

MSCI Liquid Real Estate Indexes

- The MSCI USA IMI Liquid Real Estate Index attempts to capture the best of both direct and listed real estate approaches: an investable index with a risk and return profile of direct (private) real estate, and the liquidity of listed (public) real estate.
- The index represents a new way to benchmark real estate, with a distinct set of characteristics designed to meet the needs of a broad base of investors.
- Private (direct) real estate provides direct access to the asset class, but has high barriers to entry and low liquidity and requires a high level of experience. Listed real estate provides daily liquidity, but has high volatility, high equity beta and high leverage. This new index aims to represent the best of both approaches.

Why Invest in Real Estate?

- Thanks to its risk and return profile, real estate can offer a significant diversification effect to the total portfolio.
- The asset class offers a stable income stream from rent, as well as inflation protection and expected capital appreciation over the long term given limited supply and constantly growing demand.
- Real estate is the most commonly held alternative asset class, following only equities and fixed income in size in the typical institutional portfolio.

Key Benefits of the MSCI Liquid Real Estate Indexes

- Creating a liquid index that represents the performance of a direct real estate index is notoriously difficult.
- The MSCI Liquid Real Estate Index is designed to offer a close approximation by reweighting the securities of the parent index to reduce volatility and deleveraging the index by combining it with an index of short-term inflation-protected bonds.
- The objective is to combine the best features of direct real estate and listed real estate benchmarks while correcting for their drawbacks.
- Products based on this index may appeal to:
 - Smaller asset owners who are not large enough to build a diversified direct real estate portfolio.
 - Larger investors seeking a liquid way to quickly build or reduce exposure to real estate.

Key Metrics

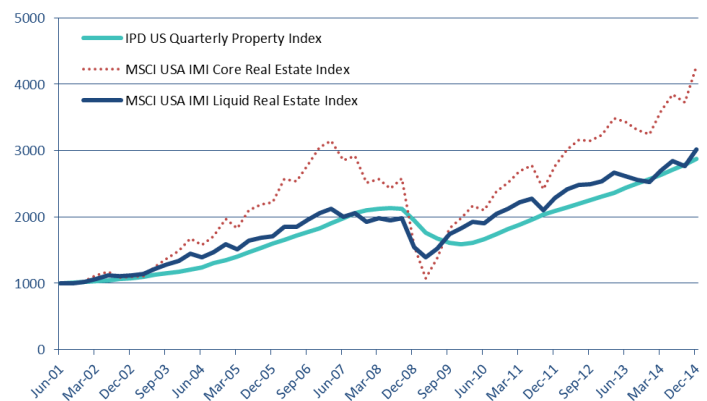
	IPD US Quarterly Property Index	MSCI USA IMI Core Real Estate Index	MSCI USA IMI Liquid Real Estate Index
Total Return (%)	8.1	11.4	8.5
Total Risk (%)	5.7	23.3	11.7
Tracking Error (%)	0.0	22.4	11.3
Maximum Drawdown (%)	25.6	65.8	34.2
Yield* (%)	6.0	4.8	3.8
Turnover** (%)		7.2	4.0
Beta to MSCI USA***	0.12	0.88	0.41
Beta to IPD***	1.00	1.57	0.72

Period: 06/29/2001 - 12/31/2014. Annualized from quarterly data.

*Average of year-end values. **Annualized from semi-annual index review data.

***The IPD index is lagged by 4 quarters.

MSCI USA IMI Liquid Real Estate Index Performance



Methodology Highlights

Parameter	Methodology	Comments
Universe	Start with the MSCI Core Real Estate Index	Capture listed companies directly exposed to core properties (real estate brokers and mortgage REITs are excluded.)
Weighting	Reweight applying the Volatility Tilt methodology	Reduce Index volatility and equity beta.
Hedging	Combine the equity index with a Markit iBoxx index of short-term inflation protected bonds in proportions implied by the debt-to-price ratio.	Remove leverage to achieve a risk/return profile closer to direct real estate and add inflation protection.

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