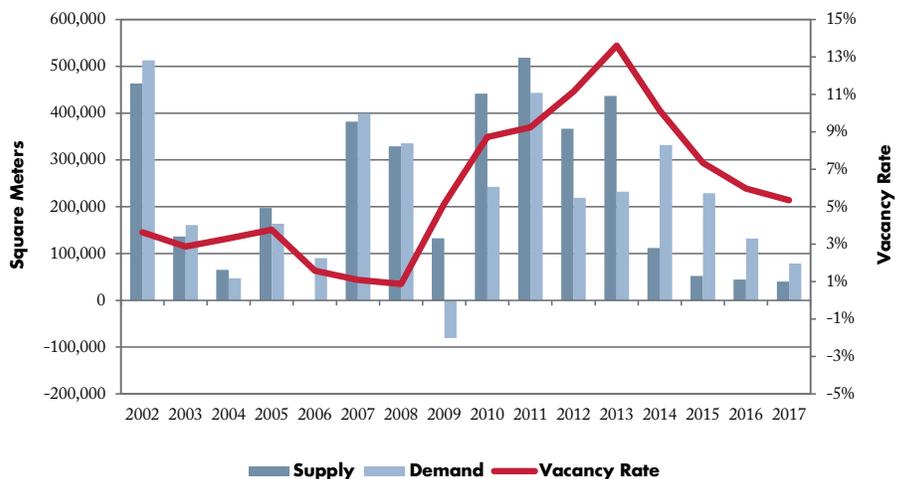
Foreign investor interest in the Seoul office market has been steadily increasing over the past year or so. With yields for grade A office assets at about 5% the market offers a yield advantage over many of the regions other gateway markets (Hong

Kong 2-3%, Singapore 3-3.5%, Tokyo 3.5-4%). In addition, the market is at the end of a supply cycle that saw the size of the overall grade A office market increase by 23% over the past four years to 3Q 2014. Looking forward, the current supply projections estimate supply will be considerably less, growing by only 4.5% over the four years from 2015 to 2018.

Demand has been steady with net absorption averaging 2.4 million square feet per annum in both 2012 and 2013. Year to date in 2014 demand has exceeded this with 2.8 million square feet of absorption. As a result of the demand supply imbalance the vacancy rate has declined from its 4Q 2013 peak of 13.6% to under 10% as of Q3 2014. In the CBD, one of the three major office submarkets with the other two being Yoido (YBG) and Gangnam (GBD), the vacancy rate peak at 14.6% in Q4 2013 and during 2014 it has dropped fifty percent to 7.5%. Our projection for the CBD vacancy rate suggests that if demand were 75% of the 10-year historic average (2004 to 2013) from 2016 to 2018, the vacancy rate would fall to under 5% by end 2018. This in turn suggests rental growth will continue to be steady and positive.

One significant transaction during the quarter was the sale of the KEPCO site (854,000 square feet of land) in Gangnam. The site is well located at the eastern end of an established business district. Hyundai Motors brought the site for approximately USD 10 billion. The car maker reportedly paid three times the property's assessed value to outbid rival Samsung Electronics for the site. Hyundai is expected to develop a landmark headquarter building on the site. Since they have yet to finalize their proposed design, large scale planning approvals can take years and then construction will be over a number of years as well, completion could be more than 10 to 15 years away. Apart from this we are aware of the potential sale of State Tower Namsan for approximately USD 490 million to ADIA. Other sales included several sale and lease back transactions involving domestic parties. Total volumes are lower in the first nine months of 2014 compared to the same period in 2013, but we understand there are a number of pipeline deals and capital continues to target the market. Cap rates are currently about 5% for grade A office assets, down from 5.2% at the beginning of the year.

SEOUL OVERALL DEMAND, SUPPLY AND VACANCY RATE

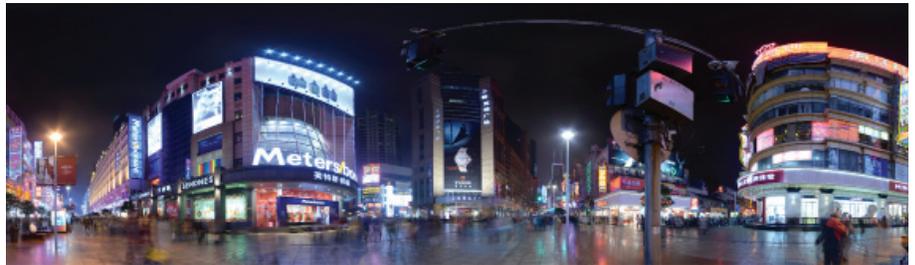


Source: JLL

In the retail sector strong tourist inflows contributed to retail sales growing approximately 1.15% year-over-year in 3Q 2014. Sales have been growing between 0% and 5% since Q3 2011. The Sewol ferry tragedy rocked the nation in April of this year. After this disaster consumer confidence dropped and many people and businesses tried to keep a low profile. Activity has started to return to normal and there is no hard evidence that specialty store sales have been negatively affected. In fact, brands such as H&M and Uniqlo have continued to launch stores throughout the country. In October Lotte opened their long awaited Lotte World Mall, a retail podium shopping center to their Lotte World Tower, a mixed-use skyscraper due to open in 2016. According to news reports the shopping center will include a total of 965 brands, of which 50 will be new to Korea.

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SHANGHAI



Recently Shanghai's economy has grown at a rate that generally tracks that of the China as a whole. In the first half of the year, the city's economy grew by 7.1% year-over-year, similar to China's. Shanghai's per capita disposable income (RMB 24,312) is over 60% higher than China's national average (RMB 14,959) and is growing steadily, up 9.3% year-over-year over the first two quarters of 2014. Shanghai's wealth, consumption base and growth explain in part why the city is often the starting point for foreign firms and brands entering China.

The Shanghai office CBD is made up of two primary markets, Puxi which is west of the Huangpu River and Pudong, which is east. Puxi is the traditional center of Shanghai and has been considerably built out. Pudong, or more specifically the Lujiazui Finance and Trade Zone, is a newer office district that was developed over the past 15 to 20 years with modern skyscrapers containing office, hotels, residences and, usually, podium level retail. Traditionally, finance-related companies preferred the Pudong district, partly because of the prominent buildings and partly because the Shanghai Stock Exchange is located there. Real economy firms, such as those in manufacturing, tend to prefer Puxi. As the CBD has developed and the quality of available office buildings has improved, these trends are changing. In fact, because Puxi offers rents (RMB 8.8 psm per day) at a discount to those in Pudong (RMB 10.0 psm per day) and because Puxi has more available space, some occupiers have decided to relocate across the river. Over the quarter domestic firms in the financial and professional service sectors, which have been a source of much of the office demand of late, were active in both Pudong and Puxi.

DID YOU KNOW?

...More than 60% of the world's population live in Asia and consumption by the region's middle class is forecast to represent 80% of world's growth by 2030

...Over the next two years will see a peak in the termination of close-ended funds in the Asia Pacific region. Analysis suggest the market may not be fully able to absorb all the liquidity these disposals require

...Neighborhood retail may provide an excellent opportunity to access the region's rising consumption with a lower risk profile. Retailers that rely primarily on everyday spending have more stability than those that are reliant on the more cyclical luxury/discretionary spending sector

Prepared by AEW Research, December 2014

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Foreign funds and owner-occupiers were the two main buyer groups over the quarter. Foreign funds are primarily seeking core properties, but the bid ask spread is wide due to high asking prices. This had led some to seek our more affordable decentralized or grade B opportunities. The government's anti-corruption drive has left many state-owned companies hesitant to acquire large investments, however, smaller, domestic firms continue to show an interest in purchasing space to use as their Shanghai headquarters and for long-term capital appreciation.

TAIPEI

Taiwan's GDP is projected to grow by 3.6% this year, according to Oxford Economics, a slightly more optimistic forecast than the National Statistic Office's projection of 3.4%. The labor market in Taiwan is tight with rising wages and an unemployment rate that is at its lowest level since 2000 (4.1%). A recent Manpower Employment Outlook Survey reported 43% of employers intended to expand staffing levels, with the highest growth in the office occupying sectors of finance, insurance and real estate.

The CBD vacancy rate was 8% in 3Q 2014, down 15 basis points over the quarter and more than 300 basis points year-over-year. Several existing or potential corporate tenants have either enquired about space availability or signed pre-lease contracts for the new supply. This has left rents broadly unchanged over the quarter (up only 0.22%), but rents are up year-over-year (+4.15%). Some of the 2014 projected supply has been delayed, leaving the full year new completions to be revised down. In the two years from 2015 to 2016 a large amount of supply is projected to come on line, increasing the overall office stock by 22%. However, demand is projected to broadly match this supply with vacancy rising to less than 14% in 2015 and rents increasing as well.