

Presima

Experience and Teamwork Make the Difference



Jean-Guy Talbot, president, oversees the strategic development, corporate management and promotion of Presima's international real estate capital market activities. He also is the primary supervisor of all compliance-related activities.



Ron Cheshire, vice president and chief investment officer, directs all aspects of portfolio management, as well as the investment management team. He is involved firsthand in all of the company's strategic activities. He sits on various committees and works to inform the markets about the progress of the portfolios and real estate in general.



Frédéric Blondeau, director and portfolio manager, focuses on the Americas. In addition, he coordinates the portfolios that are managed using Presima's Global Relative Return Strategy and supervises all transactions related to derivative products.



Stéphane Larsen, director and portfolio manager, concentrates on European real estate securities, and he coordinates the portfolios that are managed using Presima's Global Absolute Return Strategy and Global Participation Strategy. In addition, he collaborates closely on the processes of risk management and portfolio construction.



Frédéric Belhumeur, portfolio manager, concentrates on all sectors of the Asian and Australian real estate markets and coordinates the portfolios that are managed using the Global ex-U.S. Relative Return Strategy. In addition, he follows the evolution of Southeast Asia's emerging markets (India and China) and their integration in the main economies.

Recently, Steve Felix, associate publisher of *The Institutional Real Estate Letter*, spoke with **Jean-Guy Talbot** of Presima. The following is an excerpt of that conversation.

Steve Felix: *Jean-Guy, can you give me a short overview of Presima?*

Jean-Guy Talbot: Presima is a portfolio management company specializing in real estate securities that are publicly traded on international exchanges. Presima is a global niche player managing nearly \$2 billion in global real estate securities. It is an affiliate of Cadim, a division of the Caisse de dépôt et placement du Québec, which is among the largest institutional fund managers in North America. Presima has a proven track record of nearly 10 years, given it has been managing portfolios of real estate securities for the Caisse's Real Estate group since 1998. The subsidiary has existed in its present form since April 2004, when we were incorporated with the goal of offering third-party institutional investors the same investment strategies we've used successfully for the Caisse.

Felix: *How long has Presima's current team been together?*

Talbot: Ron Cheshire, who is the CIO of Presima, came onboard in 2001, and the rest of the team followed within the year. Prior to that, Presima was focused on North American securities only. Ron started to look at Europe and Asia Pacific and, by the end of 2002, we were invested in those markets. So we've been a true global investor for more than five years. Presima is under our leadership, Ron and myself, both from a strategic and operational standpoint. Our roles complement each other well, and we are proud of the stability and expertise of the portfolio management team.

Felix: *What is Presima's investment strategy?*

Talbot: Presima has four investment strategies adapted to all market con-

ditions and all based on a bottom-up approach for securities selection. Two of them are Global Relative Return strategies and two are Global Absolute Return strategies. Of the Global Relative Return strategies, one invests globally, including the United States, while the other invests globally, excluding the United States. We launched this ex-U.S. strategy in 2006 when U.S. plan sponsors, who already had U.S. securities in their portfolios, were looking for a global expertise outside the United States. Both Global Relative Return strategies are “high conviction” and seek to exceed the FTSE EPRA/NAREIT Global Real Estate index (or Global ex-U.S. index) by 200 basis points annually.

“Presima is about long-term global perspective on the listed real estate sector and its derivatives. Our success will continue to be a function of our collective commitments toward knowledge, process, communication and creativity.”

Frédéric Blondeau –
Director and Portfolio Manager

Felix: *How are the absolute strategies set up?*

Talbot: One is a long/short hedge fund-type strategy, which has been in existence since 2002. This strategy includes long positions, short positions as well as pair trades.

Felix: *And the other strategy?*

Talbot: At the end of 2005, we created a new absolute return strategy — the Global Participation Strategy. It’s an opportunistic investment strategy that looks at emerging markets, IPOs, pre-IPOs and micro caps. The goal of the Global Participation Strategy is for us to take advantage of markets before the mass of investors gets there, and become an early financial partner. So while you’ll find mostly liquid securities in the long/short hedge strategy, the investments that arise from the Global Participation Strategy have a longer-term perspective.

“Our global REIT expertise and our consensual approach constitute the key foundations of our investment process.”

Marc-André Flageole –
Financial Analyst – Asia Pacific

Felix: *How do you decide which areas of the world to focus on?*

Talbot: We focus on all geographical areas of the world. We use a bottom-up approach for securities selection, and therefore, the positions we hold in each of our investment strategies at any point in time correspond to those offering the best risk/return profile. Each region of the world (Americas, Europe and Asia Pacific) is covered by a portfolio manager and a financial analyst.

Felix: *How is being a subsidiary of the Caisse beneficial to investors?*

Talbot: Being an affiliate of the Caisse, through Cadim, we are driven by one thing: returns. We are not driven by the bottom-line of Presima. There is no need for us to take more assets than we can manage just to improve our profitability. Presima is a high conviction investment manager, typically holding between 30 and 35 securities at a time, in a given investment strategy. Restricting our holdings keeps us in more liquid markets with the best investment opportunities. This also keeps us from simply being an index manager. Because we are tied so closely to the Caisse, through Cadim, we know what our other pension fund clients need. Presima’s investment strategies are providing side-by-side investments with Caisse, and therefore interests are well aligned.

Felix: *With one office in Montreal, how do you cover the globe?*

Talbot: There are two business models used by global investment firms. The one used by Presima and a few other advisers is centralized with everyone in the same office. The other business model has people scattered in offices around the world. We like our model because it allows us to have a consensus-based bottom-up approach to securities selection. Everybody at our headquarters works in an open space because we want communica-

tion and transparency to prevail. We have the portfolio managers and analysts who cover the Americas sitting by the people covering Europe and Asia Pacific, because we want information to be shared. I can’t tell you how flat the world has gotten for us. Portfolio managers and analysts meet in the conference room two or three times a week, and they share views on their models, and challenge each other’s assumptions. That way, we are putting a company that might be based in Australia side by side with one that can be based in Hong Kong, Canada or the United States. At the end of the day there is one thing that

“With four distinct investment strategies adapted to all market conditions around the globe, we are optimizing returns through diversification and risk management.”

Louis Tremblay –
Director, Business Development

counts: performance on a global basis, not the amount of money that a portfolio manager has, compared to the other. Returns are optimized through diversification and risk management, and if it is the right thing to sell \$25 million or \$50 million worth of securities in the United States to invest in Japan, that’s what is going to be done. We try to manage the business with no physical walls and no walls in our minds. Everything has to be pushed forward in a creative way.

Felix: *But don’t you need people on the ground to really know a market?*

Talbot: First, the team travels extensively. Also, thanks to the clout of the Caisse’s Real Estate group, a lot of people come to Montreal to meet with us, and as such, we have access to the best global investment opportunities. Furthermore, we are only an hour away from New York City. We have an average of 300 one-on-one meetings per year, which covers most of the companies we might be interested in, either on a near term or longer term perspective. The universe of investable securities is not as large as it would appear at first glance. There are

“Our local insight and our global market coverage represent the framework for capturing the best investment opportunities for our investors.”

Rocio Gueto –
Manager, Client Servicing

882 REITs and REOCs that are listed globally, which would appear to make the universe quite large. However, 428 – or 49 percent – have a capitalization of less than \$500 million. And 65 percent have a capitalization of less than \$1 billion. We are very much in touch with the market, and we know what’s going on.

Felix: *Is all of your research done internally?*

Talbot: We obviously have access to the research that comes from outside parties, but the analysis and the investment process are internal. For that matter, we have created a state-of-the-art Web-based *DataBook*, where all data, models and analysis are digitalized and accessible to portfolio managers and analysts for their bottom-up approach in securities selection.

Felix: *What drives your business decisions?*

Talbot: Access to the best global investment opportunities is key for us. For each of our investment strategies, we aim at holding a concentrated number of securities that will give us the best risk/return profile. Finding the best performers requires that we travel the world and meet with companies in every country in which we invest. Our investments are driven by vision and full respect of investment, compliance policies and good governance. There is no such thing as focusing too much on compliance when it comes to investing in securities for third-party clients. Compliance goes hand-in-hand with a fully integrated risk management process, both from a human and professional value standpoint. Ethics, transparency, integrity, teamwork and team attitude, discipline, thoroughness, coherence in what people do, respect of people and clients, and client satisfaction are all very important elements for us.

Felix: *Presima has had a single focus since its inception. Do you see that changing going forward?*

Talbot: We are the only team within the Caisse Real Estate group’s \$63 billion portfolio that invests in global real estate securities. We are a bit bigger than a boutique, but we really are a global niche player in the real estate securities universe, and for the time being, I see Presima focusing on what it does best. We might expand the number of investment strategies that we have. We might change a number of things, but at the base, Presima is a global real estate securities investment manager using a bottom-up approach for securities selection, and that’s what it is likely to stay.

Felix: *Presima has been active in the Asian real estate securities market as long as anyone in the business. How do you see that market evolving?*

Talbot: Our portfolio has historically been overweight in Asia Pacific, as a result of our bottom-up approach for securities selection. We expect to see great opportunities arising from there in the next few years, especially in Japan, Hong Kong and China. The capitalization of the global real estate universe is approximately \$1.5 trillion. The United States accounts for about one-third of that amount, with Asia Pacific, including Japan, Hong Kong, Singapore, and Australia accounting for another third. When you manage a global portfolio of real estate securities, Asia Pacific has to be part of it.

Felix: *Which strategies will you be using to invest in Asia?*

Talbot: All of them, in fact! However, our new Global Participation Strategy was created to opportunistically capture investment opportunities in the emerging markets, IPOs, pre-IPOs and micro caps. A pretty significant part of the investment that will be made throughout that strategy is likely to be in Asia Pacific. The population and economic growth are just too compelling to ignore. The Asia Pacific population is 12 times the size of Canada and the United States together! It’s five times the size of Europe, and it is nearly four times the size of Canada, the U.S. and Europe combined. All indications are that the population and economic growth in Asia Pacific countries will continue to outpace that of Europe

and North America. The economic growth in India and China are big, big drivers. That has a direct impact on countries like the Philippines, Vietnam, Thailand and Singapore.

Felix: *You are investing for the future. How long do you think these emerging markets will take to reach maturity?*

Talbot: The Human Development Index of the United Nations assigns numbers to 177 countries based on their maturity. In 2006, Australia, Hong Kong, Singapore, Japan and South Korea had ratings of .91 to .96. If you go back to 1975, however, those very countries had an index rating of anywhere between .71 and .84. If you look at Malaysia, Thailand, China, Philippines and Indonesia today, those countries have an index rating anywhere between .71 and .80. This is exactly where Australia, Hong Kong, Singapore, Japan and South Korea were back in 1975. I can tell you one thing: It’s not going to take 25 or 30 years for those countries to catch up. With the growth that we have seen in

“Integrity and transparency are key elements of Presima’s values and business principles.”

Liwa Belkeziz –
Senior Adviser Compliance

China and India, those countries will continue to catch up quickly. And for us that is one of the places to be. Those are markets we are looking at through our Global Participation Strategy.

Felix: *How do you invest in securities in emerging markets? Do they have stable exchanges?*

Talbot: Most of the securities we buy are listed on major exchanges. For example, we invest in Turkey through companies listed in London. We invest in China through companies listed either in Singapore or Hong Kong. We also will continue to invest in Latin and South America. The asset that we own is liquid but the underlying assets are in emerging countries where maybe you don’t have the same cap rate compression that you have in more developed countries.

Felix: *Are the cycles in different parts of the world advantageous to your strategy?*

Talbot: Absolutely. It's the non-synchronicity of those markets that we try to exploit.

Felix: *What are Presima's competitive advantages?*

Talbot: We are a specialized niche player. We don't do anything else so we have to be very good at the one thing we do. In addition to the expertise we have, one of the reasons we are different is that we have a very

experienced and stable portfolio management team. Basically, everyone who has come onboard since 2001 is still here. We are forward looking, and we're able to design investment strategies that will work well into the future. There are not many investment advisers with a strategy like our Global Participation Strategy. There are not many people in the industry who have a global long/short strategy in place. We can build on those strategies over time and, at some point, make them available to third-party institutional investors.

Felix: *You've been successful, especially in 2006, at increasing your assets under management substantially. Do you see yourselves raising money in the near future?*

Talbot: We are very, very disciplined in the way we let clients in. New clients must have the same goals and alignment of interests as the Caisse. For us, it's not the number of clients that counts. We will never be retail. We need clients who think the same way we do. If we bring in four major clients a year, that's good enough. We will never take on a client if we think it will stretch performance. The best way to protect those clients we took on in 2005 and 2006 is to pay the right level of attention to portfolio management, compliance, client servicing and operations.

Felix: *How do you see Presima evolving?*

Talbot: We are in the business to capture the best global investment opportunities and provide that to the Caisse and third-party clients. We want to be recognized as a leading-edge investment manager. We have a vision to maintain a niche expertise in real estate securities portfolio management. We strive to optimize returns through diversification and risk management, and maintain the search for excellence and rigorous internal processes.

Felix: *If I were to ask your investors what they think about Presima, what do you think they would say?*

Talbot: I think they would say that we are close to them. We try to provide them with the best quality of information that we can. We are driven by the thing that is the most important to them — optimize returns through diversification and risk management. I think they would say that the alignment of interest is there. I think they would say that the fact that we are part of the huge Real Estate group, with more than 1,600 employees, gives them comfort. And I think they also would say they are happy to be one of a select group of clients involved with some of the most leading-edge investment strategies available — strategies that have been successfully used by the Caisse, some of which are now available to third-party clients. ❖

Presima —

A global niche player in the real estate securities universe

- Affiliate of Cadim, a division of the Caisse de dépôt et placement du Québec, which is among the largest institutional fund managers in North America
- Global real estate securities expertise developed since 1998
- Expertise made available to third parties in 2005
- Global niche player managing nearly \$2 billion in global real estate securities
- Strategies providing side by side investment with the Caisse de dépôt et placement du Québec

Four distinct investment strategies adapted to all market conditions around the globe

- Two Global Relative Return Strategies using EPRA/NAREIT
 - Global Relative Return Strategy — high conviction
 - Global ex-U.S. Relative Return Strategy — high conviction/enhanced
- Two Global Absolute Return Strategies
 - Global Absolute Return Strategy — long/short-hedge fund
 - Global Participation Strategy — opportunistic/micro caps
- Returns optimized through diversification and risk management
- Proven track record of nearly 10 years

Our Expertise

- Stability and expertise of our portfolio management team
- High conviction investment manager, focused on performance
- Access to the best global investment opportunities
- Consensus-based bottom-up approach to securities selection

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