

# Australian Listed Property Trust Portfolio

## Performance Report – August 2017

### Market overview and portfolio performance

The DNR Capital Australian Listed Property Trust portfolio outperformed the index in August by 0.36%. The index was up 1.28% for the month. Year to date, the sector is down 2.51%.

Like Australian Equities, August was a busy time for the A-REITs with reporting season.

Below are a few key highlights from reporting season:

- Mirvac (ASX:MGR)—Hit the top end of FY17 guidance, (11% growth) and guided to 6–8% EPS growth and 6% DPS growth. Their retail portfolio was a standout performer in a difficult environment. Mirvac rallied post result.
- Scentre (ASX:SCG)—Disappointed shareholders with a cut to their targeted payout ratio, (down from 89% to 85%). This is due to the future development pipeline. At a 3% premium to NTA, we used this weakness to top up our holding.
- Westfield Corporation (ASX:WFD)—Westfield reported 1H17 Funds From Operations, (FFO) of \$342.5m or 16.5 cents per share. This was largely in line with analysts' forecasts. Given the stock's weakness leading into this result, many analysts upgraded their price targets. Occupancy remained stable for their flagship assets at 95.3%, however they were down 0.3% to 91.6% for their regional portfolio. We used this weakness top up our holding.

### Portfolio overview

Portfolio profile	Medium-term capital growth through active management
Designed for	Investors who seek an active but disciplined exposure to Australian Listed Property Trusts
Investment objective	To outperform the S&P/ASX 200 A-REIT Accumulation Index by 4% p.a. (before fees) over a rolling three year period
Investable universe	ASX listed securities with a focus on S&P/ASX 200 A-REIT's
Number of stocks	4–8
Asset allocation	Australian A-REIT's 80–100% Cash 0–20%
Portfolio stock limit	35% maximum weighting
Portfolio managers	Jamie Nicol (Chief Investment Officer)  Scott Bender (Portfolio Manager)

### Gross active return

	1mth %	3mth %	6mth %	1yr %	3yr %	5yr %	7yr %	10yr %	Incep.* %
Listed Property Trust Portfolio	1.64	-3.73	-0.81	-6.27	10.37	13.28	12.07	4.15	9.32
S&P/ASX 200 A-REIT Accumulation Index	1.28	-3.67	-1.63	-7.43	10.00	13.19	11.92	-0.12	5.83
<b>Excess Return</b>	<b>0.36</b>	<b>-0.06</b>	<b>0.82</b>	<b>1.16</b>	<b>0.37</b>	<b>0.09</b>	<b>0.15</b>	<b>4.27</b>	<b>3.49</b>

\* Inception date—October 2002

### Investment growth

Time period: 1/10/2002 to 31/08/2017



Source: DNR Capital

Performance data relates to the DNR Capital model portfolio. Performance of an investment in this model portfolio through a Portfolio Service may have different performance to the performance in this monthly update as a result of different policies and procedures at different Portfolio Service operators.

Past performance is not an indication of future performance. No allowance has been made for taxation and fees are not taken into account.

## Investment philosophy

DNR Capital believes that quality businesses outperform through the cycle and focuses on identifying those quality securities that can defend and grow their business and purchases them when they are trading below intrinsic value. By maintaining a strong valuation discipline with a medium-term focus, DNR Capital looks to identify those securities where the current price does not fully reflect the intrinsic value.

## Investment strategy

The investment process uses a combination of bottom-up security selection with a top-down overlay.

The bottom-up security selection process will favour those with the following characteristics:

- Strong underlying assets—DNR Capital believes higher quality assets will outperform through the business cycle both in terms of capital appreciation and yield growth.

- Low-debt to medium-debt levels—DNR Capital invests in securities where the debt profile is appropriate given the quantum and nature of cash flow produced from the underlying portfolio.
- High-quality management with a strong track record of delivering asset and share price performance.
- Stable portfolio investment strategy—DNR Capital believes a changing asset mix can be a signal of problems or poor management.

DNR Capital follows a range of economic indicators that are reviewed regularly from a top-down portfolio perspective. These measures are used to formulate an economic overview which provides a backdrop to investment decision making and influences portfolio construction.

## Platform access

- AMP PPS
- HUB24
- OneVue

## Disclaimer

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*If you have invested in the Australian Listed Property Trust Portfolio via a service such as investor directed portfolio service, managed account service or separately managed account ('Portfolio Service'), you can obtain information from the Portfolio Service operator. If you invest via a Portfolio Service, different terms may apply to your investment. You should read the disclosure document for that Portfolio Service and consider your circumstances prior to investing.*

**Office address**  
Level 22  
307 Queen Street  
Brisbane QLD 4000

**Postal address**  
GPO Box 3263  
Brisbane QLD 4001

**Telephone**  
07 3229 5531

**Email**  
info@dnrcapital.com.au

**Website**  
www.dnrcapital.com.au