

## ISPT to invest overseas through IFM joint venture

IPFM chief executive Tony McCormack. Picture: Aaron Francis

FLORENCE CHONG THE AUSTRALIAN 12:00AM April 26, 2018

Superannuation fund-backed manager ISPT will begin investing offshore after forming a joint venture with infrastructure giant IFM Investors that will also open a platform for global property investment for Australia's \$590 billion super sector.

The 50-50 joint venture between IFM Investors and Industry Super Property Trust (ISPT) -- both groups are owned by 27 industry super funds — is called International Property Funds Management.

IPFM chief executive Tony McCormack told *The Australian* that the joint venture would be formally launched in the third quarter of this year.

“Our operation will be driven by the ‘investor-first’ culture of our foundation partners,” said Mr McCormack, who until recently was ISPT's head of capital transactions.

*The Australian* understands the initial capital raising will be around \$500 million with the first acquisitions expected early next year.

IPFM is mapping out an investment strategy for a diversified pooled fund with acquisitions to be made in European gateway cities initially.

“IPFM will initially target diversified property investments with a focus on core, income-producing assets,” Mr McCormack said.

There would be a short list of target markets with both on-market and off-market opportunities pursued, he said.

The new venture would provide Australian institutional investors with competitive risk-adjusted returns, but over time the clients would include international institutions, Mr McCormack said.

A team of IPFM key executives now in place includes industry veteran Tim Stringer as chief investment officer and Tony Singh and Marc Fegredo as investment managers.

The new group will be able to leverage off the property expertise and asset management skills of ISPT, which oversees Australian assets totalling \$15bn.

Overseas, IPFM would be able to use IFM Investors' global networks in six cities and its well-established relationships in key developed markets where IFM owns infrastructure assets.

Although initially established to enable Australian super funds to invest in large-scale infrastructure projects, IFM Investors has expanded its investor base to more than 280 institutions, including some large global pension funds and sovereign wealth funds.

IFM Investors, one of the most globally active infrastructure fund managers, has a \$105bn portfolio of domestic and international infrastructure assets.

Australian industry super funds were burned in their earlier dabble into overseas real estate last decade when they invested through listed vehicles such as the now defunct Babcock and Brown, and many of the large listed REITs.

The overseas strategies of these groups unravelled during the global financial crisis, resulting in massive losses for their investors.

Since then, industry super funds, which have on average a 10 per cent allocation to property, have mostly focused on the increasingly expensive Australian property market.

In recent times, asset consultants have been advising industry funds to consider global direct property.

Industry sources told *The Australian* that, just as global super funds were buying in Australia and the wider Asia-Pacific for geographical diversification, Australian super funds should similarly invest overseas.

Currently, few of the top funds have ventured offshore.

The most notable are the \$130bn AustralianSuper and the \$50bn REST. Both have direct property investments in joint ventures offshore with local partners.

Since 2014, AustralianSuper has stepped up investment in core assets, with long-term prospects in overseas markets such as London.

As at the end of March, AustralianSuper's offshore property portfolio totalled \$4.1bn.

Some funds have real estate exposure through managed funds. Others, like UniSuper and CBUS, do not yet have direct overseas exposure, either by design or through lack of opportunities.

Queensland Investment Corporation has made major US retail investments on behalf of its super clients.

Asset consultants like Frontier and Atchison Consultants have advised super funds that they should invest in key markets overseas to balance their portfolios.

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