

Property Managed Account Portfolio

Q22018

Quarterly Performance Update

All data and information as at Portfolio Date: 30/06/2018

Morningstar Style Box

13.7	51.4	15.2	Large
19.7	0.0	0.0	
0.0	0.0	0.0	Small
Value	Blend	Growth	

Equity Style	%
Equity Style Value	33.4
Equity Style Core	51.4
Equity Style Growth	15.2

'In the short run the market is a voting machine - reflecting a voter registration test that requires only money not intelligence or emotional stability - but in the long run the market is a weighing machine.'
- Benjamin Graham and Warren Buffett

Key points:

- The upward path of U.S. interest rates and increasing trade tensions has impacted investor sentiment in recent months, leading to heightened volatility
- Recent weakness in Emerging Market shares and bonds sees them stand out in a world of few opportunities

2018 has proven to be a challenging year so far. The strong gains and buoyant sentiment of 2017 feel like a distant memory, having been replaced by a more cautious period of muted returns from key share and bond markets. In many cases, the cause for investor concern is not new. The upward direction for the outlook for U.S. interest rates has been on the horizon for some time. Global political issues too, like the ongoing Brexit negotiations, are well known, notwithstanding the increasing news flow in recent times. Indeed, concerns over the political outlook in Italy (and by extension the health of Italian banks) which were raised again during the quarter, were at the heart of the extraordinary volatility in 2016. Granted, these issues are a little further down the road toward resolution now, understandably triggering investor anxiety along the way, but new challenges have also emerged. Escalation of trade tariffs, for example, have reignited Emerging Market uncertainty, particularly regarding China. Closer to home, investors have had to digest the surprising and explosive revelations aired during the Banking & Financial Services Royal Commission.

Property Portfolio - Holdings

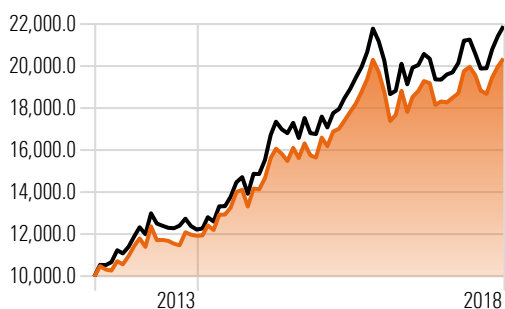
	Weighting %
Scentre Group	17.3
GPT Group	16.6
Cash Account	15.3
Vicinity Centres	15.1
Goodman Group	12.9
WFD Unibail-Rodamco NV A	11.6
Dexus	11.0
OneMarket Ltd Ordinary Sha	0.1

Against such a backdrop, it should come as no surprise that financial markets have endured a volatile time. This change in investor sentiment is noteworthy. Having been near complacent in their approach toward the end of 2017, thinking that the strong market returns were reasonable and sustainable expectations for the future, investors have had their attitudes toward risk sharply refocused in recent months. In our view, this extra prudence is warranted but, as is often the case in these circumstances, investors have fled those assets with the greatest perceived uncertainty, without regard for the price of the asset, in an effort to remove the discomfort of being invested when fear and worry prevails. This irrational response has resulted in significant outflows of money from Emerging Market shares, bonds and currencies, again reviving memories of early 2016. This 'flight to safety' has further contributed to a strengthening U.S. dollar, which was already experiencing upward pressure, given the growth of the U.S. economy. In each case, however, while risks remain, the fundamental drivers of cash flows from these assets (for instance, dividends) appear strong; and importantly, valuations having further improved with this recent weakness (suggesting that investors are being well compensated for the risks of investing in these assets).

This point regarding valuations cannot be underestimated. While there are plenty of potential catalysts for weakness firmly on the radar, attempting to predict the actions of global Central banks and governments, which are heavily dictating sentiment, is a fruitless exercise. What remains a far better guide to identifying sources of potential future returns is to invest based on an understanding of "what is in the price". In this respect, attractively priced opportunities remain few and far between. Indeed, many of the traditional asset classes favoured by Australian investors, such as Australian and U.S. equities, offer a poor reward for risk. Similarly, global bonds are expected to deliver negative returns, after inflation, over the longer term, as stimulatory monetary policy, in place since the Global Financial Crisis, is unwound. With this, while we welcome the recent caution, investors still appear to be too optimistic on the outlook for portfolio returns given the opportunities currently available. With valuations expensive and the risk of loss remaining elevated, we continue to hold higher levels of cash than normal.

Investment Growth of \$10,000

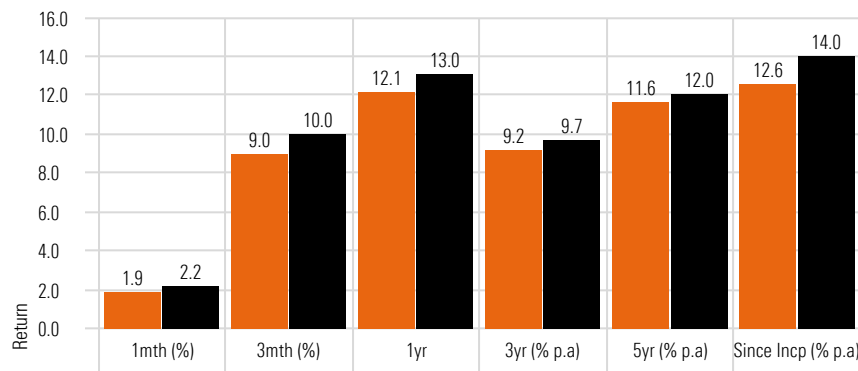
Time Period: 1/07/2012 to 30/06/2018



■ Portfolio

■ -S&P/ASX 200 A-REIT TR

Returns Relative to Benchmark



■ Portfolio

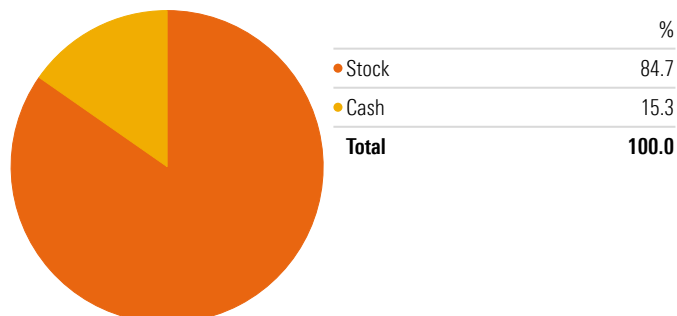
■ S&P/ASX 200 A-REIT TR

Portfolio Fundamentals

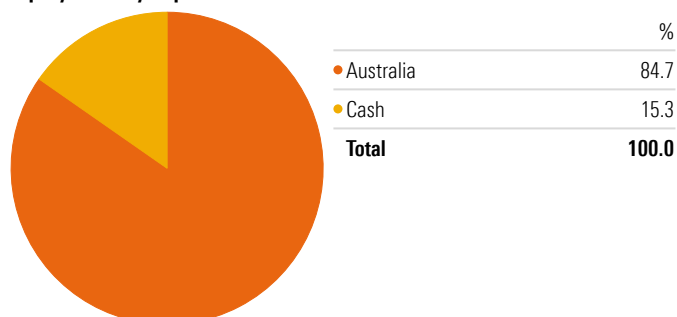
Display Benchmark 1: S&P/ASX 200 A-REIT TR

	Inv	Bmk1
Average Market Cap (mil)	10,792.6	10,998.1
P/E Ratio (TTM)	2.2	2.9
P/B Ratio (TTM)	0.4	1.1

Asset Allocation



Equity Country Exposure



Risk

Time Period: 1/07/2012 to 30/06/2018

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

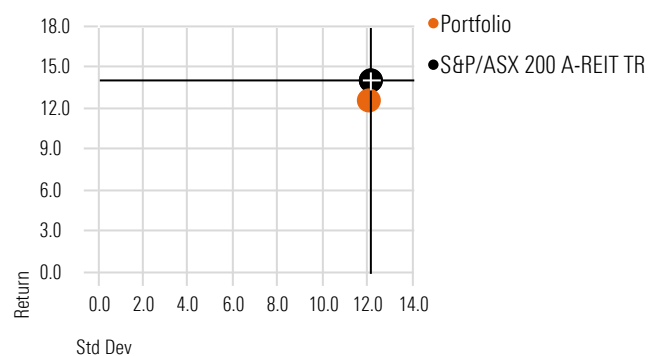
	Inv	Bmk1
Return % pa	12.58	13.96
Std Dev	12.08	12.17
Max Drawdown	-14.32	-14.29
Alpha	-0.83	0.00
Beta	0.96	1.00
R2	94.09	100.00
Sharpe Ratio (arith)	0.80	0.90
Tracking Error	2.97	0.00

Transactions in the Quarter

There were no transactions in the quarter.

Risk-Reward

Time Period: 1/07/2012 to 30/06/2018



Property - Market Performance

Time Period: 1/07/2012 to 30/06/2018

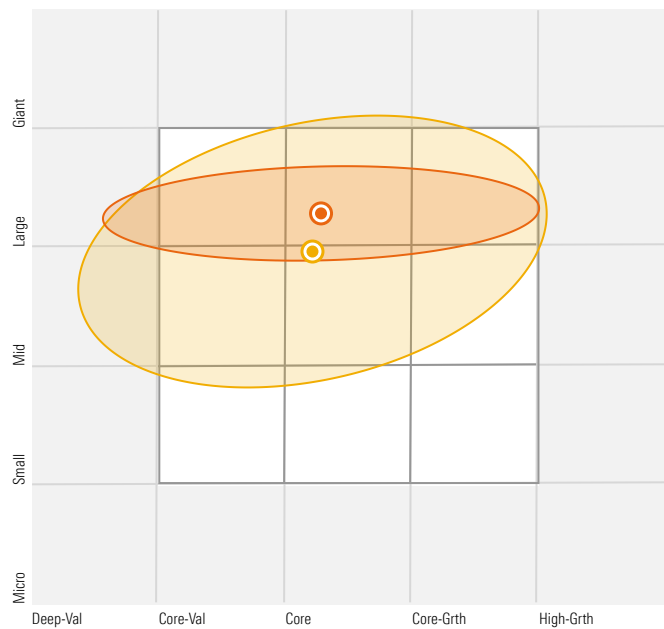
Display Benchmark 1: S&P/ASX 200 A-REIT TR

	Inv	Bmk1
Up Period Percent	59.72	62.50
Down Period Percent	40.28	37.50
Best Month	8.53	8.24
Worst Month	-7.33	-7.86
Best Quarter	10.11	11.51
Worst Quarter	-6.44	-6.40
Up Capture Ratio	94.12	100.00
Down Capture Ratio	98.20	100.00

Complete List of Holdings

	Code	Style Box	Economic Moat	Fair Value Uncertainty	Portfolio Weight %
Scentre Group	SCG		Narrow	Medium	17.3
GPT Group	GPT		Narrow	Medium	16.6
Cash Account					15.3
Vicinity Centres	VCX		Narrow	Medium	15.1
Goodman Group	GMG		Narrow	Medium	12.9
WFD Unibail-Rodamco NV ADR	URW		Narrow	Medium	11.6
Dexus	DXS		Narrow	Medium	11.0
OneMarket Ltd Ordinary Shares	OMN				0.1

Holdings-Based Style Map

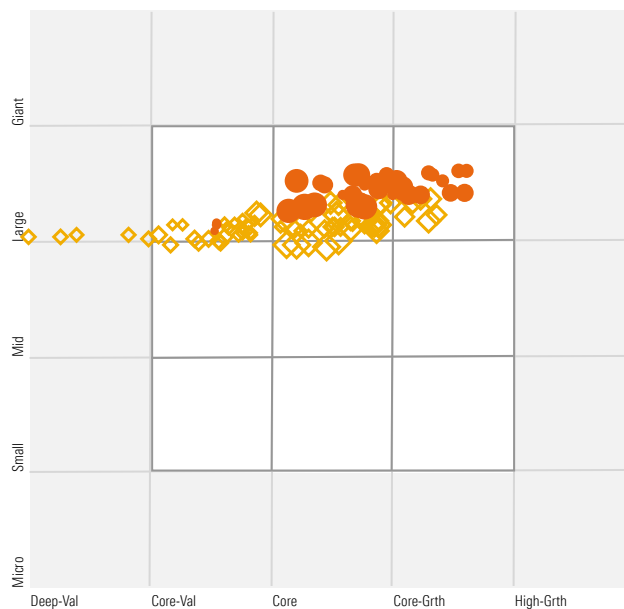


● Portfolio 30/06/2018 ● Australia Fund Equity Australia Real Estate 30/06/2018

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 30/06/2018



● Portfolio ● 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.