

APN's investment philosophy is focussed on generating consistent income returns by actively managing a portfolio of high yielding, Australian commercial property securities. Established in 2009, the APN AREIT Fund (the Fund) was designed with this specific mandate in mind.

The Fund is focussed on delivering a competitive yield with lower risk than the market. Underlying stocks are selected based on a highly disciplined investment approach that has been in place since 1996. The Fund provides access to a wide spread of property-based revenue streams that are specifically analysed, selected and weighted with the aim of delivering strong and sustainable income returns.

The Fund is suited to medium to long term investors seeking a relatively high monthly income and some capital growth over the long term.

Current running yield

APN AREIT Fund <b>5.87% pa<sup>1</sup></b>	AREIT Index <sup>4</sup> <b>4.60% pa<sup>1</sup></b>
---	---

**Performance** 30 September 2016

	1 month	3 months	6 months	1 year	3 years pa	5 years pa	Since inception <sup>5</sup> pa	Standard deviation since inception pa
APN AREIT Fund Income <sup>2</sup>	0.45%	1.36%	3.05%	7.21%	7.86%	8.73%	8.47%	
APN AREIT Fund Total return <sup>3</sup>	(3.21%)	(1.77%)	7.12%	21.40%	17.64%	19.30%	16.88%	12.21%
AREIT Index <sup>4</sup>	(4.31%)	(1.88%)	7.18%	20.88%	17.68%	19.58%	13.90%	14.62%
Over performance/ (Under performance)	1.10%	0.11%	(0.06%)	0.52%	(0.04%)	(0.28%)	2.98%	

- 1 As at 30 September 2016. Current running yield is calculated daily by dividing the annualised distribution rate by the latest entry unit price. Distributions may include a capital gains component. Distributions are not guaranteed and past performance is not an indicator of future returns.
- 2 Distributions may include a capital gains component.
- 3 Returns after all fees and expenses. Assumes distributions are reinvested. Investors' tax rates are not taken into account when calculating returns. Past performance is not an indicator of future performance.
- 4 S&P/ASX 300 Property Trust Accumulation Index.
- 5 Fund inception 19 January 2009.

**Fund overview**

The APN AREIT Fund ("Fund") is a property securities fund predominantly investing in listed Australian Real Estate Investment Trusts (AREITs).

**Investment objectives**

The primary investment objectives of the Fund are to:

- provide a high level of distributable income by achieving a gross annual income yield (before management fees and expenses) that is equivalent to at least 110% of the average yield of the S&P/ASX 200 AREIT Dividend Yield;
- endeavour to deliver a tax advantaged income component of distributed income;
- provide a level of capital growth which at least matches increases in CPI over a 5-7 year time horizon; and
- provide lower than market volatility.

**Benefits**

- Income focussed.
- Distributions paid monthly.
- Access to a diversified portfolio of quality listed property securities which offer relatively high yields.
- Actively managed portfolio whereby underlying securities are valued and re-weighted.
- 100% liquidity.
- Lower than market volatility.
- Nil entry and exit fees.
- Tax advantaged income component.

**This Fund is suited to:**

- Investors seeking relatively consistent and high levels of income.
- Investors seeking tax effective income.
- SMSFs - investors managing their own retirement.
- Investors wanting access to a diversified portfolio of quality AREITs.
- Medium to long term investment.

AT A GLANCE	
Type of fund	Property securities fund
Commencement date	19 January 2009
Fund size	\$1,222.25m as at 30 September 2016
Investment timeframe	5 - 7 years
Minimum investment amount	\$1,000
Minimum additional amount	\$500 (\$100 per month with regular investment savings plan)
Income distribution	Monthly - payable 10 days after the end of the month
Unit pricing	Daily
Withdrawals	Daily
Distribution reinvestment plan	Available
Borrowing	Nil
Entry and exit fees	Nil
Management costs	0.85% pa
Buy/sell spread	0.25% buy and 0.25% sell

**Research ratings**

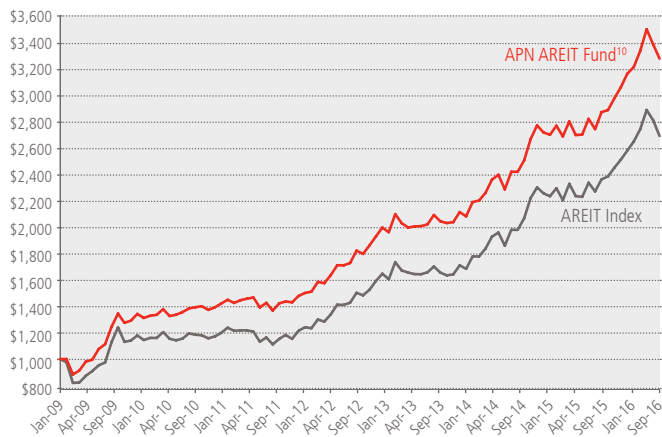
- SQM Research<sup>6</sup> - 4.25 Star Superior rating (September 2016)
- Zenith<sup>7</sup> - Recommended rating (July 2016)
- Lonsec<sup>8</sup> - Recommended rating (June 2016)
- Morningstar<sup>9</sup> Analyst Rating™ - Silver (May 2015)



**Financial Review Smart Investor Blue Ribbon Awards 2016 –**  
Winner, best Australian listed property fund, APN AREIT Fund



### APN AREIT Fund vs S&P/ASX 300 Property Trust Accumulation Index (AREIT Index) total return since inception



Source: APN FM, Bloomberg

<sup>10</sup> Returns after all fees and expenses. Assumes distributions are reinvested. Investors' tax rates are not taken into account when calculating returns.

Note: \$1,000 invested since commencement in January 2009.

### Top 5 AREIT holdings 30 September 2016

Stock	Sector	% of APN AREIT Fund	% of AREIT Index <sup>11</sup>
Scentre Group	Retail	23%	21%
Vicinity Centres	Retail	11%	0%
Stockland	Diversified	11%	8%
Charter Hall Retail REIT	Retail	6%	1%
Westfield Group	Office	5%	16%

<sup>11</sup> S&P/ASX 300 Property Trust Accumulation Index.

### Asset class allocation 30 September 2016

AREITs <sup>12</sup>	98%	Cash	2%
----------------------	-----	------	----

<sup>12</sup> 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 30 September 2016

Retail	62%	Office	19%
Industrial	12%	Other	7%

### Availability

AMP North, Asgard, Asgard Infinity, ASX mFund, Austchoice, Avanteos, BT Wrap, BT Wrap Essentials, CFS FirstWrap, Emerald Wrap, Freedom of Choice, Hub24, IOOF Portfolio Service, IOOF Pursuit, Lifetrack, Linear, Macquarie Wrap, MLC Wrap, Navigator, Netwealth, OnePath Oasis, Portfolio Care, Powerwrap, Praemium, SMF

### About the Manager

APN Funds Management Limited (APN FM) is a wholly owned subsidiary of APN Property Group Limited (ASX code: APD), a specialist real estate investment manager. An active investment manager with a concentrated focus on income, APN has a strong record of delivering a range of property based investment solutions for institutional and retail clients since 1996.

### Investment team

Michael Doble	Chief Executive Officer, Real Estate Securities
Pete Morrissey	Fund Manager, Real Estate Securities
Mark Mazzarella	Fund Analyst, Real Estate Securities
Matthew Coleman	Fund Analyst, Real Estate Securities

Adviser Services Hotline  
1300 027 636

apnpg@apngroup.com.au

@apngroup

apngroup.com.au

This summary has been prepared by APN Funds Management Limited (APNFM) (ABN 60 080 674 479, AFSL No 237500) for general information purposes only 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. Past performance is not necessarily an indication of future performance. 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. Investors' tax rates are not taken into account when calculating returns. 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 AREIT Fund, dated 1 January 2015 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 AREIT Fund, dated 1 January 2015. 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).

<sup>6</sup> The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

<sup>7</sup> The Zenith Investment Partners ("Zenith") ABN 60 322 047 314 rating referred to in this document is limited to "General Advice" (as defined by section 766B of Corporations Act 2001) and based solely on the assessment of the investment merits of the financial product on this basis. It is not a specific recommendation to purchase, sell or hold the relevant product(s), and Zenith advises that individual investors should seek their own independent financial advice before investing in this product. The rating is subject to change without notice and Zenith has no obligation to update this document following publication. Zenith usually receives a fee for rating the fund manager and product against accepted criteria considered comprehensive and objective. This report is prepared exclusively for clients of Zenith Investment Partners (Zenith). The report contains recommendations and advice of a general nature and does not have regard to the particular circumstances or needs of any specific person who may read it. Each client should assess either personally or with the assistance of a licensed financial adviser whether the Zenith recommendation or advice is appropriate to their situation before making an investment decision. The information contained in the report is believed to be reliable, but its completeness and accuracy is not guaranteed. Opinions expressed may change without notice. Zenith accepts no liability, whether direct or indirect arising from the use of information contained in this report. No part of this document is to be construed as a solicitation to buy or sell any investment. The performance of the investment in this report is not a representation as to future performance or likely return. The material contained in this report is subject to copyright and may not be reproduced without the consent of the copyright owner. A copy of Zenith's Financial Services Guide can be viewed at [www.zenithpartners.com.au](http://www.zenithpartners.com.au).

<sup>8</sup> The Lonsec Rating June 2016 presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445. The Rating is limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product. Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold [Fund Manager name] product(s), and you should seek independent financial advice before investing in this product(s). The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document(s) following publication. Lonsec receives a fee from the Fund Manager for researching the product(s) using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to our website at: <http://www.beyond.lonsec.com.au/intelligence/lonsec-ratings>

<sup>9</sup> © 2015 Morningstar, Inc. All rights reserved. Neither Morningstar, nor its affiliates nor their content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. To the extent that any of this information constitutes advice, it is general advice and has been prepared by Morningstar Australasia Pty Ltd ABN: 95 090 665 544, AFSL: 240892 and/or Morningstar Research Limited (subsidiaries of Morningstar, Inc.) without reference to your objectives, financial situation or needs. You should consider the advice in light of these matters and, if applicable, the relevant Product Disclosure Statement (in respect of Australian products) or Investment Statement (in respect of New Zealand products) before making any decision to invest. Neither Morningstar, nor Morningstar's subsidiaries, nor Morningstar's employees can provide you with personalised financial advice. To obtain advice tailored to your particular circumstances, please contact a professional financial adviser. Please refer to our Financial Services Guide (FSG) for more information [www.morningstar.com.au/fsg.asp](http://www.morningstar.com.au/fsg.asp)

# Quarterly fund commentary

APN AREIT FUND ARSN 134 361 229

## How the AREIT Fund performed - Quarterly ending June 2016

The APN AREIT Fund (the Fund) provided a total return of 9.05% pa<sup>1</sup> for the quarter ended 30 June 2016, underperforming the S&P/ASX 300 Property Accumulation Index (AREIT Index) by 0.18%. Since inception (January 2009), the Fund has delivered a total return of 17.78% pa<sup>1</sup> outperforming the AREIT Index by 3.09% pa over the same period.

Over the quarter, the stocks impacting the Fund's underperformance relative to the AREIT Index were our overweight positions in underperforming stocks such as Charter Hall Retail (CQR) which was up 6.81% and Cromwell Group (CMW) which was down 0.36%, along with underweight positions in relatively stronger stocks like Dexus Property Group which was up 16.18%.

## The Market

The AREIT Index delivered a total return of 9.23% in Q416, underperforming the broader market (as measured by the S&P/ASX 300 Accumulation Index) which returned 3.98% over the quarter.

Over the last twelve months, the AREIT Index delivered a total return of 24.59%, outperforming the broader market by 23.72%.

The **Diversified sector** was up 10.15% over the quarter. The two main factors influencing performance were Folkestone Education Trust (FET) (up 14.10%) and Stockland (SGP) (up 13.23%).

The **Office sector** was up 11.51% over the quarter with Dexus Property Group (DXS) (up 16.18%) and GDI Property Group (up 7.39%) key influencers.

The **Retail sector** was up 8.32% with Scentre Group (SCG) (up 10.81%) and BWP Trust (BWP) (up 8.93%) the key factors contributing to the sub sector's performance.

The **Industrial sector** was up 8.42% over the quarter largely reflecting the performances of 360 Capital Industrial Fund (TIX) (up 8.76%) whilst Goodman Group (GMG) (up 8.41%) also contributed.

## In the news

Key news and announcements throughout the quarter mainly included developments regarding the takeover bids from Centuria and Growthpoint (GOZ) to acquire all the shares of GPT Metro Office Fund (GMF):

- GOZ announced a takeover bid to acquire all the shares of GMF for an implied consideration of \$2.50 per GMF share. GOZ also acquired a 12.98% stake in GMF from GPT Group
- GOZ's takeover bid represents a 3.7% increase on the previous revised proposal and compares to the current Centuria proposal of \$2.46 per GMF share.
- GOZ also announced that it acquired a 12.98% stake in GMF from GPT Group for \$2.45ps in cash.

BREXIT:

- The UK voted to end its 43 year membership of the EU sending a shockwave through global equity markets.

Australian Federal Elections:

- Australia's double-dissolution election on 2 July has delivered a narrow, and as yet unclear, outcome with neither major party yet to confirm victory.

*For more details about the APN AREIT Fund and its performance, visit our website at [www.apngroup.com.au](http://www.apngroup.com.au). To receive further updates and insights from the APN team, sign up for Review, our monthly email newsletter by visiting our 'Education Hub' on our website.*

<sup>1</sup> Returns after all fees and expenses. Assumes distributions are reinvested. Investors' tax rates are not taken into account when calculating returns. Past performance is not an indicator of future performance.



Adviser Services Hotline  
1300 027 636



[apnpg@apngroup.com.au](mailto:apnpg@apngroup.com.au)



@apngroup



[apngroup.com.au](http://apngroup.com.au)

This summary has been prepared for general information only and without taking your objectives, financial situation or needs into account. You should consider these matters and read the product disclosure statement for the APN AREIT Fund (PDS) in its entirety before you make an investment decision. The PDS is issued by APN Funds Management Limited ABN 60 080 674 479 (AFSL No. 237500) and contains important information about risks, costs and fees associated with an investment in the Fund. For a copy of the PDS and more details about the APN AREIT Fund and its performance, visit our website at [www.apngroup.com.au](http://www.apngroup.com.au).