CITY OF LONDON
Investment Management Company Limited

International and Emerging Real Estate Semi-Annual Outlook

November 2020*

Overview

Unique Recession, Unique Recovery

Overbuilding and monetary policy tightening caused previous recessions and property downturns. But it is the pandemic that drives the current demand-led crisis. While there remain important public health challenges over the winter, smarter lockdowns, better treatments and progress on a vaccine support a brighter outlook for 2021. A Biden presidency in the US and a more unified EU following Brexit also provide a more predictable policy environment for international real estate.

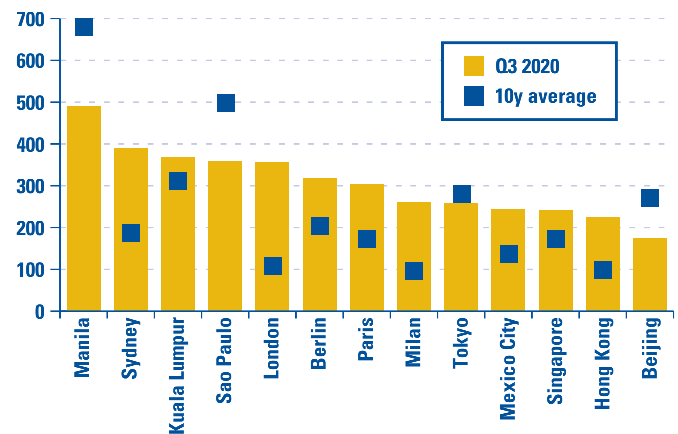
Building booms followed by monetary policy tightening heralded previous downturns in real estate. However, investors and banks have been more cautious in property lending and investing in this cycle given the lessons learned in the Global Financial Crisis (GFC). The market thus witnessed only modest supply before entering the recession this year. On the other hand, the COVID-19 pandemic provided a significant shock to demand for the real estate sector. To end the current health crisis, the world needs smarter mobility restrictions, better testing and treatments as well as progress on a vaccine. If there is progress on these fronts, it will provide an important uplift to occupier demand and investment in real estate next year, particularly in the second half.

Real estate is mostly driven by local demand and supply dynamics. It generally functions as a defensive asset in times of foreign policy frictions and trade uncertainty. But the past four years have demonstrated how protectionism, populism and unilateralism can dampen business confidence, investor sentiment, trade, capex, hiring, and ultimately, occupier demand, notably in non-US markets. In that regard, a Biden presidency signals a probable pivot in US trade and foreign policy towards rule-based multilateralism, benefitting cross-border trade and investment that are important for non-US markets. In Europe, while the shadow of Brexit heralds more negotiations (sometimes acrimonious) down the road, the post-Brexit EU has shown signs of solidarity this year, e.g. fiscal policy support via the EU Recovery Fund and the procurement of vaccines by the European Commission. A more benign geopolitical atmosphere supports non-US currencies and helps contain borrowing costs particularly in emerging markets (EM).

However, it remains crucial to be selective. Real estate sectors fare differently under different health, economic and policy scenarios:

Office: The modest supply in most countries sets a good foundation for rental recovery when COVID-19 is controlled and demand revives. Asian countries where the disease is contained, have seen most workers go back to the office swiftly. In contrast, home working has become substantially more prevalent in Europe this year. Landlords have accommodated tenant requests and offer more flexibility on rent payments in exchange for maintaining occupancy. It remains to be seen how permanent the shift will be due to home working, and to what extent it will affect occupier demand for office space in the longer term. Meanwhile, the office sector provides decent rental yields that easily eclipse what government bonds offer (Chart 1).

Chart 1: Prime Office Yield Spread, bps**



***Prime office yield spread is the difference between office rental yield and local 10-year government bond yield.* *Source: JLL*

Retail: Non-essential physical retailers are worst hit by the pandemic and the resulting mobility restrictions. Footfall at cafes, restaurants, shopping malls and entertainment venues will remain depressed in Europe this winter due to restrictions and lockdowns. While governments in developed markets (DM) provide generous income support to households, customers spend their savings on goods (via online orders) and rent rather than in-person services such as restaurants, hotels and cinemas. Still, the retail sector in Asia (e.g. Japan, Australia and Singapore) is likely to fare better as fear about the virus recedes. And retail and entertainment venues remain an essential location for social gatherings in EMs.

Industrial: Good internet and transport infrastructure has facilitated a boom in online retail sales in Australia, the UK and, to a lesser extent, the Eurozone. The vacancy rate for logistics spaces remains tight in virtually all metropolitan cities. Global manufacturing activity has recovered faster and stronger than services as the former is less affected by physical distancing and mobility restrictions. Unlike the previous downturn in the GFC, shipping and freight

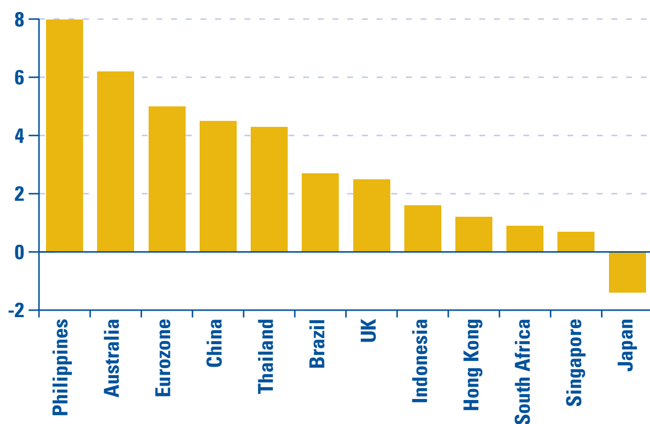
**This publication reflects asset performance up to 31 October, 2020, and macro events and data releases up to 11 November, 2020, unless indicated otherwise. Data about mobility and footfall are from Google, while data about real estate rents and supply are from Jones Lang LaSalle (JLL).*

Authorised and regulated by the Financial Conduct Authority. Registered as an Investment Advisor with the SEC. Regulated by the DFSA. Registered Office: 77 Gracechurch Street London EC3V 0AS

costs have held up well this year, suggesting resilient demand for goods transport. The industrial sector outside China also benefits from the push to diversify supply chains in light of the trade war and the pandemic. All this points to the solid growth in industrial real estate. Indeed, rents for logistics space continue to increase this year, in contrast to the contraction in offices and retail.

Residential: The residential sector has been surprisingly resilient during the pandemic, primarily due to the generous fiscal support to households in DMs. Notwithstanding the rising unemployment rate, most tenants continue to pay rents thanks to government furlough schemes. Housing prices continue to grow around the world (Chart 2) as interest rates, bond yields and mortgage rates have declined to historical lows in many countries. Tax policies (e.g. the stamp duty holiday in the UK) and the loosening of mortgage policies (e.g. Malaysia and Thailand) have provided further stimulus.

Chart 2: Latest Housing Prices, yoy %



Source: Bloomberg. The value for the Philippines is 27.1.

Market Strategy

Public health crises require public health responses, which are becoming smarter and less disruptive to economic activity. Modest real estate supply provides a solid foundation for rental and property prices to recover when the pandemic recedes. A return to rule-based multilateralism could also provide a more stable geopolitical environment. Therefore, we are optimistic about the majority of real estate markets in 2021. Certain markets (the UK, Hong Kong) face headwinds apart from the pandemic, making us more cautious. Within each market, we are selective due to varying local supply and demand dynamics.

- We upgrade **Eurozone** to *overweight* as the generous fiscal package provides vital support to the industrial and residential sectors, whilst the office sector has limited supply. We are more cautious on the physical retail sector which struggles to adapt to structural changes in the midst of the pandemic.
- We also upgrade **Singapore** to *overweight* as green shoots appear under the effective containment of COVID-19. The industrial sector also benefits from robust trade activity in the region.
- We remain *overweight* **Japan** and **Australia** partly due to the early control of the disease. We see resilience in Japanese offices and retail as the work-from-home culture has yet to take hold, whilst the expansion of online retail sales looks relatively modest. Housing prices continue their solid growth in Australia on the back of historically low borrowing costs.
- We downgrade **Hong Kong** to *underweight* as border restrictions and lingering political uncertainty continue to weigh on the office and retail sectors. The residential sector appears resilient on the back of the easing in housing policy in 2019 and currently record-low borrowing costs.
- We remain *underweight* the **UK** as Brexit uncertainty casts a long shadow on the regulatory and trade outlook. The office sector is particularly vulnerable to the regulatory uncertainty around the services sector. Still, warehouses and self-storage space benefits from the sharp rise in online retail and mass home working this year.

Allocation Breakdown

		-2	-1	0	+1	+2
Eurozone	↑				■	
Japan	–				■	
UK	–	■				
Australia	–				■	
Hong Kong	↓	■				
Singapore	↑				■	
EM	–			■		

Source: CLIM

EM versus DM ex-US

The relative attractiveness of EM and DM ex-US real estate presents a mixed picture. EM is more dependent on trade and foreign capital flows than DM. Hence, EM benefits from a more predictable geopolitical environment characterised by fewer trade barriers and potentially fewer of the bitter disputes between the US and China that sent shock waves across EM. Sharp EM currency sell-offs and capital outflows are also less likely amidst ample liquidity conditions created by the Fed, the ECB and the Bank of Japan.

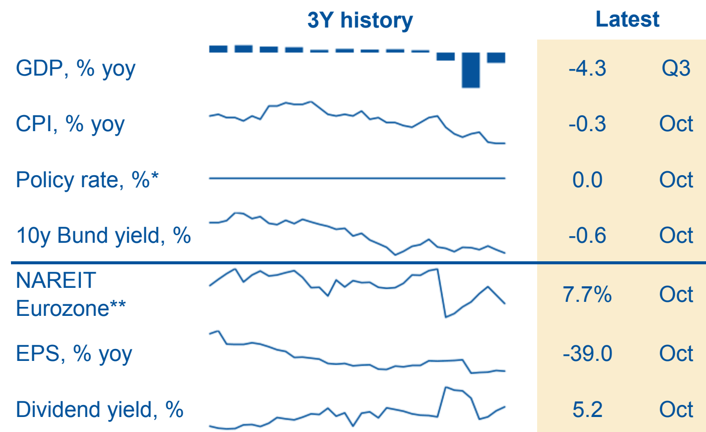
Nonetheless, the public health response in EM outside of East Asia is not as robust as in DM. Vaccines provide a long-term solution to the battle with COVID-19, and DMs are at the front of the queue for vaccine pre-orders. In addition, lower sovereign credit ratings and the lack of reserve currency status mean that several EMs faced fiscal constraints when they needed to provide income support to households and businesses during lockdowns. In turn, this tempered the post-lockdown recovery. We therefore remain *neutral* for EM versus DM. The EM section in the second part of this publication provides country recommendations.

On a sectoral basis, the long-term outlook for the EM retail sector is brighter than for its DM counterpart. EM ex-East-Asia faces logistic bottlenecks for e-commerce. Meanwhile, cafes, restaurants and shopping malls remain a primary venue for social interaction. In contrast, EM offices face a higher vacancy rate and larger supply pipeline than DM offices do, limiting the former's rental recovery.

Eurozone

Overweight (↑)

The recovery lost momentum during the second wave of infections. But lockdowns are less stringent and the policy environment more supportive than in H1.



**ECB main refinancing rate*
***US$ net total return. Latest is 6M return.* *Source: Bloomberg*

Europe's nascent recovery came to a halt when the early easing of restrictions and the return of holidaymakers led to a surge in COVID-19 infections. Eurozone GDP is expected to contract by 8% this year before a partial rebound of 5% next year. But the forecast is full of uncertainty given the public health challenges over the next few months.

Office: Footfall at offices dropped again under the second lockdown, though the decline is less precipitous than in March. European offices have been resilient in this downturn. The vacancy rate is markedly below the historical average despite the recent uptick, and the net absorption rate of prime offices remains positive or only slightly negative in metropolitan cities. Prime offices also provide a rental yield that is notably above the government bond yields.

Retail: The retail sector is the hardest hit and will suffer again in this winter lockdown. Still, marked differences exist in restrictions among countries, with some imposing almost complete lockdowns (eg France, Belgium), others keeping retail activity open (Germany, Italy, the Netherlands) and others imposing only milder evening curfews (Spain, Portugal).

Industrial: Online retail sales jumped 37% yoy in May and were still up 23% yoy in August when the economy reopened. Online retailers benefitted disproportionally from the surge in spending after the March lockdown. It also suggests a permanent shift in consumer behaviour. The vacancy rate for logistics remains low in the region.

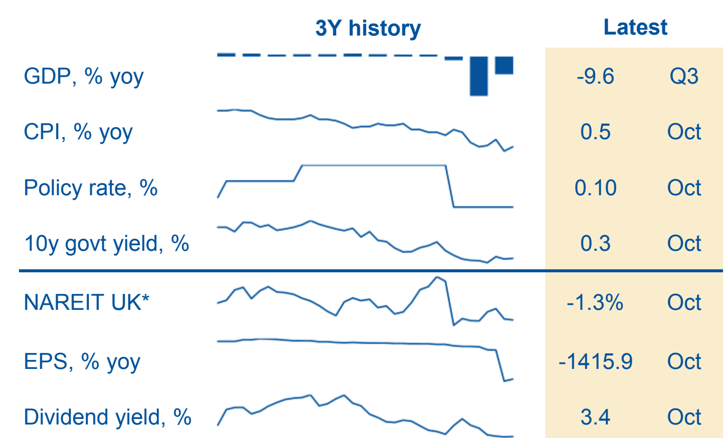
Residential: The housing market remains resilient as workers spend more time at home. Housing prices maintained decent growth of 5% per year.

Market Strategy: The Eurozone real estate sector is at a trailing P/B ratio of 0.75x, 25% cheaper than the 15-year average. We upgrade it to *overweight* as industrial and residential sectors enjoy tailwinds in the pandemic while the office sector still faces tight supply.

United Kingdom

Underweight

The second wave of infections and Brexit uncertainty weigh on occupier demand. The economic benefit of the vaccine may not materialise until H2 2021.



**US$ net total return. Latest is 6M return.* *Source: Bloomberg*

The economic recovery is likely to fizzle out in Q4 amidst the second wave of COVID-19 infections and the partial national lockdown. GDP is expected to significantly decline by 10% this year before a partial rebound of 5% in 2021. The UK has pre-ordered the highest doses of vaccine (per capita) in the world but mass vaccination may not take place until H2 2021 due to manufacturing and logistical bottlenecks.

Office: More than half of workers work from home nationally, with the ratio much higher in London. Meanwhile, Brexit-related uncertainty lingers as a "skinny" trade deal or no deal is expected by the end of the year between the UK and the EU. These dual headwinds suggest a weak outlook for UK offices. The net absorption rate has turned negative, and vacancy rates jumped above the historical average in London. That said, value exists as the gap between the office rental yield and the 10-year gilt yield has risen to over 350bps, triple the historical average.

Retail: Retail footfall did not recover in the UK as quickly as in the Eurozone during the summer, and dropped again as a lockdown was re-imposed in Q4. The outlook for the sector remains gloomy until the fear of the virus recedes.

Industrial and health: On-line retail sales jumped by more than 50% yoy in the summer, a remarkable demand boost for industrial real estate. The vacancy rate for logistics space is low across the country. The health sector also receives a boost from the pandemic.

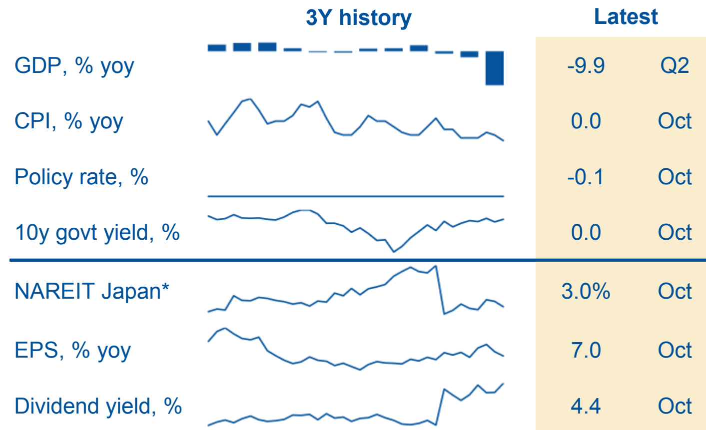
Residential: Housing price growth had been lacklustre but has recently received a temporary boost from monetary easing and stamp duty holidays.

Market Strategy: UK real estate is at a trailing P/B ratio of 0.9x, similar to the 15-year average. We remain *underweight* as COVID-19 infections and Brexit uncertainty weigh on occupier demand for office and retail. In contrast, limited supply and strong online sales support industrial real estate (e.g. warehouses and self-storage).

Japan

Overweight

An effective public health response supports real estate while the new PM vows policy continuity.



	3Y history	Latest	
GDP, % yoy		-9.9	Q2
CPI, % yoy		0.0	Oct
Policy rate, %		-0.1	Oct
10y govt yield, %		0.0	Oct
NAREIT Japan*		3.0%	Oct
EPS, % yoy		7.0	Oct
Dividend yield, %		4.4	Oct

***US$ net total return. Latest is 6M return.* *Source: Bloomberg*

Japan's health response to the pandemic has been relatively successful among DMs. COVID-related deaths have been low despite unfavourable demographics. Consensus projects GDP to contract by 5.6% this year and expand by 2.5% in 2021. The newly appointed Prime Minister Suga emphasises policy continuity and deregulation in his policy agenda, without any significant changes in real estate-related policies.

Office: Occupier demand looks resilient as most workers have already gone back to the office. Tokyo has the lowest prime office vacancy rate (0.7%) and one of the highest net absorption rates (8.4%) in the world. The rental decline has been minimal this year. The Rental yield is about 250bps higher than the 10-year government bond yield.

Retail and hotel: Unlike most other countries where booming online deliveries heavily squeeze physical retailers, the Japanese retail sector appears less vulnerable to changes in consumer behaviour. Footfall at restaurants, shopping malls and entertainment venues has mostly gone back to the pre-pandemic level. Online retail sales barely saw any yoy increase in H1 before growing moderately in Q3. Meanwhile, the hotel sector is rebounding thanks to government promotions and the revival of domestic travel.

Residential: The housing market remains in the doldrums as house prices stagnated year-to-date nationwide and decelerated in Tokyo. The VAT hike last year, and the pandemic have weighed on household income.

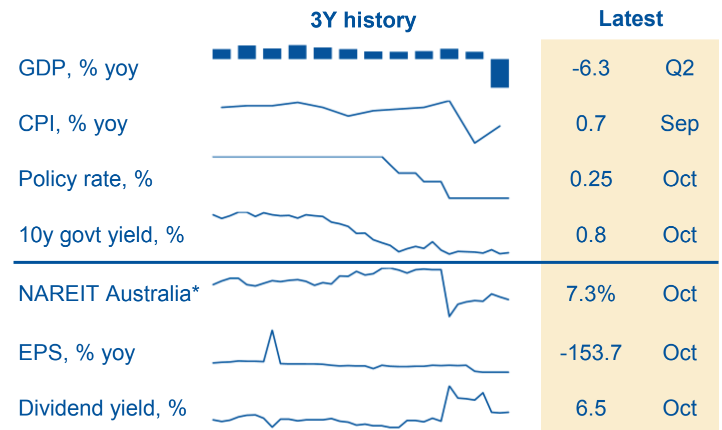
Industrial: Supply remains tight as Tokyo has the lowest vacancy rate of logistics space among metropolitan cities.

Market Strategy: The Japanese real estate sector is at a trailing P/B ratio of 1.2x, 25% cheaper than its 15-year average. An effective health response supports office and retail sectors, while supply remains tight in offices and logistics.

Australia

Overweight

Falling infections and economic reopening boost occupier demand for Australian real estate.



	3Y history	Latest	
GDP, % yoy		-6.3	Q2
CPI, % yoy		0.7	Sep
Policy rate, %		0.25	Oct
10y govt yield, %		0.8	Oct
NAREIT Australia*		7.3%	Oct
EPS, % yoy		-153.7	Oct
Dividend yield, %		6.5	Oct

**US$ net total return. Latest is 6M return.* *Source: Bloomberg*

Falling COVID-19 infections over the past three months have led to an easing of restrictions, most notably in the state of Victoria, which accounts for 23% of Australian GDP. Consensus expects the economy to contract by 3.6% this year before a 3.0% rebound in 2021.

Retail: The retail sector has taken a hard hit due to the lockdown and the related fast expansion of e-commerce and online delivery this year. Nonetheless, footfall is recovering at restaurants, shopping malls and leisure venues as fear about the virus recedes. The number of visits is about 16% below the pre-pandemic level, similar to East Asian countries that have contained the virus.

Residential: Housing prices had been rising before the pandemic and are set to get a further boost. The household savings ratio was 19.8% at end-June, the highest in almost half a century. In addition, the Reserve Bank of Australia (RBA) cut its key rate by 15bps to a historical low of 0.1% in November and added A$100bn (5% of GDP) of bond purchases over the next six months. That should push mortgage rates to an extraordinarily low level.

Office: The office sector faces a less bright outlook. Rents in Sydney declined by 13% yoy in Q3 with a negative absorption rate and a high vacancy rate (11%). But value is emerging on the back of aggressive monetary easing: the rental yield is nearly 4% above the 10-year government bond yield, more than double the historical average.

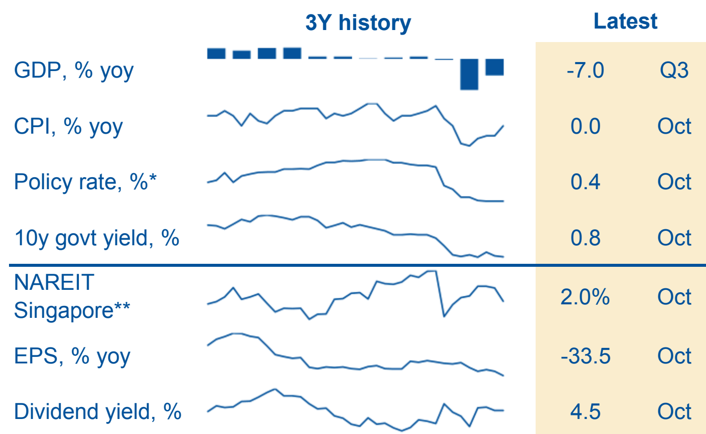
Industrial: The sector benefits from the sharp expansion of online retail sales (81% yoy in August).

Market Strategy: The Australian real estate sector is at a trailing P/B ratio of 0.9x, 25% below its 15-year average. We remain *overweight* as receding fear about the virus and strong policy support benefit Australian real estate.

Singapore

Overweight (↑)

Singapore's real estate sector provides diverse exposure to Asian markets that have had more success in fighting COVID-19 than other regions.



	3Y history	Latest	
GDP, % yoy		-7.0	Q3
CPI, % yoy		0.0	Oct
Policy rate, %*		0.4	Oct
10y govt yield, %		0.8	Oct
NAREIT Singapore**		2.0%	Oct
EPS, % yoy		-33.5	Oct
Dividend yield, %		4.5	Oct

**3M interbank rate (SIBOR)*
***US$ net total return. Latest is 6M return.* *Source: Bloomberg*

Singapore has contained the outbreak of COVID-19 well. The economy strongly rebounded by nearly 8% qoq in Q3 and the recovery is set to continue barring another virus outbreak this winter.

Industrial: Industrial production rebounded by 24% yoy in September, underpinning the nearly 8% qoq rebound in Q3 GDP. The industrial sector benefits from the robust global demand for semiconductors and electronic products as well as the rising culture of home working in Singapore.

Retail: Tourism spending remains depressed due to border restrictions. Footfall at retail and leisure venues remain 20% below pre-pandemic levels. Retail sales were still down 6% in August versus a year ago. Nonetheless, the retail sector may continue its modest recovery as life normalises without another virus outbreak.

Office: The outlook for Singaporean offices is less sanguine. The culture of home working seems to have started taking hold in Singapore where 20% of workers still work from home, a higher ratio than other Asian countries that have also contained the virus. Rental growth and the net absorption rate also turned negative in Q3.

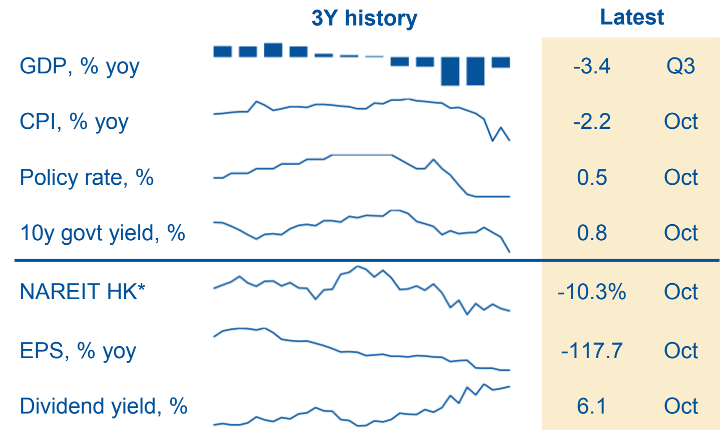
Residential: The housing market remains stable on the back of low interest rate and government support. Housing prices grow in line with inflation.

Market Strategy: The Singaporean real estate sector is at a trailing P/B ratio of 0.8x, 20% cheaper than its pre-pandemic level and the 15-year average. The sector provides diverse exposure to markets in Singapore and the neighbours (ASEAN, Australia, China). Asia has had more success in fighting COVID-19 than other regions. Hence we upgrade Singapore to *overweight*.

Hong Kong

Underweight (↓)

Retail and tourism activity remains depressed while residential property prices appear resilient.



	3Y history	Latest	
GDP, % yoy		-3.4	Q3
CPI, % yoy		-2.2	Oct
Policy rate, %		0.5	Oct
10y govt yield, %		0.8	Oct
NAREIT HK*		-10.3%	Oct
EPS, % yoy		-117.7	Oct
Dividend yield, %		6.1	Oct

**US$ net total return. Latest is 6M return.* *Source: Bloomberg*

GDP grew in Q3 after five consecutive quarters of contraction, but the rebound has been uneven. The Chinese economic recovery and buoyant financial market activity (e.g. increased amount of Chinese company IPOs in Hong Kong) boost trade and financial services. Still, private consumption and fixed asset investment remain weak in the city. Consensus expects GDP to contract by 7% this year after 1.2% decline in 2019. The recovery in 2021 (forecast 4%) will only offset half of the decline.

Retail: The retail and hospitality sectors continue to struggle due to restrictions on movement between Mainland China and the city. September retail sales were 13% and 29% lower versus a year and two years ago, respectively.

Office: Most workers have returned to the office, but the previously-expensive sector has taken a huge hit amidst continued political uncertainty and the weak economy. Prime office capital values and rents were down more than 20% yoy in Q3 while the vacancy rate is almost double the long-term average. Offices in Island East are more cost-effective and thus less vulnerable in this downturn.

Residential: Residential property prices appear resilient on the back of monetary easing and chronic undersupply. Housing prices have stabilised and are only 5% below the peak in 2019. Transaction volumes have recovered to the 5-year average as the low-yield environment boosts demand.

Market Strategy: FTSE EPRA/NAREIT Hong Kong, which includes a few Hong Kong-listed Chinese companies, has a trailing P/B ratio of 0.5x, half of the long-term (15-year) average and still near the trough in H1. We downgrade Hong Kong-focused real estate to *underweight* as a major uplift in the depressed valuation is not yet in sight due to lingering political uncertainty and COVID-related restrictions on movement. Necessity-based shops and decentralised offices are relatively attractive in this climate.

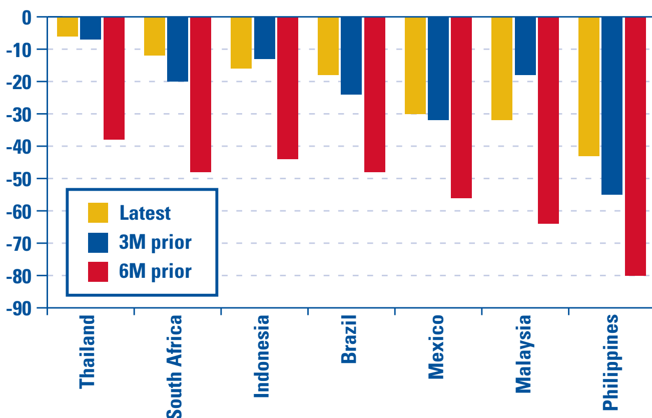
Emerging Markets

COVID-19 is set to have an enduring impact on EM real estate as EMs lag behind DMs in vaccine pre-orders and distribution. We see opportunities in retail and residential sectors in countries where the pandemic is contained effectively. A Biden presidency may provide a benign external environment and improve liquidity for EM.

While the world welcomes a series of positive news about the development of COVID-19 vaccines, one ought to be realistic about the extent to which the EM population will directly benefit from it in 2021. Developed countries are at the front of the queue for pre-ordering vaccines which will only be able to cover a minority of the world population in the next 12 months.

Without widely-available vaccines, occupier demand for EM real estate depends crucially on the extent to which the disease is contained. To start with, consumer confidence, as well as footfall at retail and leisure venues (Chart 3), negatively correlate with the level of infections in a country. In addition, EM residential real estate, composed mostly of property developers, is heavily influenced by household wealth and income. Since EM governments generally provide less generous income support than DM governments do, mobility restrictions and lockdowns - in light of rising infections - are likely to weigh more heavily on EM household income than in DMs.

Chart 3: Footfall at Retail and Recreation Venues



Source: Google. % vs the pre-COVID period (Jan 3- Feb 6, 2020). Latest: November 5, 2020

The economic structure also matters when thinking about a country's vulnerability to the pandemic. International travel and tourism are likely to remain depressed given border restrictions and passenger wariness of taking long-haul flights. Countries with a relatively large tourism sector (e.g. Thailand, the Philippines) may see only a lukewarm economic recovery. Conversely, countries with a relatively large manufacturing sector (e.g. China, Malaysia) may experience a marked rebound in activity and income.

Monetary easing is mitigating the economic impact of the pandemic. Lower mortgage rates (which have reached a historical low in South Africa and the Philippines, for instance) provide crucial support to residential real estate. Housing prices are accelerating in most of the EM, notably in the Philippines and Brazil.

A Biden presidency in the US is another positive for EM real estate. First, it may strengthen multilateralism and entail a more predictable US-China relationship, which in turn benefits EM exports and commodity prices and hence EM industrial real estate. Second, stronger EM currencies in light of a Biden presidency reduce the likelihood of EM monetary tightening, which often took place in response to EM currency selloffs. Low interest rates benefit the residential and office sectors.

EM Allocation Breakdown

	Chg	-2	-1	0	+1	+2
China	↑				■	
Philippines	↓		■			
Thailand	–			■		
Malaysia	–				■	
Indonesia	–			■		
Brazil	–			■		
Mexico	–		■			
South Africa	↑				■	

Note: Up/down arrows indicate a positive/negative change in our asset allocation compared to the previous quarter. A dash indicates no change.

Source: CLIM

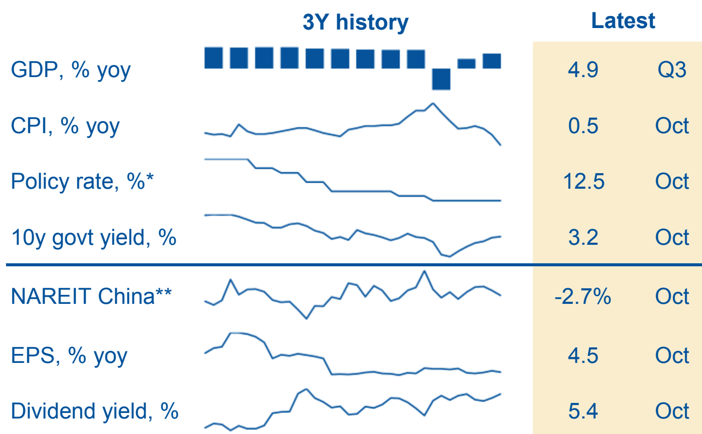
We recommend the following country allocation within EM in light of the COVID-19 situation, economic structures, monetary policy and the benign external environment:

- We upgrade **China** and **South Africa** to *overweight*. Housing prices continue to rise in China as life goes back to normal and the economy rebounds. Mobility is also recovering in South Africa as infections have declined.
- We remain *overweight* **Malaysia** despite the second wave of infections in the near term. The country should be able to contain it with the existing test-and-trace capacity, which will then lead to a recovery in the retail and residential sectors.
- In contrast, we downgrade the **Philippines** as the country is experiencing a lengthy battle with the virus. Still, the residential sector looks promising with rising housing prices.
- We remain *underweight* **Mexico** where infections stay elevated and the economic recovery is lacklustre due to the lack of fiscal support. The industrial sector is relatively resilient, though.
- We remain *neutral* on **Indonesia**, **Thailand** and **Brazil**.

China

Overweight vs EM (↑)

The era of high leverage and high turnover for developers is gone. But the economic recovery and possible renewed policy easing support real estate.



	3Y history	Latest	
GDP, % yoy		4.9	Q3
CPI, % yoy		0.5	Oct
Policy rate, %*		12.5	Oct
10y govt yield, %		3.2	Oct
NAREIT China**		-2.7%	Oct
EPS, % yoy		4.5	Oct
Dividend yield, %		5.4	Oct

**Required Deposit Reserve Ratio for Major Banks*
***US$ net total return. Latest is 6M return.* *Source: Bloomberg*

The Chinese economy continues to recover with reviving consumer confidence, as the authorities seem to have eradicated domestic transmission of COVID-19. GDP is expected to expand this year despite the sharp fall in Q1, followed by a strong rebound in 2021, forecast at 8%.

Residential: Housing transactions have surpassed the 5-year average, while new home prices continue to grow modestly. Policymakers issued new rules to contain the debt leverage of property developers and prevent another housing bubble. The era of high leverage and high turnover is gone as the new regulations will take effect from next year, dampening the growth outlook for property developers.

Retail: Retail sales expanded by over 4.3% yoy in October while services PMIs continue to climb. The manufacturing sector and investment activity have led services and consumption in the recovery phase, but even the latter has shown notable improvement. The number of visitors in restaurants and shopping malls is increasing.

Industrial: E-commerce and online delivery have taken another leap in the pandemic. Indeed, online retail sales jumped by 8% yoy this summer. The supply of logistics space remains tight relative to the robust demand in Tier 1 cities.

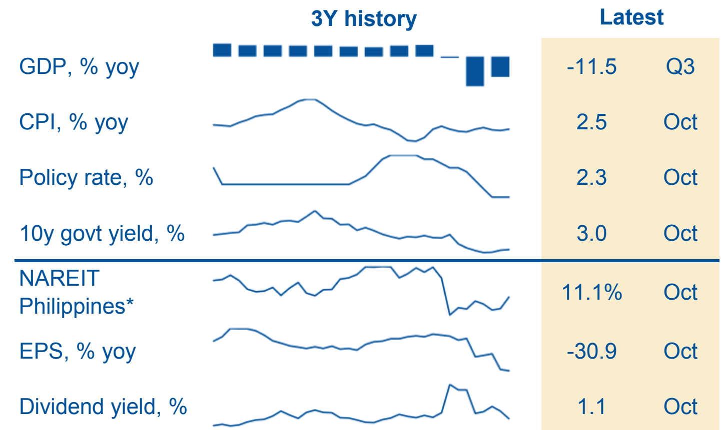
Office: The sector suffers rental decline and chronic oversupply. The vacancy rate doubles the historical average in Beijing and Shenzhen and is 50% higher in Shanghai, and yet a large number of completions are due in 2021-22.

Market Strategy: Chinese real estate failed to outperform other markets despite buoyant housing transactions and a solid economic recovery. The primary headwind is the tightened real-estate policy. Nonetheless, renewed monetary easing is possible as core inflation continues to fall. And the country has managed to avoid a second national virus outbreak. Valuations are not demanding as the sector has been at a trailing P/B ratio of 0.8-0.9x since March. Therefore, we upgrade China to *overweight* vs EMs.

Philippines

Underweight vs EM (↓)

Insufficient health and fiscal policy response weigh on the economy and real estate.



	3Y history	Latest	
GDP, % yoy		-11.5	Q3
CPI, % yoy		2.5	Oct
Policy rate, %		2.3	Oct
10y govt yield, %		3.0	Oct
NAREIT Philippines*		11.1%	Oct
EPS, % yoy		-30.9	Oct
Dividend yield, %		1.1	Oct

**US$ net total return. Latest is 6M return.* *Source: Bloomberg*

The Philippines have struggled to contain COVID-19, which has dampened the economic recovery. Daily case numbers have only recently started a slow decline after six months of relentless rise as the lack of testing capacity remains a problem. Extensive physical distancing measures stay in place, tempering the pace of economic recovery. The latest fiscal bill (0.8% of GDP) provides limited support to the weak economy. Consensus expects GDP to contract by 9% this year, a sharp contrast with the 6-7% positive annual growth in 2013-19.

Retail: Footfall in retail and recreational venues is still about half of the pre-pandemic level – the weakest in EM – due to the restrictions and fear of the virus. Retail sales have not markedly rebounded since the easing of lockdown in May.

Office: Similarly, more than a third of employees remain cautious and work from home, a higher percentage than most other EMs. Rental growth and net absorption have started to slow, whereas a large number of completions are expected for the next two years, weighing on office prices.

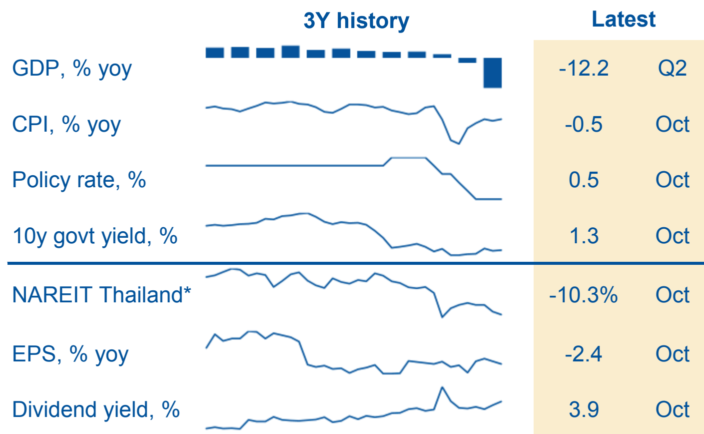
Residential: The residential sector enjoys a brighter outlook in comparison. The central bank has cut the policy rate 200bps since 2019 to a historical low of 2.5%, similar to the inflation rate. The zero real interest rate has induced a housing price boom outside Metro Manila since mid-2019. Metro Manila experienced a multi-year construction boom, and housing prices started to weaken amidst ample supply.

Market Strategy: The Philippine real estate sector is at a trailing P/B ratio of 1.8 times, 25% below its 10-year average. But the forward P/E ratio has already jumped back to the historical average due to poor earnings outlook. We downgrade the Philippines to *underweight* vs EMs as offices and retail will continue to struggle given extensive restrictions and public fear about the virus.

Thailand

Neutral vs EM

Thailand has contained COVID-19 relatively well, but the tourism-dependent economy is negatively affected by the ongoing infections around the world.



	3Y history	Latest	
GDP, % yoy		-12.2	Q2
CPI, % yoy		-0.5	Oct
Policy rate, %		0.5	Oct
10y govt yield, %		1.3	Oct
NAREIT Thailand*		-10.3%	Oct
EPS, % yoy		-2.4	Oct
Dividend yield, %		3.9	Oct

**US$ net total return. Latest is 6M return.* *Source: Bloomberg*

Thailand stands out in the fight against COVID-19. The country has a similar population to a large European country but recorded just 59 deaths, and fewer than four thousand cases. Nevertheless, the economy is dragged down by the tourism sector, with GDP expected to contract by 7% this year followed by a partial rebound (5%) in 2021. Protests against the government and the monarch continue, fuelling political uncertainty.

Residential: House prices have quickly recouped their losses in Q2 on the back of interest rate cuts and the loosening of mortgage lending rules. But foreign demand is weak as the tourist numbers are expected to plunge by 83% this year.

Retail vs Industrial: Visits to restaurants, shopping malls and leisure facilities have mostly normalised to the pre-pandemic level. Retail sales in August were only 6% below the amount a year ago. Tourism generates 12% of employment and GDP. As the pandemic continues and mobility restrictions are increasing again in most developed countries, international travel and tourism face a challenging winter which in turn weakens the prospect for the Thai retail sector. In contrast, the industrial sector appears resilient thanks to the rebound in goods trade.

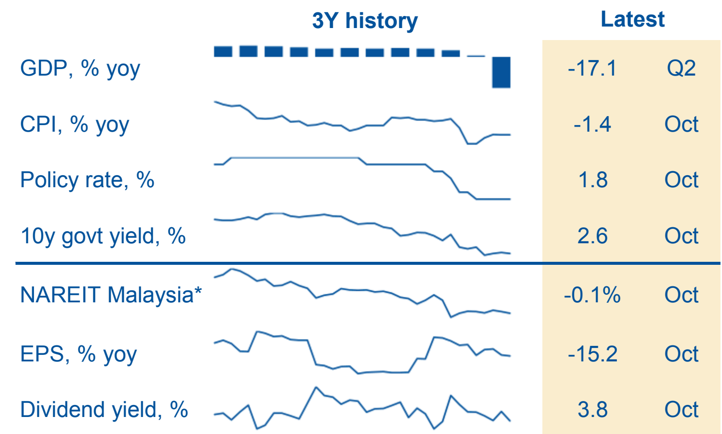
Office: Occupier demand looks resilient as 90% of the workers have returned to the office. Both the net absorption rate and vacancy rate in Bangkok are close to the historical average. The sector looks cheap with the office yield 470bps higher than the 10-year bond yield.

Market Strategy: The real estate sector is at a trailing P/B ratio of 1.2 times, the cheapest since the data was available (2011). Domestic mobility largely normalises under effective public health response. But the coming winter will be challenging for retail, hospitality and high-end properties that are reliant on tourism and foreign demand. Hence we remain *neutral* vs EMs.

Malaysia

Overweight vs EM

Malaysia should be able to contain the latest virus outbreak. The real estate sector is set to recover with policy easing and a pending increase in mobility.



	3Y history	Latest	
GDP, % yoy		-17.1	Q2
CPI, % yoy		-1.4	Oct
Policy rate, %		1.8	Oct
10y govt yield, %		2.6	Oct
NAREIT Malaysia*		-0.1%	Oct
EPS, % yoy		-15.2	Oct
Dividend yield, %		3.8	Oct

**US$ net total return. Latest is 6M return.* *Source: Bloomberg*

Malaysia's recovery from its economic nadir in Q2 has been uneven. Industrial production has risen to just 1% below the pre-pandemic level, and manufacturing sales are above the end-2019 level. However, the recent outbreak in the capital and the surrounding areas has led to additional restrictions and weighs on services. The central bank expects GDP to contract by 3.5-5.5% this year. The latest fiscal stimulus package should support a strong economic rebound (5.5-8.0%) in 2021.

Retail: The COVID-19 outbreak since September represents a fresh headwind for the sector. Footfall at retail and leisure venues has recently declined to -32% (versus the pre-pandemic level) from -18% in August. That said, daily infections have stopped rising. Retail activity will recover as soon as the outbreak is contained.

Office: The office outlook is less sanguine. Offices in Kuala Lumpur face high vacancy rates (20% vs the long-term average of 13%) and large supply pipelines over the next two years. Rents and capital value face being revised down amidst the pandemic.

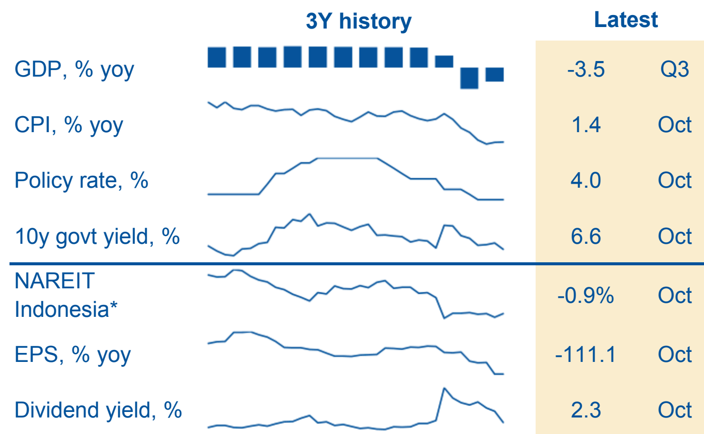
Residential: Housing prices were decelerating between 2013 and 2019 due to tight mortgage rules, tax policies that discouraged high-end property purchases and over-building in Kuala Lumpa. However, green shoots are emerging this year. To mitigate the recession, the central bank aggressively cut the policy rate by 125bps, loosened rules around mortgages, stamp duty and capital gains tax. Construction activity has also been depressed, easing the issue of oversupply.

Market Strategy: The Malaysian real estate sector is at a trailing P/B ratio of 0.6x, 40% below the long-term average. Malaysia should be able to contain the recent outbreak relatively soon - judging by its successful public health response in H1 – which would then benefit the real estate sector. The benign policy environment also supports residential real estate, particularly in areas with a more balanced supply. We remain *overweight* vs EMs.

Indonesia

Neutral vs EM

Reforms that improve labour market efficiency bode well for the economy in the long run. Elevated COVID-19 infections remain the key near-term headwind.



**US$ net total return. Latest is 6M return.* *Source: Bloomberg*

The economic recovery remains bumpy in Indonesia. The government had to re-impose a lockdown on Jakarta in September, whose activity accounts for 25% of national GDP, before easing it in October. Localised lockdowns seem likely in the future as daily infections remain high in the country. Indicators such as consumer confidence and car sales bottomed out in May, but the rebound has been lacklustre. Consensus expects 1-2% contraction in Indonesian GDP this year before a return to growth (5%) in 2021. Meanwhile, Indonesia recently passed the Job Creation Law, a long-term positive as it helps attract investment and improve labour market efficiency.

Retail and office: Retail sales rebounded in Q3 and were only 7% lower than a year ago. Sales from shopping malls fared worse due to the rising competition of e-commerce. Indeed, visits to retail and leisure venues are still 16% below the pre-pandemic level. The office sector sees a similar picture as only 75% of workers have returned. Offices in Jakarta also suffer from a high vacancy rate (33% as of Q3).

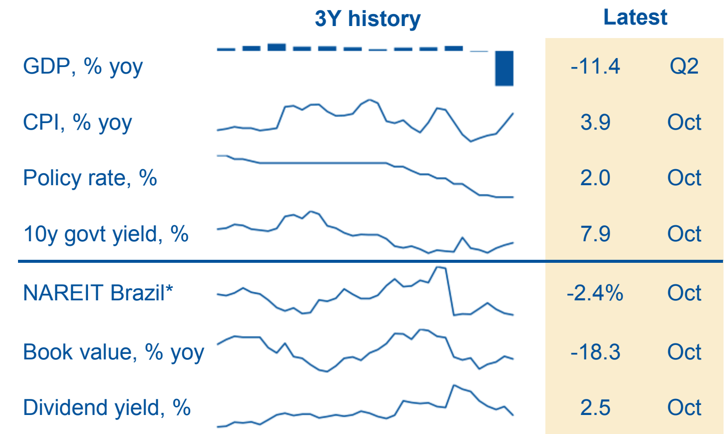
Residential: Housing prices have been growing slower than inflation over the past five years due to lacklustre demand. Household income takes another hit this year amidst the pandemic, though mortgage rates are lower this year as the central bank has aggressively cut the policy rate by 100bps.

Market Strategy: The Indonesian real estate sector is at a trailing P/B ratio of 0.8x, half of the long-term average. occupier demand for real estate is supported by business-friendly regulatory reforms. In addition, the currency outlook is relatively sanguine against benign external liquidity conditions. Domestic bond yields and borrowing costs are also likely to remain record low. In the near term, though, the economic recovery is likely to be bumpy with occasional setbacks due to localised lockdowns. Hence we remain *neutral* vs EMs.

Brazil

Neutral vs EM

Fiscal challenges remain a key headwind. The economic recovery supports retail and industrial real estate, while the residential sector benefits from low rates.



**US$ net total return. Latest is 6M return.* *Source: Bloomberg*

The economic reopening and declining COVID-19 infections led to an estimated 7% qoq rebound in Q3 GDP following a 10% fall in Q2. That leaves the full-year output ca. 5% lower compared to 2019. The approval rating of President Bolsonaro has also improved. Nonetheless, the government faces a mounting fiscal dilemma and political tensions due to increased spending amidst the pandemic and constraints imposed by the Spending Cap - a cornerstone for investor confidence. Indeed, room for further fiscal support is uncertain as public debt is approaching 100% of GDP.

Residential: Respecting the Spending Cap would allow the central bank to keep rates low after having lowered the Selic rate to 2.0% in nine consecutive cuts. The recent introduction of forward guidance suggests that the central bank expects rates to remain subdued. A benign monetary outlook supports residential real estate. Housing prices have taken off this year after zero growth in 2015-2019.

Retail and office: Visits to retail and recreational venues have markedly increased but are still 18% below the pre-pandemic level. In contrast, workers have returned to offices as homeworking has yet to take hold. Offices in Sao Paolo look expensive against the rental decline and limited yield advantage over the long-term interest rate.

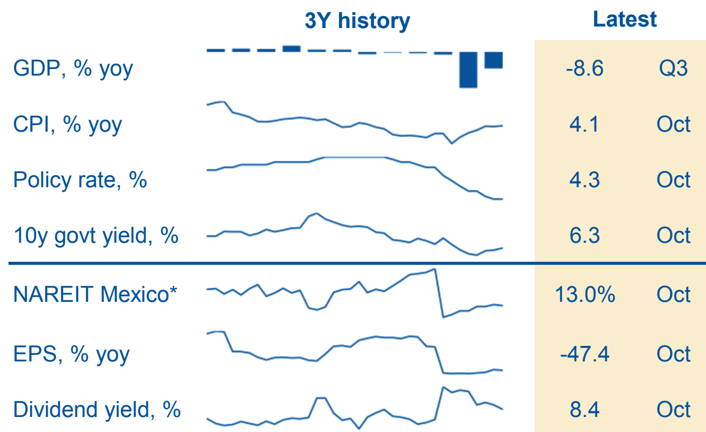
Industrial: After a strong August performance, industrial output in Brazil has recovered most of this year's losses and is now just 2.7% below the pre-pandemic level. In addition, the PMI reached a historical high of 66.7 in October, indicating strong demand for industrial real estate.

Market Strategy: The Brazilian real estate sector is at a trailing P/B ratio of 1.0x, in line with its 7-year average. We remain *neutral* on Brazil vs EMs. Fiscal challenges weigh on the economic and currency outlook. However, retail and industrial real estate will benefit from the economic recovery while low interest rates support the residential sector.

Mexico

Underweight vs EM

High infection rates and limited fiscal support weigh on the economy and real estate, particularly the retail sector. The industrial sector is relatively resilient.



	3Y history	Latest	
GDP, % yoy		-8.6	Q3
CPI, % yoy		4.1	Oct
Policy rate, %		4.3	Oct
10y govt yield, %		6.3	Oct
NAREIT Mexico*		13.0%	Oct
EPS, % yoy		-47.4	Oct
Dividend yield, %		8.4	Oct

*US$ net total return. Latest is 6M return. Source: Bloomberg

Daily infections in Mexico remain elevated after a decline in Q3. This is primarily due to the nonchalance of the government and its leader, President Lopez Obrador, in addressing the crisis. The absence of any sizeable fiscal support also meant that the economy fared worse than its peers in 2020. Consensus expects GDP to plunge by 10% this year followed by a feeble recovery (3%) in 2021.

Retail: Footfall at restaurants, retail and leisure venues has improved since the lockdown in H1. But it is still 30% below the pre-pandemic level, lagging behind other major DMs and EMs. Elevated infection rates are likely to temper any recovery in the future.

Office: The office sector has also been hard hit as 30% of workers are working from home, in addition to a significant oversupply situation. The vacancy rate in Mexico City stood at 19% in Q3, higher than the 10-year average of 13%, while the net absorption rate was 3.3%, lower than the long-term average of 5.7%.

Industrial: The industrial sector appears resilient. Mexico's economic recovery is primarily taking place on the back of rising foreign demand, in particular for manufactured goods and cars. The bilateral trade surplus with the US has hit a record high, which supports warehouse demand.

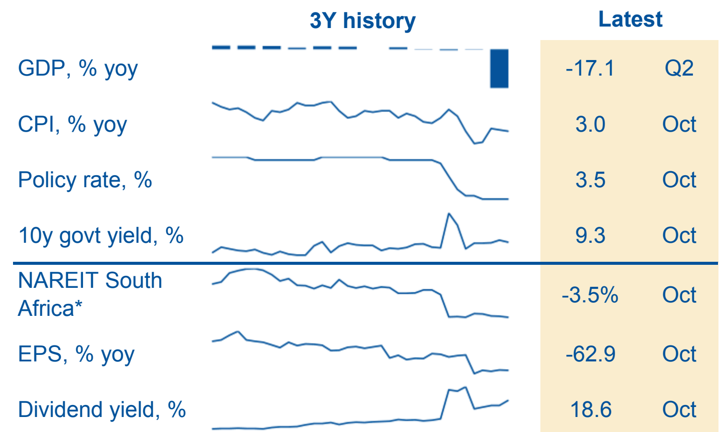
Residential: Housing prices had been growing above the inflation rate until the pandemic hit. The Banco de Mexico has aggressively cut the policy rate by 300bps so far this year and is expected to continue easing, supporting the residential sector.

Market Strategy: Mexican real estate is at a trailing P/B ratio of 0.6x, above the trough of 0.3x in 2012, though diversified real estate appears to be at a deep discount. Business-unfriendly policies, limited fiscal stimulus and insufficient health measures are likely to suppress the post-pandemic recovery and occupier demand for real estate. Therefore, we remain *underweight* Mexico vs EMs.

South Africa

Overweight vs EM (↑)

Green shoots are emerging as COVID-19 infections have declined and the economy is recovering. The outlook for retail and industrial real estate improves.



	3Y history	Latest	
GDP, % yoy		-17.1	Q2
CPI, % yoy		3.0	Oct
Policy rate, %		3.5	Oct
10y govt yield, %		9.3	Oct
NAREIT South Africa*		-3.5%	Oct
EPS, % yoy		-62.9	Oct
Dividend yield, %		18.6	Oct

*US$ net total return. Latest is 6M return. Source: Bloomberg

The lockdown earlier this year has taken a heavy toll on the South African economy. It is expected to contract by more than 8% this year. However, the infection rate has declined since July despite poor sanitation in certain parts of the country. This has led to a gradual easing of restrictions and an economic recovery.

Retail: The vast majority (95%) of South Africa's economy has reopened so far. Visits to restaurants, retail and leisure venues have increased from 20% (of the pre-pandemic level) six months ago to 76% and will continue to improve as life normalises. Retail sales are also steadily recovering.

Industrial: Manufacturing and export activity significantly rebounded on the back of easing lockdown restrictions and resilient raw base metal and gold prices, benefitting industrial real estate. Manufacturing PMI jumped to a historical high of 60.9 in October, while exports have already surpassed the pre-pandemic level.

Office: Approximately 80% of the workers have returned to the office, but the sector suffers chronically weak demand. Rents in Johannesburg are declining as the net absorption rate has turned negative and the vacancy rate rose to 14% in Q3. That is higher than the long-term average of 11.6%.

Residential: Housing prices continued to decelerate in H1 as weak household income took another hit in the pandemic. But the prime mortgage rate has dropped to a five-decade low on the back of aggressive monetary easing.

Market Strategy: The South African real estate sector is at a trailing P/B ratio of 0.4x, half of the level before COVID-19. Challenges remain such as rising public debt, its impact on sovereign ratings as well as high unemployment. But green shoots are emerging with lower infections and rising external demand, which are tailwinds for retail and industrial real estate. We upgrade South Africa to *overweight* vs EMs.

The information contained herein is obtained from sources believed by CLIM to be accurate and reliable. No responsibility can be accepted under any circumstances for errors of fact or omission. Any forward looking statements or forecasts are based on assumptions and actual results may vary from any such statements or forecasts.

KEY ECONOMIC AND FINANCIAL INDICATORS *(All data shown are as at November 16 2020 unless otherwise stated)*

		Macroeconomic Data													Market Performance and Forecast					
		% change on year ago																		
		Annual Real GDP	Quarterly Real GDP QoQ*	Industrial Production	Consumer Price Index	Broad Money (M2/M3) ***	Budget Balance % of GDP 2020F**	Current Account Balance	Unemployment Rate	Currency vs $ 2020 Latest	Currency vs $ 2019 Year ago	Short-Term Interest Rates	10-Year Government Bond Yield	Sovereign Rating S&P	% FTSE EPRA/NAREIT EM Capped Index	Stock Market (FTSE EPRA/ NAREIT) US$	Change since 12/31/2019 US$	Change since 12/31/2019 Local	Dividend Yield	2020 P/E Forecast**
		%	%	%	%	%		$ Bn	%			%	%		Oct. 30, 2020	Nov. 16, 2020	%	%	%	
Overweight	CHINA	4.9	11.2	6.9	0.5	10.5	-6.7	81.6	3.8	6.6	7.0	1.1	3.3	A+	20.10	5934.72	-10.2	-15.1	5.9	5.8
Overweight	MALAYSIA	-2.7	95.2	1.0	-1.4	6.4	-6.5	10.3	3.3	4.1	4.2	1.6	2.7	A-	6.17	1454.95	-20.76	-20.23	3.34	21.38
Overweight	SOUTH AFRICA	-17.1	-51.0	-2.6	3.0	13.6	-16.0	-42.3	30.8	15.4	14.8	4.2	8.8	BB-	6.11	1108.70	-56.5	-52.3	13.4	6.1
Neutral	BRAZIL	-11.4	-33.5	3.4	3.9	29.2	-16.3	-49.7	14.4	5.4	4.2	1.4	7.7	BB-	9.56	962.06	-46.1	-27.2	1.4	25.9
Neutral	CHILE	-14.1	-43.3	1.9	3.0	10.2	-9.0	-10.0	12.8	766.0	776.5	0.5	n.a.	A+	1.65	2889.50	-37.6	-36.6	2.5	54.9
Neutral	INDIA	-23.9	-75.0	0.2	7.6	11.6	-4.1	-26.9	n.a.	74.4	71.9	4.9	5.9	BBB-	6.24	650.84	-23.0	-19.6	3.7	24.1
Neutral	INDONESIA	-3.5	21.8	2.0	1.4	6.4	-6.3	-30.4	7.1	14106.0	14095.0	4.9	6.2	BBB	2.78	1011.05	-33.1	-32.0	1.9	22.4
Neutral	KUWAIT	-3.5	-15.3	n.a.	2.0	5.7	-8.2	20.3	n.a.	0.3	0.3	1.8	n.a.	AA-	1.67	n.a.	n.a.	n.a.	n.a.	n.a.
Neutral	RUSSIA	-3.6	-7.4	-5.0	4.0	16.1	-4.4	52.8	6.3	76.4	63.8	4.0	5.8	BBB-	0.50	3821.11	n.a.	n.a.	0.7	106.0
Neutral	THAILAND	-6.4	28.6	-2.8	-0.5	9.7	-6.0	35.0	1.9	30.2	30.2	0.6	1.3	BBB+	7.51	7719.80	-14.8	-13.5	3.0	16.3
Neutral	TURKEY	3.1	-37.3	8.1	11.9	17.0	-6.4	1.5	13.2	7.7	5.7	16.5	13.2	B+	0.95	667.47	0.0	29.4	n.a.	n.a.
Neutral	UAE	1.7	n.a.	n.a.	-2.4	10.1	-7.1	29.6	n.a.	3.7	3.7	0.4	n.a.	n.a.	1.78	3232.83	-18.3	-18.3	n.a.	9.5
Underweight	MEXICO	-8.6	57.6	-6.2	4.1	11.9	-5.0	-26.5	5.1	20.3	19.3	4.5	6.1	BBB	8.76	112.55	-20.1	-14.0	6.8	24.0
Underweight	PHILIPPINES	-11.5	n.a.	-8.4	2.5	12.3	-8.7	-0.5	10.0	48.2	50.8	1.8	3.0	BBB+	18.68	6599.38	-9.7	-14.2	1.2	33.3
Underweight	USA	-2.9	33.1	-5.3	1.2	8.0	-15.9	-498.4	6.9	1.0	1.0	0.2	0.9	AA+	n.a.	6079.68	-10.6	-10.6	3.8	52.1

*Note: S&P credit rating shown is long-term foreign currency rating. * % change in GDP on previous quarter, annual rate. **Bloomberg consensus forecast. ***M3 is used. M2 is used if M3 is unavailable.*
Any forecasts are based on Bloomberg consensus forecasts, where available, and assumptions. Actual results may vary from any such statements or forecasts. Past performance is no guarantee of future results.
Source: Bloomberg, CLIM, FTSE

KEY ECONOMIC AND FINANCIAL INDICATORS *(All data shown are as at November 16, 2020 unless otherwise stated)*

Macroeconomic Data (% change on year ago for Annual Real GDP through Broad Money) | Market Performance and Forecast

		Annual Real GDP	Quarterly Real GDP QoQ*	Industrial Production	Consumer Price Index	Broad Money (M2/M3) ***	Budget Balance % of GDP 2020F**	Current Account Balance	Unemployment Rate	Currency vs $ 2020 Latest	Currency vs $ 2019 Year ago	Short-Term Interest Rates	10-Year Government Bond Yield	Sovereign Rating S&P	% FTSE EPRA/NAREIT Global ex-US Index	Stock Market (FTSE EPRA/NAREIT) US$	Change since 12/31/2019 US$	Change since 12/31/2019 Local	Dividend Yield	2020 P/E Forecast**
		%	%	%	%	%		$ Bn	%			%	%		Oct. 30, 2020	Nov. 16, 2020	%	%	%	
Overweight	AUSTRALIA	-6.3	-25.2	1.5	0.7	12.4	-7.1	7.0	6.9	0.7	0.7	0.4	1.0	AAA	5.58	3282.15	-13.9	-17.3	5.2	16.4
Overweight	EUROZONE	-4.4	60.8	-6.8	-0.3	10.4	-9.5	248.8	8.3	1.2	1.1	0.1	-0.3	n.a.	17.09	2873.42	-7.7	-12.5	4.8	14.7
Overweight	JAPAN	-5.8	21.6	-9.0	0.0	7.5	-11.9	182.3	3.0	104.2	108.6	-0.1	0.0	A+	20.24	3590.31	-14.7	-17.9	3.6	16.0
Overweight	SINGAPORE	-7.0	35.4	24.2	0.0	10.6	-13.6	63.3	3.6	1.3	1.4	0.3	1.0	AAA	5.78	3392.42	-6.5	-6.5	4.9	21.1
Neutral	CANADA	-3.8	-38.7	-1.1	0.5	15.6	-13.8	-34.4	8.9	1.3	1.3	0.2	0.7	AAA	4.80	7107.85	-14.2	-13.5	5.1	n.a.
Neutral	EMERGING MARKETS	2.4	n.a.	-7.0	2.8	n.a.	-7.6	6.0	5.9	1693.2	1635.6	4.0	3.3	n.a.	19.94	3068.78	-16.3	-16.3	4.8	7.7
Neutral	SWEDEN	0.3	-29.3	-2.4	0.3	14.3	-5.9	20.7	9.0	8.6	9.6	-0.1	0.0	AAA	3.77	23785.91	6.2	-1.9	2.5	19.1
U/W	HONG KONG	-3.5	11.7	-5.1	-2.2	10.7	-10.1	51.9	6.4	7.8	7.8	0.2	0.8	AA+	10.25	3316.57	-11.6	-12.0	5.4	10.1
U/W	UK	-9.6	78.0	-6.3	0.5	10.9	-15.8	-106.9	4.8	1.3	1.3	0.1	0.3	AA	8.27	1357.26	-16.6	-16.1	2.8	26.5
U/W	USA	-2.9	33.1	-5.3	1.2	8.0	-15.9	-498.4	6.9	1.0	1.0	0.2	0.9	AA+	n.a.	6079.68	-10.6	-10.6	3.8	52.1

*Note: S&P credit rating shown is long-term foreign currency rating. * % change in GDP on previous quarter, annual rate. **Bloomberg consensus forecast. ***M3 is used. M2 is used if M3 is unavailable. Any forecasts are based on Bloomberg consensus forecasts, where available, and assumptions. Actual results may vary from any such statements or forecasts. Past performance is no guarantee of future results.*
Source: Bloomberg, CLIM

CITY OF LONDON
Investment Management Company Limited

Contacts

Macroeconomic Analysts

Michael Hart, London Office
Phone: 011 44 207 711 1558
E-Mail: michael.hart@citlon.co.uk

Lyndon Barreto, CFA, London Office
Phone: 011 44 207 711 1551
E-Mail: lyndon.barreto@citlon.co.uk

Mike Liu, CFA, London Office
Phone: 011 44 207 860 8318
E-Mail: mike.liu@citlon.co.uk

London Office
77 Gracechurch Street
London EC3V 0AS
United Kingdom
Phone: 011 44 20 7711 0771
Fax: 011 44 20 7711 0774
E-Mail: info@citlon.co.uk

Philadelphia Office
The Barn, 1125 Airport Road
Coatesville, PA 19320
United States
Phone: 610 380 2110
Fax: 610 380 2116
E-Mail: info@citlon.com

Seattle Office
Plaza Center
10900 NE 8th Street, Suite 1414
Bellevue, WA 98004
United States
Phone: 206 830 9986

Singapore Office
20 Collyer Quay
10-04
Singapore 049319
Phone: 011 65 6236 9136
Fax: 011 65 6532 3997

Dubai Office
Unit 2, 2nd Floor
The Gate Village Building 1
Dubai International Financial Centre
P.O. Box 506695, Dubai, United Arab Emirates
Phone: 011 971 4 249 8402
Fax: 011 971 4 437 0510

Website

www.citlon.co.uk

Important Notice

City of London Investment Management Company Limited (CLIM) is authorised and regulated by the Financial Conduct Authority (FCA), registered as an Investment Advisor with the Securities and Exchange Commission (SEC) and regulated by the Dubai Financial Services Authority (DFSA). CLIM (registered in England and Wales No. 2851236) is a wholly owned subsidiary of City of London Investment Group plc. (CLIG) (registered in England and Wales No. 2685257). Both CLIM and CLIG have their registered office at 77 Gracechurch Street, London, EC3V 0AS, United Kingdom.

While CLIM has used reasonable care to obtain information from reliable sources, no representations or warranties are made as to the accuracy, reliability or completeness of third party information presented herein. No responsibility can be accepted under any circumstances for errors of fact or omission. Some of the information in this document may contain projections or other forward looking statements regarding future events or future financial performance of countries, markets or companies. These statements are only predictions as of the date of this document which could change without notice and actual events or results may differ.

This document does not constitute an offer to sell or the solicitation of an offer to buy any securities. Nothing herein should be construed as investment advice to buy or sell any securities. Past performance is not a guide to future results. The value of an investment and any income from it can go down as well as up and investors may not get back the original amount invested.