



Real estate update

APN AREIT FUND ARSN 134 361 229

MARCH 2016

Performance¹ 29 February 2016

The APN AREIT Fund (the Fund) provided a total return of 3.13% for the month ended 29 February 2016, outperforming the S&P/ASX 300 Property Accumulation Index (AREIT Index) by 0.32%. Since inception (January 2009), the Fund has delivered a total return of 16.79% pa outperforming the AREIT Index by 3.18% pa over the same period.

Over the month, the stocks impacting the Fund's outperformance relative to the AREIT Index were our overweight positions in outperforming stocks such as Charter Hall Retail REIT (CQR) which was up 4.87% and Vicinity Centres (VCX) which was up 6.87%, along with overweight positions in relatively weaker stocks like Mirvac Group (MGR) which was down 3.68% and GPT Group (GPT) which was up 0.82%.

	1 month	3 months	6 months	1 year	3 years pa	5 years pa	Since inception ⁴ pa	Standard deviation since inception pa
APN AREIT Fund Income ¹	0.55%	1.75%	3.55%	6.85%	8.04%	8.87%	9.28%	
APN AREIT Fund Total return ²	3.13%	8.54%	10.37%	7.48%	14.36%	15.64%	16.79%	12.32%
AREIT Index ³	2.81%	7.98%	9.73%	6.56%	14.31%	14.81%	13.61%	14.86%
Over performance/ (Under performance)	0.32%	0.56%	0.64%	0.92%	0.05%	0.83%	3.18%	

1 Distributions may include a capital gains component.

2 Returns after all fees and expenses. Assumes distributions are reinvested. Investors' tax rates are not taken into account when calculating returns.

Past performance is not an indicator of future performance.

3 S&P/ASX 300 Property Trust Accumulation Index.

4 Fund inception 19 January 2009.

The Market

The AREIT Index delivered a total return of 2.81% in February 2016, outperforming the broader market (as measured by the S&P/ASX 300 Accumulation Index) which returned negative 1.72% over the month.

Over the last twelve months, the AREIT Index delivered a total return of 6.56%, outperforming the broader market by 20.01%.

The **Diversified sector** was up 0.15% over the month. The two main factors influencing performance were Stockland Group (GPT) (up 1.96%) and Mirvac Group (MGR) (down 3.68%).

The **Office sector** was up 2.19% over the month with Dexus Property Group (DXS) (up 2.31%) and Investa Office Fund (IOF) (up 1.79%) key influencers.

The **Retail sector** was up 3.79% with Scentre Group (SCG) (up 2.88%) and Vicinity Centres (VCX) (up 6.87%) the key factors contributing to the sub sector's performance.

The **Industrial sector** was up 6.39% over the month largely reflecting the performances of Goodman Group (GMG) (up 6.74%) whilst Industria REIT (IDR) (up 4.39%) also contributed.

In the news

Key news and announcements from the 1H16 reporting season included:

- AREITs delivered a 1.4% total return over the 1H16 reporting season, outperforming the S&P/ASX 200 by c.250bps, extending year-to-date and year-rolling outperformance by c20.1%. Results also indicated that retail names generally outperformed those with office exposure.
- Investa Commercial Property Fund acquired the Investa platform from Morgan Stanley (MS), including the responsible entity of AREIT Investa Office Fund (IOF), but not the 8.9% equity stake in IOF also held by MS. IOF's Independent Board Committee continues to recommend the current takeover offer from Dexus Property Group (DXS).
- Stockland Group (SGP) terminated interest rate swaps with proceeds from its sale of Waterfront Place. It paid \$119m which has resulted in its 1H16 cost of debt of 6.1% being re-based to 5.4%.
- Vicinity Centres (VCX) disclosed it has already hit FY16 and FY17 targets for operational cost synergies following the merger of Novion (NVN) and Federation Centres (FDC). VCX is targeting 5-10% controllable expense savings by FY18, in particular through economies of scale and standardisation in procurement.

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Top 5 AREIT holdings 29 February 2016

Stock	Sector	% of APN AREIT Fund	% of AREIT Index ¹¹
Scentre Group	Retail	23%	21%
Vicinity Centres	Retail	11%	9%
Stockland	Diversified	10%	9%
Charter Hall Retail REIT	Retail	7%	1%
Westfield Group	Retail	5%	17%

¹¹ S&P/ASX 300 Property Trust Accumulation Index.

Asset class allocation 29 February 2016

AREITs ¹²	97%	Cash	3%
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¹² Australian Real Estate Investment Trusts.

Note: Cash includes accrued income and accrued expenses. Asset allocations may change depending on market conditions and in accordance with the Fund's mandate.

Underlying property sector allocation 29 February 2016

Retail	64%	Office	19%
Industrial	11%	Other	6%

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