



Global Property Forum 2014

Thursday 16th October 2014

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General Manager

**ATCHISON
CONSULTANTS**



Agenda

- Long Term Global Direct Property Performance
- Implementation Considerations



Global Property Benchmark

- 31 December 1984 to 31 December 2013
- Measured annually
- 24 advanced economies

- Country indices used, or rental and capital returns
- Countries re-weighted by GDP every 5 years
- AUD, USD, Japanese Yen, Local (hedged)
- Includes all major property types
(office, retail, industrial, residential)

Returns and Volatility of Returns

Local Currency

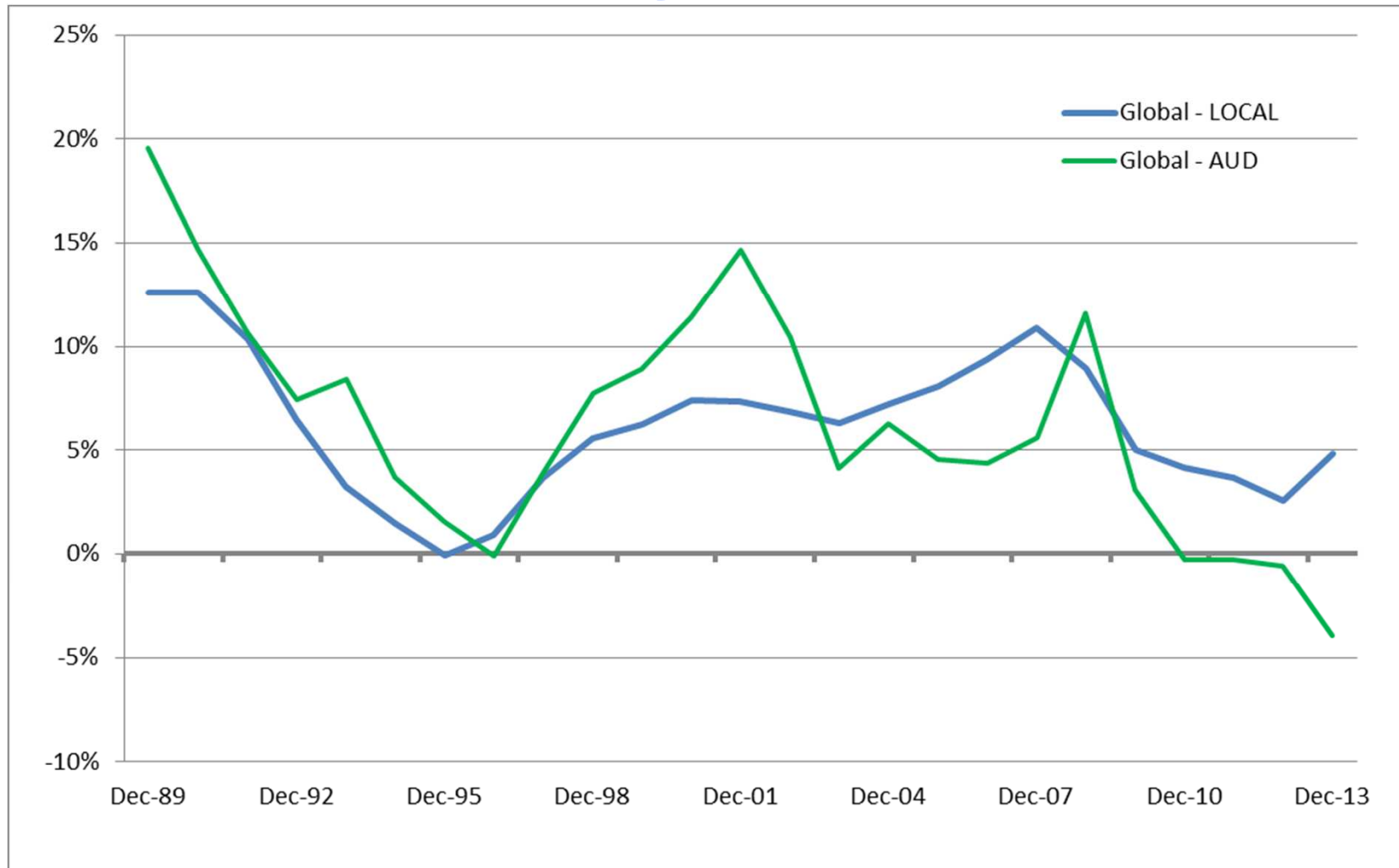
| | 1 Year to Dec 2013 (%) | 5 Years to Dec 2013 (% p.a.) | 10 Years to Dec 2013 (% p.a.) | 15 Years to Dec 2013 (% p.a.) | 29 Years to Dec 2013 (% p.a.) |
|------------|------------------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Return | 7.8 | 4.9 | 6.9 | 6.7 | 6.7 |
| Volatility | | 6.8 | 6.9 | 5.6 | 5.0 |

Unhedged AUD

| | 1 Year to Dec 2013 (%) | 5 Years to Dec 2013 (% p.a.) | 10 Years to Dec 2013 (% p.a.) | 15 Years to Dec 2013 (% p.a.) | 29 Years to Dec 2013 (% p.a.) |
|------------|------------------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Return | -0.8 | -3.9 | 3.5 | 3.7 | 7.3 |
| Volatility | | 12.9 | 12.0 | 11.6 | 11.6 |



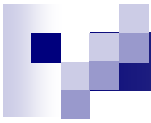
5 Year p.a. Rolling Returns



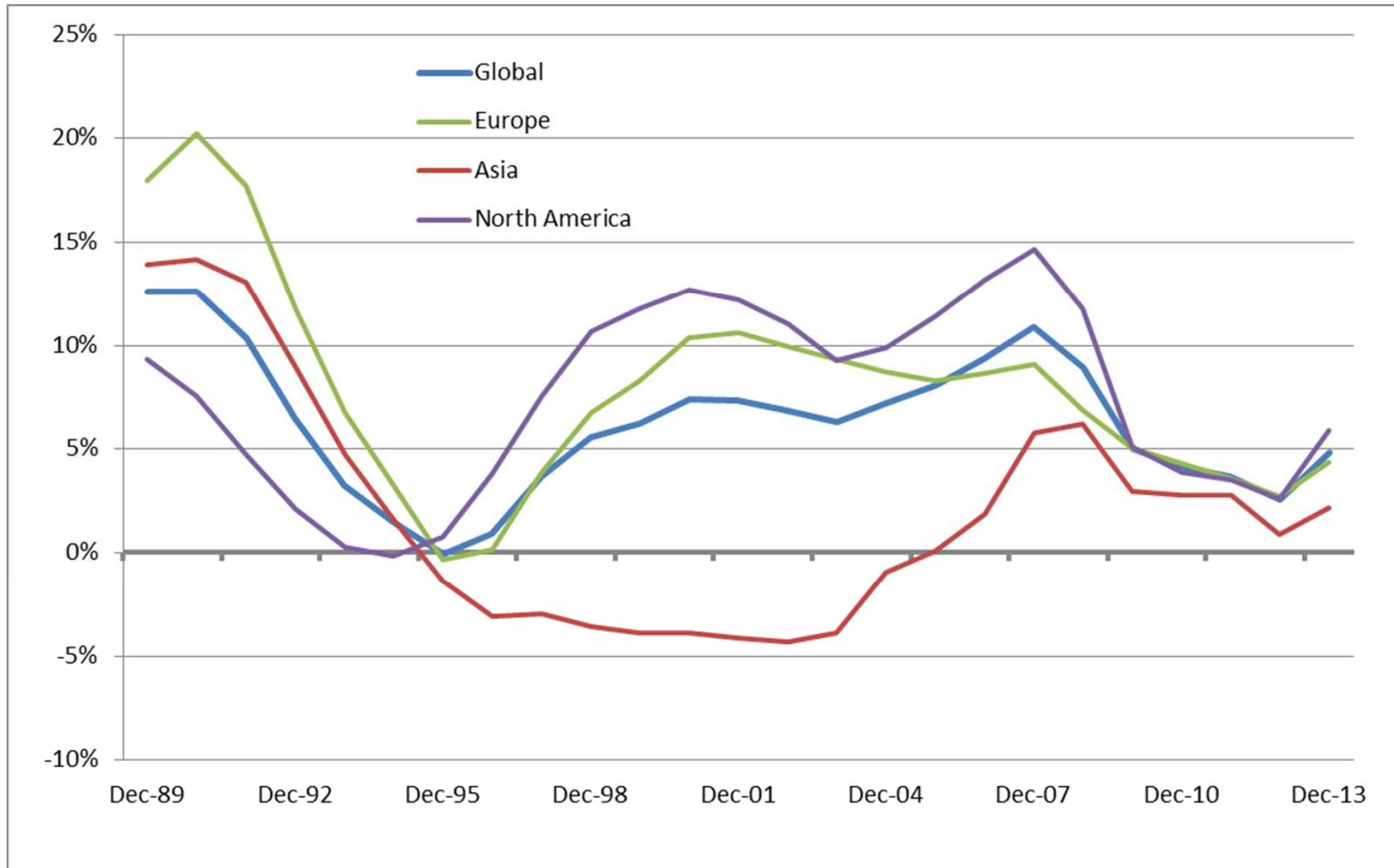


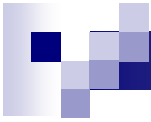
Returns By Region

| Local Currency | 5 Years | 10 Years | 15 Years |
|-----------------------|----------------|-----------------|-----------------|
| Asia | 2.2 | 4.2 | 1.4 |
| Japan | 1.1 | 2.9 | -0.3 |
| South Korea | 7.3 | 10.1 | 10.7 |
| Hong Kong | 5.3 | 8.8 | 9.1 |
| Singapore | 4.5 | 3.7 | 2.1 |
| Europe | 4.4 | 5.6 | 6.8 |
| Germany | 4.3 | 3.2 | 3.7 |
| UK | 8.0 | 6.3 | 7.7 |
| France | 5.7 | 8.9 | 9.5 |
| Spain | -0.9 | 4.0 | 8.9 |
| North America | 5.9 | 8.8 | 9.0 |
| United States | 5.6 | 8.6 | 8.8 |
| Canada | 9.2 | 10.9 | 10.5 |
| Pacific | 7.1 | 9.7 | 9.9 |
| Australia | 7.1 | 9.5 | 9.9 |
| New Zealand | 6.5 | 11.3 | 10.4 |
| World | 4.9 | 6.9 | 6.7 |

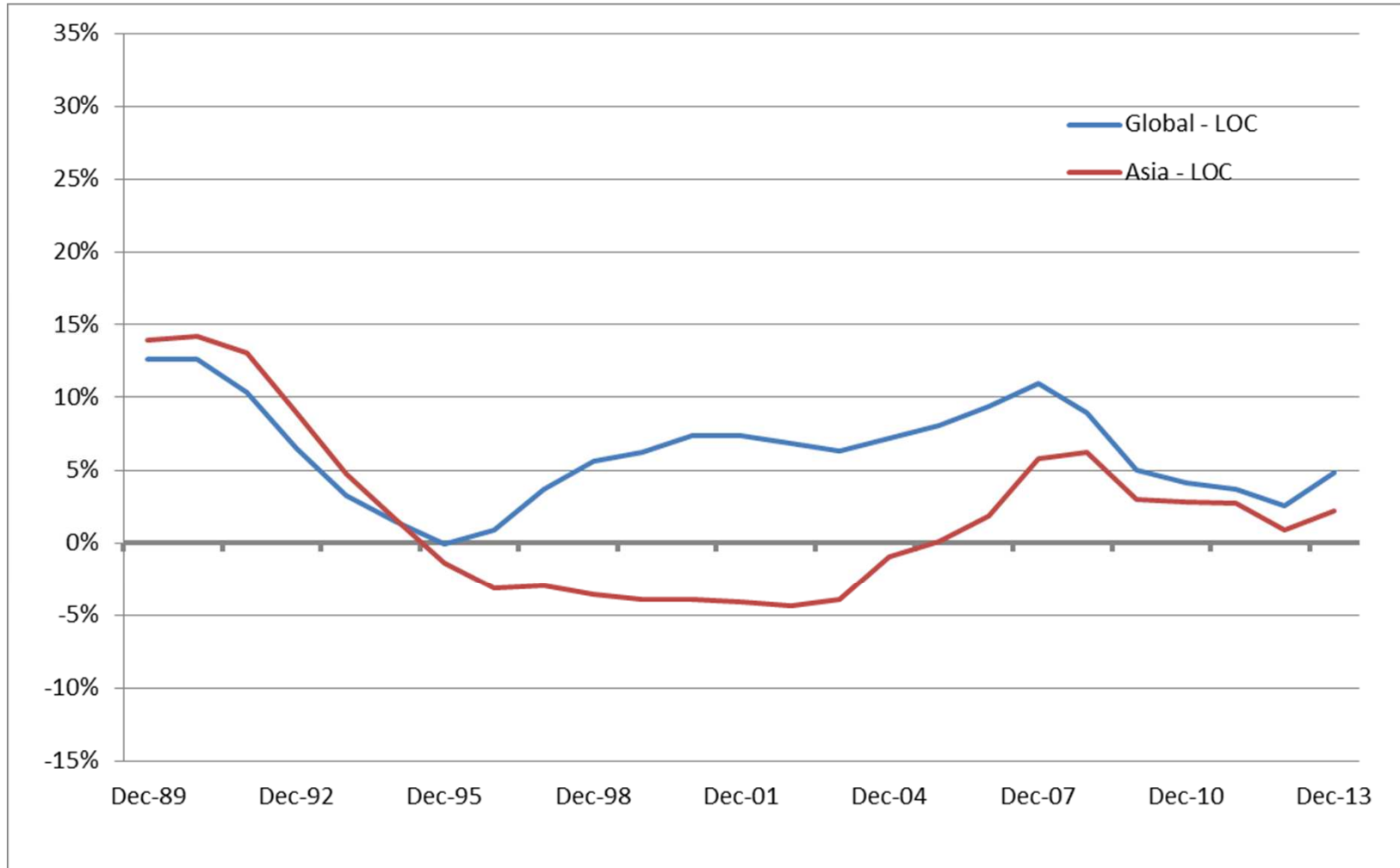


5 Year p.a. Rolling Returns

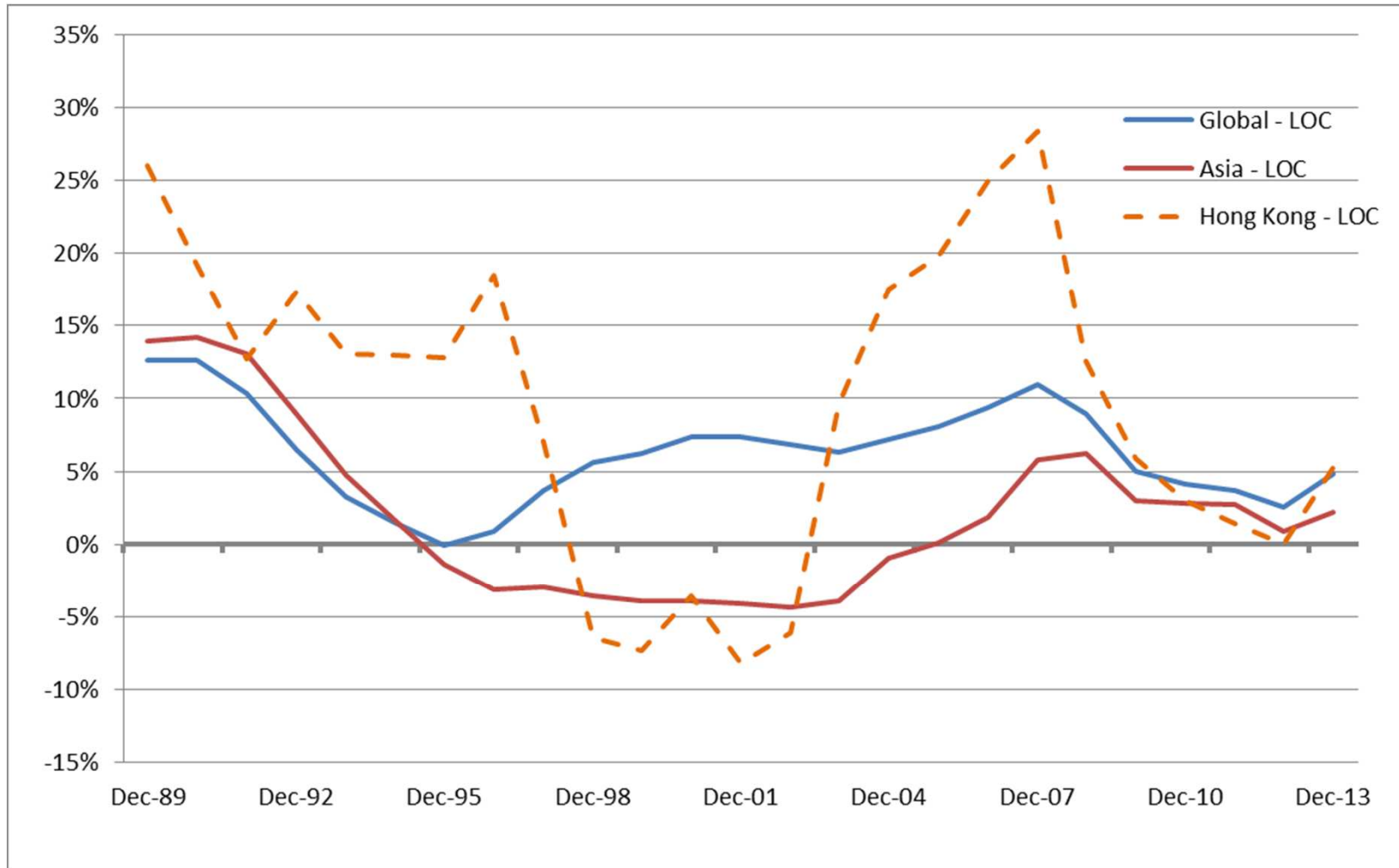




5 Year p.a. Rolling Returns



5 Year p.a. Rolling Returns





Correlation of Returns

| | Global Property 5 Years | Global Property 20 Years |
|--|------------------------------------|-------------------------------------|
| Australian Equities | -0.16 | 0.17 |
| Overseas Equities (unhedged) | 0.23 | 0.21 |
| Australian Direct Property | 0.84 | 0.83 |
| Australian Listed Property | 0.09 | 0.25 |
| Global Listed Property (unhedged) | 0.10 | -0.05 |
| Australian Fixed Interest | 0.01 | -0.04 |
| Overseas Fixed Interest (hedged) | 0.20 | 0.07 |
| Australian Cash | 0.17 | 0.15 |



Implementation Considerations

- **Property Strategy Framework**
- **Diversification**
- **Control**
- **Informed Decisions**



Five dimensions of property portfolio:

- **International and Domestic**
- **Listed and Unlisted**
- **Geographic Profile**
- **Real Estate Sectors**
- **Risk Profile**



Barriers to Global Direct

- Local nature of direct property
- Breadth of investment universe
- Size requirement to reach diversification



Implementation Options

- Diversified Global Pooled Fund
- Opportunistic Allocation
- Club Deal / JV



Implementation Options

- Diversified Global Pooled Fund
 - Benefits of pooled fund scale
 - Lack of investor control over manager
 - Potential lack of alignment with over unit holders

Generally has not been accepted



Implementation Options

- Opportunistic Allocation

(i.e. Specifically select Region/Country Fund as adjunct to existing portfolio)

- Marginal capital required
- Significant knowledge required
 - Relativity of markets
 - Depth of access in selected markets



Implementation Options

- Club Deals / JV
 - Benefits of combined scale
 - Some investor control over manager
 - Potential alignment with over club / JV members



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