

Introduction of GPR 250 Hedged Index Series

AMSTERDAM, 30 October 2002 – Global Property Research proudly announces the introduction of the GPR 250 Hedged Index Series. The new index series is an addition to the broad scale of existing property share indices that Global Property Research offers to the investment market. The development of the GPR 250 Hedged Index Series again shows the dedication and specialization of Global Property Research in the provision of benchmarks for property share investments.

Property markets worldwide have attracted numerous investors in recent years. This is partly due to the increased sophistication on the maturing property markets and the relative outperformance to other asset classes. Cross-border investments have risen as investors are investing more and more globally. Moreover, the consolidation of the global listed property sector has cut the number of companies and forced investors to expand their investment area. Consequently, foreign exchange rate risks must be solved by taking positions in currency derivatives. This leads to a rising demand among investors for benchmarks where the costs of these derivative contracts are taken into account.

Rationale behind hedged indices

The GPR 250 Hedged Index Series is the first property share index that assumes a currency hedge strategy in the benchmark calculations. This kind of new index is particularly suitable for investors that want to hedge their currency risk and have the associated costs included in their benchmark. The basic principle behind hedging is to sell a 1-month forward contract in order to lock in future changes in the spot exchange rate. Currency risk exposure is limited by offsetting the forward rate and the spot exchange rate, which leads to more stabilized total returns. However, the GPR 250 Hedged Index Series does not have a perfect hedge, since the end value of the investment is insecure. In other words, only the invested value will be hedged and the achieved returns during the calculation period are not taken into account.

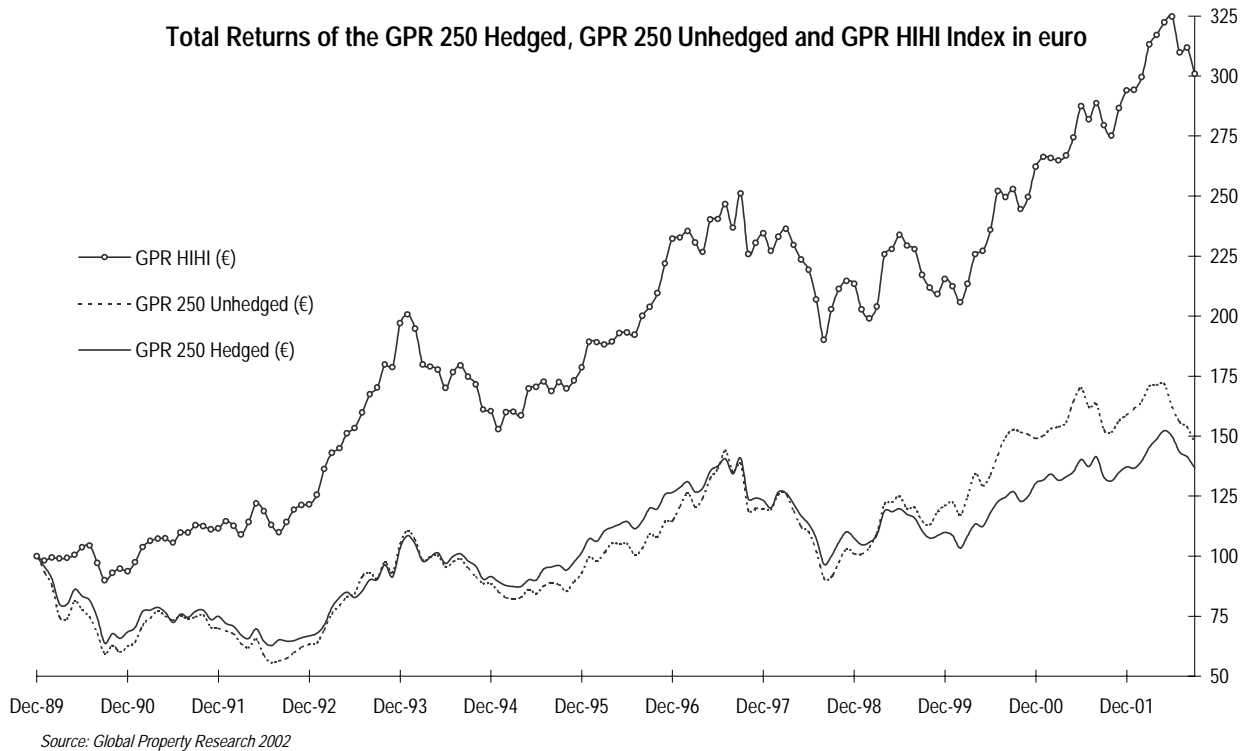
Calculation of hedged indices

The GPR 250 Hedged Index Series, which is based on the same fundamentals and calculations as those used by MSCI, take the GPR 250 Index Series as a starting point. The basic concepts, calculations and criteria are the same for both index series and the indices are therefore comparable. The total hedged return is the sum of the unhedged total return of the GPR 250 and the hedged impact. This hedged impact consists in the costs of the forward contract subtracted by the change in the spot exchange rate. This hedged impact clearly shows that a gain on the spot exchange rate will be offset by a loss on the forward rate. The appendix to this report illustrates the methodology and an example of the hedged index calculation.

Monthly availability for all aggregation levels

The GPR 250 Hedged Index Series is available as of 1 November 2002 and is calculated back to 31 December 1989, which was the start of the GPR 250 Index Series. The index will be calculated on a monthly basis and will have five layers of aggregation – world, continent,

country, region and zone - similar to the standard GPR 250 Index Series. The reason for a monthly calculation is simple: the duration of the forward contracts is 1 month. The GPR 250 Hedged Indices are available in standard euro and US dollar. All other customization levels and currency denominations are available upon request. Reporting of the performances will occur in the regular format as is usual for the standard GPR 250 Index Series.



CASE: the ABN AMRO High Income Property Fund

A customized version of the GPR 250 Hedged Index Series is used in practice for the ABN AMRO High Income Property Fund (HIPF). The HIPF is a global property fund that invests in companies with a dividend yield of more than 4%. The fund's strategy is aimed at investing in defensive property companies and hedging exchange rate risk with forward rate contracts. The costs of these contracts are taken into account in the calculation of the benchmark. The current size of the fund has surpassed € 150m.

Global Property Research has developed a customized index for ABN AMRO that serves as the benchmark for the HIPF. Currently, around 170 companies are included in the index, which is called the GPR HIHI. These companies are selected based on their dividend yield, which must exceed 4% in each of the last three months. Most of these constituents have the REIT status or a comparable tax-exempt structure which is common in Australia, New Zealand, Japan, the Netherlands, Belgium and South Africa.

Furthermore, the index takes net dividends into account instead of the usual gross dividends. This means that the dividend return is slightly downsized, but gives a better reflection of the reality. On average, ABN AMRO pays around 15% net dividend taxes, which is deducted from gross dividends in the index calculation.

The table below displays the annualized total return performances in euro of the GPR 250 Index, the GPR 250 Hedged Index and the GPR HIHI as of end September 2002.

	GPR 250	GPR 250 Hedged	GPR HIHI
1 year	-3.6%	2.9%	7.7%
3 year	8.7%	7.4%	11.5%
5 year	1.2%	-0.6%	3.7%
10 year	9.9%	7.8%	10.2%
Volatility*	12.2%	10.1%	10.0%

* Volatility is the annualized 36-month standard deviation

The results indicate that on average the total returns are lower for the GPR 250 Hedged Index than for the GPR 250 Index. This is due to the fact the costs of hedging are included in the calculation of the GPR 250 Hedged Index, which reduces the total return.

A major point to make here is the reduction of volatility by using hedged indices. The table shows that the risk of both the GPR 250 Hedged Index as well as the GPR HIHI is around two percentage points lower than for the GPR 250 Index. Therefore, hedged indices have lower returns than unhedged indices, but the associated risk is also much lower.

The GPR HIHI has a higher total return performance than the GPR 250 Hedged Index, proving that its strategy of investing in high-yield property stocks works. If the GPR 250 Hedged Index had been adjusted for net dividends, then the outperformance of the GPR HIHI would have been even greater.

Appendix: Calculation Methodology

The GPR 250 Hedged Indices are calculated using the following formula:

$$\frac{\text{Unhedged Index}_2}{\text{Unhedged Index}_1} + \left(\frac{\text{FX Rate}_1}{\text{FF Rate}_1} - \frac{\text{FX Rate}_1}{\text{FX Rate}_2} \right) - 1$$

where

Unhedged Index₁ is the GPR 250 index in euro or US dollar at the close of last month

Unhedged Index₂ is the GPR 250 index in euro or US dollar at the close of this month

FX Rate₁ is the spot exchange rate to the euro or US dollar at the close of last month

FX Rate₂ is the spot exchange rate to the euro or US dollar at the close of this month

FF Rate₁ is the forward exchange rate to the euro or US dollar at the close of last month

The following example shows the calculation of the GPR 250 United Kingdom Hedged Index in US dollar in September:

Unhedged Index₁ : 184.86

Unhedged Index₂ : 172.47

FX Rate₁ : 0.6465 GBP/USD

FX Rate₂ : 0.6359 GBP/USD

FF Rate₁ : 0.6476 GBP/USD

$$\frac{172.47}{184.86} + \left(\frac{0.6466}{0.6476} - \frac{0.6466}{0.6359} \right) - 1 = -6.70\% - 1.84\% = -8.54\%$$

The unhedged return for the GPR 250 United Kingdom in US dollar is -6.70% and the hedged impact is -1.84% , which makes the total hedged return for the GPR 250 United Kingdom in US dollar -8.54% .

For aggregated levels such as continents, regions and zones, the hedged impact will be weighted based on the free float market capitalization of each individual country. The total hedged return is the sum of these weighted returns.