

UP TO SPEED WITH PROPERTY – ACTUAL INCOME

A growing digital economy means opportunities for those providing the real estate to support it, and a reliable income stream. Investment manager Jon Stewart tells us more in this instalment of the Actual Income series.

The value of an investment, and any income from it, can fall as well as rise and investors may not get back the amount invested.

This film was produced and approved in April 2022 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.

Jon Stewart (JS): Technology is disrupting the way we live, work and interact with the world around us, which for the property industry means significant change.

Property is one of nine asset classes we invest in for the Multi Asset Income strategy. Our objective is to deliver an income that is attractive, resilient in times of economic stress, and able to keep pace with inflation over the long term.

We think the best way to do that is to invest in assets that support the economy of the future, not the past.

Now, the digital economy is clearly going to be an important part of that future, but it's easy to forget that it also has a physical footprint. Data needs places to be processed, stored and connected on to its destination, which in real estate terms means datacentres and telecommunication towers.

We think that these can be attractive investments for a couple of reasons:

First, is the often mission-critical nature of the service that they provide; many of their customers literally cannot conduct their business without them. In our view, that means that the income they generate should be resilient, both in good years and bad.

Second is the structural growth opportunity; the digital transition, adoption of cloud computing and roll-out of 5G networks, all of these things are driving growth in demand for data, and with it, a genuine need for real estate.

We recently added a couple of investments in this market to the portfolio: American Tower and Digital Realty.



American Tower is one of the world's largest independent owners of telecommunication towers. They lease space on these towers to mobile network operators, which allows them to share resources and save costs.

Rents are subject to annual adjustments, which means we expect the income to be reliable but also to enjoy a measure of protection against inflation.

However, the real excitement is 5G. New spectrum blocks have been allocated to carry the 5G network and as these are rolled out over the decade to come, the network operators will need to add more equipment to more towers, expanding the income growth opportunity for American Tower.

Digital Realty is one of the world's largest independent datacentre landlords and we expect them to also benefit from 5G because the technologies it helps to unlock, think autonomous vehicles or augmented reality, will drive further demand for data and with it datacentre space.

We think that Digital Realty is well positioned to participate in this growth. Partly because of their exposure to some of the world's most attractive datacentre markets, but also because of sustainability. Environmental efficiency is increasingly important to tenants in this market, and our assessment is that Digital Realty is among the industry leaders on this front.

What unites both of these companies is the critical role that they have to play supporting the digital economy. For us, that means that the income they provide should not only be resilient, but also have significant potential for growth over the decade to come.



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