



Niche? That's not a niche

Classically 1980s and at times very 'un-PC', the Crocodile Dundee movies remain very memorable to at least a couple of generations of Australian movie watchers. In particular, the 'that's not a knife' scene is a bit of a favourite, with Mick Dundee, played by Paul 'Hoges' Hogan, despatches a would-be mugger with a flick knife with his significantly larger croc hunting weapon to save the day.

'Knife? That's not a knife!'

Context can be everything and it might seem a stretch but a common initial response to investors looking at APN's Asian REIT Fund is a case in point. Advisers often remark: "Asian commercial property? That's pretty 'niche' isn't it?". In one sense, they're right, of course. APN is the only fund manager in Australia specialising in Asian listed commercial property, and fair enough, it may be a bit narrower than investors would ordinarily consider when thinking about asset allocation.

However, a bit more digging and most will appreciate that what may seem like a niche on the surface is actually a lot larger in reality. The Asian listed property market is three times the size of the Aussie listed property sector. It also has stricter rules to protect investors and is growing at about four times the rate of our local market.

With 87% of the world's next 1 billion members of the middle class, according to analysis undertaken by the Brookings Institution in October 2018, one might seriously ask which is the real niche: Australia or Asia?

APN Property happily makes the case for both. APN's AREIT Fund has a decade-long history of delivering stable, attractive returns to Australian income investors. With over \$1.3bn in funds under management, you may say it's our flagship product.

Then there's APN's Asian REIT Fund. Launched in 2011, it recently passed \$50m in funds under management, delivering investors a strong, regular income stream as part of an annualised total return of 15.5%¹ since inception (July 2011) and 28.9%¹ for the year to 30 June 2019.

As CEO of APN Property Group, I'm delighted with these returns, particularly the regular, income-focused investment performance over the last eight years. I also know that these things take time and we would not necessarily expect returns of roughly 30% per annum year in year out given we have a focus on generating returns with lower than market risk (for example through focusing on more passive rental earnings). We are also pleased that the Asian REIT Fund is rated 4-stars by SQM Research² and has recently been awarded an Investment Grade from Lonsec Research³.

Investing in Australian listed property trusts took many years to really get going. I'd be surprised if that wasn't the case with Asian REITs; we're naturally more comfortable with what we know and that's certainly an important consideration when investing.

At the same time, some of the best investments are unlikely to be on everyone's radar. We expect it will take time for the APN Asian REIT opportunity to be fully appreciated by investors, although it seems the tide is slowly turning and the fundamentals that we have liked since 2012 are starting to be more widely understood.

For a few years, we believed our Asian Fund may well have been ahead of its time. But as the Fund continues to grow and deliver on its investment objectives, Australian investors seeking reliable income (from rents) are increasingly prepared to look towards Asia's high quality commercial real estate assets to gain international exposure.

As active investors that focus on fundamental performance drivers, we've had a positive view on Asian listed property for years. It's great to see more Australian investors looking at the sector, not as a niche play, but as a significantly large market opportunity for inclusion in their portfolios for both income and growth potential.

Niche? Asia's not niche. The APN Asian REIT Fund has a clear purpose, a razor sharp track record and unlocks an opportunity in the fastest growing region in the world. In a few years' time we expect it to be far bigger than it is today.

1. 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. The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 for the APN Asian REIT Fund as at June 2019. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

3. The Lonsec Rating (assigned August 2019 for the APN Asian REIT Fund) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445. The Rating is limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product(s). Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold APN Property Group product(s), and you should seek independent financial advice before investing in this product(s). The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document(s) following publication. Lonsec receives a fee from the Fund Manager for researching the product(s) using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to our website at: <http://www.lonsecresearch.com.au/research-solutions/our-ratings>.

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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 \$2.9 billion (as at 30 June 2019) 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](https://www.apngroup.com.au)