

## Perpetual Wholesale Property Income Fund

December 2011

### Fund facts

**Investment objective:** Aims to provide stable income and long term capital growth by investing in both listed property related securities and unlisted property funds.

**Benchmark:** UBS Government Bond 3 to 5 Years Index<sup>^</sup>

**Inception date:** October 2004

**Size of fund:** \$10.4 million as at 30 September 2011

**APIR:** PER0266AU

**Mgmt cost:** 0.900% pa

**Investment style:** Active, fundamental, bottom-up, value

**Suggested minimum investment period:** Five years or longer

### Fund benefits

Provides investors with stable income through investment in an actively managed mix of quality listed and unlisted property trusts. These property trusts are diversified across sectors, tenant type and lease life.

### Total returns % (after fees) as at 31 December 2011

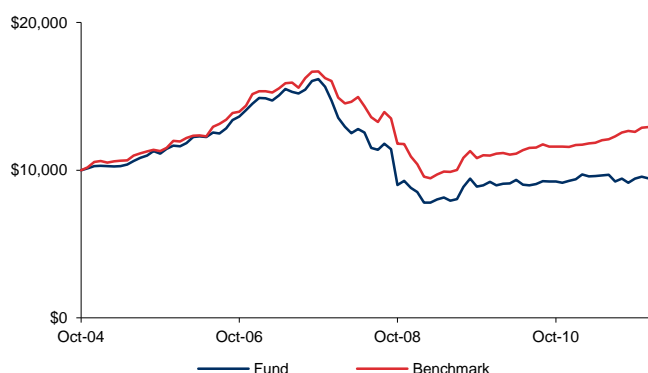
	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	5 yrs pa	7 yrs pa	Incept pa
Perpetual Wholesale Property Income Fund	-1.2	3.2	-2.5	1.8	1.3	2.4	-8.2	-1.2	-0.4
UBS Government Bond 3 to 5 Years Index <sup>^</sup>	0.3	2.1	6.7	11.7	8.4	5.8	-3.1	2.9	3.8

Please note: Performance for Perpetual's complete list of investment funds is available on [www.perpetual.com.au](http://www.perpetual.com.au). Past performance is not indicative of future performance.

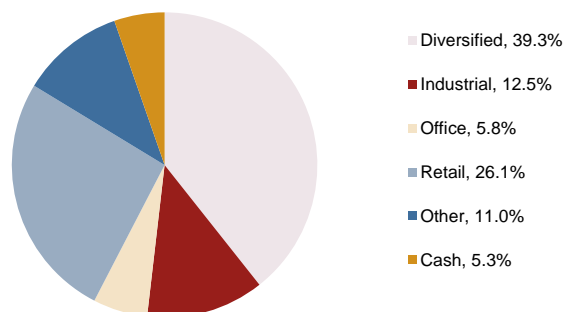
### Points of interest

- The Fund has returned 1.8% over the last 12 months
- Our position to the Charter Hall Office REIT (+5.5%) was the largest contributor to December performance
- Our position to global retail landlord Westfield Group (-4.8%) was the largest detractor from performance this month

### Growth of \$10,000 since inception



### Portfolio sectors



### Top 10 holdings

Westfield Group
Australand Wholesale Property Fund No 6
Stockland
Mirvac Wholesale Hotel Fund
Goodman Australia Industrial Fund
Westfield Retail Trust
GPT Group
Mirvac Group
CFS Retail Property Trust
Charter Hall Office REIT

### Portfolio composition

	Breakdown
Listed Securities	64.9%
Unlisted Securities	29.8%
Cash	5.3%
	100.0%

## Market commentary

The listed property sector, as measured by the S&P/ASX 300 Property Accumulation Index fell 2.6% over the month, underperforming the broader equities market which fell 1.4%. Australian REIT's did however outperform the local equity market over the calendar year by 9.4%, the first time it has done so since 2006.

The commercial office sector (+3.3%) proved to be the strongest performer for the month, with retail property (-3.7%) providing the weakest returns. This pattern almost mirrors year end results with the commercial office sector (+22.2%) providing stellar annual returns in stark contrast to the retail sector (-7.0%). However, excluding Westfield Group (-13.2%), both the retail sector and the broader property market would still have provided investors with positive absolute returns over the calendar year.

In direct property, sales volume was very thin in December with estimates suggesting only \$440m of transactions in the \$30m+ properties category. This volume was significantly lower than the yearly average of \$860m over the last 12 months. Despite limited sales and development news flow over the month a number of key leasing transactions saw over 38,000 sqm of office space let across Sydney, Melbourne, Brisbane and Canberra.

## Portfolio commentary

The Perpetual Wholesale Property Income Fund returned -1.2% over the month, underperforming its benchmark, the UBS Government 3-5 Year Bond Index.

Our position to the Charter Hall Office REIT (+5.5%) was the largest contributor to December performance and was also one of the best performing REITs of 2011, posting a 31.0% return for the year. Charter Hall Office REIT is a listed real estate investment trust focused on investing in high grade office buildings predominantly located in major business districts across Australia and the United States. The trust outperformed over December after the announcement that a conditional deal had been struck for the sale of the trust's Australian property portfolio. The internationally led consortium revised its initial bid upwards to \$2.49 per unit which represents an estimated discount to NTA of 5.3% (allowing for distributions potentially unpaid post 31 Dec 2011).

Our position to global retail landlord Westfield Group (-4.8%) was the largest detractor from performance this month. There was no significant news for the Westfield Group in December and trading volumes were well below yearly averages. Westfield Group (-13.2%) has had a difficult year on the market, significantly underperforming the listed property sector over the last twelve months. Continued global macro concerns and more specifically, concerns around Australia's retail environment are likely to produce ongoing volatility for Westfield and other retail landlords throughout 2012.

## Outlook

The listed and unlisted property sectors have largely completed the long rebuilding phase that was necessitated by the severity of the global financial crisis. Recent years have seen management teams raise capital and dispose of underperforming assets in order to restore balance sheet strength. A renewed focus on traditional rent collection activities has also occurred at the expense of riskier and more volatile development and fund management revenue streams.

Despite these strengths the sector is not immune from broader macroeconomic issues. Residential property market indicators remain choppy and weakness in consumer spending is likely to continue weighing on retail trusts. Additionally, evidence of a structural shift to on-line retailing as opposed to a mere cyclical downturn in domestic retail sales may place further pressure on traditional bricks and mortar landlords. However, we believe that these factors provide a solid platform for longer term performance and our insistence on holding quality trusts at attractive valuations while avoiding more speculative vehicles will help to ensure that REIT investors are better placed to weather prevailing economic and structural headwinds.

## What are...?

Hybrid property funds provide exposure to a mix of listed and unlisted property trusts. The allocation between listed and unlisted varies significantly between funds. These types of funds aim to perform similarly to direct property investment with regards to providing a regular income, but with enhanced liquidity.

## Why Perpetual

Perpetual is one of Australia's most experienced investment services groups, with an enduring passion for protecting and growing our clients' wealth.

Founded in Sydney in 1886 as Perpetual Trustees, we've helped generations of Australians invest and manage their wealth through all market conditions.

## Perpetual process

Perpetual's investment philosophy is a fundamental, conservative bottom-up approach to investment selection and active management, focusing on identifying quality companies that represent good value.

The process is based on comprehensive internal company research using four filters - sound management, conservative debt, quality of business and recurring earnings. Portfolios are constructed by experienced portfolio managers within a pre-determined risk framework.

## Did you know?

Hybrid property funds are different from property securities funds as they are more focused on providing a stable income stream. To do so, the funds also invest in unlisted assets which help give the funds more stable and property-like income returns whilst avoiding equity market volatility.

This publication has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in that fund. The PDS can be obtained by calling 1800 022 033 or visiting our website [www.perpetual.com.au](http://www.perpetual.com.au). \*No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital. Total return shown for the fund(s) have been calculated using exit prices after of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for contribution or withdrawal fees or taxation (except in the case of superannuation funds). Past performance is not indicative of future performance. Perpetual's Wealthfocus Investment, Super and Pension Funds also include a Property Income Fund / Investment Option and the information in this document, with the exception of performance, is relevant to these Funds / Investment Options unless stated.

^ Please note that prior to November 2009, the index was a blended 50% S&P/ASX 300 Property Accumulation Index and 50% Mercer Unlisted Property Index.



## Further information

Adviser Services 1800 062 725

Investor Services 1800 022 033

Email [investments@perpetual.com.au](mailto:investments@perpetual.com.au)

[www.perpetual.com.au](http://www.perpetual.com.au)