PROPERTY INVESTMENT FACTSHEET - JUNE 2019

Unlisted Funds

UNLISTED PROPERTY VS. EQUITIES RETURNS
PERIODS TO JUNE 2019

Despite a tough December quarter, the 12 months to 30 June 2019 ended strongly for Australian equity markets (11.9%), and A-REITs (14.9%). Attractive yields, controlled debt levels and broadly stable earnings continue to be generally supportive for A-REITs. However, while aggregate A-REIT Price-to-Book ratios have remained lower than their 2016 highs, this conceals material dispersion at the individual stock level. Australian unlisted property funds continued to perform strongly, with a total return of 13.7% for the year. The low cash rate environment continues to underpin momentum for capital seeking assets with attractive yield spreads. However, growth in effective rents is likely to be the key driver of capital growth going forward.

COMMENTARY

LISTED PROPERTY: PRICE TO BOOK VALUE
JUNE 2015 TO JUNE 2019

Data sources: MSCI, RBA, Barclays Capital (see other side for more information)

DETAILED INVESTMENT TYPE COMPARISON

<table>
<thead>
<tr>
<th>DATE (12 MONTHS TO)</th>
<th>Unlisted Property</th>
<th>Listed Property</th>
<th>Australian Equities</th>
<th>Global Equities</th>
<th>Fixed income</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jun-15</td>
<td>19.6%</td>
<td>19.6%</td>
<td>5.8%</td>
<td>9.1%</td>
<td>9.1%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Jun-16</td>
<td>33.5%</td>
<td>26.7%</td>
<td>0.3%</td>
<td>-2.4%</td>
<td>12.7%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Jun-17</td>
<td>23.7%</td>
<td>-5.3%</td>
<td>13.8%</td>
<td>20.0%</td>
<td>-2.7%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Jun-18</td>
<td>18.5%</td>
<td>9.7%</td>
<td>12.9%</td>
<td>11.9%</td>
<td>4.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Jun-19</td>
<td>13.7%</td>
<td>14.9%</td>
<td>11.9%</td>
<td>5.9%</td>
<td>16.1%</td>
<td>1.9%</td>
</tr>
<tr>
<td>5 year annualised</td>
<td>21.6%</td>
<td>12.6%</td>
<td>8.8%</td>
<td>8.6%</td>
<td>7.6%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>8.3%</td>
<td>10.6%</td>
<td>11.6%</td>
<td>11.2%</td>
<td>7.1%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

Data sources: MSCI, RBA, Barclays Capital (see other side for more information)
PROPERTY INVESTMENT FACTSHEET - JUNE 2019

Direct Property

DIRECT PROPERTY INVESTMENT RETURNS
JUNE 1987 TO JUNE 2019

INCOME & CAPITAL RETURN FOR DIRECT PROPERTY
12 MONTHS TO JUNE 2018 AND JUNE 2019

DIRECT PROPERTY CAP RATES PER SECTOR
JUNE 1996 TO JUNE 2019

COMMENTARY

Australian direct property markets continue to perform strongly, delivering a total return of 8.3% for the 12 months to 30 June 2019. Income returns continue to be stable at 5.4% for the period, although investor demand continues to compress yields to historic lows. The structural nature of real estate as a strong generator of low volatility income continues to attract capital flows in an environment where low bond yields have kept yield spreads attractive. Increased globalisation of capital flows has also made cross border transactions an increasingly important driver of markets in the current property cycle.

COMMENTARY

Overall, while capital growth has remained broadly positive, momentum across sectors is generally slowing and results are increasingly mixed. Office markets continue to benefit from strong rental growth in key markets while growth in e-commerce continues to drive up demand for modern logistics facilities. Retail outside strong destination centres continues to face headwinds from the triple threat of nimble international retailers, competition from online retailers and high rental costs. Retail yield compression has flattened and negative capital growth has increased from to -1.4% compared to -0.2% the previous quarter.

COMMENTARY

Strong demand continues to drive capitalisation rates to historic lows. Although spreads between the official cash rate and property yields remain elevated, ongoing room for further material compression may be limited in the absence of strong rental growth. Cap rate compression slowed across all sectors and appears to have stalled for retail for now. Capitalisation rates for industrial experienced the most compression over the last 12 months (-0.46%). Strong demand, coupled with the limited supply of stock have translated to strong appreciation in capital values, and downward pressure on transaction yields, particularly for logistics.

DATA SOURCES

- All results shown are accumulation indexes -

UNLISTED PROPERTY The Property Council of Australia/MSCI Australia Unlisted Retail Quarterly Property Fund Index, Core funds, Pre-feee total return
AUSTRALIAN EQUITIES MSCI Australia 200 Index, Gross total return
GLOBAL EQUITIES MSCI World ex-Australia Index, Investible Market Index, Gross total return
LISTED PROPERTY MSCI Australia Core RET Index, Investible Market Index, Gross total return & Price-to-book-value ratio
FIXED INCOME J.P. Morgan, Government Bond Index Australia, Unhedged, 7-10 Years, AUD, Total return
CASH Reserve Bank of Australia, Retail deposit and investment rates, Banks’ term deposits ($10000), Average rate (all terms)
DIRECT PROPERTY The Property Council/MSCI Australian All Property Index, Total income and capital return & Valuer capitalisation rate

COMMENTARY Provided by Zenith Investment Partners

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