

Zurich Investments

Australian Property Securities Fund

Fund Focus - October 2018

Fund commentary

The Australian Real Estate Investment Trust (AREIT) market fell in October as concerns about higher interest rates and global growth led to a sell-off in global markets. However, defensive sectors such as AREITs outperformed, falling less than the broader equities market.

The Fund declined by 3.18% which was in line with the index.

The main positive contributors to performance included Australian Unity Office, Scentre Group, Vicinity and Propertylink. The overweight in Australian Unity Office contributed positively as the stock received a takeover offer from Starwood Capital. The overweights in Scentre Group and Vicinity benefitted as both stocks outperformed due to the majority of retail stocks reporting improving sales. The overweight in Propertylink contributed positively as the company has granted due diligence to ESR in order to enter an agreement for the takeover of Propertylink.

The main detractors from performance included the underweight in Shopping Centres Australasia after the stock rallied due to its acquisition of the Vicinity portfolio, which is accretive to earnings. The overweight in Stockland detracted as the stock underperformed alongside other residential stocks due to deteriorating sentiment towards this sub-sector. The underweight in Bunnings negatively impacted after the stock outperformed with other long WALE stocks. The overweight in Unibail contributed negatively after management announced unchanged earnings guidance. Lastly, the underweight in GPT detracted as the stock outperformed after announcing a small upgrade to earnings guidance.

During the month the investment team were buyers of Unibail after the stock continued to underperform significantly and now trades at 24% discount to net asset value (NAV). Management is also executing on its strategy to deleverage. The position in Aveo was increased as the stock has fallen further and is now trading on a low price-to-earnings ratio, a level which builds in significant earnings downside. The overweight in Scentre Group was increased as the stock is trading at a discount to net tangible assets (NTA). Finally, the holding in Centuria Metropolitan REIT was increased via participation in its placement and entitlement issue, which was at a 4.7% discount to market.

Top 10 holdings as at 31 October 2018

Stock	%
Scentre Group	20.7
Goodman Group	13.1
Unibail-Rodamco Se	9.3
Stockland	8.9
Vicinity Centres	8.9
Dexus Property Group	6.4
Mirvac Group	6.3
GPT Group	4.7
Investa Office Fund	3.5
Charter Hall Group	3.2

Top 5 positive active positions as at 31 October 2018

Stock	Portfolio Weight %	Overweight %
Scentre Group	20.7	2.3
Unibail-Rodamco Se	9.3	1.5
Vicinity Centres	8.9	1.5
Stockland	8.9	1.3
Investa Office Fund	3.5	1.1

Income distributions for the quarter

Date	cents per unit
30 September 2018	0.3630
30 June 2018	1.8895
31 March 2018	0.3783
31 December 2017	0.8894
30 September 2017	0.5878

Fund performance after fees¹

As at 31 October 2018	1 month %	3 months %	1 year %	3 years %pa	5 years %pa	Since inception %pa
Growth	-3.2	-2.9	3.7	4.0	6.7	1.1
Income	0.0	0.3	3.0	4.2	4.5	6.8
Total	-3.2	-2.6	6.7	8.2	11.3	7.8
Benchmark	-3.1	-2.1	7.3	7.4	11.3	7.1

Investment objective

To provide investors with an income stream and capital growth over the medium to long term. The Fund aims to outperform the S&P/ASX 300 Property Trusts Accumulation Index over a period of five years.

Investment strategy

The Fund invests in a range of property securities, spread across retail, commercial and industrial property sectors.

Investment philosophy

In managing the Zurich Investments Australian Property Securities Fund, Zurich Investments aims to identify and invest in property securities whose market price is less than what we believe it should be, based on what our fund research suggests is their underlying value. The Fund is also subject to our assessment of general themes/trends in the broad/wholesale property market. In our choice of securities, Zurich Investments is not limited to those represented in the industry benchmark.

Strategic investment partner

Zurich Investments forms strategic investment partnerships with exclusive managers to provide investors with access to quality investment professionals recognised as being the best in their area of expertise.

The strategic investment partner for the Fund is Renaissance Property Securities. Renaissance adopts a contrarian value investment approach.

Fund details

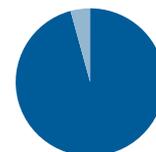
APIR	ZUR0064AU
ARSN	089 663 025
Minimum suggested timeframe	5 Years
Inception date	28 Feb 2000
Funds Under Management	\$241.66m
Minimum initial investment	\$5,000
Minimum additional investment	\$1,000
Entry fee	Nil
Exit fee	Nil
Buy/sell spread	0.30% / 0.30%
Total Estimated Management Cost	0.81%
Distribution frequency	Quarterly
Distribution reinvestment plan	Yes
Distribution dates	March, June, September and December

Strategic asset allocation

Asset class	Range %	Benchmark %
Property securities	95-100	100
Cash	0-5	0

Actual asset allocation as at 31 October 2018

Asset class	%
Aust. property securities	95.8
Cash	4.2
Total	100.0



¹ Performance returns quoted are compound rates of return calculated on exit prices and assume reinvestment of distributions. Returns are calculated net of all ongoing fees and any taxes payable by the fund. Total return includes both growth and distribution returns. Growth return is the change in exit price over the relevant period. The benchmark return shown is a gross return. Please note that figures shown are rounded to one decimal place, therefore some rounding errors may occur.

Past performance is not a reliable indicator of future performance.

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More information

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