

SOLUTIONS FOR REITs

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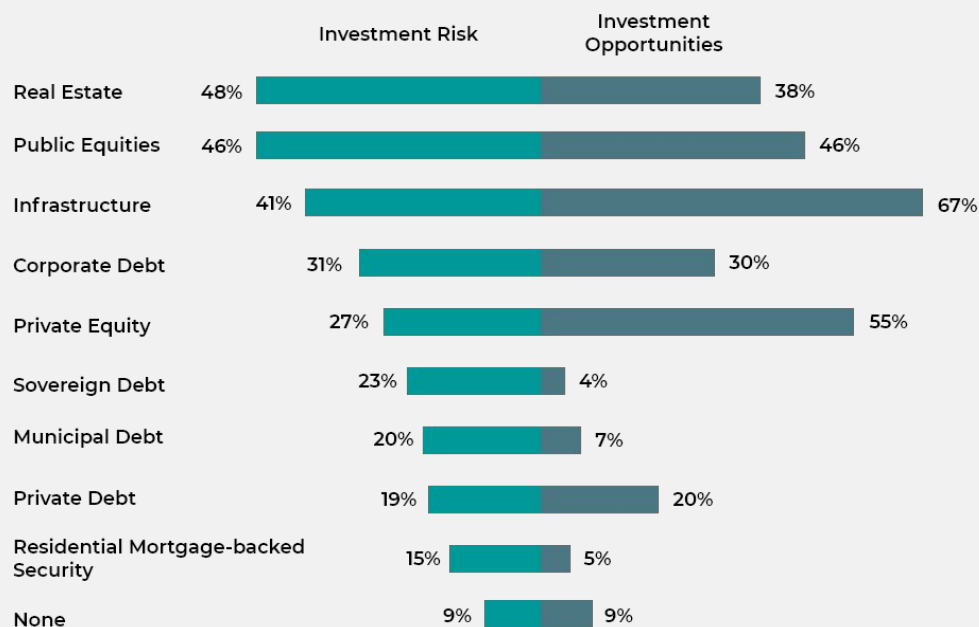
Constructing Alpha REITs in a Climate Disrupted World

Climate Alpha's product suite guides clients to construct climate-proof REIT portfolios – the alpha REITs of a climate disrupted world. As climate-driven volatility increases, we believe there is a significant opportunity to create a unique and differentiated investment portfolio that capitalizes on mispriced real estate assets while also steering the market towards opportunistic investments with longer time horizons. REITs are a crucial asset class at the intersection of private, illiquid real estate and public, liquid securities.

Today's combination of higher interest rates and climate risk is significantly correcting real estate values across North America. This complex new structural environment suggests that today's REIT dividends may not be a good predictor of future value. At the same time, a smart REIT strategy can substantially outperform a bearish real estate market.

Climate Alpha hedges accelerating climate change through anticipatory price discovery of resilient assets. We offer an opportunity to be a first-mover and market-maker in the resilient geographies of the future. Assets held in such portfolios will benefit from the growth of new demographic, commercial, and industrial hubs as economies gradually recenter away from over-priced and high-risk markets towards more stable and affordable locations.

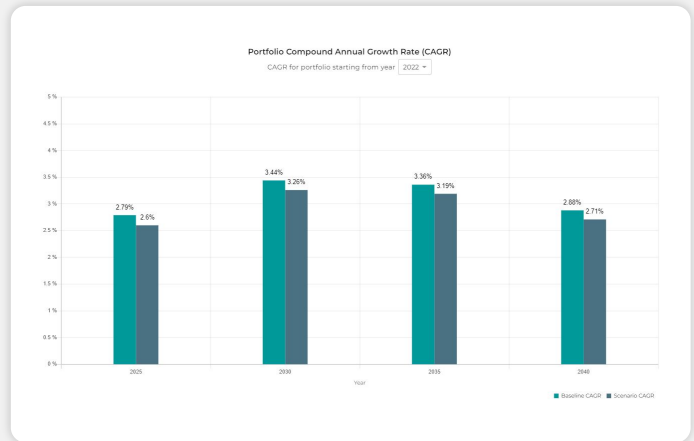
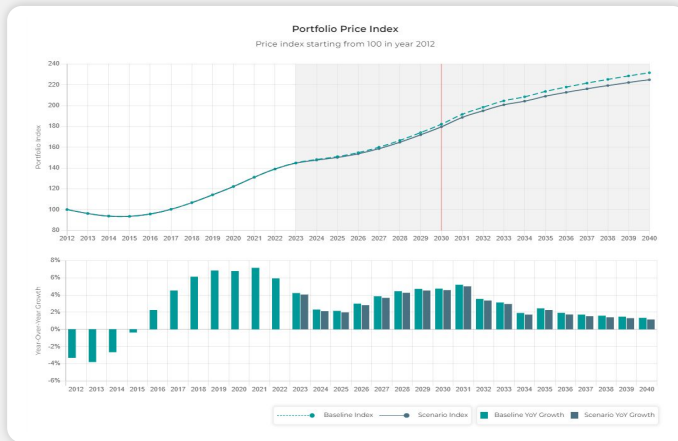
Real estate and infrastructure rank among the top sectors investors have identified as areas of opportunity amidst climate change.



Source: PGIM 2020 Climate Change Investor Survey

About the Provider: Climate Alpha is a location analysis platform for our complex future. It employs advanced machine-learning techniques combining socioeconomic, demographic, and market indicators with multiple climate scenarios to generate property valuations for every year to 2040.

Climate Alpha's REIT Solutions



Climate Alpha REIT solutions include:

- (I) **REIT Portfolio Analysis** leveraging Climate Price™ risk-adjusted valuation and return forecasts from 2023 to 2040 under multiple climate scenarios and Resilience Index™ risk, vulnerability and readiness scores for 40,000+ U.S. zip codes and Canada.
- (II) **REIT Sustainability Scores** to benchmark REIT properties and portfolios based on over/under-exposure to market performance and resilient geography, and asset and fund-level rankings to support disposition and acquisition strategies.
- (III) **Alpha REIT** construction of thematic or hybrid REITs using Alpha Finder™ to filter and screen top-performing locations according to indicators such as climate resilience, renewable energy, municipal debt, infrastructure spending, demographics, labor market trends, and dozens of other variables, with further stress-testing through our Scenario Forecaster™.



SPOTLIGHT: Atlas Sustainable REIT Index

Using multiple datasets of REIT property locations, types, and market returns, we provide a quarterly valuation forecast for the Atlas Sustainable REIT Index that covers more than 200 REITs and 150,000+ properties. Climate Alpha's interactive, customized dashboard allows Atlas Capital to sort and rank buildings according to our Climate Price™ risk-adjusted valuations under multiple RCP/SSP scenarios as well as our location specific Resilience Index™ scores.

Alpha REIT Composition

Climate Alpha can work with REITs on an opportunistic and open-ended basis to construct a diversified and climate-resilient portfolio of assets with the aim to outperform existing benchmarks, encouraging both greater adaptation and liquidity in this vital asset class.

The performance of the FTSE Nareit US Real Estate Index Series for the 2010-2021 period has been anything but consistent, with significant volatility represented through sizable gains and losses year over year. This highlights the need for a new series of REIT-focused tradable products which (a) leverage new data to be used in the asset allocation and capital deployment process and (b) seek to identify significant mispriced assets, providing alpha generation opportunities across the REIT sector, as well as for related GICS sectors open to an investment universe comprised of Exchange Traded Funds (ETFs), single and multi-equity strategies.

A suggested breakdown by asset type is given below. Asset selection will initially be limited to North America, as Climate Alpha's model has already been back-tested and deployed in the US and Canada for existing clients.

Asset Sector	Description
Land	Greenfield, brownfield, state privatization
Agriculture	Distributed transport and storage, "Farms of the Future," secondary processing, alternative protein
Residential	Single-family, multi-family, build-to-rent
Commercial	Office, retail, mixed-use
Industrial	Logistics, warehousing, self-storage, cold storage, recycling plants
Energy	Utilities, renewables (wind/solar/hydro), Battery plants
Technology	Data centers, Digitization Hubs, additive manufacturing plants
Climate Solutions	Reforestation, carbon sinks
Transportation	Airports, roads
Secondary Liquid Markets	Public equities supporting above categories



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