

# Wholesale Funds

## 1<sup>th</sup> PRRES Conference

### January 2005



people

alignment

innovation



performance

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# Agenda

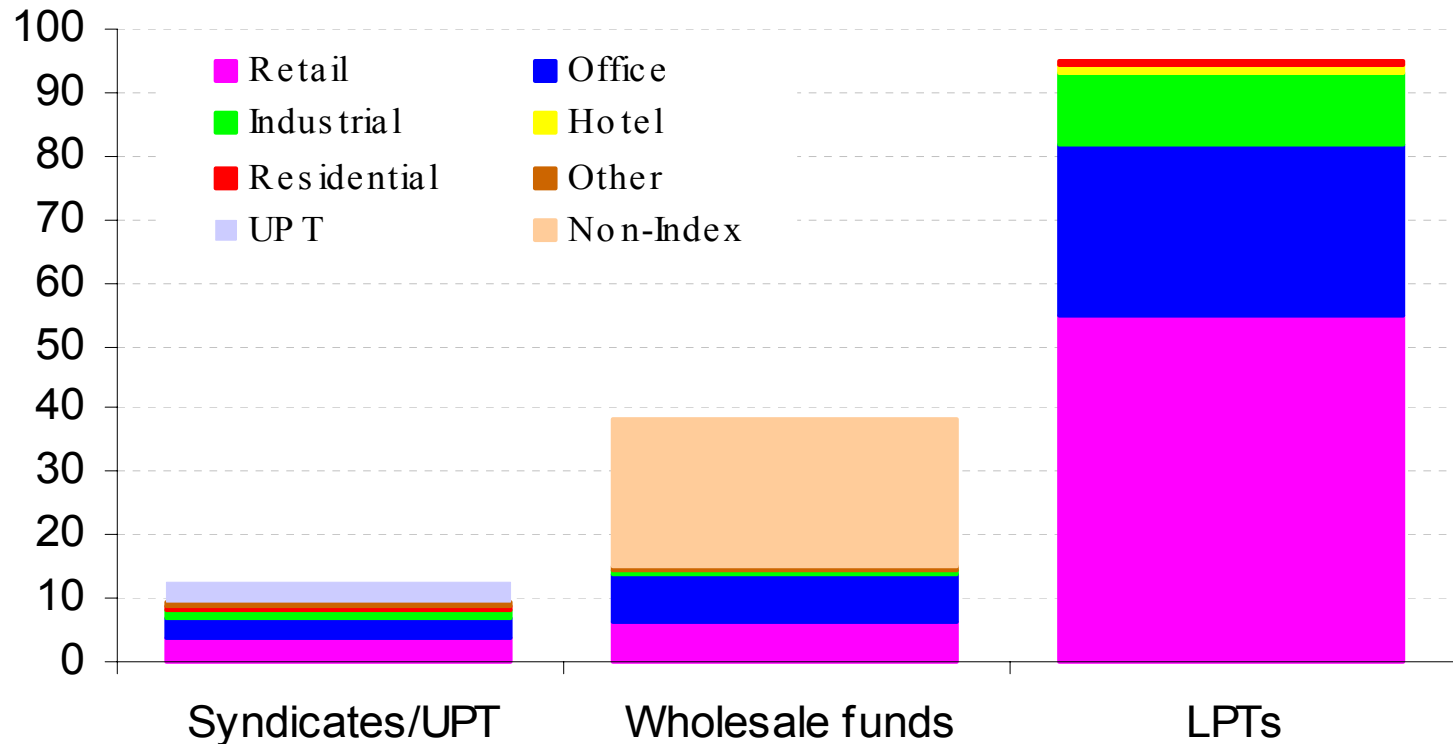
- Market and industry
- Portfolio construction
- Catalysts for change

# Market and Industry

# Wholesale property funds are a significant component of investment property market

## Size of property vehicles by sector split

Asset value (approx. \$147Bn) as at December 2004



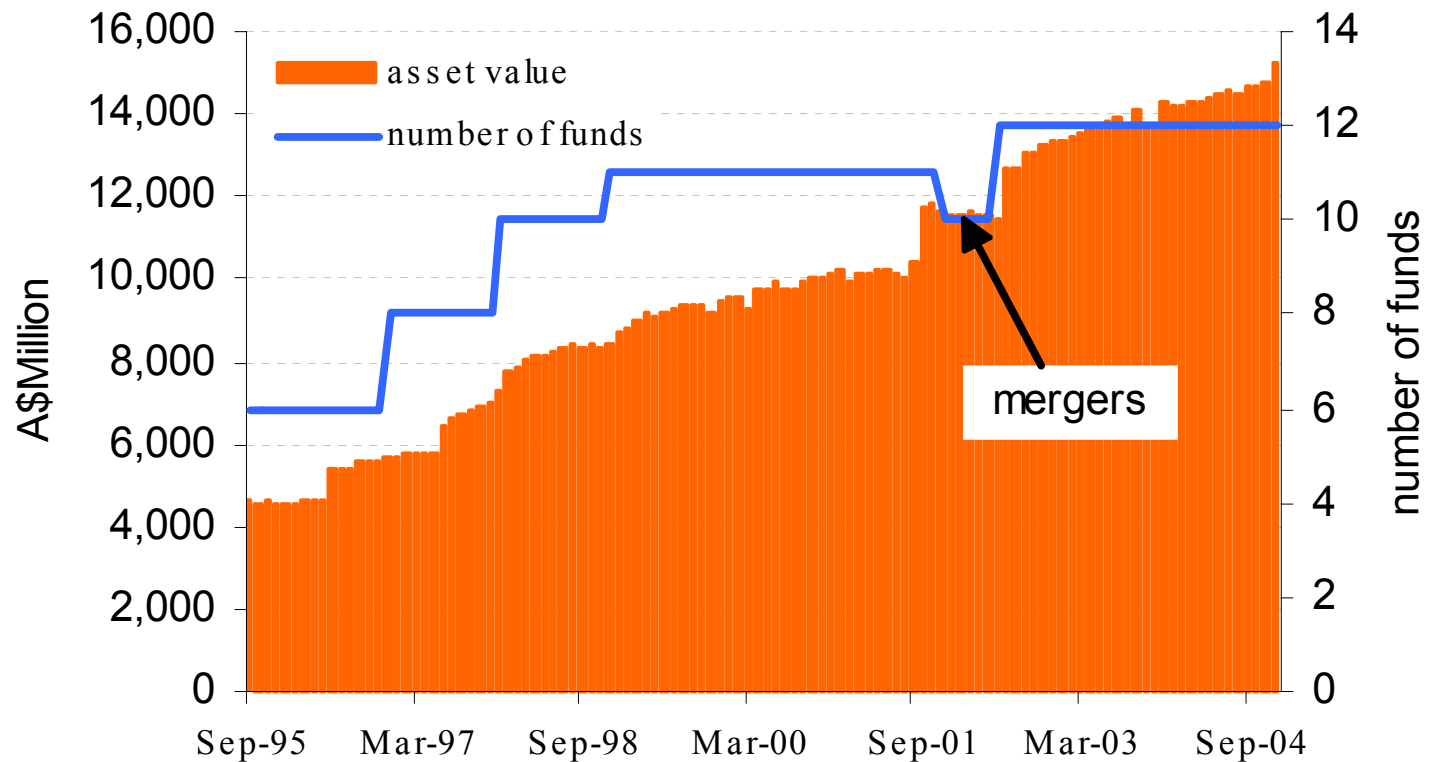
UP T=unlisted property trusts.

Source: PIR, Mercer, UBS and CFSP Research.

at December 2004 total wholesale funds stood at \$38.6 Bn, representing 26% of the institutional property investment vehicles

# Continual asset growth in the indexed unlisted wholesale funds market

## Australian unlisted wholesale funds market



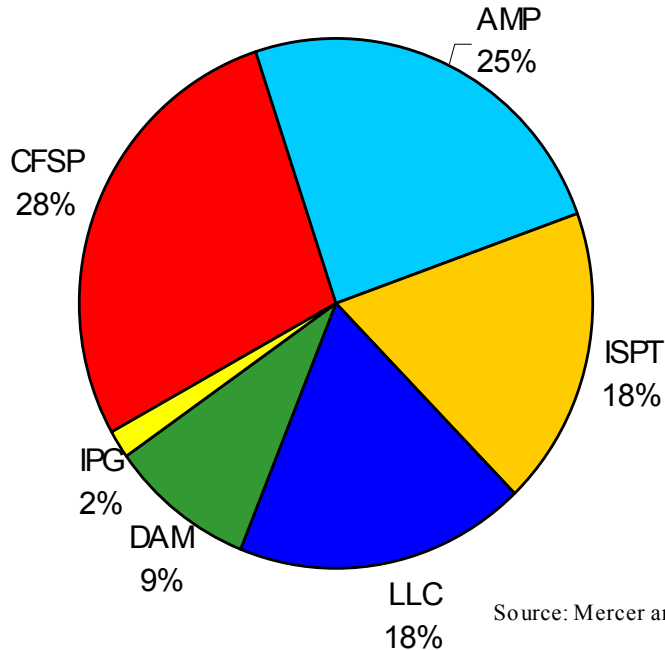
Source: Mercers and CFSP Research.

ures refer to wholesale funds that constitute part of the Mercers Unlisted Property Fund Index

# High degree of manager concentration in wholesale property funds industry

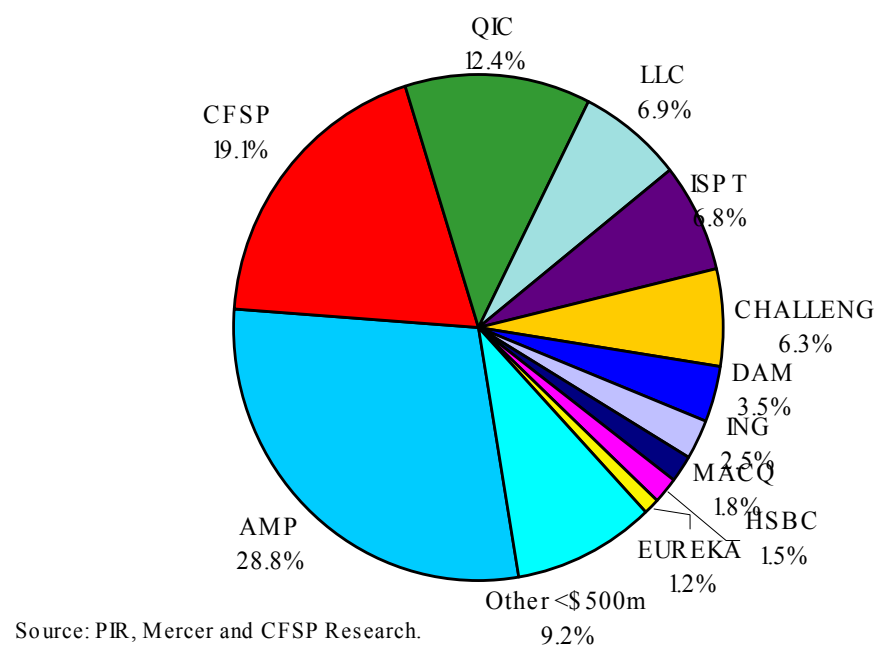
## Market Share: MUPFI Property Fund Manager

Market Size (\$15.2 bn) as at Dec-04



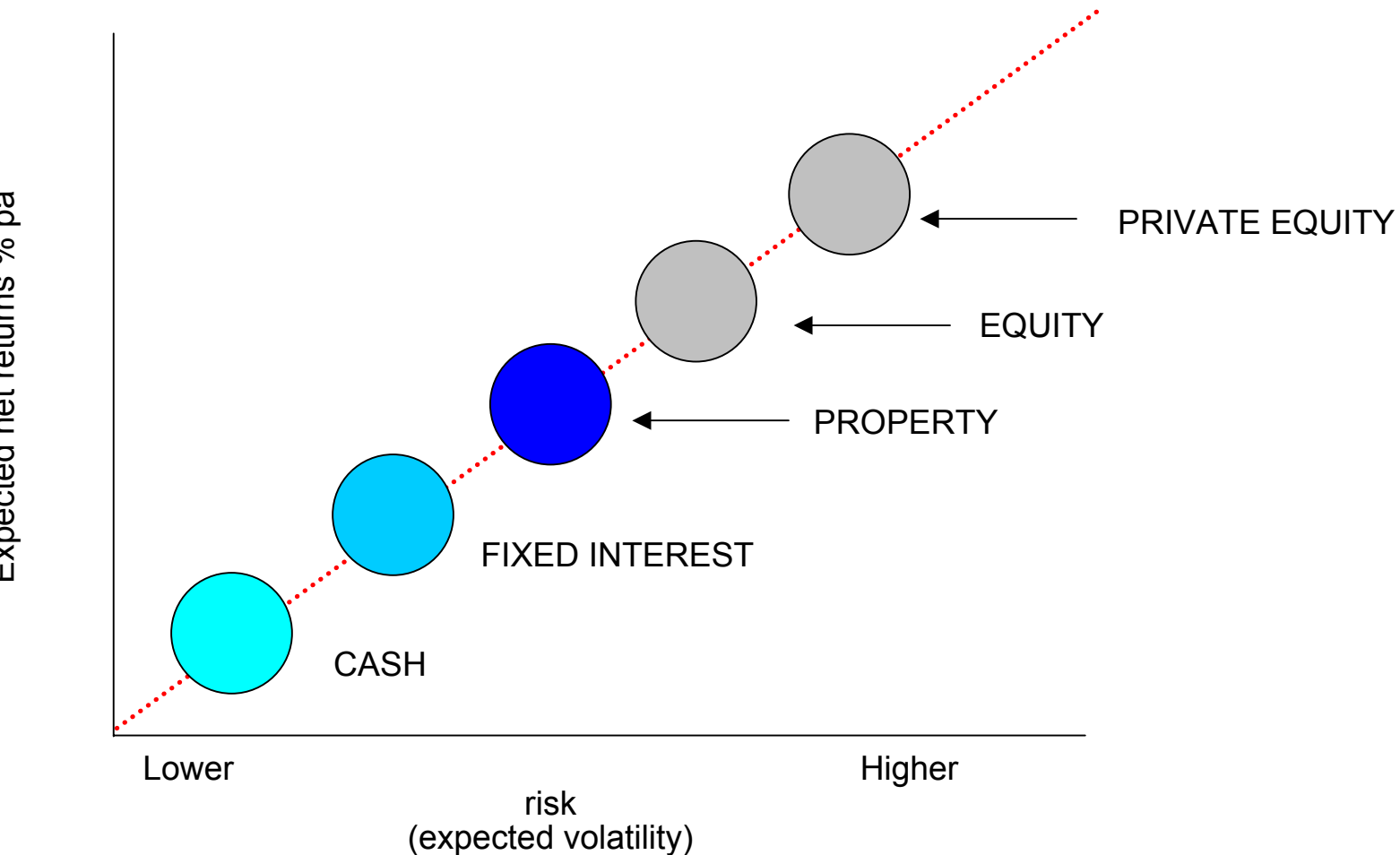
## Market Share: Wholesale Property Fund Managers

Market Size (\$40.2 bn) as at Dec-04



# Portfolio Construction

# Wholesale property exposes investors to a different asset class with different risk-return

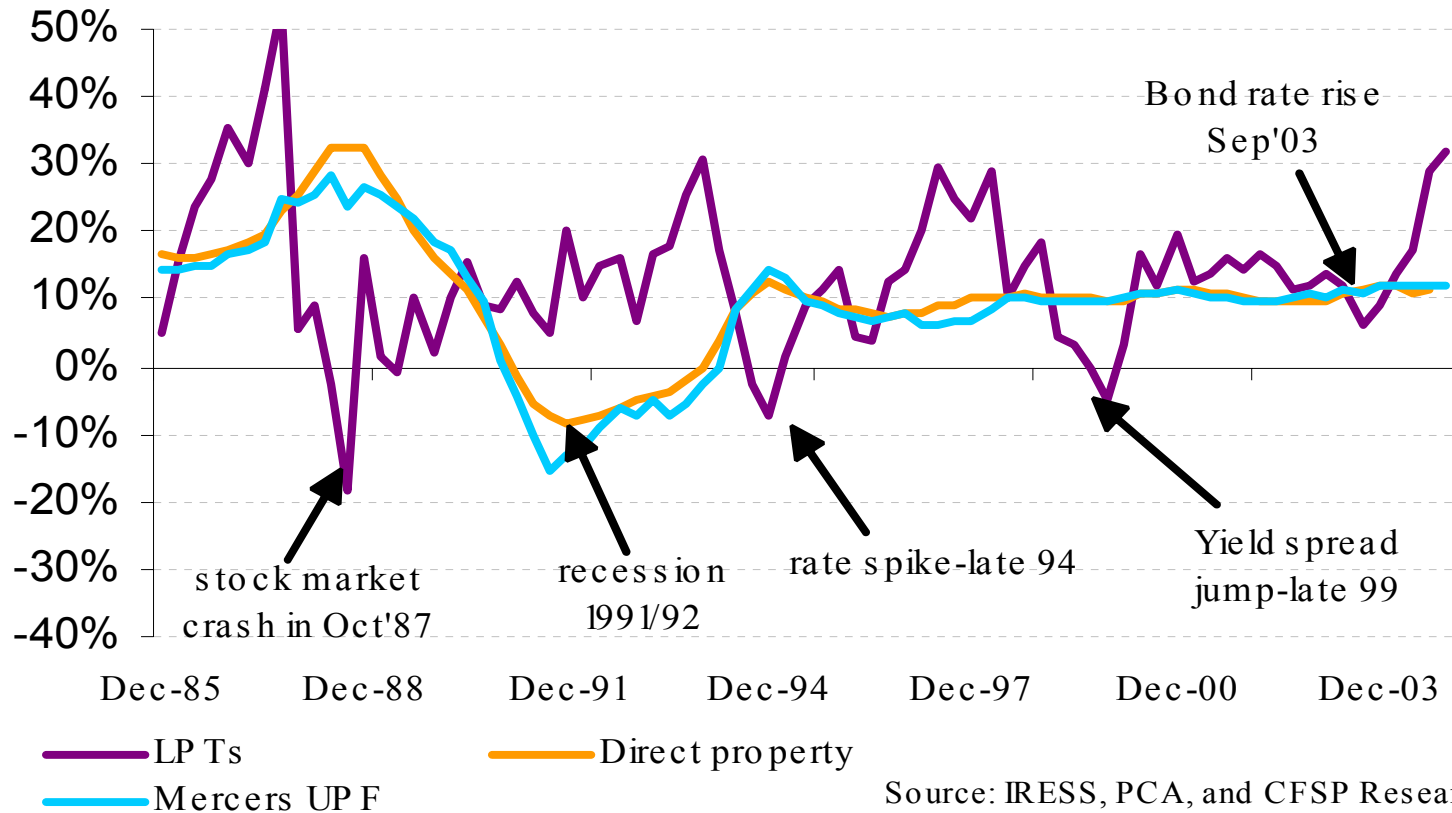




# Wholesale funds expose investors to a return profile which differs to LPTs

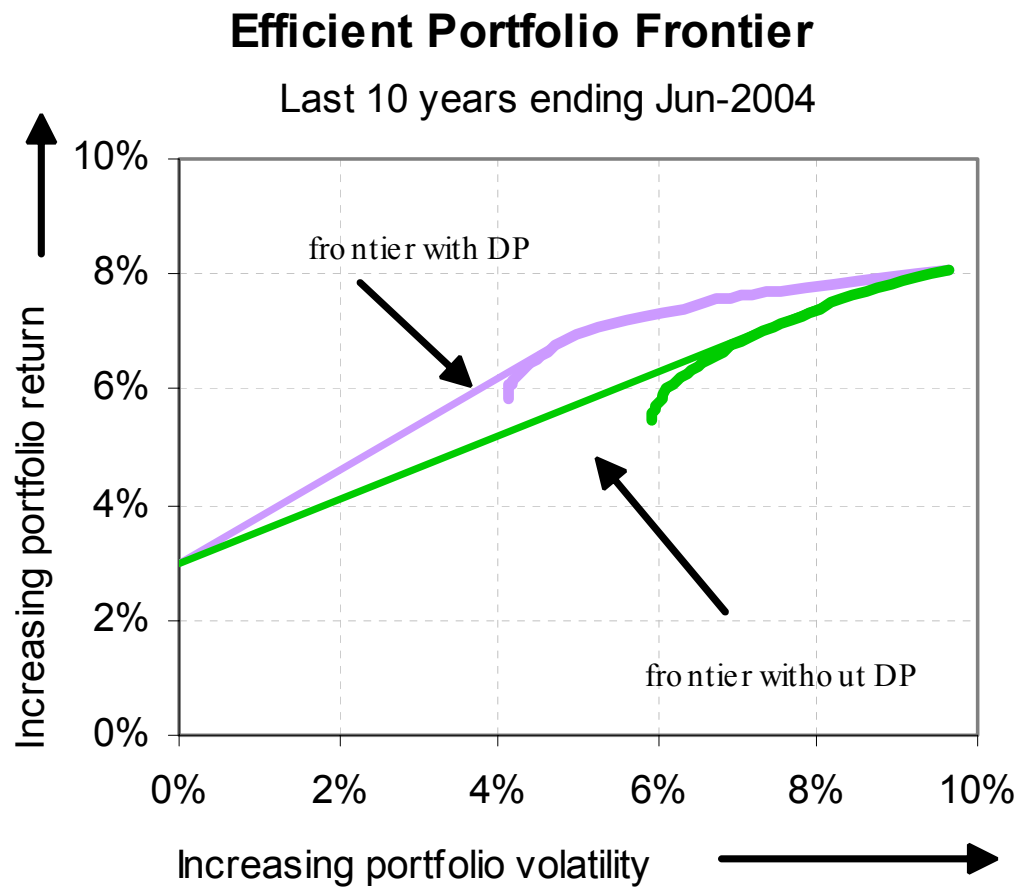
## Performance across property asset classes

Rolling nominal annualised total returns on quarterly rests



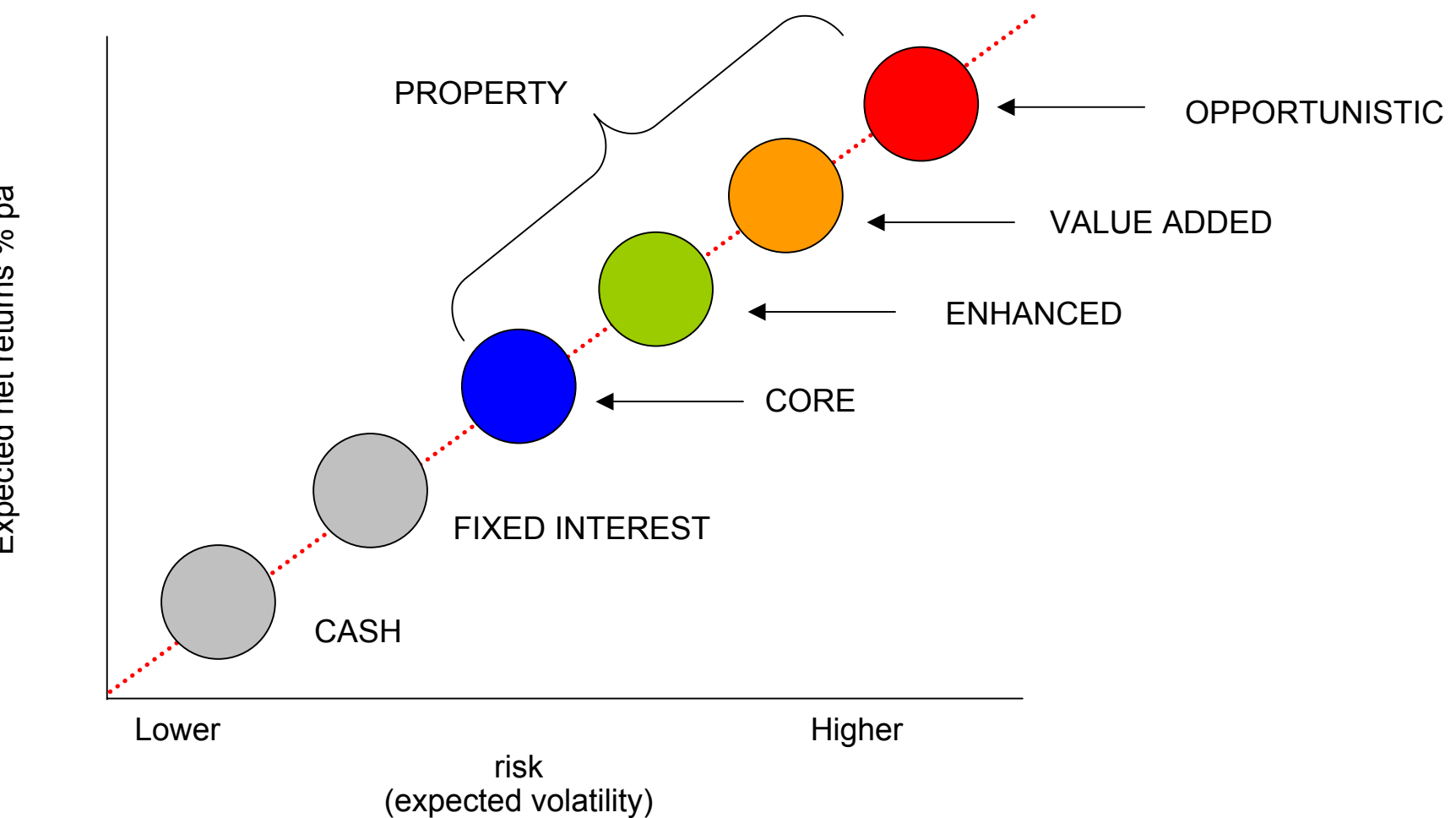
Source: IRESS, PCA, and CFSP Research.

# The inclusion of direct property in a balanced portfolio construction shifts frontier upwards



Source: CFSP Research.

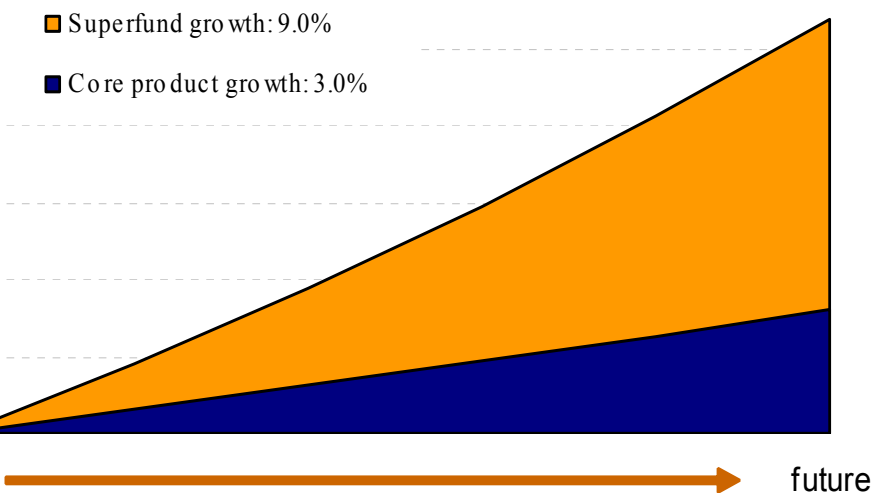
# Expansion of wholesale fund products along the risk-reward space



# Catalysts for Change

# Weight of capital supported via increasing flow of funds from superannuation

## Mismatch between capital and product



Source: CFSP Research.

## Investment implications:

- International exposure to source product
- Sector expansion, eg. into hotels, development, aged-care, etc.
- Pressure on discount rates

# I. Asset allocation – listed versus direct

- LPT sector has grown & evolved significantly
- Character of LPT risk and return profile poses questions for asset allocators:
  - are LPTs becoming more equity like?
  - are property and other alternatives better sources of diversification and alpha?

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