FINANCIAL REVIEW

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HD Heathley goes global
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The Sydney-based Heathley Asset Management has teamed up with the US-backed Resource Real Estate Global Securities to offer a global property securities capacity.

For Heathley, which has offered real estate products to high-net worth investors since 1977, the link with Resource, adds global property to direct property funds in the office, warehouse and medical sectors.

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For Resource, which was formed 18 months ago by the well-regarded fund managers Scott Crowe and John Snowden, the link will add a retail channel to the $250 million of institutional funds already under management.

Heathley's managing director, Andrew Hemming, said investors were actively seeking to diversify their portfolios and could now take advantage of global real estate opportunities with a highly skilled and experienced management.

Before joining the $US17 billion ($19 billion) Resource Real Estate operation, Mr Crowe was the global portfolio manager for New York-based investor, Cohen & Steers and Mr Snowden headed global property securities for Colonial First State Asset Management. In the past 18 months, their fund has outperformed the global benchmark, the FTSE, EPRA, NAREIT index.

In the past 12 months, they beat most of the Australian rivals with a 16 per cent total return. Mr Crowe said Resource did not try to pick thematics. "Our speciality is bottom-up, rigorous stock selection.We pick good companies that deliver a consistently high level of return," he said.

"We choose companies in strong real estate markets, and with strong management. Over time those two ingredients will create intrinsic value growth.

"We step back and look at a company's quality. If the answer is yes, we want to buy it as a discount. And then we want a concentrated position."Crisis generated a new economy

Resource holds only 40-50 positions, far fewer stocks than most global property securities funds. The group likes the big global cities. "They have supply constraints because they have high barriers to entry," Mr Crowe said.

"And on the demand side, we see a change in the way people live and work.

"We have come out of the financial crisis with a different economy, being driven by technology-based workers whether they are in IT or energy.

"That is driving where the jobs are being created. They want to be more urban, at a more walking scale, and closer to public transport.

 

The best mix seems to be in the larger capital cities." In Europe, Resource likes Derwent London, which Mr Crowe described as a niche player focused on a sweet spot of London where the creative job are located, and with excellent management and a strong balance sheet.

In the US, Kilroy Realty Corp is a favourite because it targets office and mixed-use real **estate** on the West Coast in strong markets such as Seattle and in parts of the city where "people are urbanising".

In Australia, Goodman **Group** is a favourite as a "world-class logistics developer. And in Japan, the pick is Mitsui Fudosan, which is focused on the 23 wards of Tokyo, and benefits from the improving supply demand position in Tokyo.

Mr Snowden said the fund had done better than many of its peers by avoiding **China residential**.

Mr Hemming said the Resource and Heathley had similar approaches to investment.

The minimum investment in the Heathley Global **Property** Securities Fund in $2500 and the fee is "an incredibly competitive" 120 basis points.

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