

Wholesale Funds

1th PRRES Conference

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people

alignment

innovation



performance

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Agenda

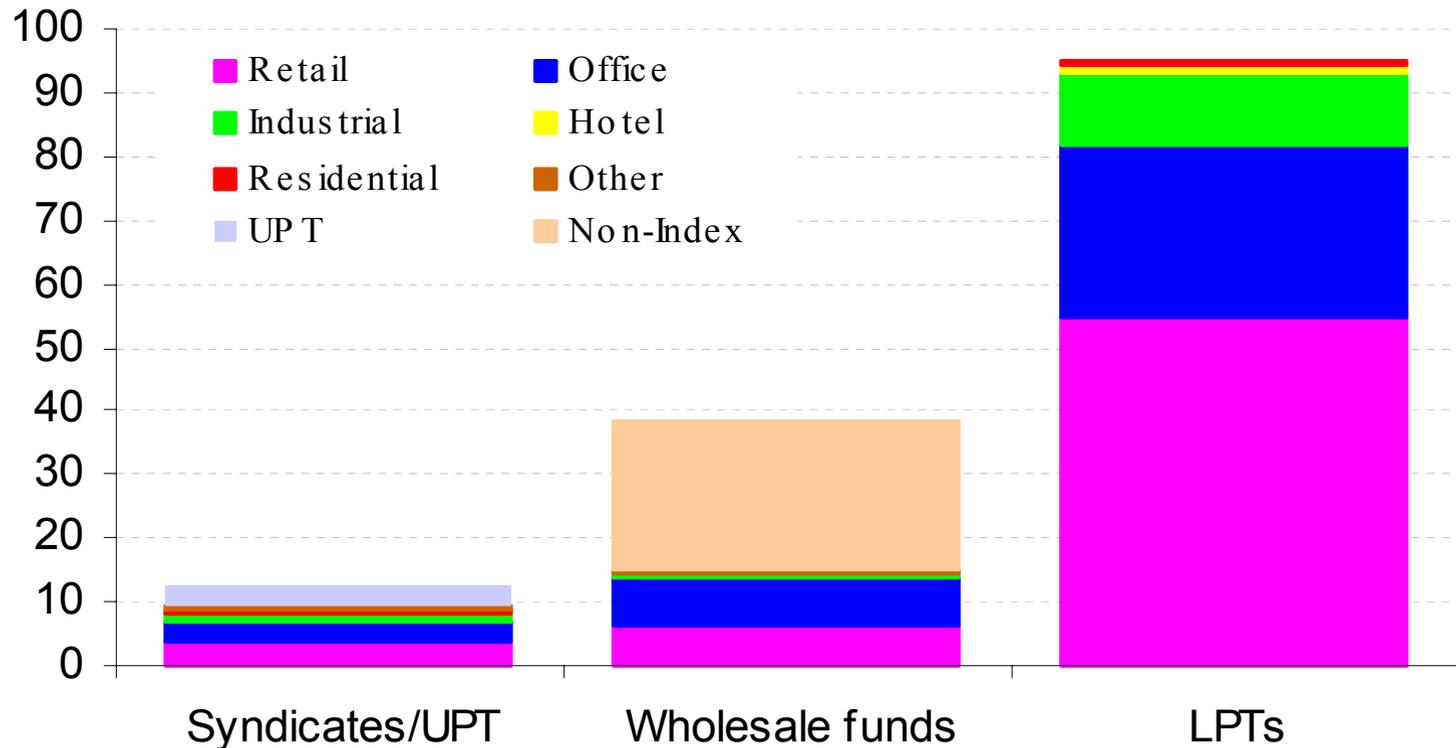
- Market and industry
- Portfolio construction
- Catalysts for change

Market and Industry

Wholesale property funds are a significant component of investment property market

Size of property vehicles by sector split

Asset value (approx. \$147Bn) as at December 2004



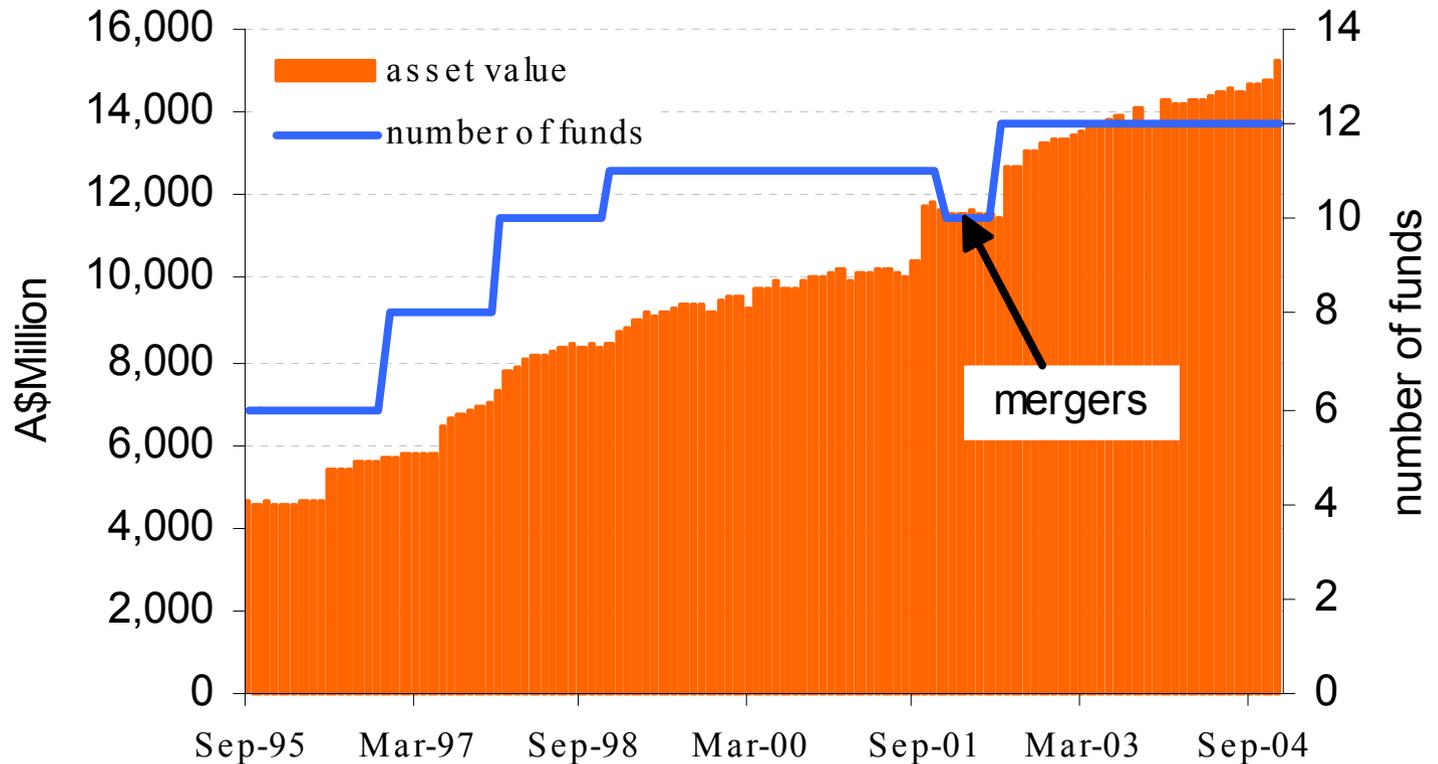
UP T=unlisted property trusts.

Source: PIR, Mercer, UBS and CFSP Research.

at December 2004 total wholesale funds stood at \$38.6 Bn, representing 26% of the institutional property investment vehicles

Continual asset growth in the indexed unlisted wholesale funds market

Australian unlisted wholesale funds market



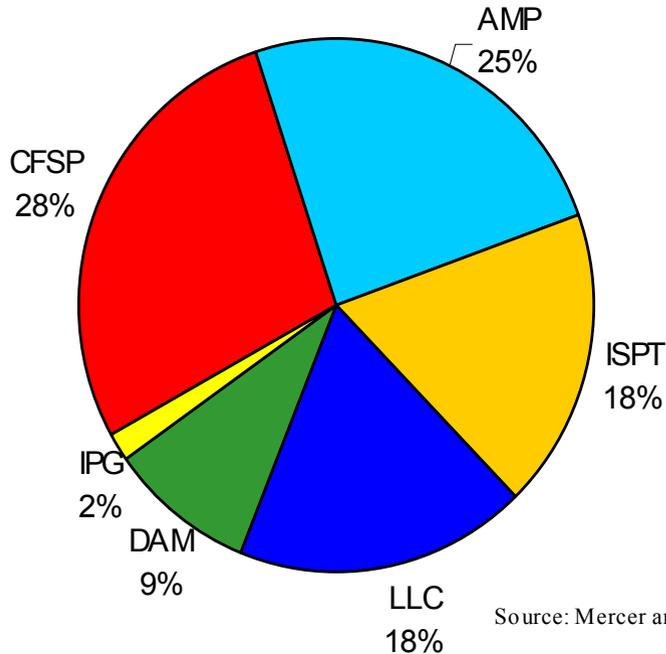
Source: Mercers and CFSP Research.

ures refer to wholesale funds that constitute part of the Mercers Unlisted Property Fund Index

High degree of manager concentration in wholesale property funds industry

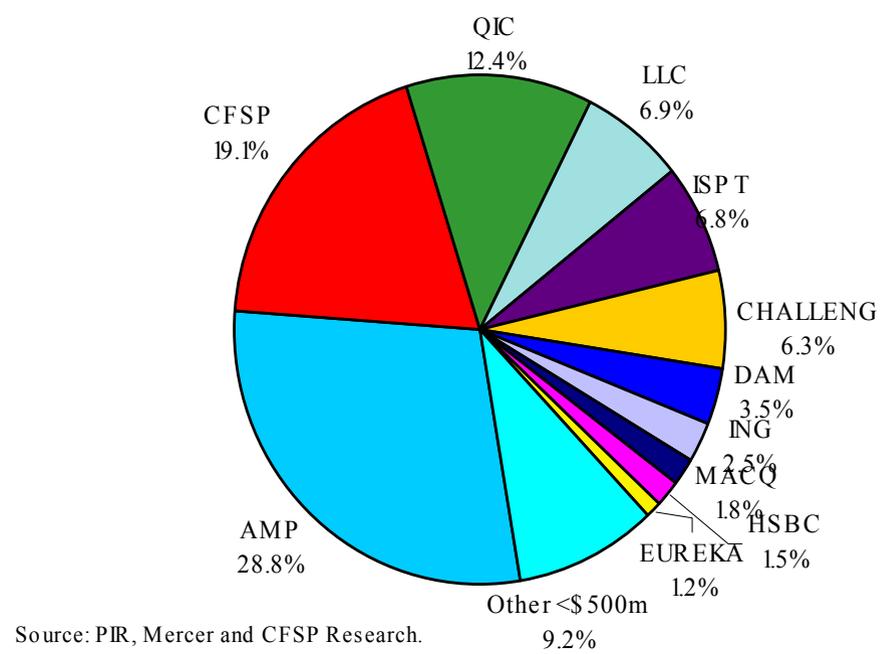
Market Share: MUPFI Property Fund Manager

Market Size (\$15.2 bn) as at Dec-04



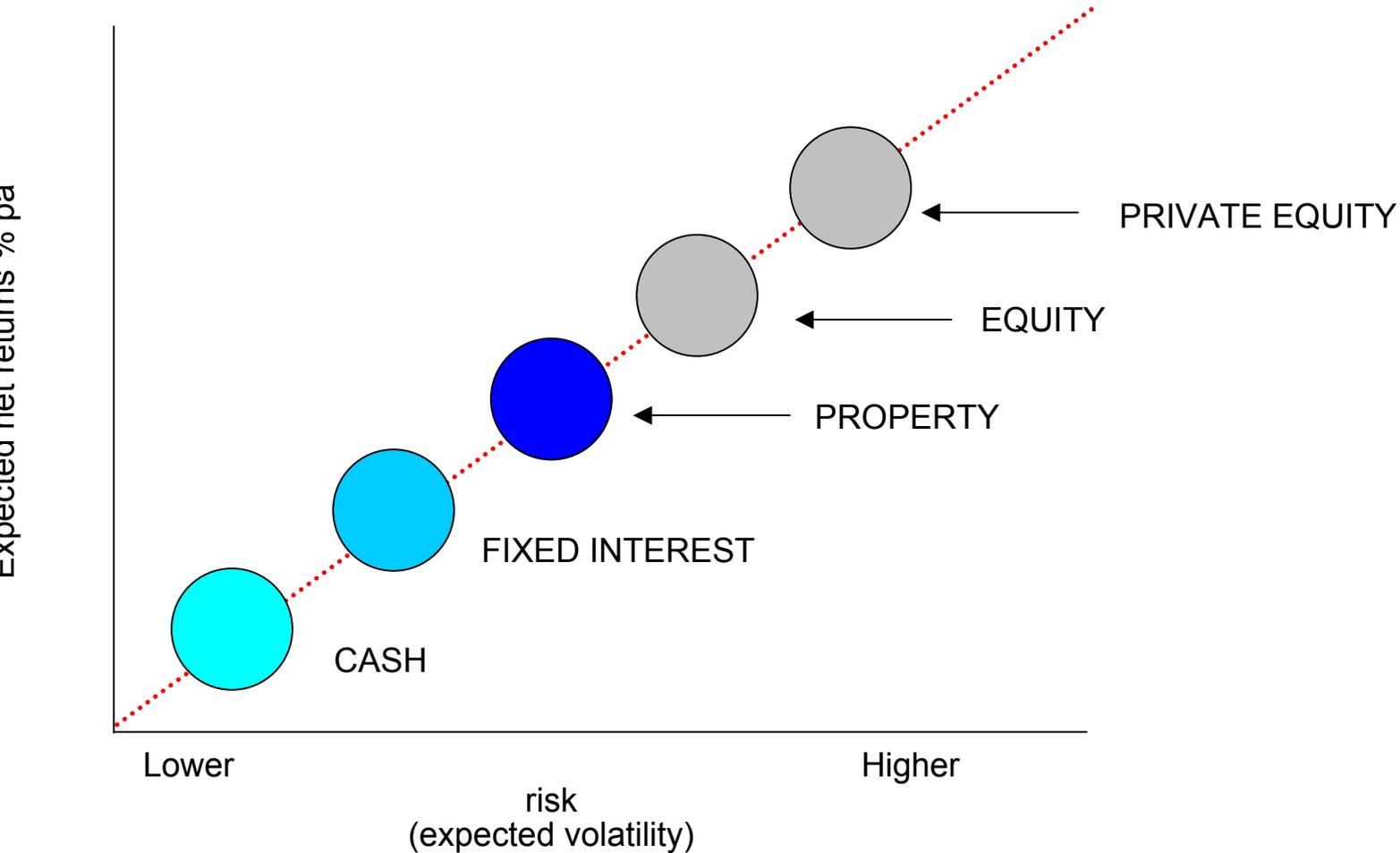
Market Share: Wholesale Property Fund Managers

Market Size (\$40.2 bn) as at Dec-04



Portfolio Construction

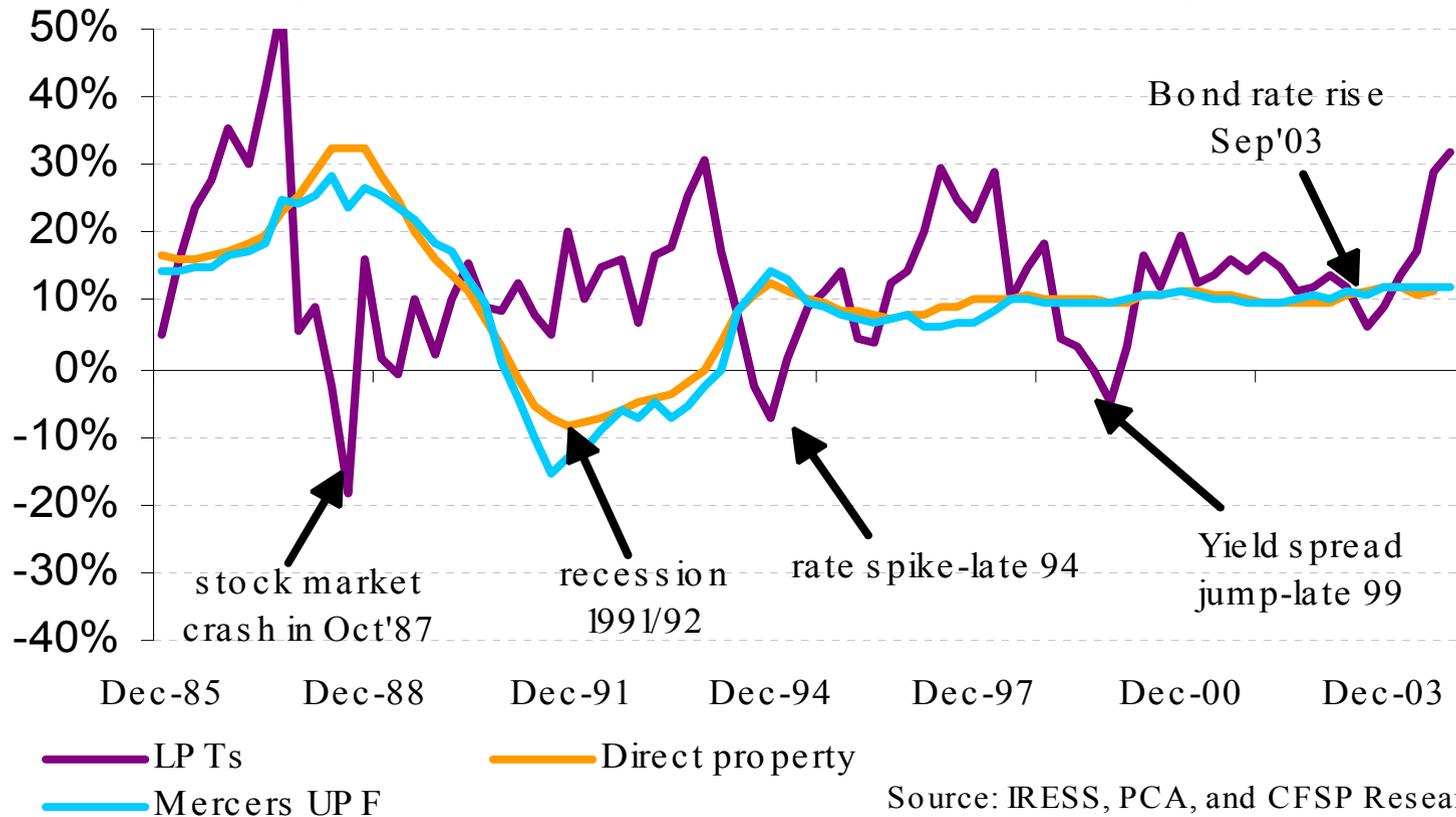
Wholesale property exposes investors to a different asset class with different risk-return



Wholesale funds expose investors to a return profile which differs to LPTs

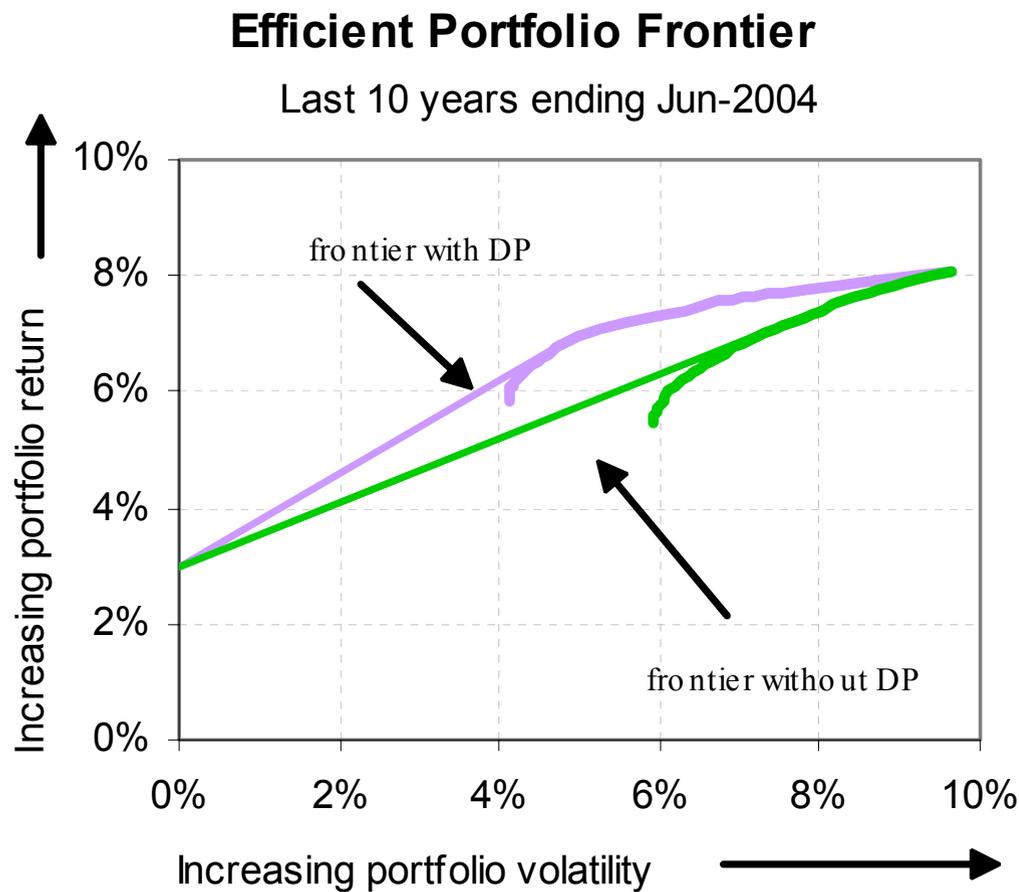
Performance across property asset classes

Rolling nominal annualised total returns on quarterly rests



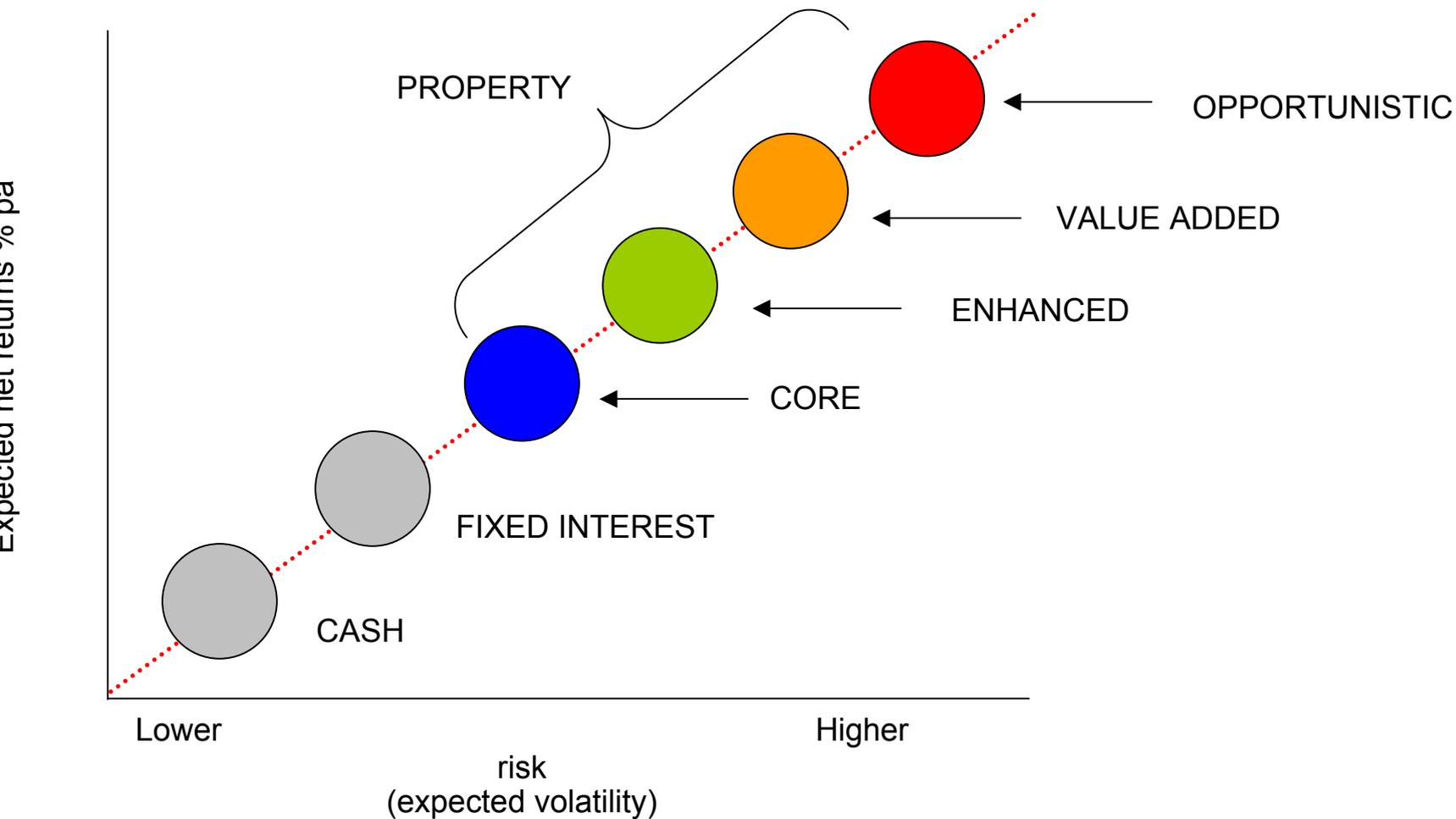
Source: IRESS, PCA, and CFSP Research.

The inclusion of direct property in a balanced portfolio construction shifts frontier upwards



Source: CFSP Research.

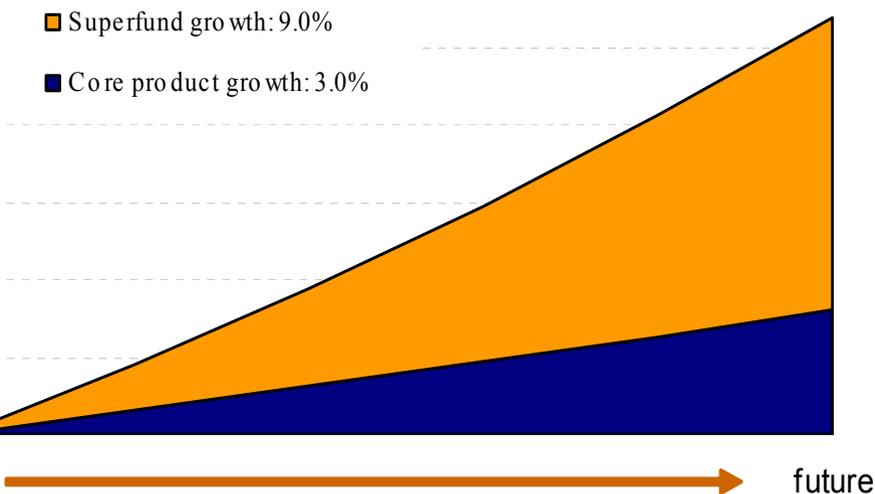
Expansion of wholesale fund products along the risk-reward space



Catalysts for Change

Weight of capital supported via increasing flow of funds from superannuation

Mismatch between capital and product



Source: CFSP Research.

Investment implications:

- International exposure to source product
- Sector expansion, eg. into hotels, development, aged-care, etc.
- Pressure on discount rates

I. Asset allocation – listed versus direct

- LPT sector has grown & evolved significantly
- Character of LPT risk and return profile poses questions for asset allocators:
 - are LPTs becoming more equity like?
 - are property and other alternatives better sources of diversification and alpha?

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