

Property Managed Account Portfolio

Q4 2016

Quarterly Performance Update

All data and information as at Portfolio Date: 31/12/2016

Morningstar Style Box

30.5	54.1	15.4	Large	Equity Style	%
0.0	0.0	0.0	Mid	Equity Style Value	30.5
0.0	0.0	0.0	Small	Equity Style Core	54.1
				Equity Style Growth	15.4
Value	Blend	Growth			

An eventful fourth quarter of 2016 capped a truly remarkable year for financial markets. Donald Trump's surprise election as U.S. President dominated headlines as investors tried to digest what his protectionist views and polarising opinions mean for the U.S. (and global) economy. However, one of the more important events of the last quarter, that had significant implications for portfolio returns and asset class valuations, appears to have been overlooked by many. This is in relation to an apparent change in tactics by the world's Central Banks, having realised that they have reached, or are reaching, their limits in terms of their ability to provide monetary stimulus. This was highlighted by the Japanese Central Bank adopting a more targeted approach, reduced, albeit prolonged, support from the European Central Bank and the U.S. Federal Reserve raising interest rates, whilst signalling that inflation and interest rates will probably rise faster than current expectations. These developments resulted in material losses across interest rate sensitive assets, including listed property. Indeed, the speed and severity of falls was noteworthy, notwithstanding that we view much of the sector as being expensive.

Property Portfolio - Holdings

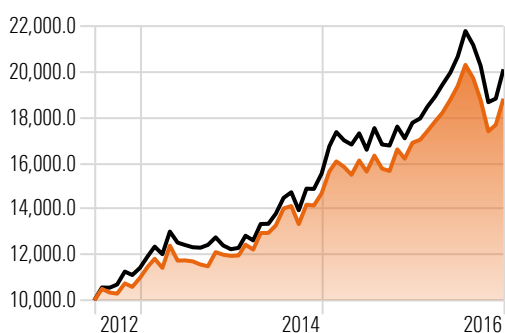
	Weighting %
GPT Group	22.2
Dexus Property Group	16.3
Scentre Group	15.2
Goodman Group	14.7
Westfield Corp	14.2
Vicinity Centres	12.8
Cash Account	4.6

Against this backdrop, positive returns of 0.3% for the quarter is a pleasing result for the property portfolio, particularly in view of the 1.0% outperformance of the underlying benchmark. As at the end of FY2016, however, the portfolio generated a return of 11.4%, slightly underperforming the benchmark returns of 13.2%.

The portfolio's exposure to Dexus (+7.5%) and GPT (+1.8%) were the main drivers of this quarter's relative outperformance, with investors taking a more favorable view of Sydney CBD properties. Any further outperformance was curtailed by large exposures to Westfield (-3.6%) and Vicinity Centres (-2.9%). With the UK opting to leave the European Union, Westfield's earnings faced downward pressure as a result of the weaker GBP.

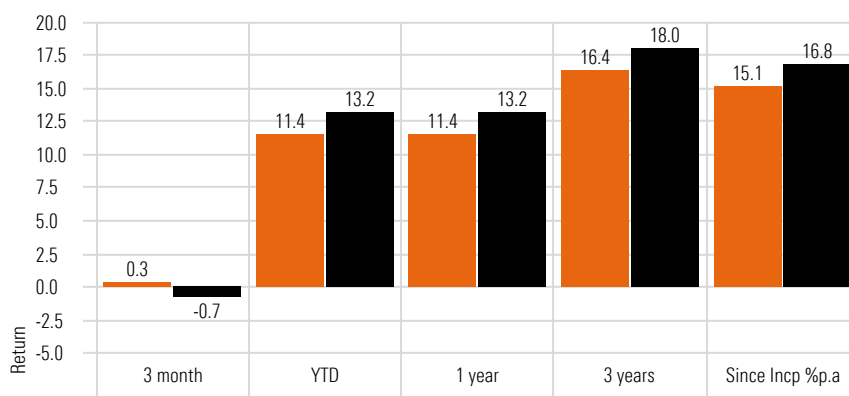
Investment Growth of \$10,000

Time Period: 01/07/2012 to 31/12/2016



■ Property Managed Account ■ S&P/ASX 200 A-REIT TR

Returns Relative to Benchmark



■ Property Managed Account

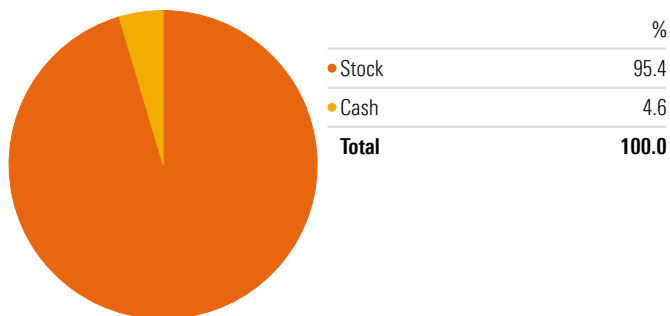
■ S&P/ASX 200 A-REIT TR

Portfolio Fundamentals

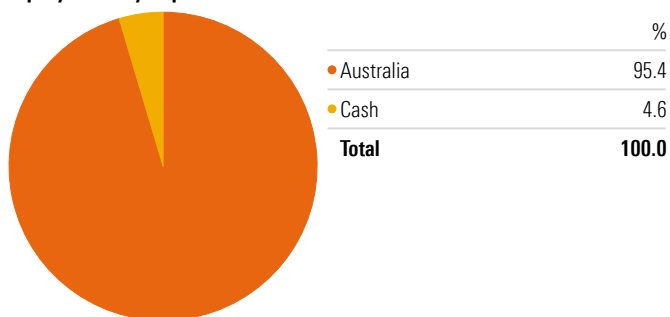
Display Benchmark 1: S&P/ASX 200 A-REIT TR

	Inv	Bmk1
Average Market Cap (mil)	9,464.4	5,996.4
P/E Ratio (TTM)	8.5	12.1
P/B Ratio (TTM)	1.3	1.4

Asset Allocation



Equity Country Exposure



Risk

Time Period: 01/07/2012 to 31/12/2016

Display Benchmark 1: S&P/ASX 200 A-REIT TR

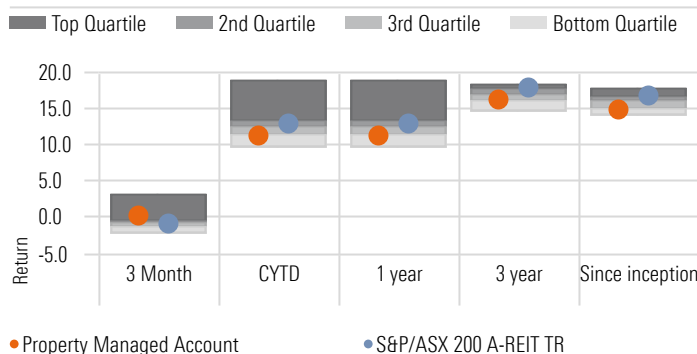
	Inv	Bmk1
Return % pa	15.10	16.80
Std Dev	12.54	12.66
Max Drawdown	-14.32	-14.29
Alpha	-0.97	0.00
Beta	0.96	1.00
R2	94.13	100.00
Sharpe Ratio (arith)	0.96	1.09
Tracking Error	3.08	0.00

Transactions in the Quarter

There were no transactions in the quarter.

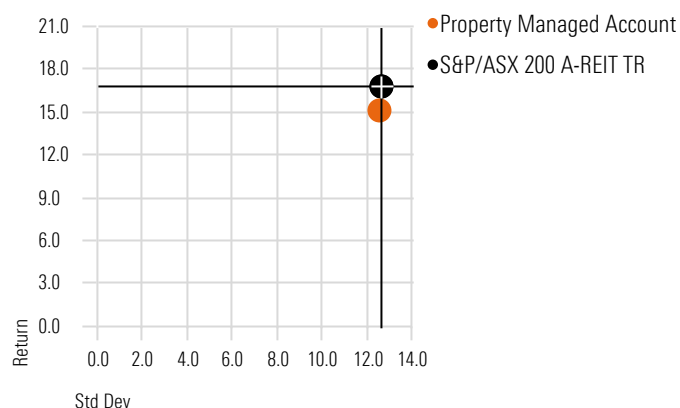
Performance Relative to Peer Group

Peer Group (5-95%): All Managed Investments - Australia - Equity Australia Real Estate



Risk-Reward

Time Period: 01/07/2012 to 31/12/2016



Property - Market Performance

Time Period: 01/07/2012 to 31/12/2016

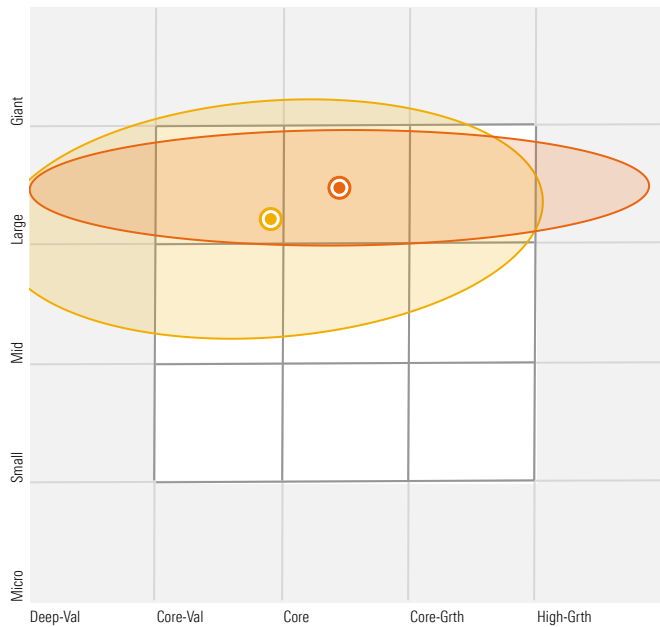
Display Benchmark 1: S&P/ASX 200 A-REIT TR

	Inv	Bmk1
Up Period Percent	59.26	61.11
Down Period Percent	40.74	38.89
Best Month	8.53	8.24
Worst Month	-7.33	-7.86
Best Quarter	10.11	11.51
Worst Quarter	-3.14	-2.43
Up Capture Ratio	94.49	100.00
Down Capture Ratio	100.06	100.00

Property Portfolio - Complete List of Holdings

	Code	Style Box	Economic Moat	Fair Value Uncertainty	Portfolio Weight %
GPT Group	GPT		Narrow	Medium	22.2
Dexus Property Group	DXS		Narrow	Medium	16.3
Scentre Group	SCG		Narrow	Medium	15.2
Goodman Group	GMG		Narrow	Medium	14.7
Westfield Corp	WFD		Narrow	Medium	14.2
Vicinity Centres	VCX		Narrow	Medium	12.8
Cash Account					4.6

Holdings-Based Style Map

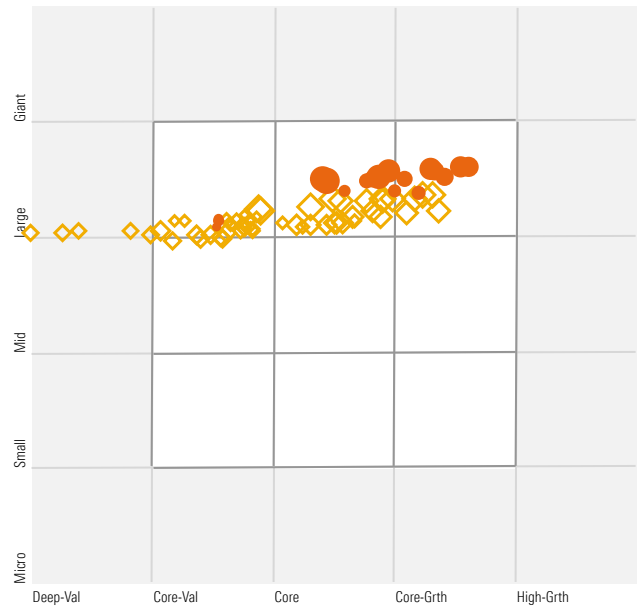


● Property Managed Account 31/12/2016 ● Australia Fund Equity Australia Real Estate 31/12/2016

The above chart shows the portfolio and index style mix. The shaded area is the region in which 75% of the portfolio's holdings fall.

Holdings-Based Style Trail

Time Period: 31/07/2012 to 31/12/2016



● Property Managed Account ◆ Australia Fund Equity Australia Real Estate

The above chart shows the portfolio and index style mix over time, the smallest dot representing the earliest date.

Glossary of Terms

Term	Description
Active Return	A performance measure of a portfolio relative to its benchmark.
Allocation Effect	Refers to the portion of an investment manager's value-add attributable to the manager's decision on how much to allocate to each market sector, in other words, a manager's decision to overweight and underweight certain sectors compared with the benchmark.
Alpha	A measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta.
Average Market Cap (mil)	Average Market Cap (mil) This is an estimation of the value of a business that is obtained by multiplying the number of shares outstanding by the current price of a share.
Best Month	The highest monthly return of the investment since its inception or for as long as Morningstar has data available.
Best Quarter	The highest quarterly (3-month) return of the investment since its inception or for as long as Morningstar has data available.
Beta	A measure of systematic risk with respect to a benchmark. Systematic risk is the tendency of the value of the fund and the value of benchmark to move together. Beta measures the sensitivity of the fund's excess return (total return minus the risk-free return) with respect to the benchmark's excess return that results from their systematic co-movement.
Debt to Capital % (TTM)	A ratio measuring a firm's financial leverage. This ratio is calculated by dividing long-term debt (excluding other liabilities) by total capitalisation (the sum of common equity plus preferred equity plus long-term debt).
Down Capture Ratio	Downside Capture Ratio measures manager's performance in down markets. A down-market is defined as those periods (months or quarters) in which market return is less than 0. In essence, it tells you what percentage of the down-market was captured by the manager. For example, if the ratio is 110%, the manager has captured 110% of the down-market and therefore underperformed the market on the downside.
Down Period Percent	Number of months below 0 divided by the total number of months.
Downside Deviation	This measures only deviations below a specified benchmark.
Moat Company Pct	Percentage of the portfolio, by market value, having a narrow or wide moat.
P/E Ratio (TTM)	A measure of value. It is the average price divided by latest earnings.
Portfolio Price/Fair Value	Ratio of the portfolio's market value to the fair value of the portfolio.
R2	Reflects the percentage of a portfolio's movements that can be explained by movements in its benchmark.
ROA % (TTM)	Return on assets (ROA) measures a firm's performance in using assets to generate earnings independent of how the firm financed acquisition of those assets.
ROE % (TTM)	Return on equity (ROE) is the percentage a company earns on its total equity in a given year. ROE shows how much profit a company generates on the money shareholders have invested in the firm.
Selection Effect	Represents the portion of performance attributable to the manager's stock picking ability.
Sharpe Ratio (arith)	Is calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance.
Std Dev	A statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given fund.
Tracking Error	A measure of the volatility of excess returns relative to a benchmark.
Turnover (2 Yr Avg)	Measures the portfolio manager's trading activity by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.
Up Capture Ratio	Upside Capture Ratio measures a manager's performance in up markets relative to the market (benchmark) itself. It is calculated by taking the security's upside capture return and dividing it by the benchmark's upside capture return.
Up Period Percent	Number of months above 0 divided by the total number of months.
Worst Month	The lowest monthly return of the investment since its inception or for as long as Morningstar has data available.
Worst Quarter	The lowest quarterly (3-month) return of the investment since its inception or for as long as Morningstar has data available.

Morningstar's Investment Principles



We put investors first. We believe the firms that put investors first win in the long term because their investors win.

Since 1984, Morningstar, Inc. has been helping investors reach their financial goals. Our fiduciary duty to our principals is paramount.



We're independent-minded. To deliver results, we think it's necessary to invest with conviction, even when it means standing apart from the crowd.

Our research shows that making decisions based on fundamental analysis, rather than short-term factors and sentiment, delivers better long-term investment results.



We invest for the long term. Taking a patient, long-term view helps people ride out the market's ups and downs and take advantage of opportunities when they arise.

Investing with a multi decade horizon aligns with investors focus on increasing their purchasing power over their lifetimes.

The long term is the only period where fundamental, valuation driven investing works.



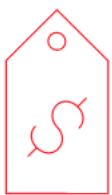
We're valuation-driven investors. Anchoring decisions to an investment's fair value—or what it's really worth—can lead to greater potential for returns.

Valuation-driven investing through a long-term focus on the difference between price and intrinsic value enables investors to get more than they're paying for.



We take a fundamental approach. Powerful research is behind each decision we hold, and we understand what drives each investment we analyse.

Fundamental investing incorporates a focus on the future earnings of an investment and not its prospective price change.



We strive to minimise costs. Controlling costs helps investors build wealth by keeping more of what they earn.

Investment returns are uncertain, but costs are not.

Lower costs allow investors to keep more of their returns.



We build portfolios holistically. To help manage risk and deliver better returns, truly diversified portfolios combine investments with different underlying drivers.

Portfolios should be more than the sum of their parts.

True diversification can have a powerful impact on a portfolio's risk-adjusted returns – but simply holding more investments isn't the same as true diversification.