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Thesis Asset Management believes commercial property is a viable substitute for gilts and corporate bonds

## Thesis returns to property asset class

By Simon Danaher

Thesis Asset Management has taken its first step back into property since exiting the asset class two years ago.

The firm, which manages over £1.5bn for retail and institutional investors, has increased exposure to the asset class in its lower-risk portfolios by up to 10%.

Thesis director of investment management Michael Lally says the move does not signal a major confidence in the asset class, but rather the firm sees commercial property as a viable substitute for gilts and corporate bonds.

"We believe gilts are likely to fall in value over the next year," says Lally. "In contrast we believe there is scope for blue-chip properties' rental values to rise over the next year and are therefore buying into bricks and mortar funds holding these types of assets."

Thesis property investment manager Ed Fane has so far recommended the firm adds the £194m L&G UK Property fund, managed by Michael Barrie.

"We do not like the market as a whole but believe at the primary end, where the L&G fund is invested, most of the capital decline has worked through the system," Fane says.

"The L&G fund has seen no tenancy voids yet but has had to negotiate a couple of rental holidays with the quid pro quo being a renegotiation of lease break clauses later on. We are confident in the quality of the tenancies."



Barrie: recommended