

Asian REIT Fund: Performance up, fees down



It's been a good 12 months for investors in APN's Asian REIT Fund. For the year ending March 2018, the Fund produced a total return of 13.18%, beating the Index (BBAREIT) return of 7.86% by 5.32%.

Nor is this a one-off. Since inception in July 2011, the Fund has delivered a total return of 13.9%pa¹. Of course, there's a fee for this performance (although the above figures are net of fees and expenses). Until recently, the management expense ratio (MER) of the Asian REIT Fund was 1.20% pa. Effective 1 April 2018, that figure is now 0.98% pa, a fall of more than 18% in the MER investors pay APN to manage the Fund.

We think that's very competitive for an international, actively managed commercial property fund with a strong track record of delivering attractive, risk-adjusted returns.

Current investors need not lift a finger to take advantage of the change, either. The new, lower fees will apply automatically from this date. But what about potential investors looking to diversify their income stream?

They have two further points to consider. The first is that too many investors break the golden rule of diversification. A recent ASX study² revealed that 75% of Australian investors hold only ASX-listed shares. That's a potentially dangerous case of home bias that could turn sour.

Applying the wisdom of diversification is easier said than done of course, especially when home bias has served Australian investors well. Then there is the fact that no one-size-fits-all in terms of how a portfolio should be constructed. An investor's circumstances, goals and risk appetite are all important considerations.

Nevertheless, the fact remains – too many investors are over-exposed to the Australian economy.

With APN's Asian REIT Fund investing primarily in Asia's gateway cities of Hong Kong, Singapore and Tokyo, it's never been easier for Australian income investors to reduce the risk in their portfolios by building in some international diversification.

The second consideration relates to the performance of the Asian REIT Fund in particular and the lower cost of getting access to it.

With a return of 10.50% pa over five years (to 31 March 2018)¹ and a current running yield of 6.21%³, coupled with a lower MER, we think income investors that want an effective way to diversify their income stream might want to take a closer look. Over to you.

1. As at 31 March 2018. Returns shown are net of fees and expenses and are annualised for periods greater than one year. Assumes distributions are reinvested. Investors' tax rates are not taken into account when calculating returns. Past performance is not an indicator of future performance.

2. <http://www.asx.com.au/education/2017-asx-investor-study.htm>
3. As at 31 March 2018. Current running yield is calculated daily by dividing the annualised distribution rate by the latest entry unit price. Distributions may include a capital gains component. Distributions are not guaranteed and past performance is not an indicator of future returns.

This article has been prepared by APN Funds Management Limited (ACN 080 674 479, AFSL No. 237500) for general information purposes only and without taking your objectives, financial situation or needs into account. You should consider these matters and read the product disclosure statement (PDS) for each of the funds described in this article in its entirety before you make an investment decision. The PDS contains important information about risks, costs and fees associated with an investment in the relevant fund. For a copy of the PDS and more details about a fund and its performance, visit our website at www.apngroup.com.au.



Visit our Blog to read the latest insights on the market at <http://blog.apngroup.com.au>

APN Property Group A specialist real estate investment manager

We actively invest in, develop and manage real estate and real estate securities on behalf of institutional and retail investors. APN's approach to real estate investment is based on a 'property for income' philosophy.

Established in 1996, APN's listed on the ASX and manages \$2.8 billion (as at 31 December 2018) of real estate and real estate securities. APN trades on the ASX under the code 'APD'.

Contact us **APN Property Group Limited**

Level 30, 101 Collins Street,
Melbourne, Victoria 3000

Investor Services Hotline 1800 996 456
Adviser Services Hotline 1300 027 636

Email apnpg@apngroup.com.au
Website apngroup.com.au