



REITs: a great income solution

APN's Asian REIT Fund provides a solution for income focused investors.

1. WHAT ARE REITS AND WHY SHOULD INVESTORS USE THEM?

Real Estate Investment Trusts (REITs) have unique characteristics that can make them attractive to both income and growth investors. REITs own property and pass the rent collected from tenants that occupy those properties onto investors in the form of dividends. Listed on the stock exchange, REITs are listed investments, trade just like stocks and are therefore liquid. They can fluctuate in price, but they also pay out a large part of their income in the form of dividends. REITs are a good way for investors to access the income and capital returns of high quality commercial real estate, without the headaches and hassle of directly owning the properties.

2. WHY THE APN ASIAN REIT FUND IS A GOOD ALTERNATIVE FOR INCOME FOCUSED INVESTORS

REITs, as opposed to real estate developers, receive special tax treatment by not being required to pay corporate tax, but have to meet a number of requirements to qualify as a REIT. One such requirement is the income generated by REITs is mandated to be passed on to investors in the form of dividends. As a dedicated property investment house, APN believes strongly in the income benefits of investing in commercial real estate and Asian REITs are an ideal fit for the APN philosophy of investing in "Property for Income". Our flagship APN AREIT Fund was built on this premise which led to it being one of the largest property securities funds in Australia. We launched the Asian REIT Fund to offer our investors the same income benefits of investing in commercial real estate locally, but with smart diversification, focussing on the globalised cities of the world's fastest growing region – Asia.

3. WHICH MARKETS AND PROPERTY TYPES IS THE ASIAN REIT FUND INVESTED IN?

The three key markets of Singapore, Japan and Hong Kong make up the majority of the fund's investments. These global financial

cities should appeal to investors in property trusts that understand the impact on long term returns of location, population growth and land constraints. The Asian REIT Fund is also diversified across the major property types such as commercial, logistics, industrial, retail, senior housing and multifamily – some of these property types are not yet available in a listed REIT form in the Australian market.

4. WHAT'S UNIQUE ABOUT THIS FUND

The fund is unique in its income focus – it features a high level of distributable income "equivalent to at least 110% of the average yield" of the relevant benchmark index and pays monthly income to investors, with an investment timeframe of 5-7 years. This means that the Fund only invests in REITs that can deliver a stable income stream derived from the ownership of commercial

property – the stability of the income is underpinned by long term leases to credit quality tenants. Therefore within this mandate we avoid investing in property developers whose earnings (and hence income) may be more lumpy and volatile, as opposed to collecting rent from tenants with in-place lease commitments.

5. WHAT TYPE OF RETURNS HAS THE FUND PRODUCED, AND HOW DOES THE RISK PROFILE OF THESE RETURNS COMPARE WITH OTHER ASSET CLASSES?

Since the Fund's inception in 2011, the per annum total return is 15.65%, of which 6.6% is the income component (to November 30, 2019). This compares very favourably with other asset classes whether you are looking at Global REITs, Global Equities or Asian Equities. The key to this return is not only the absolute level of return which is attractive, but the fact that the volatility of these returns is far lower compared to other equity investments, local or global. Over the last five years, the volatility of the fund (as measured by standard deviation) is nearly 20% lower compared with Australian Equities and nearly 30% lower compared with the Global REIT market. This is a testament to the income focus of the fund whereby the earnings (and hence dividends) of the companies we invest in are largely predictable and stable. The fund therefore has a very attractive risk return profile.

6. WHAT PORTFOLIO DIVERSIFICATION BENEFITS CAN BE GAINED BY USING REITS?

Asian REITs have the benefit of having low correlation to many other asset classes such as Australian and Global Equities. Therefore, modern portfolio theory would suggest that from a portfolio construction point of view, having an allocation to Asian REITs not only adds to diversification and income returns, but also mitigates the overall risk of an investor's portfolio.

Corrine Ng, Portfolio Manager, Asian Real Estate Securities



Corrine Ng

APN | Asian REIT Fund

Diversification, income focused and lower risk

An income focused property securities fund that delivers **monthly income** from a diversified portfolio of high quality Asian commercial property investment trusts listed primarily on the Singapore, Hong Kong and Japan stock markets. The **APN Asian REIT Fund** delivers **lower risk[^]** than the market.

4.93%_{pa}^{*}
Current running yield

13.57%_{pa}^{}**
Total return over 5 years

Contact

Clayton Coplestone
Heathcote Investment Partners

T 0508 410 815 (Free call)
E clayton@heathcoteinvestment.com

APN | Property Group

Award winning fund manager with 23 years of property investing experience

apngroup.com.au

[^]The APN Asian REIT Fund aims to provide lower than market volatility compared with the Bloomberg Asia REIT Index (or equivalent) over a 5-7 year time horizon. ^{*}As at 11 December 2019, based on the annualised distribution rate and latest daily entry price. ^{**}Returns after all fees and expenses to 30 November 2019, assuming distributions are reinvested. Distributions are not guaranteed and past performance is not an indicator of future returns or performance.

In considering an investment in the APN Asian REIT Fund, you should read the relevant Product Disclosure Statement (PDS) in its entirety. A copy of the PDS and application form is available from APN Funds Management Limited (APNFM) (ACN 080 674 479, AFSL No. 237500), Level 30, 101 Collins Street, Melbourne, Victoria 3000 or by visiting www.apngroup.com.au or by contacting APNFM on 1800 865 221. APNFM recommends that you obtain financial, legal and taxation advice before making any financial investment decision.