

**ING Clarion**  
**Real Estate Securities**

***Inflation, inflation, inflation - are REITs the answer?***

**Presentation to PortfolioConstruction Conference 2008**

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# Agenda

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Global Real Estate – The Case for Investment

Real Estate and Inflation - The Research Evidence

Q&A

# Global Real Estate – The Case for Investment

# Global Real Estate Securities

## Why consider investing in Global Real Estate Securities?

- ▶ Increased opportunity set versus a single market or regional strategy
- ▶ Increased adoption of REIT type structure globally will likely spur growth of public real estate sector and potentially increase dividend yields
- ▶ Historically compelling dividend yield
  - > Income component may hedge against inflation
- ▶ Diversification benefits from low correlation:
  - > to other asset classes
  - > among regions in which the fund invests
- ▶ Historically strong returns from global markets
- ▶ An allocation to global real estate could potentially increase returns and lower risk over time

Information is the opinion of ING Clarion Real Estate Securities as of 05/31/08, which is subject to change. Stated information is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Forecasts are not necessarily indicative of future investment performance. The factors noted (including estimated GDP growth, estimated earnings growth, dividend yields, and NAV discount) are not necessarily indicative of future investment performance.

# Listed Real Estate's Growth Potential

Listed real estate companies represent only 10% of the world's high grade real estate.

Country/Region	High-Grade Real Estate Assets		Listed Real Estate Equity Market Cap			
	Total Real Estate (US\$B)	Share of Total	Total Securitized Real Estate (US\$B)	Share of Total Securitized	Implied total assets owned by listed RE companies (US\$B)	% of High Grade RE
North America	6,597	29%	398.74	22.9%	558	8.5%
Continental Europe	6,692	29%	249.64	14.3%	349	5.2%
United Kingdom	1,885	8%	95.7	5.5%	134	7.1%
Japan	3,786	16%	153.54	8.8%	215	5.7%
Hong Kong/China	815	4%	409.04	23.5%	450	55.2%
Australia	561	2%	115.89	6.7%	162	28.9%
Other	2,715	12%	319.92	18.4%	448	16.5%
<b>Total World</b>	<b>\$23,051</b>	<b>100%</b>	<b>\$1,742.47</b>	<b>100%</b>	<b>\$2,316.75</b>	<b>10.1%</b>

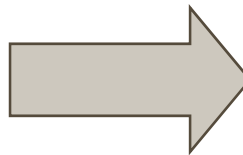
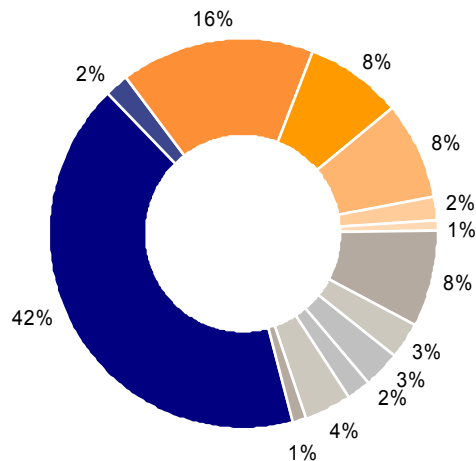
Source: ING Clarion Real Estate Securities Research as of 12/31/07

# Broad Universe of Companies

The global universe of public real estate companies continues to expand in size.

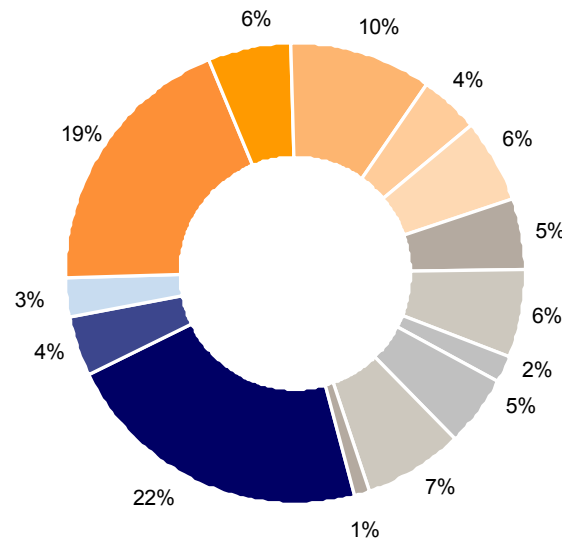
2004

500 Global Real Estate Companies  
A\$990 Billion Equity Market Value



2008

818 Global Real Estate Companies  
A\$1,487 Billion Equity Market Value



- United States
- Canada
- Other Americas
- Hong Kong/China
- Australia
- Japan
- Singapore
- Other Asia
- United Kingdom
- France
- Netherlands/Belgium
- Spain
- Other Europe
- Other Mid East/Africa

Source: ING Clarion Real Estate Securities investable universe as of 06/30/08

# REIT Structure - Global Expansion

## Countries with Listed REITs



U.S.  
1960 REIT



Netherlands  
1969 FBI



Australia  
1971 A-REIT



New Zealand  
1971 LPT



Canada  
1994 REIT



Belgium  
1995 SICAFI



Turkey  
1999



Japan  
2000 J-REIT



Thailand  
2001 REIT



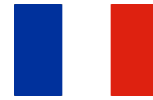
Korea  
2001 K-REIT



Singapore  
2002 S-REIT



Taiwan  
2003 REIT



France  
2003 SIIC



Hong Kong  
2003 REIT



Malaysia  
2005 REIT



Bulgaria  
2005 SPIC



United Kingdom  
2007



Germany  
2007 G-REIT

## Countries with REIT Legislation In Place



Italy



Israel



Dubai

## Countries Considering REIT Legislation



Brazil



Costa Rica



Finland



India



Mexico



Philippines



Spain



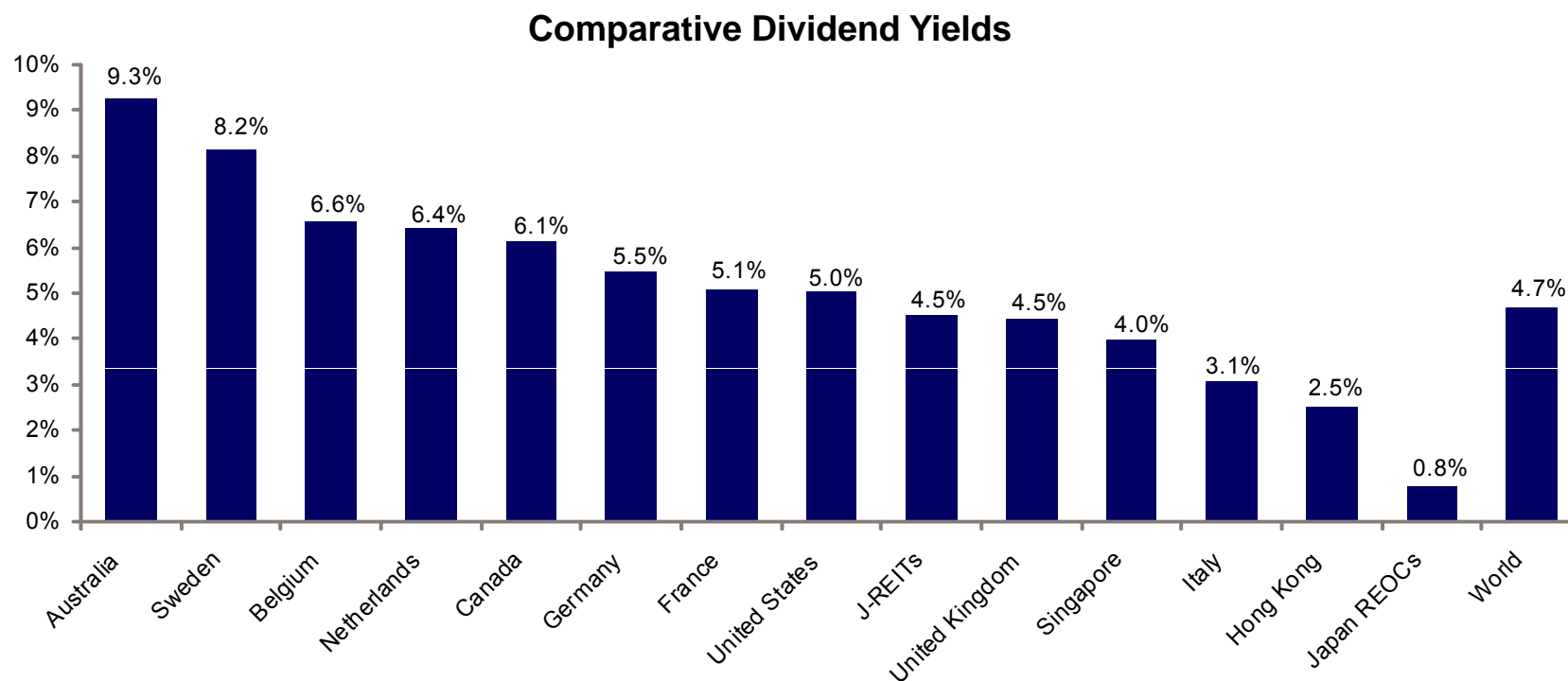
South Africa



China

# Income Benefits

Dividend yields vary by region and are affected by the prevalent real estate company structure. We believe that the proliferation of “REIT-like” structures in Europe and Asia is likely to boost average dividend yields.



Source: FTSE EPRA/NAREIT as of 07/31/08. Not all countries included.

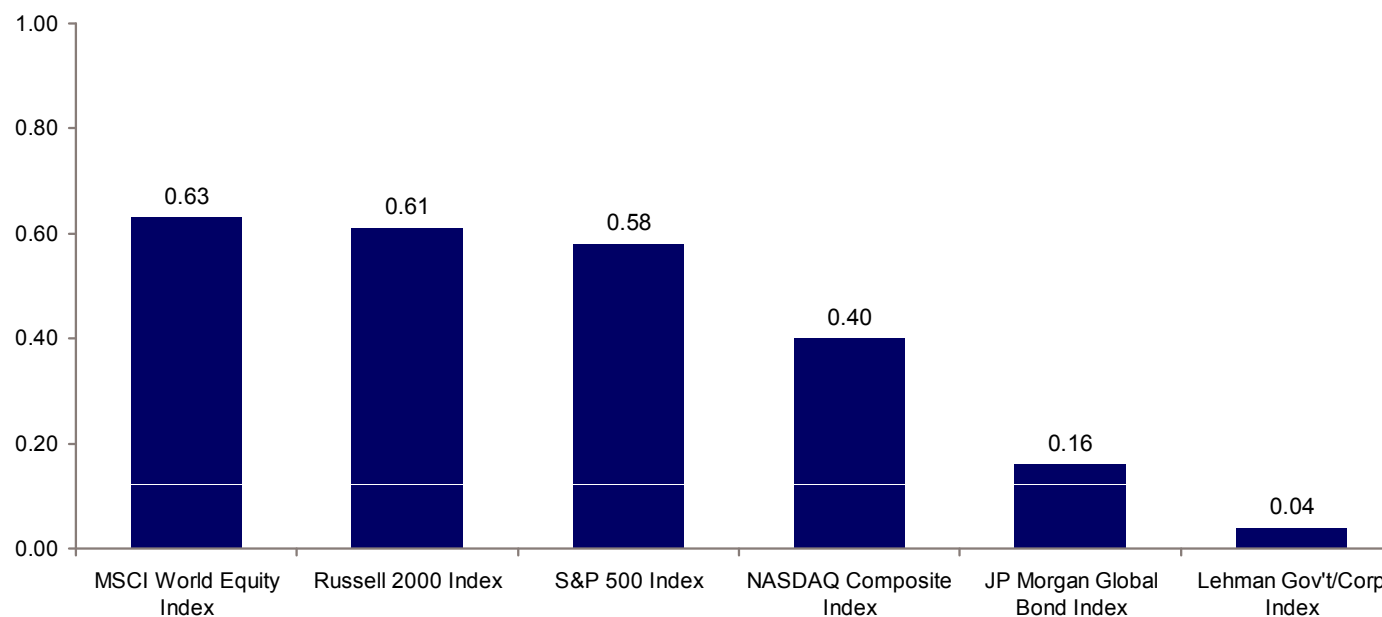
Dividend yields fluctuate and are not necessarily indicative of present or future investment performance.



# Diversification Benefits

Correlation is generally low to other asset classes over a 10 year time period.

**Total Return Correlation of Global Real Estate Securities to Total Returns of Select Asset Classes  
10-Year Historical Correlation (US\$)**



Source: S&P/Citigroup World Property Industry Index, MSCI World Equity Index, Russell 2000 Index, S&P 500 Index, NASDAQ Composite Index, JP Morgan Global Bond Index, Lehman Brothers Government Corporate Bond Index at 07/31/08.

# Real Estate is Inherently a Local Business

Real estate stock returns have shown low correlation across countries.

Correlation of Property Regions to One Another – Past 10 years

	US	France	UK	Netherlands	Australia	Hong Kong	Japan
United States	1.00						
France	0.51	1.00					
UK	0.43	0.60	1.00				
Netherlands	0.43	0.70	0.58	1.00			
Australia	0.41	0.41	0.26	0.40	1.00		
Hong Kong	0.31	0.28	0.21	0.27	0.18	1.00	
Japan	0.27	0.33	0.24	0.28	0.26	0.15	1.00

Sources: S&P/Citigroup World Property Index as of 06/30/08. Local currencies.

# Active Management Can Potentially Capture Strong Regional Performance

Over the last 17 years no single market has consistently produced the highest return within a given year. Active management can potentially capture superior returns and add value over a single market strategy.

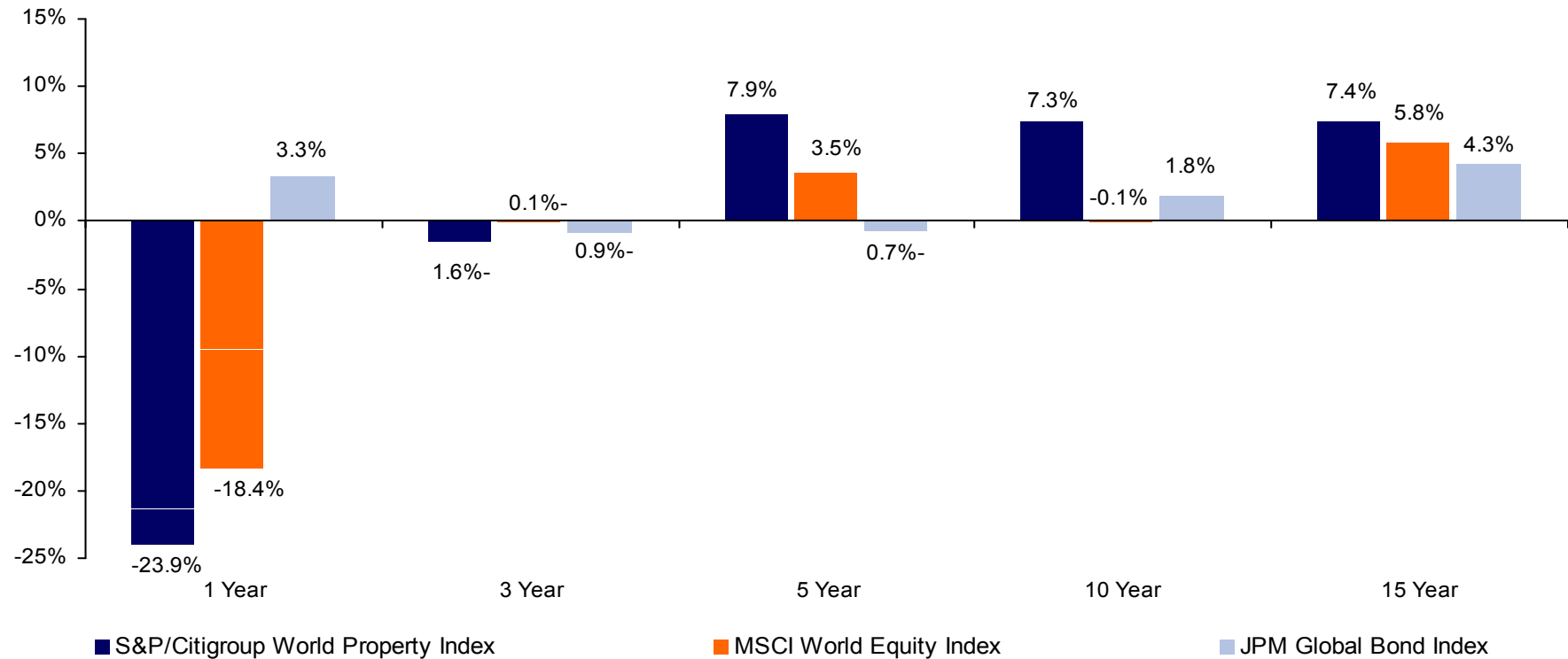
	Australia	Hong Kong	Japan	United Kingdom	Continental Europe	North America	World Index
1991	30.5%	<b>58.1%</b>	17.3%	-13.4%	-11.2%	30.0%	12.1%
1992	2.5	<b>35.3</b>	-27.7	-20.6	-18.2	14.2	-5.5
1993	35.9	<b>161.4</b>	23.6	84.5	65.8	19.0	78.7
1994	-9.1	-45.9	<b>2.0</b>	-22.0	-23.0	-15.8	-25.9
1995	19.7	<b>33.4</b>	12.4	10.9	12.0	20.4	19.3
1996	18.8	<b>48.0</b>	-23.6	32.7	18.8	25.2	21.5
1997	22.5	-25.0	2.5	<b>46.4</b>	37.1	44.2	9.6
1998	<b>21.3</b>	-7.4	-12.3	-13.5	5.3	-12.5	-7.9
1999	-3.4	<b>30.3</b>	-5.8	3.8	-3.8	-11.1	-1.9
2000	16.4	16.1	38.6	33.5	25.8	<b>50.2</b>	33.3
2001	10.5	-6.4	-17.0	0.4	3.6	<b>25.1</b>	10.3
2002	3.9	-33.4	-10.3	0.4	<b>9.5</b>	-5.4	-6.5
2003	8.6	5.4	8.3	9.1	<b>9.3</b>	3.1	5.5
2004	30.9	29.6	32.7	<b>50.2</b>	45.6	26.6	31.3
2005	12.6	13.7	<b>61.7</b>	15.6	17.2	20.3	22.7
2006	33.1	20.0	11.9	<b>59.7</b>	57.0	25.4	30.5
2007	-7.7	<b>40.7</b>	-16.9	-42.9	-33.3	-24.6	-16.8
2008	-36.5%	-31.3	-19.8	-24.8	-20.3	<b>-8.3</b>	-19.8

Past results are not necessarily indicative of future performance. Investing in real estate securities involves risk, including the possibility of loss of principal. Returns are annual returns of regions of the S&P/Citigroup World Property Index, calculated in Australian dollars, from December 31, 1990 through July 31, 2008.

# Good Long-Term Relative Performance

Global real estate securities have delivered competitive returns relative to Global Equities and bonds over the last 5, 10 and 15 years.

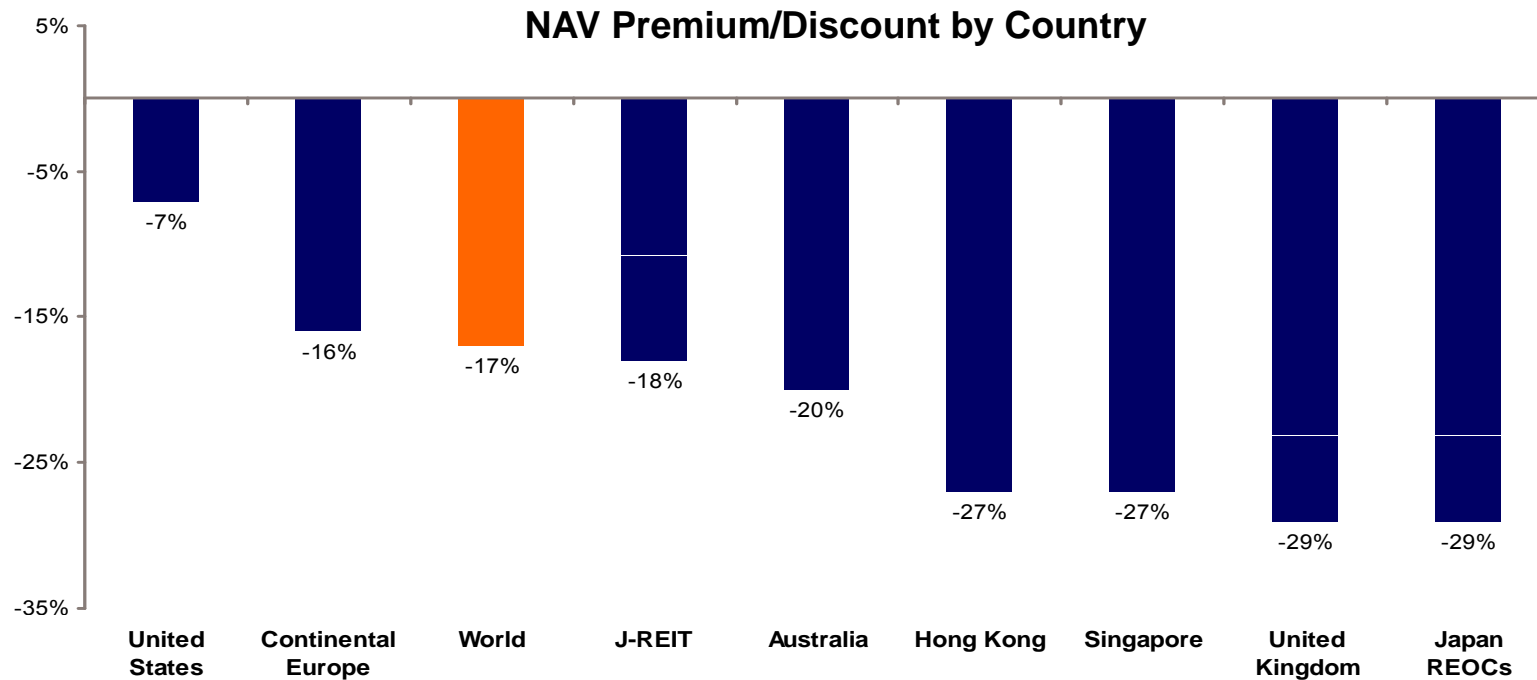
As of July 31, 2008



Sources: S&P/Citigroup World Property Index, S&P 500 Index, MSCI World Equity Index, JP Morgan Global Bond Index in Australian dollars  
 Past performance of the indices shown is not necessarily indicative of the relative future performance of those indices.

# Real Estate stocks already reflect a fair amount of uncertainty, and are cheaper in the public markets.

Though private market values are expected to decline in 2008, it appears that most, if not all, of the “bad news” is priced into stocks.\*

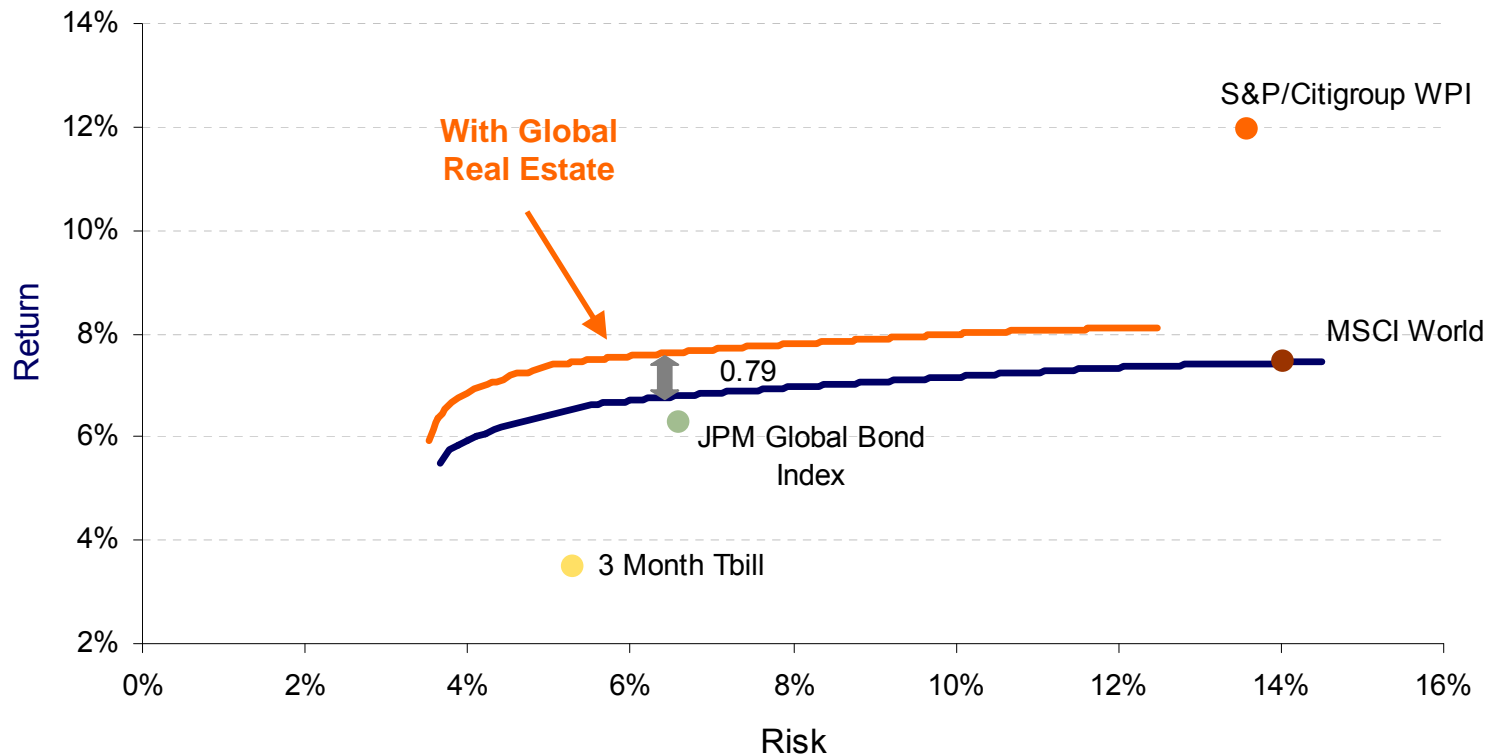


	United States	Continental Europe	World	J-REIT	Australia	Hong Kong	Singapore	United Kingdom	Japan REOCs
Direct Market Cap Rates	6.7%	5.3%	5.5%	4.4%	6.3%	4.0%	3.8%	4.8%	4.1%
Implied Listed Market Cap Rate	7.0%	6.1%	6.3%	5.1%	7.4%	5.9%	5.1%	6.4%	5.3%

*\*Information is the opinion of ING Clarion Real Estate Securities as of 07/31/08, which is subject to change and is not intended to be a forecast of future events, a guarantee of future results, or investment advice. Forecasts and any factors discussed are not necessarily indicative of future investment performance.*

# Enhancing the Efficient Frontier

Over the past 10 years adding a 15% allocation of global real estate securities to a mixed asset portfolio would have increased returns by 0.79% with less risk.



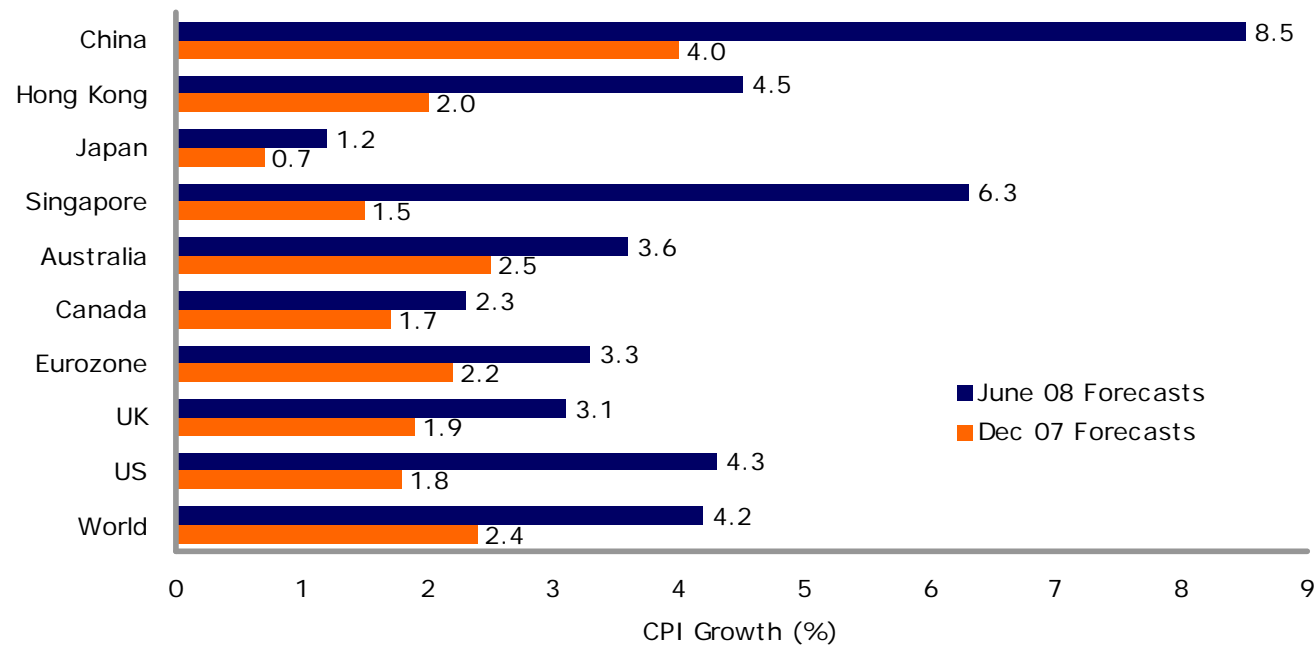
Source: Thomson DataStream, S&P Citigroup, ING Clarion Real Estate Securities, performance calculated in US dollars as of 12/31/2007

# Real Estate and Inflation - The Research Evidence

# Inflation – A Global Reality

Inflation is on the rise in both developed and emerging markets worldwide

In this market environment many investors are looking for assets that can provide a hedge against higher inflation



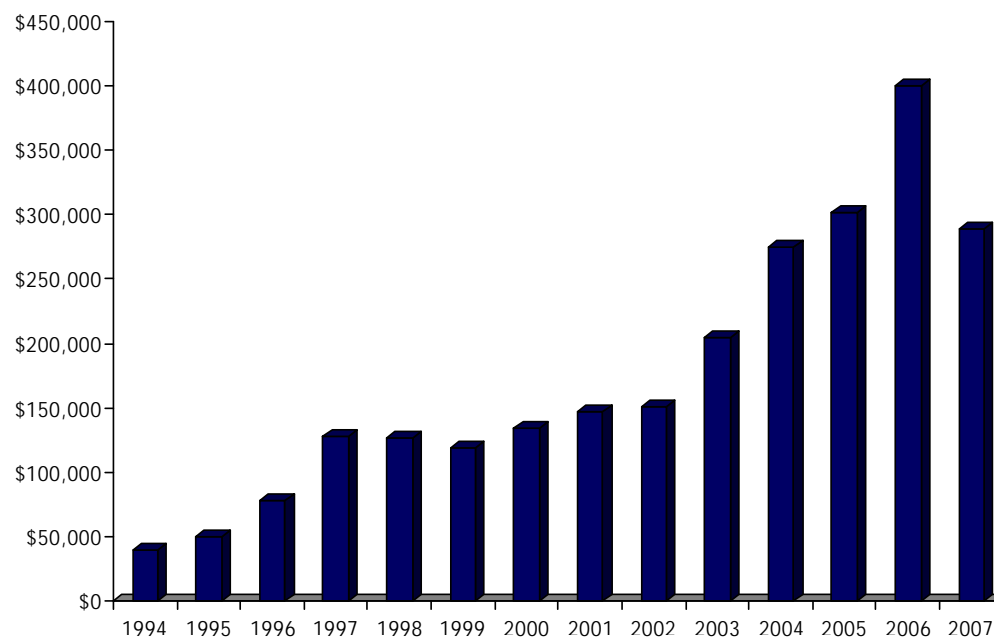
Source: ING Economics, ING Research & Strategy, as of June 16, 2008



# Data and Methodology

- Research Timeframe:
  - ▶ “Modern Era” of U.S. Equity REITs 1994 – 2007
- Data-Set:
  - ▶ U.S. REIT Total Return
  - ▶ U.S. REIT Net Operating Income (NOI)
  - ▶ Consumer Price Index (CPI)
- Considerations:
  - ▶ U.S. REIT market is the largest and most liquid listed property market in the world
  - ▶ U.S. REIT market has broad representation by property type
  - ▶ U.S. REITs generally specialize by property type

US Equity REIT Market Capitalization (millions)  
1994 - 2007



Source: NAREIT

# Real Estate's Inflation Fighting Characteristics

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- ▶ Short-term leases allow for rebalancing upon expiration of the lease
- ▶ Longer-term leases typically include escalation clauses either tied to CPI or otherwise stepped upwards
- ▶ Increased costs generally passed from landlord to tenant over time

# Listed Property Income Return – a Strong Hedge

- ▶ US REITs are able to capture nearly three-quarters of a one percent increase in inflation via an increase in net operating income
- ▶ All property types provide a strong hedge with retail property having an above average ability to capture via income increases in inflation

R-squared Statistics of Income Returns and Inflation, Listed Property 1994 - 2007

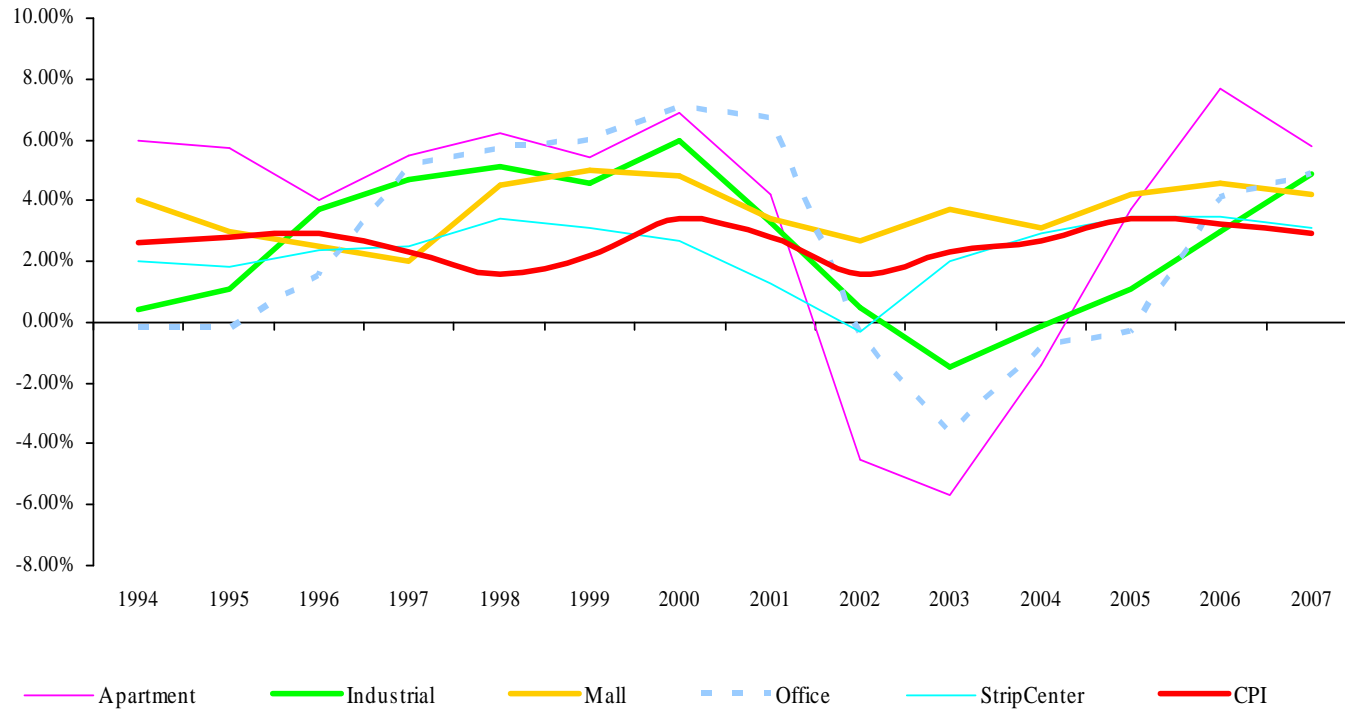
All Property	Apartment	Industrial	Regional Malls	Shopping Centers	Office
0.71	0.46	0.60	0.92	0.87	0.40

Source: NAREIT, BLS, ING Clarion Real Estate Securities

# NOI Growth by Property Sector

The mall sector has demonstrated the most consistent growth in NOI

NOI Growth and Inflation 1994 - 2007



Source: Greenstreet Research, BLS, ING Clarion Real Estate Securities

# Income Returns for Direct Property – a Modest Hedge

- ▶ The income component of total return is able to capture nearly one-third of a one percent increase in inflation when direct property returns are examined
- ▶ All property types provide a strong hedge against inflation with exception of industrial
- ▶ Malls show an above average ability to capture increases in inflation via increases in property level income

R-squared Statistics of Income Returns and Inflation, Direct Property 1Q1988 – 1Q2008

All Property	Apartment	Industrial	Malls	Shopping Centers	Office
0.32	0.38	0.21	0.47	0.32	0.34

Source: NAREIT, BLS, ING Clarion Real Estate Securities

# Research Conclusions

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- ▶ Listed real estate as represented by U.S. REITs studied from 1994-2008 provides a partial hedge to inflation primarily through the income component of total return.
- ▶ All major property types studied offered a significant hedge against inflation when regression analysis is conducted solely on the income component of total return.
- ▶ Lease structures vary by terms and length but are generally designed to pass on increased operating costs from the landlord to tenant over time.
- ▶ A regression analysis of CPI versus total return; however, shows the statistical relationship between all major asset classes to be inconclusive, including real estate, despite the compelling results of the income analysis

# Q&A

# Wrap-up: What does this mean for you?

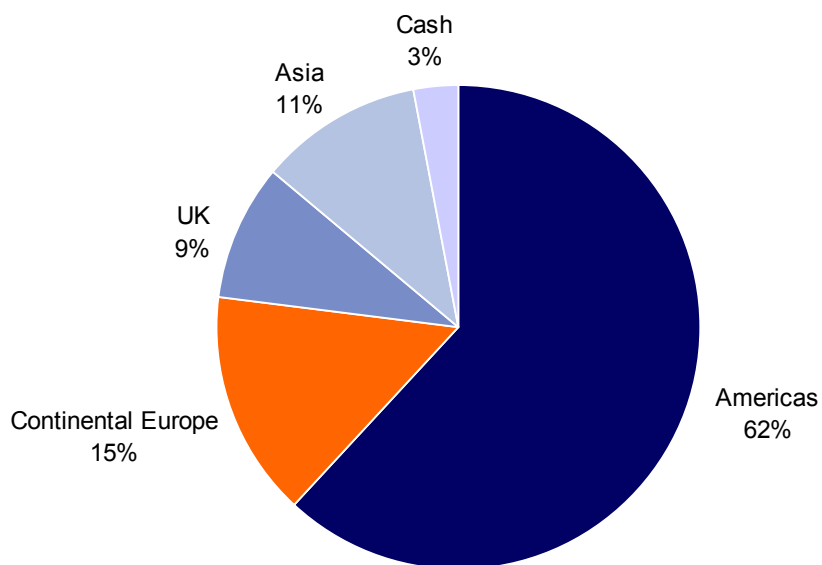
- ▶ **ING Clarion Real Estate Securities is an industry leading manager of global listed property mandates**
  - › 100% dedicated to real estate securities since 1984
  - › Over 90% of AUM invested in global mandates
  - › Global investment track record since November 2001...one of the longest in the industry
  - › Platform includes one of the largest direct real estate advisors in the world
  - › Awards & Recognition
    - ING Real Estate - **Property Manager of the Year** - 2007 Global Pensions Award\*
    - ING Clarion Real Estate Securities - **2007 Global Real Estate Manager of the Year** - Professional Pensions\*\*



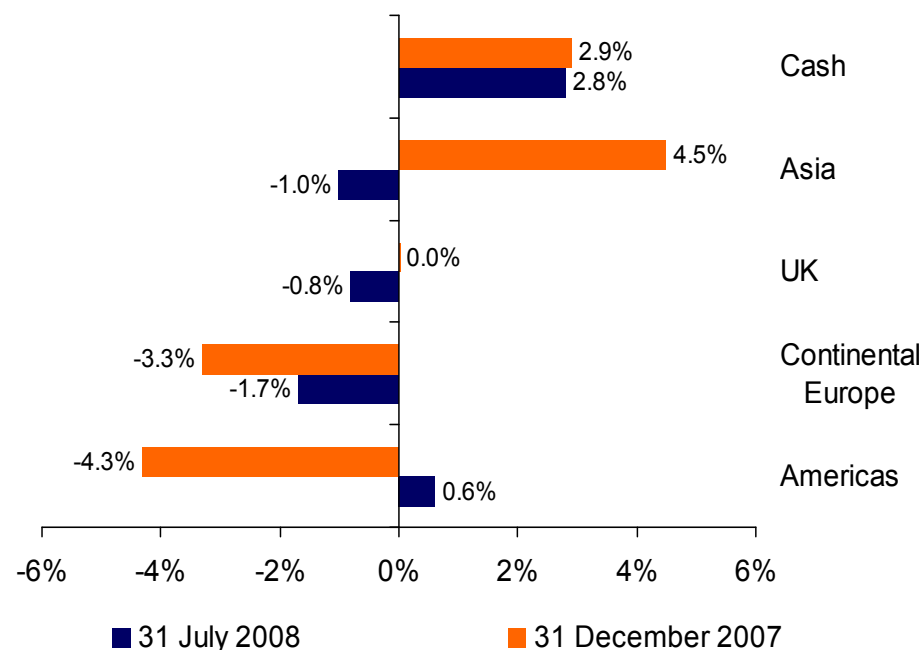
# ING Wholesale Global Property Securities Fund

Throughout 2008 the portfolio has recycled capital primarily out of the Asia-Pacific region in favor of the U.S. and Continental Europe.

**Portfolio Regional Allocation**



**Relative Active Asset Allocation\***



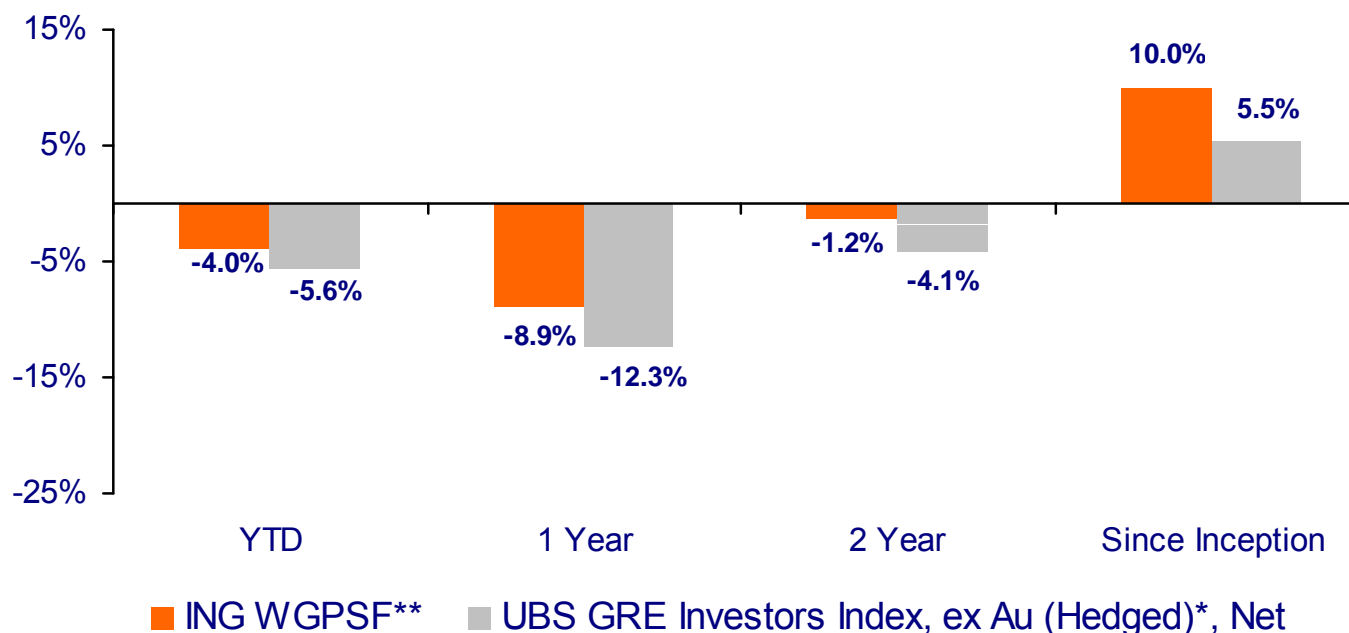
Source: ING Clarion Real Estate Securities as of 07/31/08.

\*Fund allocation is subject to change and should not be considered as an investment recommendation. Relative active asset allocation is compared to the fund's benchmark, which is the UBS Global Real Estate Investors Index (ex-Australia).

# ING Wholesale Global Property Securities Fund Performance

Fund performance has historically outperformed its benchmark since inception.

Performance as of July 31, 2008



\*UBS Global Real Estate Investors Index (ex. Australia) includes publicly traded real estate companies listed outside Australia that derive over 70% of the next three year's forecast total revenue from the rental income of real estate properties (as forecasted by UBS). Index returns are hedged to the Australian dollar and are net of withholding taxes.

\*\*Fund inception date 10 October 2005. Performance is gross of fees, net of withholding taxes, portfolio is hedged to the Australian dollar. Past results are not necessarily indicative of future performance. Gross returns do not reflect the deduction of advisory fees, but are net of transaction costs and include the reinvestment of dividends, capital gains, and other earnings. Actual returns will be reduced by the advisory fee (as described by the manager in its disclosure brochure) plus any other costs a client may incur directly. Advisory fees are generally deducted quarterly, thus the compounding effect will be to increase the impact of the fee. For example, a \$10 million account with a 0.65% annual fee that is charged quarterly and achieves gross performance of 10% annually over three years, would achieve net of fee return of 9.29% with an account value of \$13.05 million, versus \$13.31 million gross of fees, over the three year period.

**Let's start thinking about...**

**This session was:**

- 1. awful**
- 2. mediocre**
- 3. good**
- 4. excellent**

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**Time's Up!**

**Let's start thinking about...**

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