



PFA Masterclass

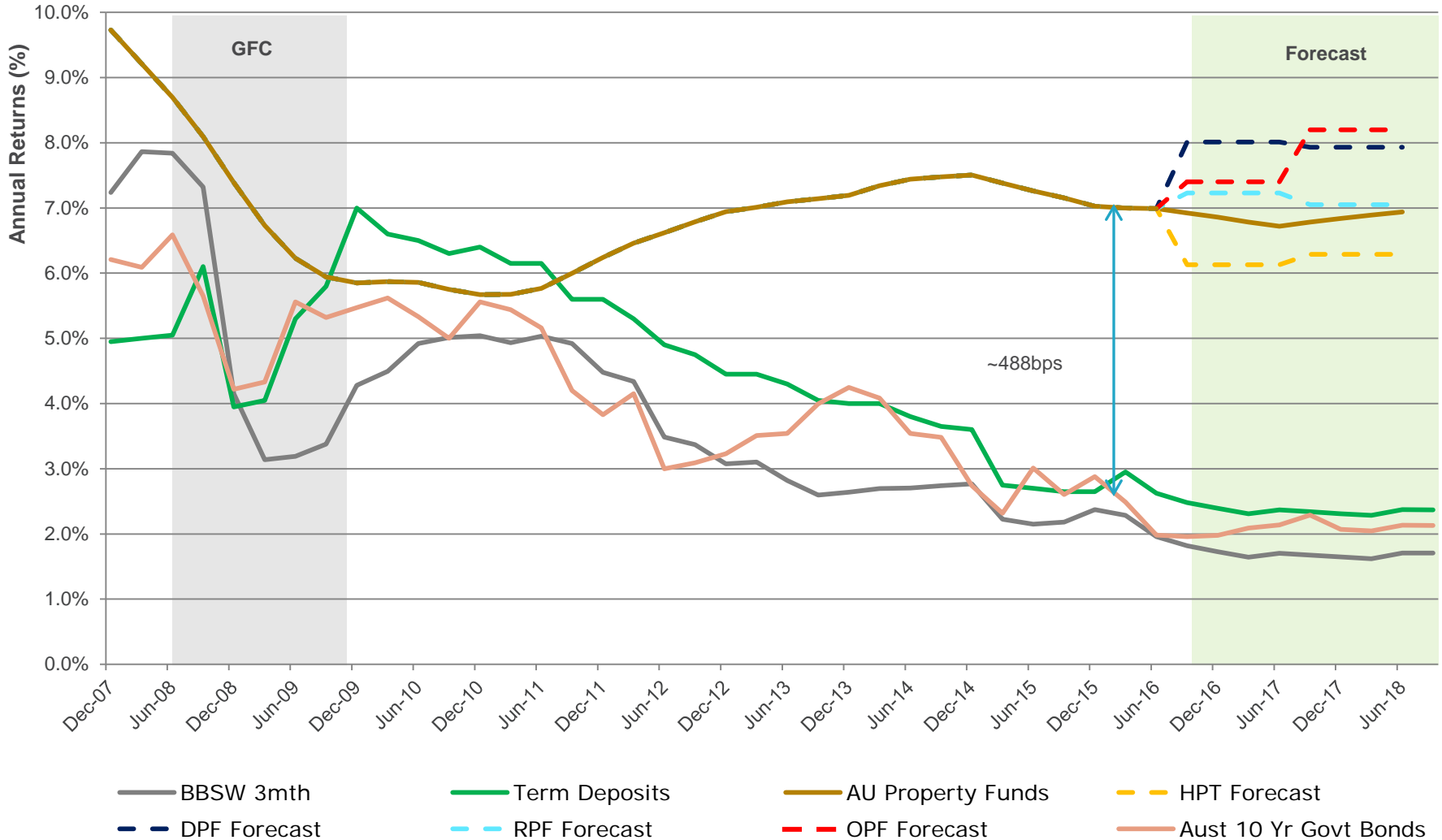
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11 Aug 2016

Overview

- Things are good...but for how long?
- Asset Valuations – where are they going?
- Investor Expectations – what are they?
- Cost of Debt – the wildcard.

Property fund returns outperform

Property fund distributions offer attractive risk-adjusted returns



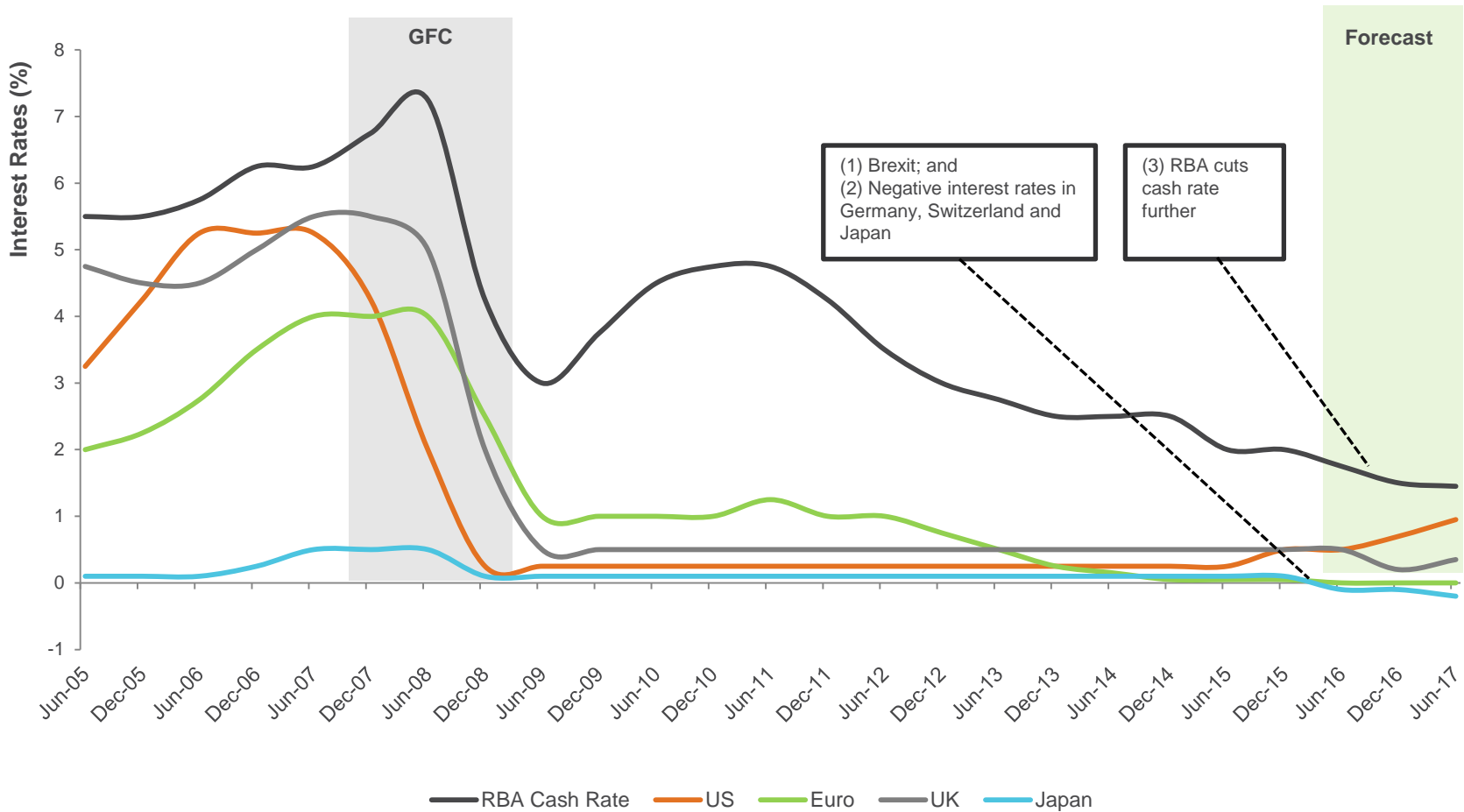
Source: AUREI, Bloomberg, IPD, June 2016



Interest rates continue to decline

A low interest rate environment leads investors on a flight to safety

Interest Rates Across Major Countries (%)

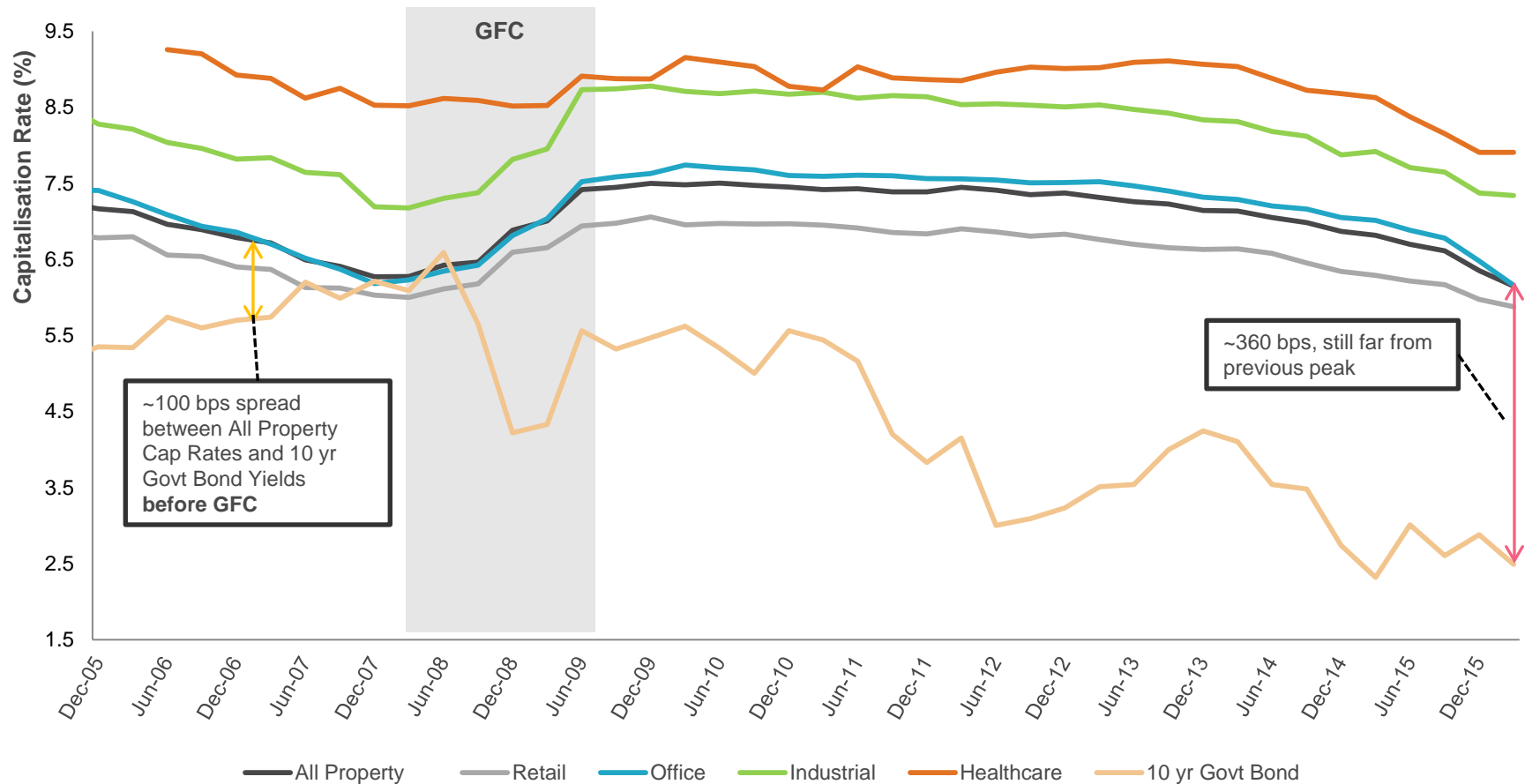


Source: AUREI, Bloomberg, June 2016

Room for Cap Rates to compress

Spread still not close to pre-GFC levels

Spread between Capitalisation Rates and 10 Year Govt Bonds (%)

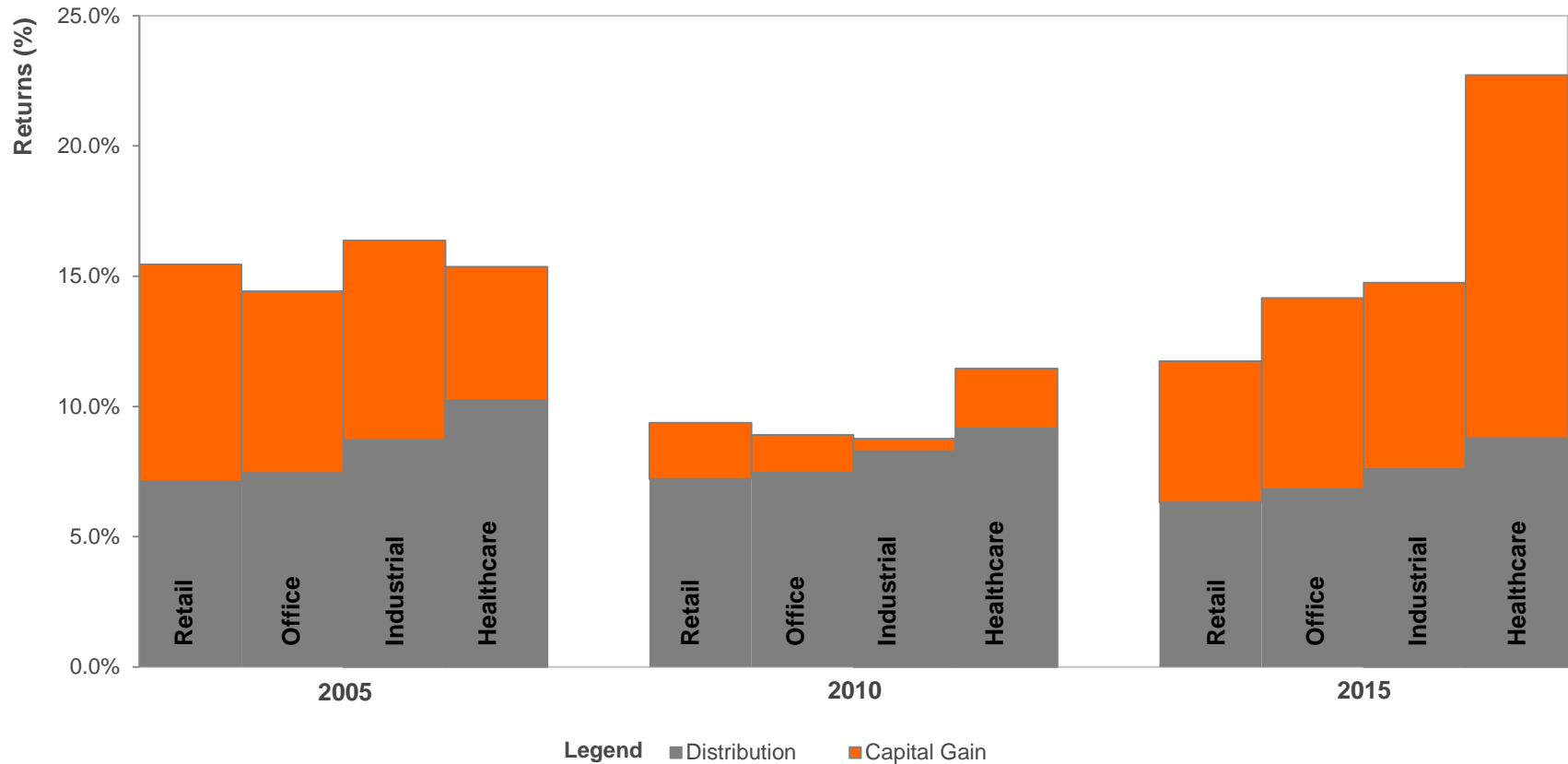


Source: IPD, June 2016

The hunt for yield will continue

Distribution return levels hold steady

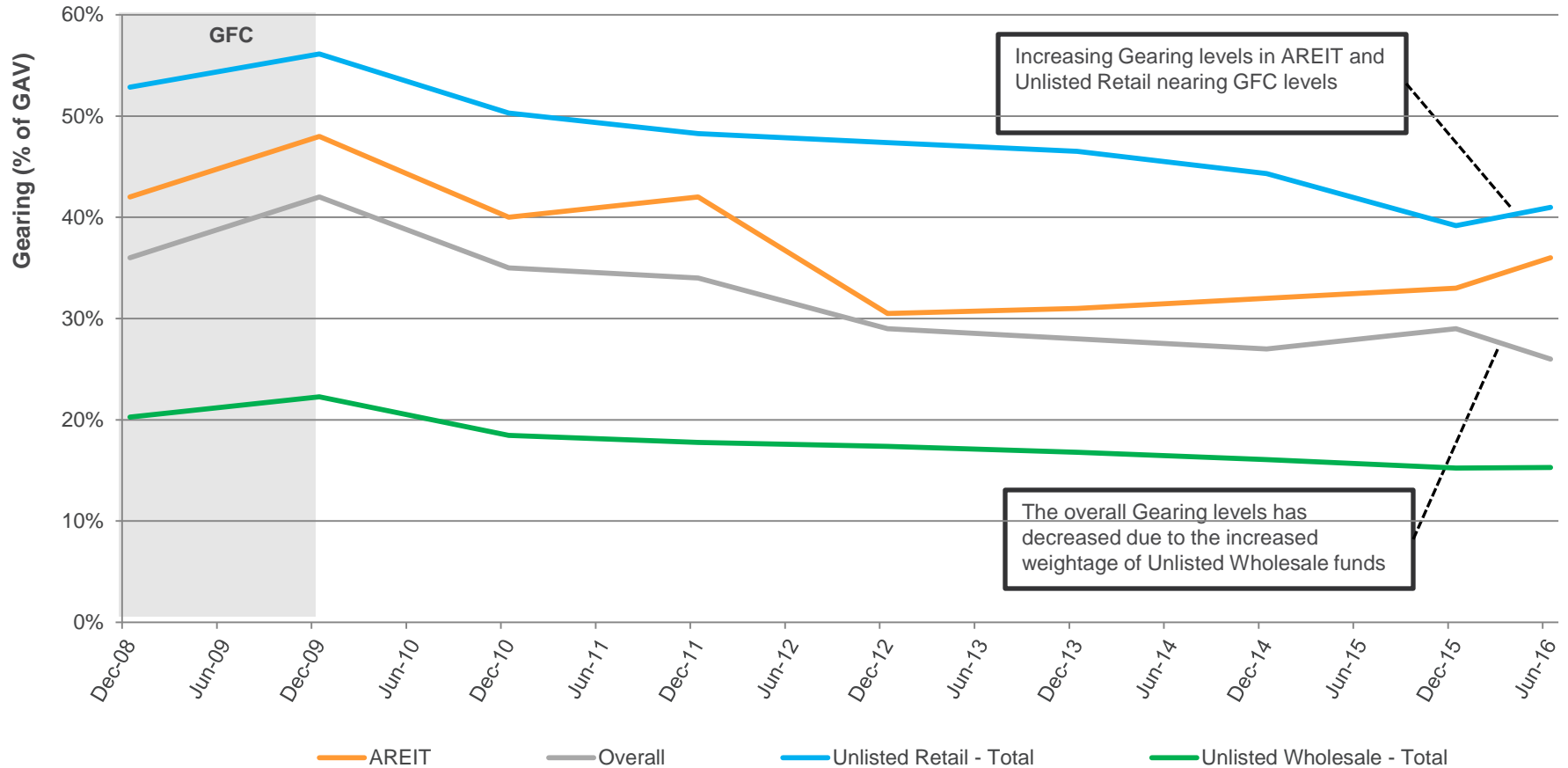
Capital and Distribution Returns Across Sectors (%)



Source: IPD, March 2016

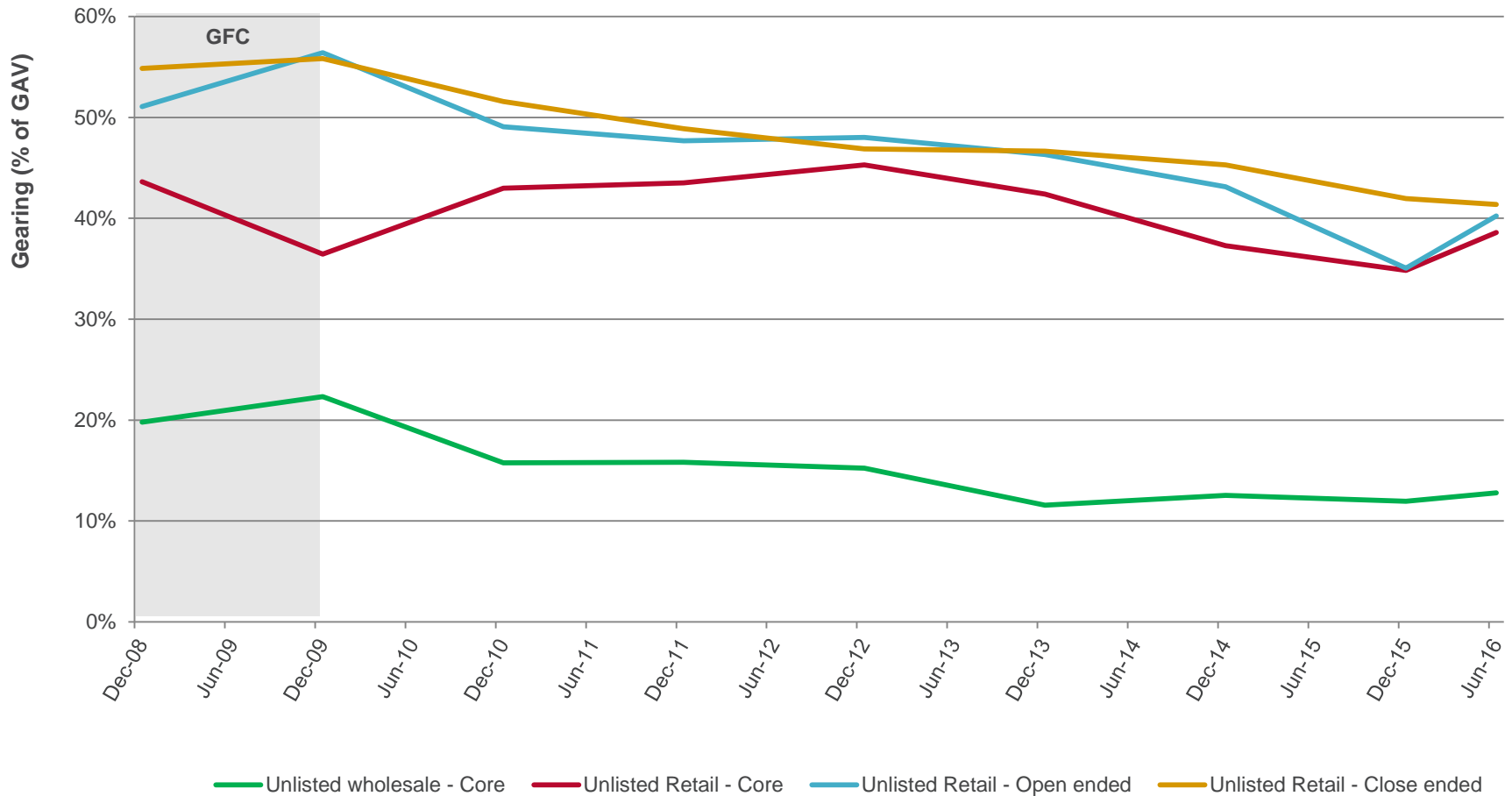
Gearing Levels

Increasing debt ratios to meet yield requirements



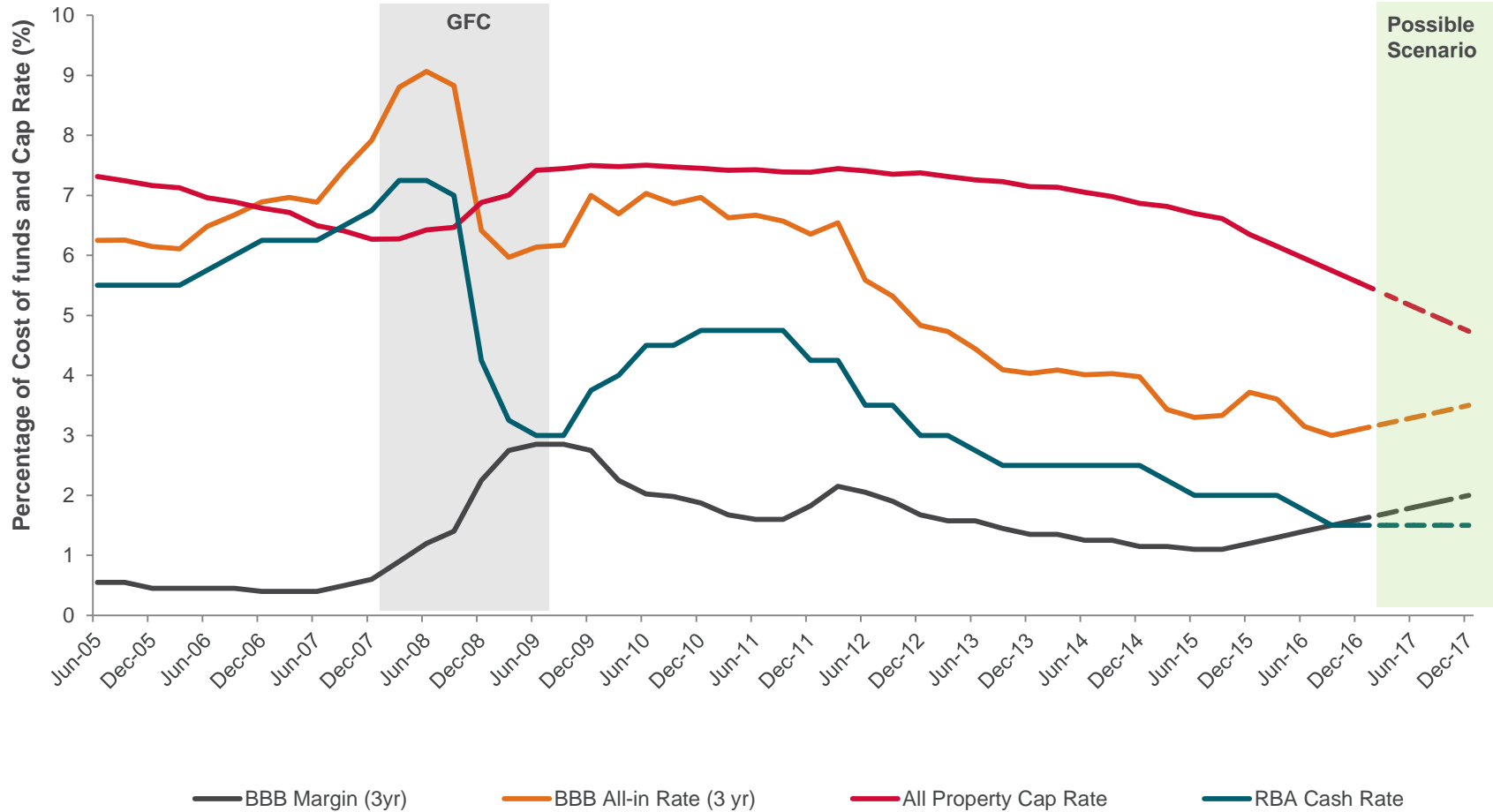
Gearing Levels (cont'd)

Increasing debt ratios specifically in Core and Open ended funds



Cost of Funds

Margins are forecast to increase



Source: AUREI, Westpac, IPD, and Bloomberg March 2016

Conclusions

- It's not all beer and skittles
- What should investor expectations be?
- What are the expectations of fund managers?
- The next cycle???

**Australian
Unity**



Health | Wealth | Living