

Adviser Investment Series

Wholesale Property Securities Fund

September 2019

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Listed property securities are the shares of companies which may own, manage or develop property assets. They are designed to offer investors exposure to commercial real estate and the associated investment attributes, such as a predictable income stream and capital appreciation.

About A-REITs

The most common type of listed property investment in Australia is a real estate investment trust, more commonly known as an A-REIT. A-REITs own, and typically manage, a portfolio of income-producing real estate. The type of property assets that can be held by A-REITs is diverse, and may include office buildings, shopping centres, warehouses, hotels, health facilities, self-storage, distribution centres and data centres.

Why invest in listed property securities?

Stable cash flows from fixed assets

The majority of the cash flows generated by A-REITs are derived from contracted rental income streams from corporate tenants in high quality buildings. The expected stability of these cash flows can result in generating a secure dividend stream for investors.

Inflation protection

A-REITs emulate direct ownership of the assets themselves, and thus benefit from inflation protection inherent in real estate ownership. Estimated replacement value is a key valuation metric for real estate as, over a full property cycle, valuations must approach replacement cost to justify new construction. Although this inflation protection is not perfect, historically, prime properties in good markets have maintained, and often increased, their real value over time.

Diversification

A-REITs are well diversified by underlying assets, sub-sectors, tenants and location. The diversified nature of a property portfolio means that it is resilient to changes over the economic cycle. For example, a move towards online shopping may not be positive for regional shopping centres, but can lead to new opportunities for industrial A-REITs, as e-commerce companies look to lease logistics hubs, distribution centres and warehouse space.

Access and liquidity

Direct property is an illiquid asset class, often with large investment requirements and asset concentration risk. In contrast, A-REITs provide investors with high liquidity, low cost access and exposure to a diverse property market.

Why invest in the Wholesale Property Securities Fund?

Highly defined, globally consistent investment process

The First Sentier Investors Global Property Securities team use a highly defined, globally consistent investment process with an over-riding focus on absolute and relative risk. The targeted outcome is to allocate capital efficiently through thorough, bottom-up research and stock selection, rather than to simply replicate an index.

Specialist approach

Investment team members – the majority of whom are very senior and experienced industry investment specialists – are focused solely on investing in publicly traded real estate securities. They have a full understanding of stock specific endogenous risks, the wider real estate market and the macroeconomic conditions which can affect them.

Environmental, Social and Governance (ESG)

First Sentier Investors has integrated ESG across all investment processes. They believe the consideration of ESG issues will lead to better risk return outcomes, which will ultimately improve long-term returns for clients.

The Global Property Securities team

Headed by Stephen Hayes, the Global Property Securities team consists of six portfolio managers and five analysts, all of whom are focused solely on investing in publicly traded real estate securities. Two members of the global team focus purely on Australian real estate securities. They also receive valuable input on global property trends from other members of the global team. This is one of the most experienced property investment teams in the industry, with an average of 15 years of experience.

Wholesale Property Securities

Objective

To provide medium-to-long-term capital growth and income to the investor by investing in a portfolio of Australian listed property securities. The option aims to outperform the S&P/ASX 200 A-REIT Accumulation Index over rolling three-year periods before fees and taxes.

Minimum suggested timeframe

At least 7 years

Risk



Strategy

The option's strategy is to bring together specialist resources in order to identify undervalued Australian real estate securities with minimal downside risk, sustainable earnings growth and good qualitative attributes. The option uses proprietary forecasting and valuation methodologies and a disciplined portfolio construction process with an overriding focus on absolute and relative risk. The option invests predominantly in Australian securities and therefore does not hedge currency exposure.

Allocation



Portfolio Manager



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Head of Global Property Securities

NSW

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Head Of Investment Sales
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