

Real estate update

APN PROPERTY FOR INCOME FUND ARSN 090 467 208

MARCH 2016

Performance¹ 29 February 2016

The APN Property for Income Fund (APN PFIF) provided a total return of 2.60% for the month ended 29 February 2016, underperforming the S&P/ASX 200 Property Accumulation Index (AREIT Index) by 0.26%. Since inception (August 1998), APN PFIF has delivered a total return of 8.83% pa outperforming the AREIT Index by 1.63% 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 ⁴ pa	Standard deviation since inception pa
APN PFIF Income ¹	0.49%	1.56%	3.19%	6.14%	7.04%	7.54%	7.74%	8.14%	
APN PFIF Total return ²	2.60%	8.18%	10.34%	7.95%	13.30%	13.29%	3.76%	8.75%	11.38%
AREIT Index ³	2.86%	8.10%	9.84%	6.40%	14.37%	14.92%	2.32%	7.32%	15.42%
Over performance/ (Under performance)	(0.26%)	0.08%	0.50%	1.55%	(1.07%)	(1.63%)	1.44%	1.43%	

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 28 August 1998.

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 c.20.1%. 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 listed property securities holdings 29 February 2016

Stock	Sector	% of APN PFIF	% of AREIT Index ⁵
Scentre Group	Retail	22%	22%
Vicinity Centres	Retail	10%	10%
Stockland	Diversified	8%	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 PFIF ⁶
LaSalle Australia Core-Plus Fund	Diversified	4%
Goodman Australia Industrial Fund	Industrial	2%
APN Regional Property Fund	Diversified	2%
APN Property Plus Portfolio	Diversified	1%
MAB Diversified Property Trust	Office	0%

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

Asset allocation 29 February 2016

AREITs ⁷	88%
Unlisted property funds	9%
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	61%	Office	21%
Industrial	11%	Other	7%

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