

# Real estate update

APN PROPERTY FOR INCOME FUND NO. 2 ARSN 113 296 110

MARCH 2016

## Performance<sup>1</sup> 29 February 2016

The APN Property for Income Fund No. 2 (APN PFIF No. 2) provided a total return of 2.65% for the month ended 29 February 2016, underperforming the S&P/ASX 200 Property Accumulation Index (AREIT Index) by 0.21%. Since inception (June 2005), APN PFIF No. 2 has delivered a total return of 2.54% pa versus the Index return of 3.63% pa over the same period.

Over the month, the stocks impacting the Fund's underperformance relative to the AREIT Index were (apart from the unlisted property holding) our underweight positions in outperforming stocks such as Goodman Group (GMG) which was up 6.74% and Westfield Corporation (WFD) which was up 2.88%, along with overweight positions in relatively weaker stocks like Investa Office Fund (IOF) which was up 1.79% and Generation Healthcare REIT (GHC) which was up 0.81%.

	1 month	3 months	6 months	1 year	3 years pa	5 years pa	10 years pa	Since inception <sup>4</sup> pa	Standard deviation since inception pa
APN PFIF Income <sup>1</sup>	0.50%	1.60%	3.29%	6.31%	7.25%	7.93%	7.68%	7.65%	
APN PFIF Total return <sup>2</sup>	2.65%	8.18%	10.43%	8.02%	13.51%	14.32%	1.65%	2.44%	14.16%
AREIT Index <sup>3</sup>	2.86%	8.10%	9.84%	6.40%	14.37%	14.92%	2.32%	3.63%	18.35%
Over performance/ (Under performance)	(0.21%)	0.08%	0.59%	1.62%	(0.86%)	(0.60%)	(0.67%)	(1.19%)	

1 Distributions may include a capital gains component.

2 Retail returns after all fees and expenses. Wholesale returns are slightly higher. 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 200 Property Trust Accumulation Index.

4 Fund inception 6 June 2005.

## The Market

The AREIT Index delivered a total return of 2.86% in February 2016, outperforming the broader market (as measured by the S&P/ASX 200 Accumulation Index) which returned negative 1.76% over the month.

Over the last twelve months, the AREIT Index delivered a total return of 6.40%, outperforming the broader market by 20.13%.

The **Diversified sector** was up 0.10% 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 2.22% 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 down 6.74% over the month reflecting the performance of Goodman Group (GMG) the only stock in the sector.

## 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.

# Real estate update

APN PROPERTY FOR INCOME FUND NO. 2 ARSN 113 296 110

MARCH 2016

## Top 5 listed property securities holdings 29 February 2016

Stock	Sector	% of APN PFIF2	% of AREIT Index <sup>5</sup>
Scentre Group	Retail	21%	22%
Vicinity Centres	Retail	10%	10%
Stockland	Diversified	9%	9%
Charter Hall Retail REIT	Retail	6%	1%
Westfield Corp	Retail	4%	18%

5 S&P/ASX 200 Property Trust Accumulation Index.

## Top 5 unlisted property securities holdings 29 February 2016

Stock	Sector	% of APN PFIF2 <sup>6</sup>
LaSalle Australia Core-Plus Fund	Diversified	4%
APN Property Plus Portfolio	Diversified	2%
Goodman Australia Industrial Fund	Industrial	2%
APN Regional Property Fund	Diversified	2%
MAB Diversified Property Fund	Diversified	1%

6 Top five unlisted property trusts are on a look through basis.

## Asset allocation 29 February 2016

AREITs <sup>7</sup>	87%
Unlisted property funds	10%
Cash	3%

7 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	60%	Office	21%
Industrial	10%	Other	9%

For APN's insights and highlights please visit  
[apngroup.com.au](http://apngroup.com.au) > Company news

Follow us @apngroup



This summary has been prepared by APN Funds Management Limited (APNFM) (ABN 60 080 674 479, AFSL No 237500) for general information purposes and whilst every care has been taken in relation to its accuracy, no warranty is given or implied. APNFM is a wholly owned subsidiary of APN Property Group Limited ACN 109 845 068. APNFM is the responsible entity and issuer of the APN Property Group products. The information provided in this material does not constitute financial product advice and does not purport to contain all relevant information necessary for making an investment decision. It is provided on the basis that the recipient will be responsible for making their own assessment of financial needs and will seek further independent advice about the investments as is considered appropriate. Returns shown are for retail investors, net of fees and costs and are annualised for periods greater than one year. Returns and values may rise and fall from one period to another. Past performance is not an indication of future performance. Investors' tax rates are not taken into account when calculating returns.

This update may contain certain 'forward-looking' statements. Actual outcomes may differ materially from these forward-looking statements and no representation or warranty is given in relation to these including as to their completeness or accuracy on the basis on which they were prepared. This update is only intended for use by current unitholders in the APN Property for Income Fund No. 2 ARSN 113 296 110 ("Fund"). The information contained in this update is general information only and does not take into account an investor's individual objectives, financial situation and needs. APN does not guarantee the success of the Fund, the repayment of capital invested in the Fund or any particular rate of return on investments in the Fund. General risks apply to an investment in APN funds and must be considered before making an investment. In deciding whether to invest or continue to hold an investment in the Fund, a person should obtain a copy of the Product Disclosure Statement (PDS) for APN Property for Income Fund No. 2, dated 23 May 2012 and consider its content. We recommend that a person obtain financial, legal and taxation advice before making any financial investment decision. Allotments or issues of securities will be made only on receipt of an application form attached to a copy of the PDS for APN Property for Income Fund No. 2, dated 23 May 2012. A copy of the PDS is available from APN Funds Management Limited, at Level 30, 101 Collins Street, Melbourne 3000 or by visiting [www.apngroup.com.au](http://www.apngroup.com.au).