Marketing material for professional investors and advisers only

In focus

Reasons to be cheerful

Uncovering value at the top of the real estate cycle
Part 1: Owner-operated hotels in Europe

With the majority of commercial real estate sectors at their peak globally, especially in gateway cities, Schroders Real Estate has been hunting for specific segments which are not just attractive today but, in the context of our 'mega-theme' framework, have structural support reasons which should mean they will sustain their value in future and offer upside potential.

Owner-operated hotels in Europe (branded under hotel management agreements or franchise agreements) is a sector that has these characteristics and represents a compelling investment opportunity for investors seeking:

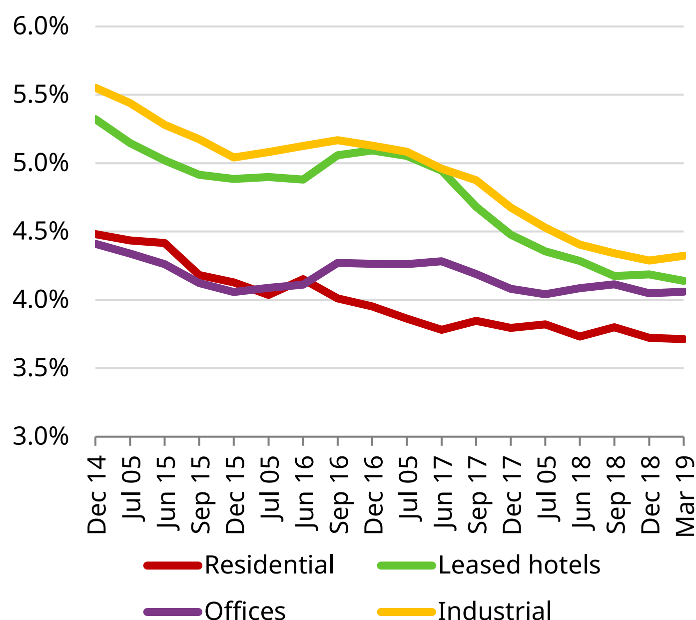
- Exposure to a large 'alternative' property sector
- A premium yield and total return compared to similarly-located office assets as well as leased hotels
- Positive structural changes to demand and supply

Introduction

Total returns in the UK and European commercial real estate markets are forecast to weaken over the next five years compared to the last five. Prime yields are at an all-time low across many sectors (figure 1) and rental growth is starting to slow. This is concerning investors (figure 2) and pushing them to consider investment opportunities in alternative, non-mainstream sectors that offer comparatively attractive income and/or total returns and are driven by long-term structural changes which are independent of the economic cycle. These sectors should be relatively defensive and offer portfolio diversification.

Some segments such as student accommodation and build-to-rent residential, for example, have already seen significant yield compression as institutional investors have entered those markets. However, there are still several segments which have yet to gain the attention of professional investors and which offer not just attractive risk-adjusted returns today, but may also benefit from future yield compression as they become mainstream.

Figure 1: Net initial yields by sector in the UK



Source: MSCI, May 2019.

Figure 2. Real Estate Institutional Investor Trends Survey

What keeps you up at night?	
Issue	**%**
We are nearing another cyclical market high point	62%
Too much money is flooding into real estate, driving down returns while adding risk	59%
Too much money is chasing too few quality managers/funds	27%

Source: Probitas Partners, 2019.

Schroders' six mega-themes

In developing a forward-looking methodology for assessing the future requirements of real estate occupiers globally in terms of where people work, live and play, Schroders identified five mega-themes that have underpinned our investment philosophy for several years: rapid urbanisation; demographics; technological revolution; resource & infrastructure; and the shift of economic power from West to East. We are now seeing the emergence of a sixth mega theme – positive impact investing – and believe that moving forward, all our investments should have a positive social impact for occupiers, communities and investors.

By interpreting the interplay between the mega-themes we have sought to uncover attractive opportunities in today's commercial real estate market where sustainable income and/or capital growth might be derived in future.

In the case of owner-operated hotels in Europe, the mega-themes that support the investment case are:

– Urbanisation and the competing demand for city centre space is limiting new hotel development opportunities

– An increasing number of older, wealthier people with a greater propensity to travel and stay in hotels

– Technology reducing the relevance of brands and increasing the importance of on-line travel agents

– An increasing middle-class in Asia, particularly China, with an experience-focused consumption pattern

The investment case is set out on the following pages.

What do we mean by owner-operated hotels?

– For many years there was only one model of ownership and operation. The big brands (e.g. Marriott, Hilton, Intercontinental, Accor) owned most of their hotels, both the real estate and the underlying operating business. The hotel staff were their employees and, as owners, they were fully exposed to the upside and downside of the P&L. This capital-intensive model was gradually phased out as the big groups disposed of their hotel properties and simply leased them back. The brands still had full exposure to the operations, but the cost of the real estate went off balance sheet

– The simplicity of the hotel leasing market saw cap rates decline significantly for properties under this form of ownership. Long term, often inflation-linked, leases to well-known large brands have been seen as a proxy for Fixed Income exposure and institutional investors piled in almost regardless of the type, quality or location of the hotel. It has become all about the covenant and even then investors have become less discerning

– As accounting standards changed to bring these capital/finance leases back on balance sheet, the model has moved to its latest incarnation - hotel management agreements (HMAs) and/or franchise agreements (FAs). Under HMAs/FAs, the brands no longer pay a rent; in fact, they no longer pay anything. It is the owner of the business (who may also own the real estate) who pays the brand a slice of the gross revenue in return for the use of the brand and its marketing and reservation system. The hotel owner now has full exposure to the upside and downside, and owns not just the real estate but the underlying operating business and the staff. The brands by comparison receive a variable fee linked primarily to revenue, with limited exposure to profitability

– Many less-sophisticated hotel investors have not realised exactly what they have signed up to and, after an initial honeymoon period, those properties which have not been managed tightly enough and/or the capex has been insufficient or not focused on the appropriate area, have seen a decline in revenue and an even more pronounced fall in profitability which is very hard to rebuild without substantial capital investment

– As a consequence, in Europe in particular, there now exists an opportunity for the professional hotel investor to acquire some of these undermanaged and underinvested hotels which are either distressed in their own right, or owned by distressed owners, and then inject capital into the right areas and reconfigure the management team for the precise nature of the opportunity. The US market has operated in this way for 20 years where the three actors are institutional capital owning the real estate and the underlying business, with a specialist operating partner to 'manage' the business which includes paying a fee to a brand under an HMA or FA.

The investment case for owner operated hotels in Europe

1. Structural changes in demand

Spending on tourism – encompassing both leisure and business travel – grew significantly faster than world GDP in the period 2007–17 and this gap is predicted to widen between 2017 and 2027, thanks to broad-based growth in travel spending (figure 3).

Over the earlier period, leisure tourism spending grew at a compound rate of 3% a year, compared with global GDP growth of 2.4%. Business travel grew significantly less quickly, expanding at 1.8% a year from 2007 to 2017. In the coming decade, spending on leisure tourism is forecast to accelerate further, while expenditure on business travel is expected to pick up significantly. This will lead to both a more broad-based pattern of growth in overall tourism spending and to a larger gap between rates of tourism spending and global economic expansion.

Figure 3: Global GDP and tourism expenditure (p.a.)

	CAGR 2007–2017	CAGR 2017–2027	2027 vs. 2017	Std. dev 1996–2017
Leisure tourism spending	3.38%	4.12%	49.8%	2.6%
Business travel spending	1.80%	3.23%	37.5%	5.6%
Total tourism	3.00%	3.93%	47.0%	1.2%
World GDP	2.40%	2.71%	30.6%	2.9%

Source: World Travel and Tourism Council, 2018 and Oxford Economics, 2018.

There are several key factors that explain these robust forecasts for tourism expenditure, relating both to consumers' opportunity to travel and to their patterns of consumption. Factors such as increased investment in transport-related infrastructure and the growing availability of low-cost air travel naturally expand the opportunity to spend money on tourism. However, other issues also play a significant role.

In particular, the strong growth of the so-called 'experience economy', in which consumers are spending a growing proportion of their disposable income on experiences and services, as opposed to material possessions, is a key reason for the buoyant demand outlook in the tourism industry. According to research by McKinsey in 2017, in recent years consumer spending on experience-related services such as travel has grown 1.5 times faster than overall consumer spending, and almost four-times faster than consumer spending on goods.

This shift in spending patterns is variously attributed to a growing tendency to seek happiness through shared experiences and the pervasive influence of social media, which feeds a fear of missing out.

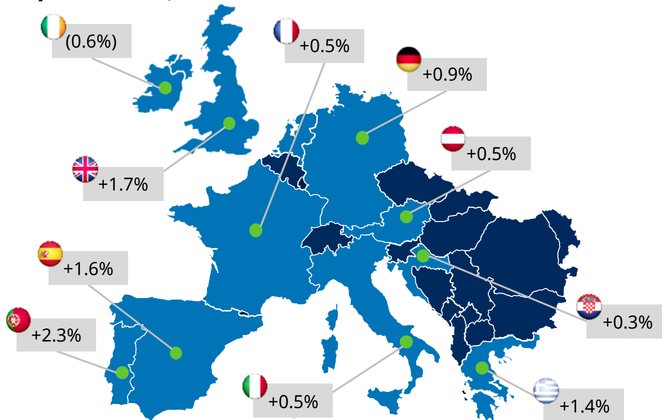
The second key growth factor in global tourism is the fast-growing appetite for international travel among China's huge middle class. Chinese travellers are now the second-largest group of inbound travellers to Europe, accounting for about 25m hotel nights in 2016, the most recent year for which figures are available. They remain a significantly smaller group of visitors than US tourists, who spent about 74m nights in EU accommodation during that year. However, the Chinese contingent is growing very rapidly, doubling its number of hotel nights between 2012 and 2016. Chinese outbound tourism is forecast to continue growing strongly, rising from 145m outbound trips in 2017 to 400m by 2030, for a compound annual growth rate of just over 8%.

Europe is the largest single beneficiary of this robust growth dynamic, given that it accounts for more than half of all inbound tourism arrivals globally. According to the United Nations World Trade Organisation, inbound arrivals globally reached 1.4bn in 2018, of which Europe accounted for 713m, up 6% on the previous year. This robust performance illustrates Europe's huge worldwide appeal as a tourism destination.

Among affluent Chinese, Continental Europe continues to be regarded as a prestigious destination thanks to its diversity, history, heritage and well-developed consumer markets, compared to the US which may be the home of capitalism, but lacks the cultural diversity and history of Europe.

2. Constrained supply

Figure 4: 2007–2017 hotel room supply growth (10-year CAGR)

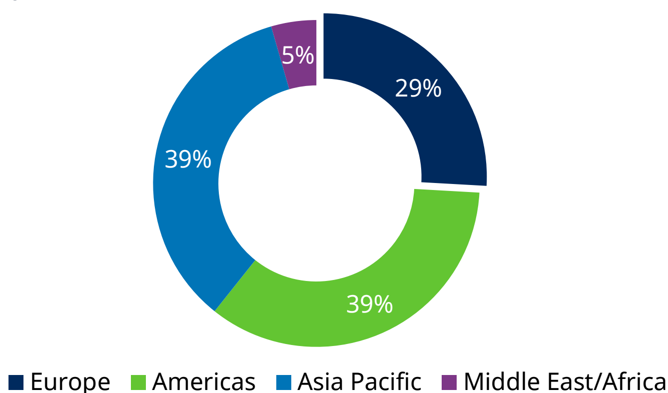


Source: Christie & Co (2017) and STR (2018).

In spite of buoyant global demand for tourism travel to Europe, the supply of new rooms entering the continent's hotel market remains extremely muted, having grown at just 1% per year over the past seven years (figure 4).

This situation is forecast to persist in Europe, rather than the rest of the world. While Europe may represent 29% of the current global supply of hotel rooms (figure 5), its development pipeline (figure 6) is just 17% of the global industry total. As a result, the existing shortfall between the supply of tourist accommodation and the numbers of people arriving at European destinations will become further entrenched in the years ahead.

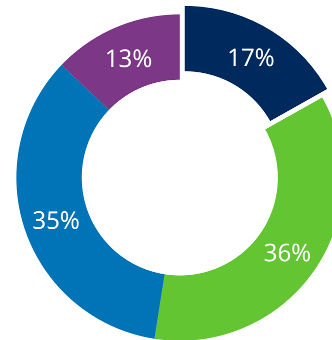
Figure 5: Global supply (total: 17.2m rooms)



Source: Christie & Co (2017) and STR (2018).

The major reasons for slow growth in Europe's supply of hotel rooms include the significant barriers to entry to many important markets, with suitable development sites in very short supply. In addition, the economics of hotel development are often less attractive than alternative potential uses for existing buildings. Higher rental values per sq ft/m can typically be achieved from other uses, such as office space or residential, which limits the potential to convert existing buildings into hotels.

Figure 6: Global pipeline (total: 2m rooms)



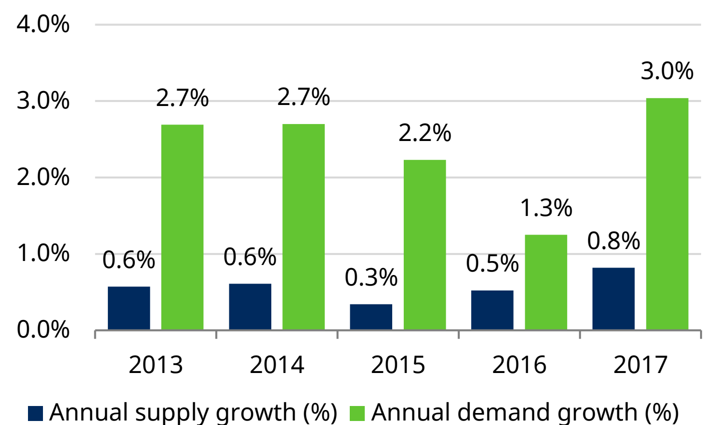
Source: Christie & Co (2017) and STR (2018).

In some key tourist cities such as Amsterdam, Barcelona and Venice, moreover, local authorities have placed a ban on further tourist accommodation due to concerns about overcrowding and pressure from city dwellers to safeguard their quality of life.

3. Consequent supply and demand imbalance

It is clear that there has been and will likely remain a long-term structural imbalance between a constrained supply of new rooms coming on to the market – particularly in key city-centre locations – and accelerating demand from tourism and business travellers (figure 7).

Figure 7: European hotel demand consistently outpacing supply



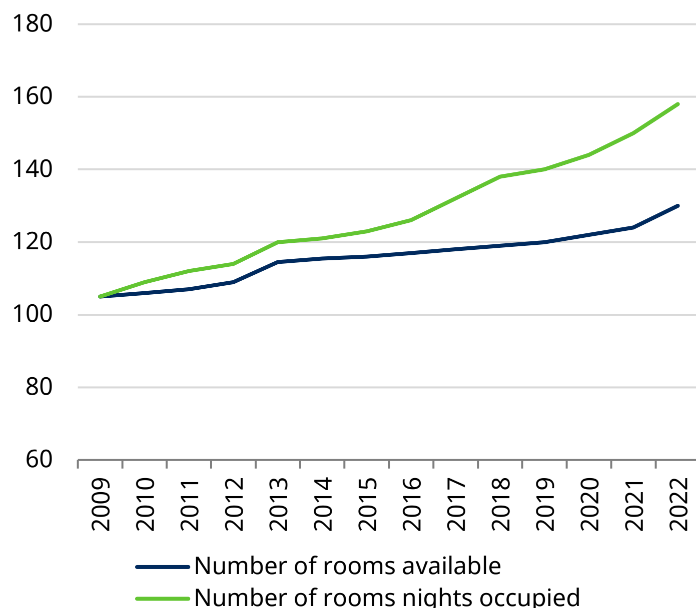
Source: STR (2018).

As a consequence, average occupancy rates are on a strong upward trend and are ahead of rates in other parts of the world. In 2017, average occupancy across Europe reached 71.9%, compared with 70.9% in Asia-Pacific, 65.6% in the Americas and 62.1% in the Middle East and Africa.

This is set to continue as the growth in occupied rooms far exceeds the growth in rooms available (figure 8).

Figure 8: European hotel rooms available and room nights occupied

Rebased Index 2009=100

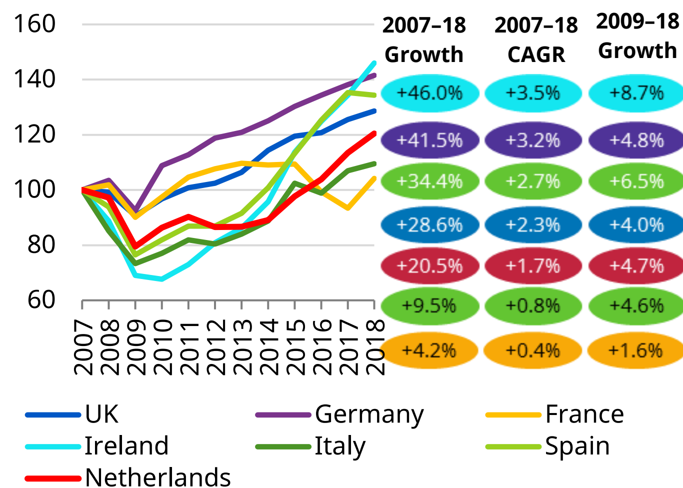


Source: CBRE; Global Data 2018.

These positive demand/supply dynamics are fuelling robust growth in the sector's key performance metric – revenue per available room (RevPAR) – and naturally underpin the long-term investment case for this asset class (figure 9).

Figure 9: RevPAR growth across the continent 2007-2018

Rebased Index 2009 = 100



Source: STR (2018).

Note: Revenue per available room ('RevPAR') is a key indicator of hotel operating performance. RevPAR is obtained by dividing total rooms' revenue by the number of available rooms over a given period. It can also be calculated in a simpler way by multiplying the occupancy rate by the average daily room rate.

In addition, the emergence of large online travel agents ('OTAs') such as Expedia (Hotels.com) and Priceline (Booking.com and Kayak.com) has provided a powerful additional distribution channel for hotels to increase

Home-sharing has had limited impact on the hotel market?

Home-sharing websites appear to radically boost the supply of available accommodation by making thousands of private properties accessible to travellers. Their emergence has inevitably raised questions about the threat they could pose to established hotel businesses, even though home-sharing is not a new concept.

Evidence from Paris, the largest city market in the world for Airbnb, suggests that the spread of home-sharing poses little direct threat to hotel occupancy, given that hotel revenues in the city have continued to grow even as Airbnb has established itself. This pattern is replicated across Europe, where hotel revenues in 'winning cities' are at an all-time high.

A key reason for this is that the way travellers typically use the two types of accommodation tend to differ.

– Hotel stays are on average shorter than home-sharing bookings, at one to three nights: travellers choose longer stays for Airbnb bookings in part because the extra fees for cleaning and website commission payable for home-shares push up the cost of shorter bookings significantly

– Equally, travellers booking home-shares are often seeking a different type of service, prioritising a private kitchen and self-contained space for children, for example, rather than the higher level of service and the product consistency they would expect from a three or four-star branded hotel

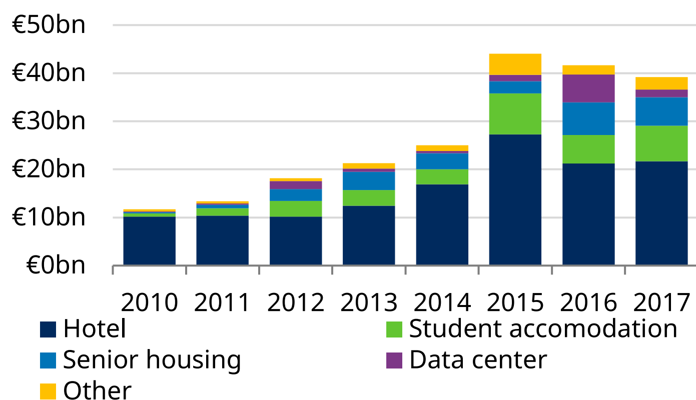
The other reason for the limited impact on the hotel market is that home-sharing websites created a more formalised means for private owners to access the traveller market. A lot of this accommodation already existed but operated in a 'grey' market environment.

occupancy levels. It has also amplified the impact of their own marketing programmes by benefiting from the OTAs' additional marketing spend.

4. Attractive yield premium

Although less well known than other alternative real estate asset classes, such as student accommodation, hotels are one of the largest of the main 'alternative' asset classes in European real estate and have become an increasingly liquid market in recent years. Investment volumes of €21.7bn in 2017 represented the third consecutive year of €20bn-plus flows into European hotels (figure 10) – almost three-times greater than total investments in student accommodation during that year and 12% of the overall real estate market.

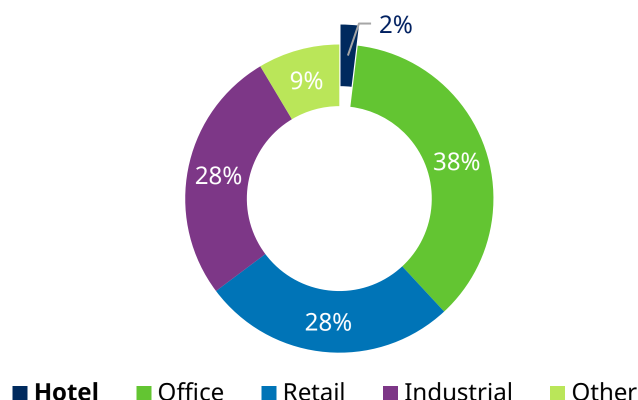
Figure 10: European alternative real estate investment volume by sector



Source: CBRE, Real Capital Analytics, HVS, JLL, IPD 2018.

However, despite the strength of the investment case for hotels, they have so far been a marginal asset for institutional investors in Europe, accounting for just 2% of the typical institutional portfolio (figure 11).

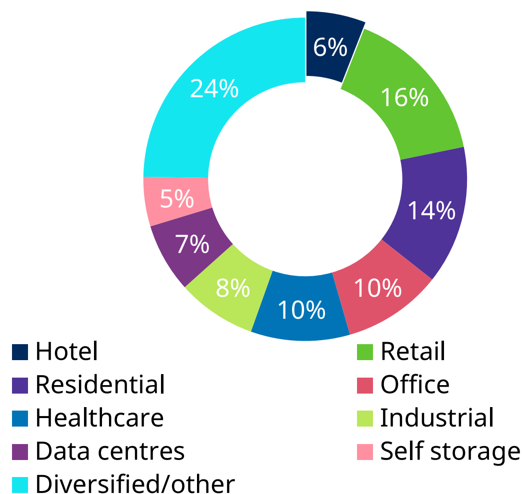
Figure 11: European institutional investors' portfolio mix



Source: CBRE, Real Capital Analytics, HVS, JLL, IPD 2018.

By comparison, hotel-focused vehicles account for 6% of the US REIT sector by market capitalisation (figure 12).

Figure 12: US REIT sector by market capitalisation

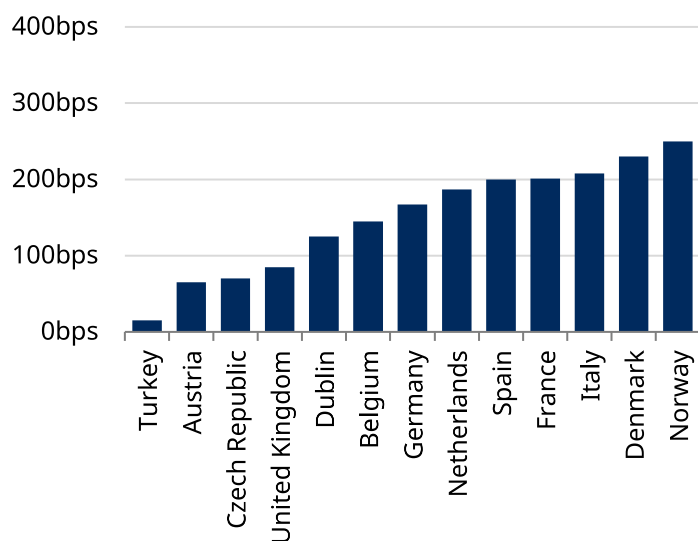


Source: FTSE Nareit US Real Estate Index Series and Schroders 2018.

Hotels are an overlooked area of the real estate universe, often because of their perceived operational complexity and the specialist knowledge required to invest successfully. This has led to a heavy focus on ownership of the real estate only, generating income from a lease to a branded operator. While this may suit institutional investors looking to match long-term liabilities, we see limited additional value in this segment as yields have compressed (figure 1).

However, we do believe that in the owner-operator segment, there is still considerable value to be generated given the yield premium relative to office assets of 50–250 bps across Europe (figure 13).

Figure 13: Hotel yield spread relative to Offices (Q3 2018)



Source: CBRE Hotels Limited, 2018.

An increasing number of institutional investors are seeking to partner with specialist asset managers to access this market due to this premium and to diversify their portfolios. It is therefore only a matter of time before this yield premium starts to erode. However, this will clearly support prices for those investors which also enter the market today.

5. Opportunity in owner-operated vs. leased

Due to the historic popularity of the lease model amongst real estate investors and desire of the major hotel chains to move to the branded approach (i.e. lack of new supply in the leased segment), the net initial yield on hotels sold under the lease model of ownership have tightened considerably.

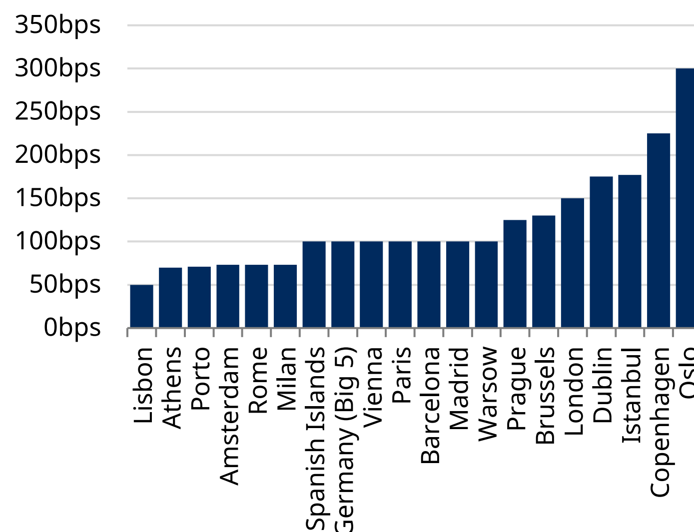
Furthermore, fixed rate leases are much more susceptible to rises in interest rates which, although not imminent in Europe, will cause the value of such investments to reduce much sooner than for owner-operated hotels.

While many investors like the perceived safety of the lease covenant compared with the owner-operated model, we believe this is illusory. Firstly, the investor has no upside exposure, but arguably more importantly, if the hotel is fundamentally not trading as well as expected, then its inherent value will become impaired over time such that even if the tenant continues to pay its rent, the hotel value at the end of the lease will be lower (all other things being equal). Thus an investor in a leased hotel is still exposed to the downside, but gets no benefit from the upside.

While the fixed lease ownership model may suit institutional investors looking to match long-term liabilities, we see limited additional value in this approach.

In Europe we see the best risk-adjusted value in the owner-operator segment where not only is there the opportunity to capture upside value from rigorous asset management, but the yield premium available is 100–150bps on average across major European cities compared with fixed leased ownership (figure 14).

Figure 14: Hotel management agreement hotel yield spreads relative to hotel leases (Q3 2018)



Source: CBRE Hotels Limited, 2018.

Understanding and accessing the sector

Investing in specialist sectors requires specialist analysis. Where to look, and how to size up the risks specific to that area poses a challenge that not all investors are equipped to undertake independently.

While hotels in their most generic sense are a relatively mature sector across Europe, the owner-operator model has proven challenging for many investors, including specialist real estate investors. They have often made an investment on the basis on sentiment or emotion without having the specialist skills and experience that are required to identify and underwrite investment opportunities at the right price. In addition, in-depth asset management knowledge is required to inject and manage capital investment in the right areas of the hotel as well as to manage the in-house hotel staff, in order to implement the right strategy to not only boost revenue but also generate sustainable profits.

We consider the best risk-adjusted opportunities to be 3–5* hotels located in 'winning destinations' where the structural changes in supply and demand are at their most pronounced and their most sustainable going forward. Individual hotels should also be in proven destinations with proven demand rather than trying to develop new destinations which can involve considerably more risk. Exposure to both leisure and business travellers also helps to smooth peaks and troughs in demand since they tend to travel at different times. These properties tend to be of a suitably large size, both in terms of floor area as well as capital deployment, to make hands-on intensive asset management worthwhile.

Summary

– Yields across most global commercial real estate markets and sectors are at historic lows and future returns are consequently expected to be lower than the past few years. Despite this, we believe there are still reasons to be cheerful for investors willing to devote the time to consider the less well-trodden path as there are still pockets of value to be uncovered which will also add diversity to portfolios

– Schroders' mega-theme framework for considering the drivers of future occupational demand has identified owner-operated hotels in Europe as a sector with the right characteristics to benefit from these themes. In particular, the favourable demographics of a wealthy retirement-age population in Europe and dramatic growth in the Asian middle-class, both having a greater propensity to travel without economising in home-share accommodation. An on-going lack of new development means net demand and hence profitability should be sustainable even if there are some temporary blips due to weaker economic growth or terrorist attacks for example

– With yields currently at a meaningful premium compared with leased hotels, there is still considerable value to be gained from entering into the owner-operated market before it becomes institutionalised. It is the dominant ownership model in other parts of the world and we believe it offers investors the best risk-adjusted opportunities in the European hotel market, However, hotels do require specialist management, perhaps more so than any other form of real estate given the daily turnover of 'tenants' – the guests

Schroder Real Estate

About our business

Schroders has managed real estate since 1971 and is one of Europe's largest managers of real estate. Our investment range allows our clients to access real estate through open ended funds, listed REITs, specialist funds, joint ventures, separate accounts and global real estate securities. As at 31 December 2018, Schroder Real Estate manages £15.6bn (~US$20bn) of real estate on behalf of a wide range of institutions.

Our philosophy

Our philosophy is centred on consistent principles, to invest in strong fundamentals and to actively manage real estate portfolios. Our research-led approach identifies themes and trends informing our strategies to invest in locations and assets best suited to long-term real estate investment. As a result, our portfolios are located in 'Winning Cities' and regions best suited to benefit from these trends. We are an active manager of real estate, each asset has an individual business plan and is actively managed throughout its life to generate the optimum return for our investors.

Sustainability

We understand the importance and benefits of a sustainable approach to real estate investment. Environmental, Social and Governance (ESG) is central to our investment approach and is integrated into the investment decision-making processes and business plans for all our investments.

Important information

The views and opinions contained herein are those of the authors as at the date of publication and are subject to change due to market and other conditions. Such views and opinions may not necessarily represent those expressed or reflected in other Schroders communications, strategies or funds.

This document is intended to be for information purposes only. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument or security or to adopt any investment strategy. The information provided is not intended to constitute investment advice, an investment recommendation or investment research and does not take into account specific circumstances of any recipient. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice. Any references to securities, sectors, regions and/or countries are for illustrative purposes only.

Information herein is believed to be reliable but Schroders does not represent or warrant its completeness or accuracy. No responsibility or liability is accepted by Schroders, its officers, employees or agents for errors of fact or opinion or for any loss arising from use of all or any part of the information in this document. No reliance should be placed on the views and information in the document when taking individual investment and/or strategic decisions. Schroders has no obligation to notify any recipient should any information contained herein change or subsequently become inaccurate. Unless otherwise authorised by Schroders, any reproduction of all or part of the information in this document is prohibited.

Any data contained in this document have been obtained from sources we consider to be reliable. Schroders has not independently verified or validated such data and they should be independently verified before further publication or use. Schroders does not represent or warrant the accuracy or completeness of any such data.

All investing involves risk including the possible loss of principal.

Exchange rate changes may cause the value of any overseas investments to rise or fall. Past Performance is not a guide to future performance and may not be repeated. This document may contain 'forward-looking' information, such as forecasts or projections. Please note that any such information is not a guarantee of any future performance and there is no assurance that any forecast or projection will be realised. For your security, communications may be taped or monitored.

Note to readers in Argentina: Schroder Investment Management S.A., Ing. Enrique Butty 220, Piso 12, C1001AFB – Buenos Aires, Argentina. Registered/Company Number 15. Registered as Distributor of Investment Funds with the CNV (Comisión Nacional de Valores).

Nota para los televidentes en Argentina: Schroder Investment Management S.A., Ing. Enrique Butty 220, Piso 12, C1001AFB – Buenos Aires, Argentina. Inscripto en el Registro de Agentes de Colocación y Distribución de PIC de FCI de la Comisión Nacional de Valores con el número 15.

Note to viewers in Australia: Issued by Schroder Investment Management Australia Limited, Level 20, Angel Place, 123 Pitt Street, Sydney NSW 2000 Australia. ABN 22 000 443 274, AFSL 226473.

Note to viewers in Brazil: Schroder Investment Management Brasil Ltda., Rua Joaquim Floriano, 100 – cj. 142 Itaim Bibi, São Paulo, 04534-000 Brasil. Registered/Company Number 92.886.662/0001-29. Authorised as an asset manager by the Securities and Exchange Commission of Brazil/Comissão de Valores Mobiliários ('CVM') according to the Declaratory Act number 6816.

Note to readers in Canada: Schroder Investment Management North America Inc., 7 Bryant Park, New York, NY 10018-3706. NRD Number 12130. Registered as a Portfolio Manager with the Ontario Securities Commission, Alberta Securities Commission, the British Columbia Securities Commission, the Manitoba Securities Commission, the Nova Scotia Securities Commission, the Saskatchewan Securities Commission and the (Quebec) Autorité des marchés financiers.

Note to viewers in the European Union/European Economic Area: Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at www.schroders.com/en/privacy-policy or on request should you not have access to this webpage. Issued by Schroder Investment Management (Europe) S.A., 5, rue Höhenhof, L-1736 Senningerberg, Luxembourg. Registered No. B 37.799

Note to viewers in Hong Kong: Schroder Investment Management (Hong Kong) Limited, Level 33, Two Pacific Place 88 Queensway, Hong Kong. Central Entity Number (CE No.) ACJ591. Regulated by the Securities and Futures Commission. In Hong Kong, this material is issued by Schroder Investment Management (Hong Kong) Limited and has not been reviewed by the SFC.

Note to viewers in Indonesia: PT Schroder Investment Management Indonesia, Indonesia Stock Exchange Building Tower 1, 30th Floor, Jalan Jend. Sudirman Kav 52-53 Jakarta 12190 Indonesia. Registered/Company Number by Bapepam Chairman's Decree No: KEP-04/PM/MI/1997 dated April 25, 1997 on the investment management activities and Regulated by Otoritas Jasa Keuangan ('OJK'), formerly the Capital Market and Financial Institution Supervisory Agency ('Bapepam dan LK'). OJK makes no representation of approving or does not approve this advertisement or publication, nor declare the truth or adequacy of the contents of this advertisement or publication.

Note to viewers in Japan: Schroder Investment Management (Japan) Limited, 21st Floor, Marunouchi Trust Tower Main, 1-8-3

Marunouchi, Chiyoda-Ku, Tokyo 100-0005, Japan. Registered as a Financial Instruments Business Operator regulated by the Financial Services Agency of Japan. Kanto Local Finance Bureau (FIBO) No. 90.

Note to viewers in People's Republic of China: Schroder Investment Management (Shanghai) Co., Ltd., RM1101 11/F Shanghai IFC Phase (HSBC Building) 8 Century Avenue, Pudong, Shanghai, China, AMAC registration NO. P1066560. Regulated by Asset Management Association of China.

Note to viewers in Singapore: Schroder Investment Management (Singapore) Ltd, 138 Market Street #23-01, CapitaGreen, Singapore 048946. Company Registration No. 199201080H. Regulated by the Monetary Authority of Singapore. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

Notes to viewers in South Africa: For professional investors and advisers only. The material is not suitable for retail clients**.** We define "Professional Investors" as those who have the appropriate expertise and knowledge e.g. asset managers, distributors and financial intermediaries. Issued in June 2019 by Schroders Investment Management Ltd registration number: 01893220 (Incorporated in England and Wales) is authorised and regulated in the UK by the Financial Conduct Authority and an authorised financial services provider in South Africa FSP No: 48998.

Note to viewers in South Korea: Schroders Korea Limited, 26th Floor, 136, Sejong-daero, (Taepyeongno 1-ga, Seoul Finance Center), Jung-gu, Seoul 100–768, South Korea. Registered and regulated by Financial Supervisory Service of Korea.

Note to viewers in Switzerland: Schroder Investment Management (Switzerland) AG, Central 2, CH-8001 Zürich, Postfach 1820, CH-8021 Zürich, Switzerland. Enterprise identification number (UID) CHE-101.447.114. Authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).

Note to viewers in Taiwan: Schroder Investment Management (Taiwan) Limited, 9F, 108, Sec.5, Hsin-Yi Road, Hsin-YI District, Taipei 11047 Taiwan, R.O.C. Registered as a Securities Investment Trust Enterprise regulated by the Securities and Futures Bureau, Financial Supervisory Commission, R.O.C.

Note to viewers in the United Arab Emirates: Schroder Investment Management Limited, located on 1st Floor, Gate Village Six, Dubai International Financial Centre, PO Box 506612 Dubai, United Arab Emirates is regulated by the Dubai Financial Services Authority.

Note to readers in the United States: Schroder Investment Management North America Inc., 7 Bryant Park, New York NY 10018-3706. CRD Number 105820. Registered as an investment adviser with the US Securities and Exchange Commission.

Note to readers in the United Kingdom: Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at www.schroders.com/en/privacy-policy or on request should you not have access to this webpage. Issued by Schroder Investment Management Limited, 1 London Wall Place, London, EC2Y 5AU. Registered Number 1893220 England. Authorised and regulated by the Financial Conduct Authority.