

building
shock resistant
portfolios



**DIRECT COMMERCIAL PROPERTY IS BACK IN THE BLACK –
BUT HAVE ALL SECTORS CONTRIBUTED TO THIS RESULT?**

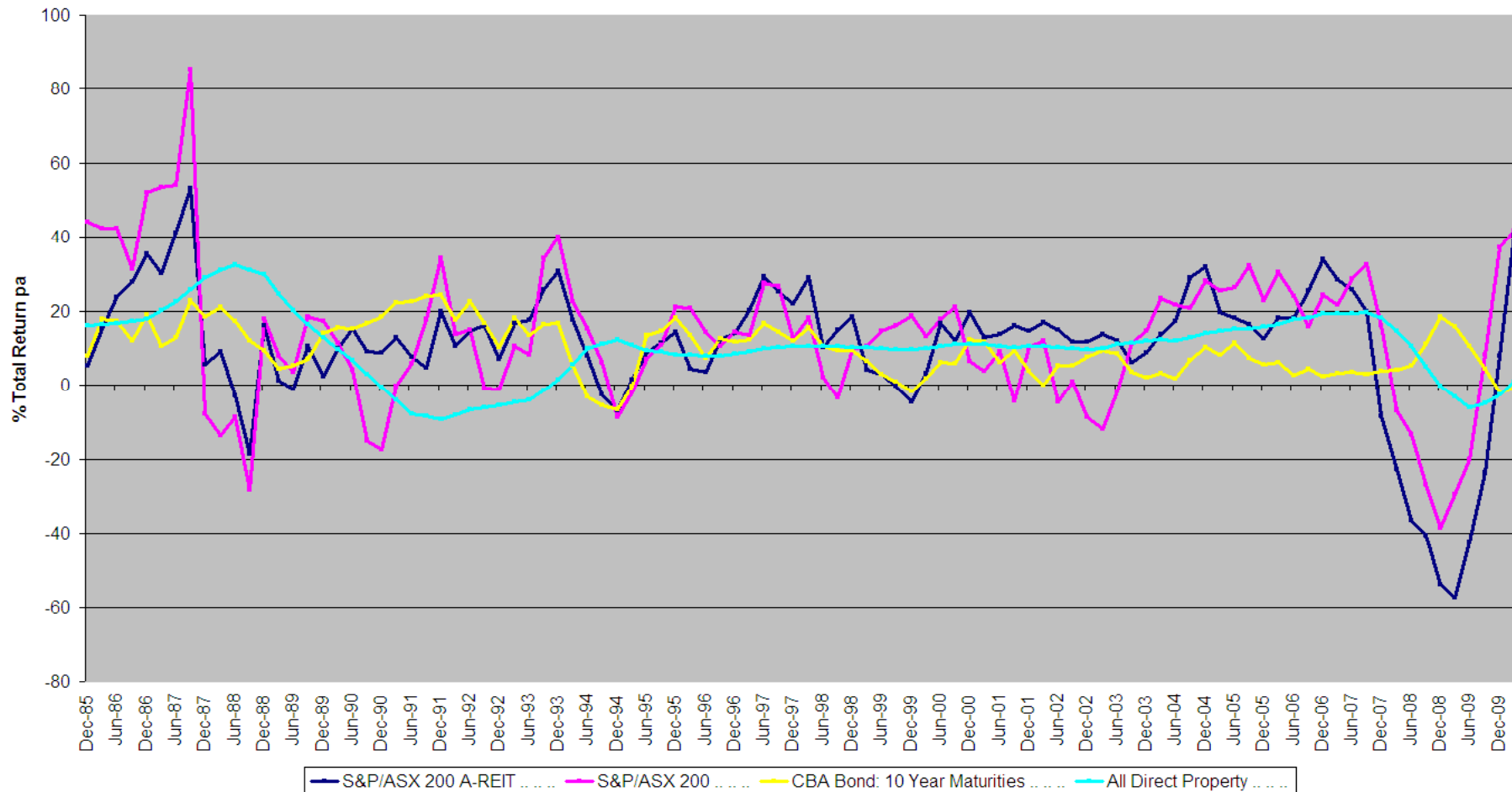
Dr Frank Wolf

Managing Director

Performance – 24 Years



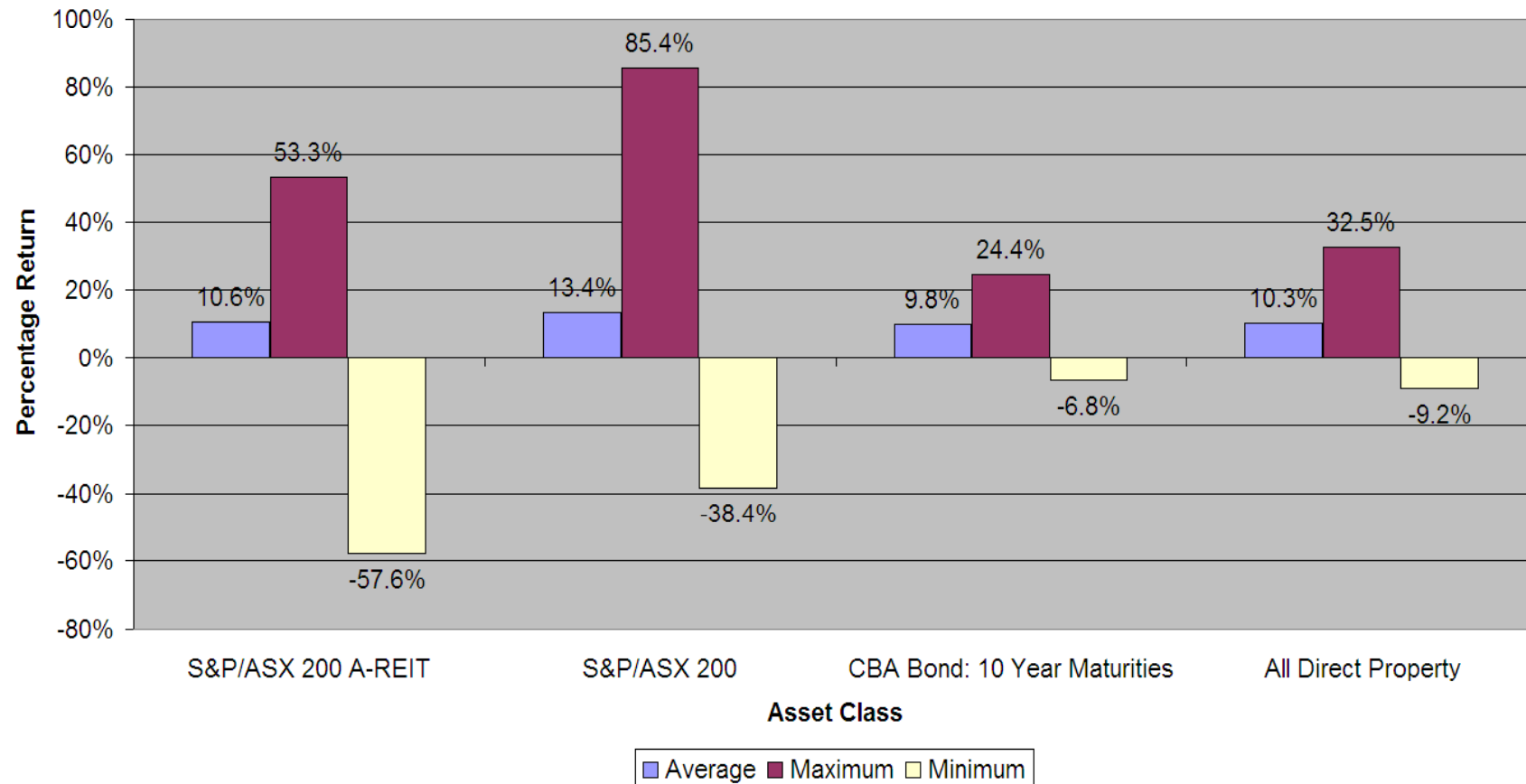
Asset Class Comparison
 Quarterly one year rolling returns from Dec 1985 - Mar 2010



Return Dispersions



Return Dispersions
Quarterly annual average, maximum and minimum 1 year returns
Dec 1985 - Mar 2010



Portfolio Benefits – Direct Property

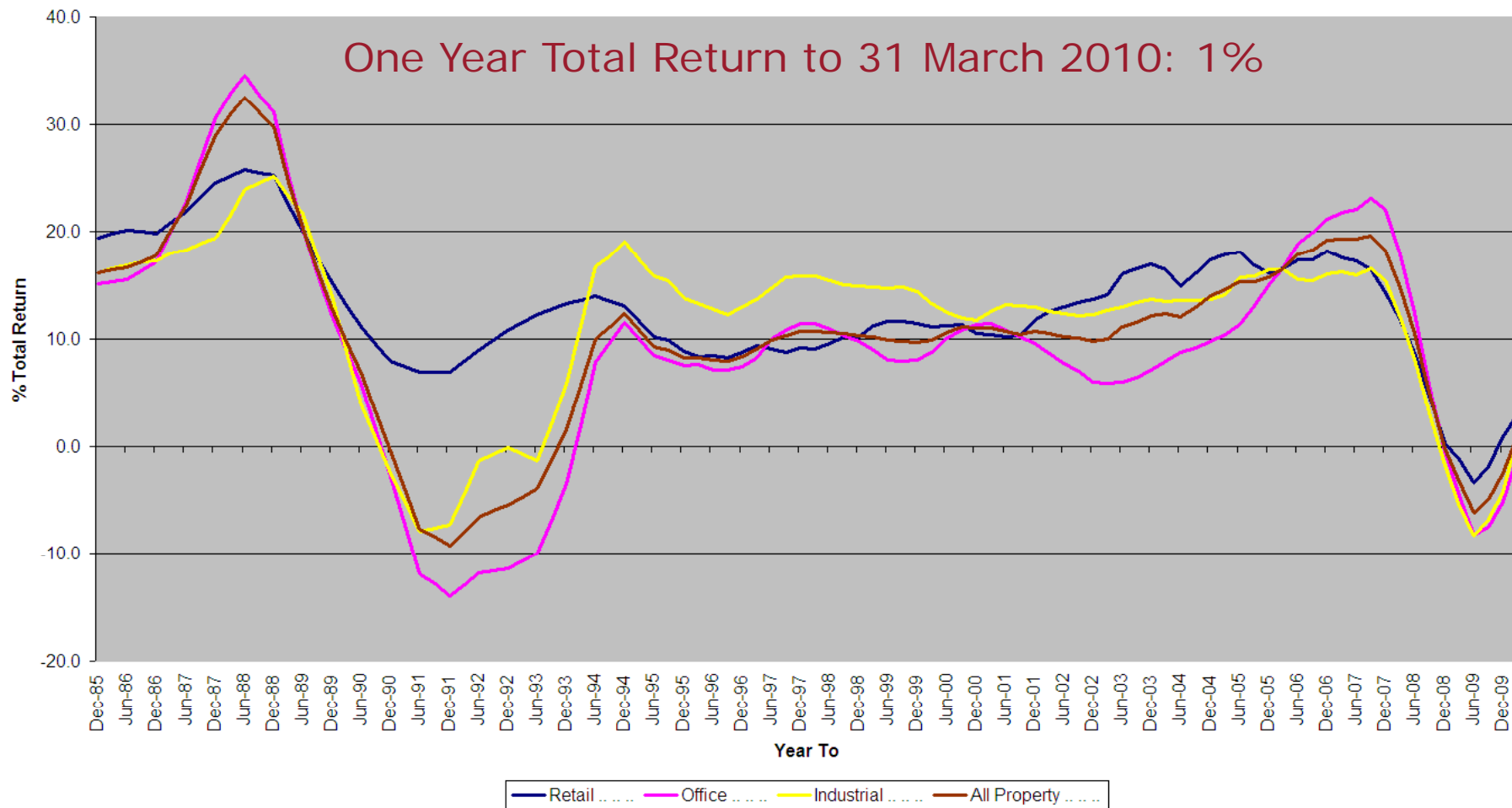


- Volatility significantly lower than Australian Shares or A-REITs (standard deviation of 4.9)
- Average returns almost identical to A-REITs ~10% pa over past 24 years
- Low correlations to other asset classes
- Continues to be a valid contributor to a diversified portfolio

Commercial Property Sector Returns



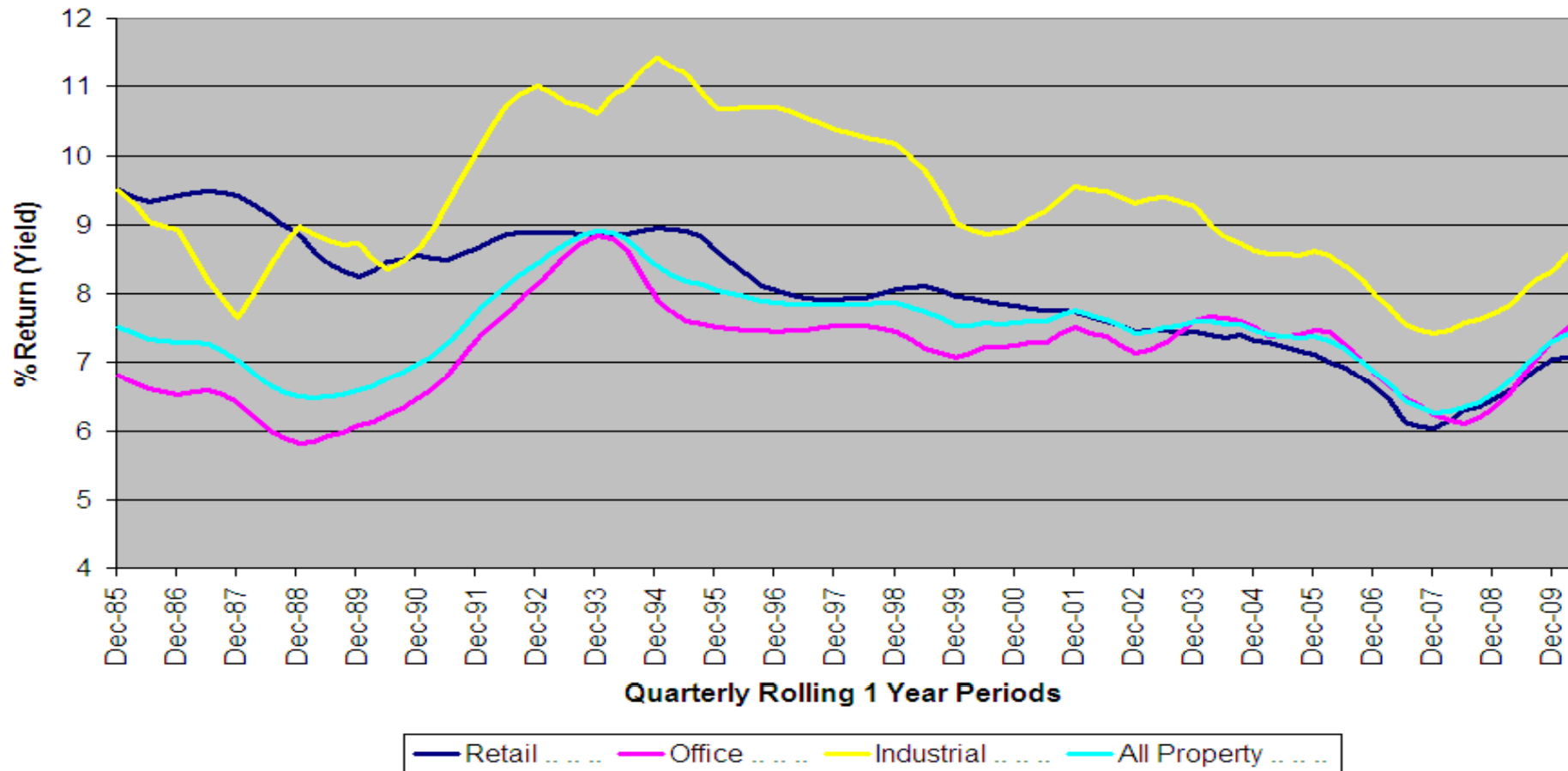
Direct Commercial Property Returns
 Quarterly one year rolling returns from Dec 1985 - Mar 2010



Income Returns



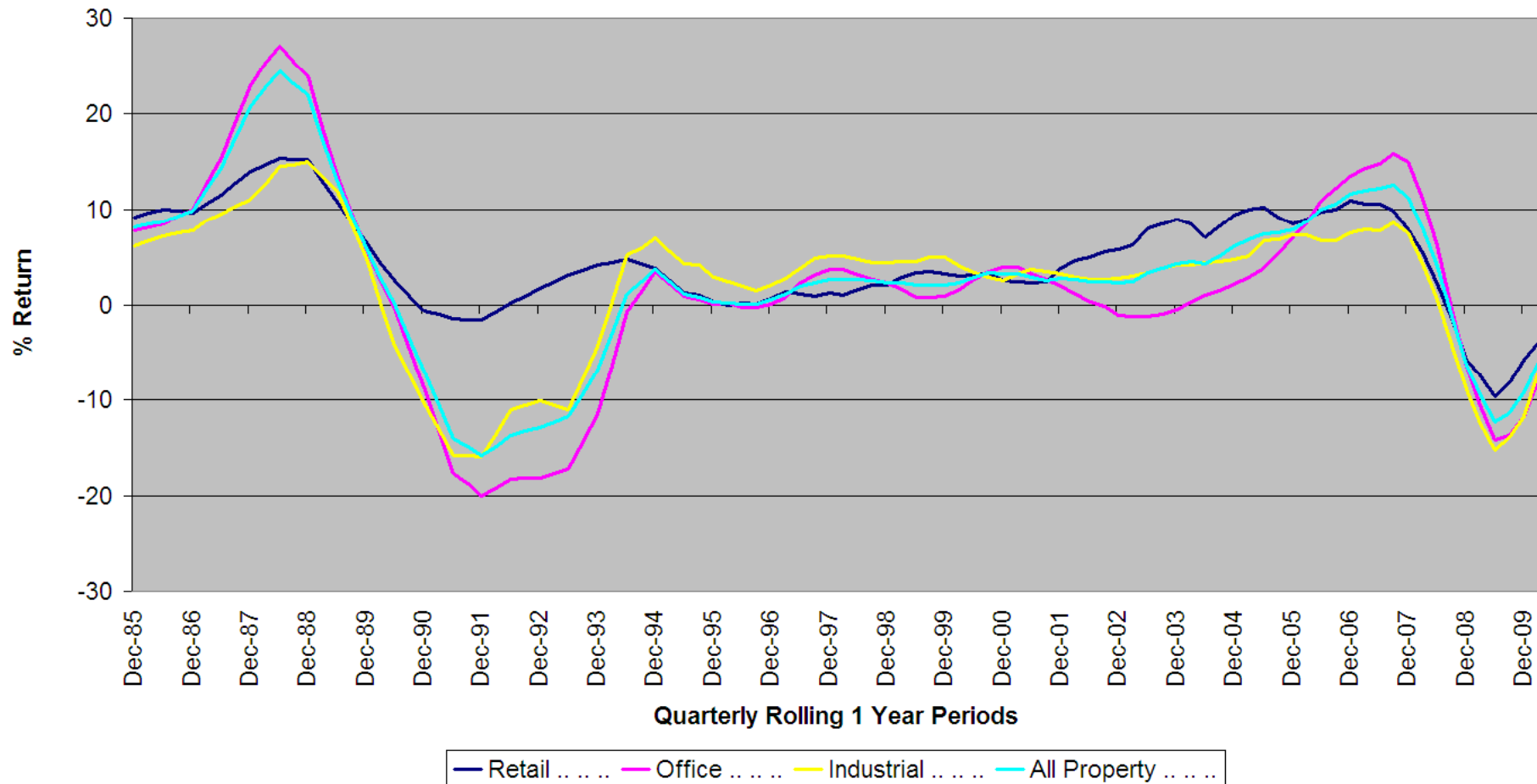
Income Returns (% pa)
Quarterly one year periods from Dec 1985 - Mar 2010



Capital Growth



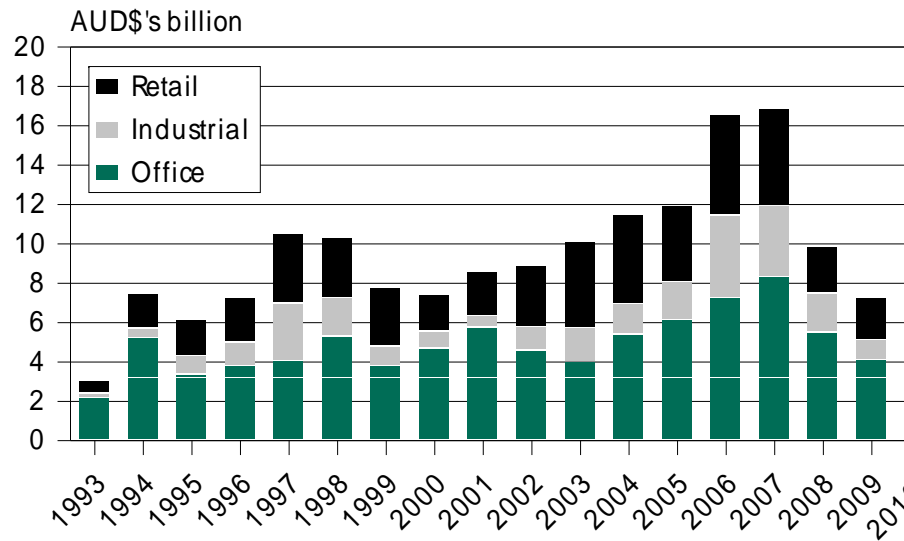
Capital Growth (% pa)
Quarterly one year periods from Dec 1985 - Mar 2010



Transaction History



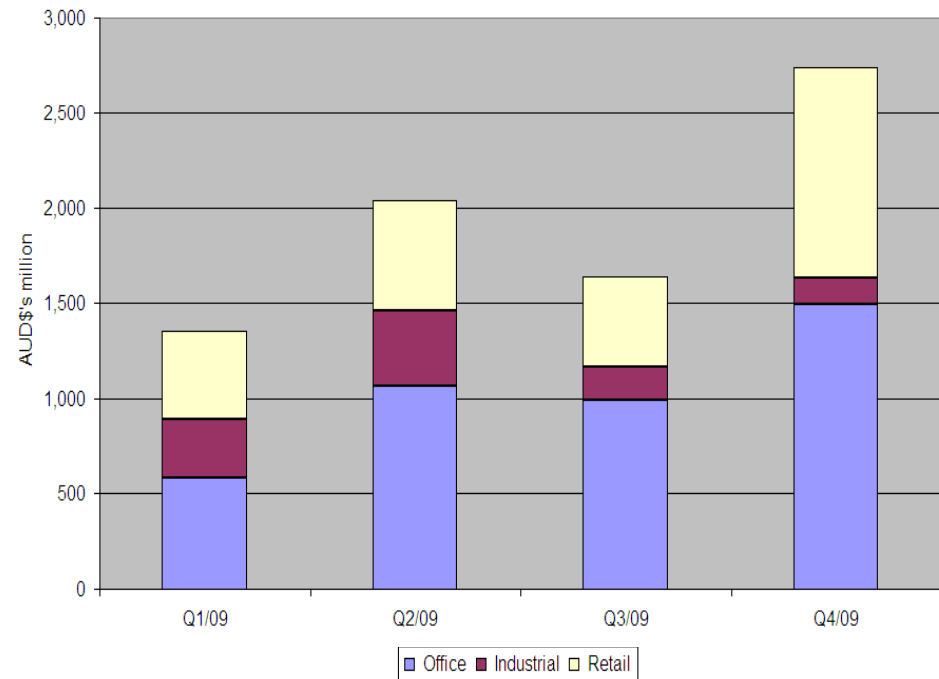
Australian commercial property transaction value



Source : CB Richard Ellis (July 2010)
Includes sales over \$5.0 million
* Up to June 2010



Australian Commercial Property Sales 2009, by Quarter



Historical Facts

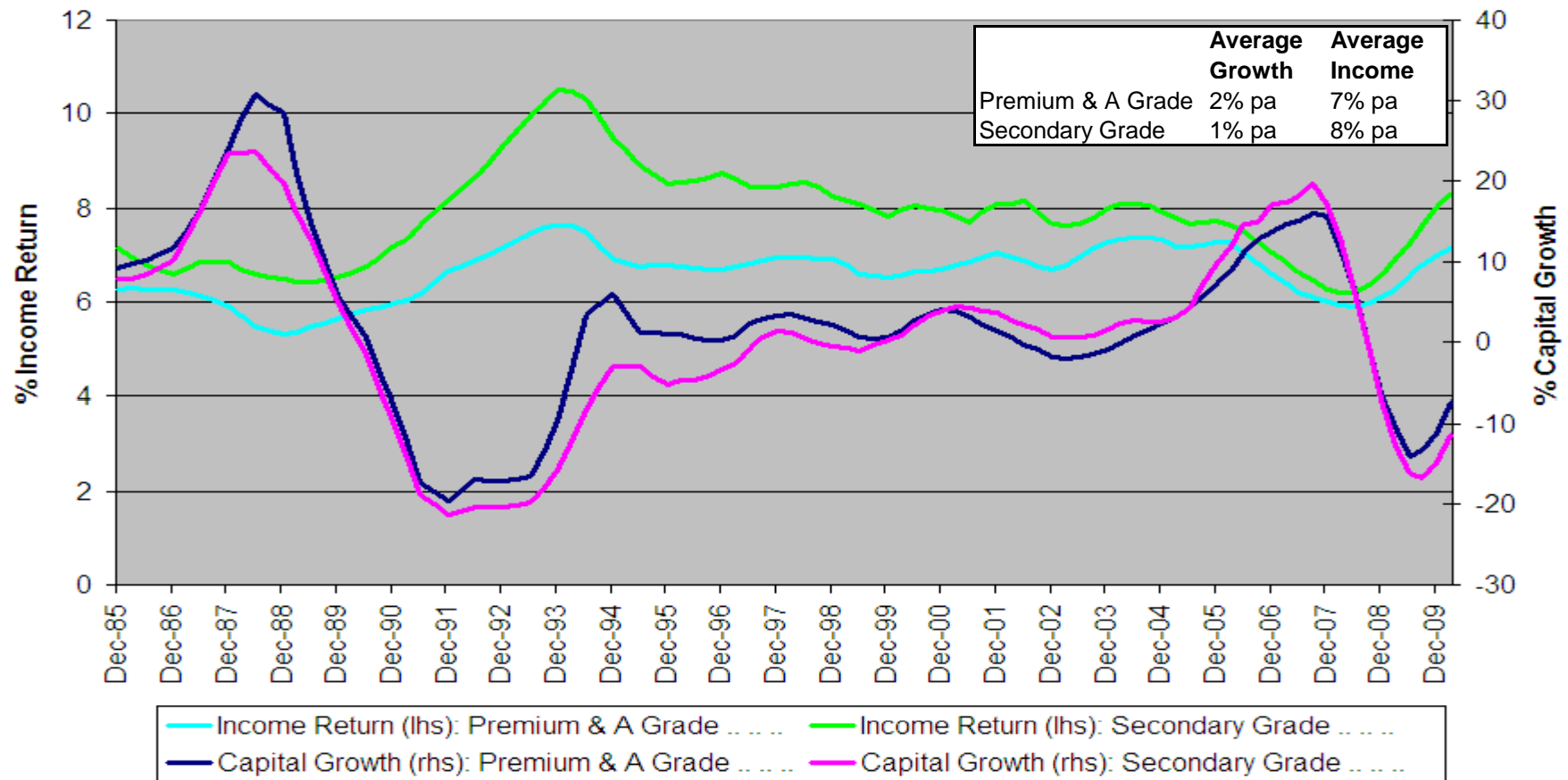


- Retail sector income yield in downward trend over past 24 years
- Industrial properties consistently produce higher income yields
- Historically capital growth varied between sectors
- Diversification within property sectors lowers overall risk
- Average property transaction value less than \$25m in 2008
- Evidence of increased trading by 4th Qtr 2009
- Direct commercial property market in early upward swing

Office Sector



Office Property Sector - Income Returns & Capital Growth
 Quarterly one year rolling returns from Dec 1985 - Mar 2010



Office Sector

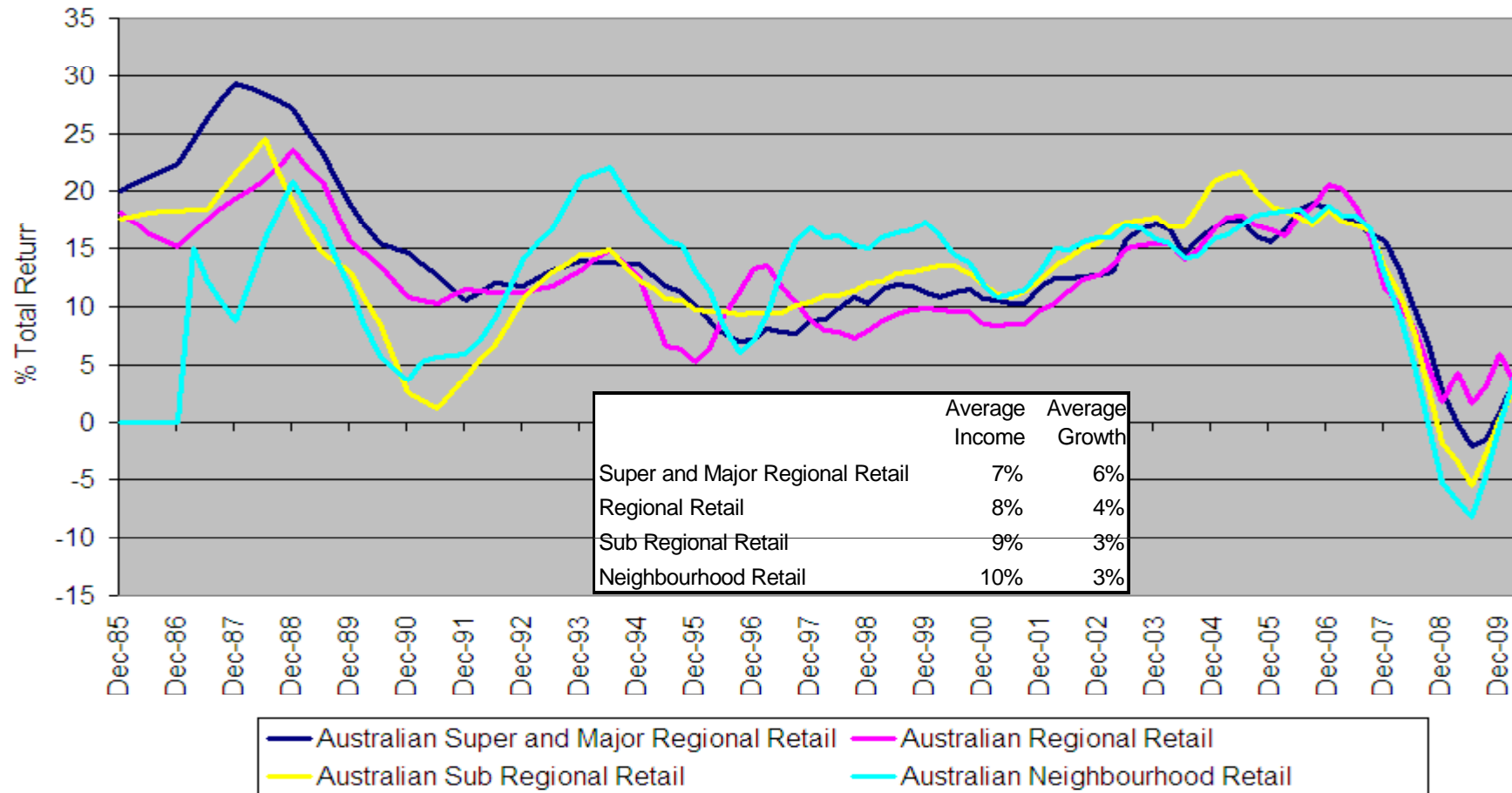


- Premium & A Grade and Secondary Grade Properties returned ~9% pa on average since Dec 1999
- Secondary Grade properties:
 - outperformed by an average 2% pa – 10 years to Mar 2010
 - had consistently higher income yields over past 24 years
 - Had greater rolling annual capital growth from Mar 2001 to Mar 2008
- Non CBD Office had consistently higher annual income yields since Dec 1999

Retail Sector Total Returns



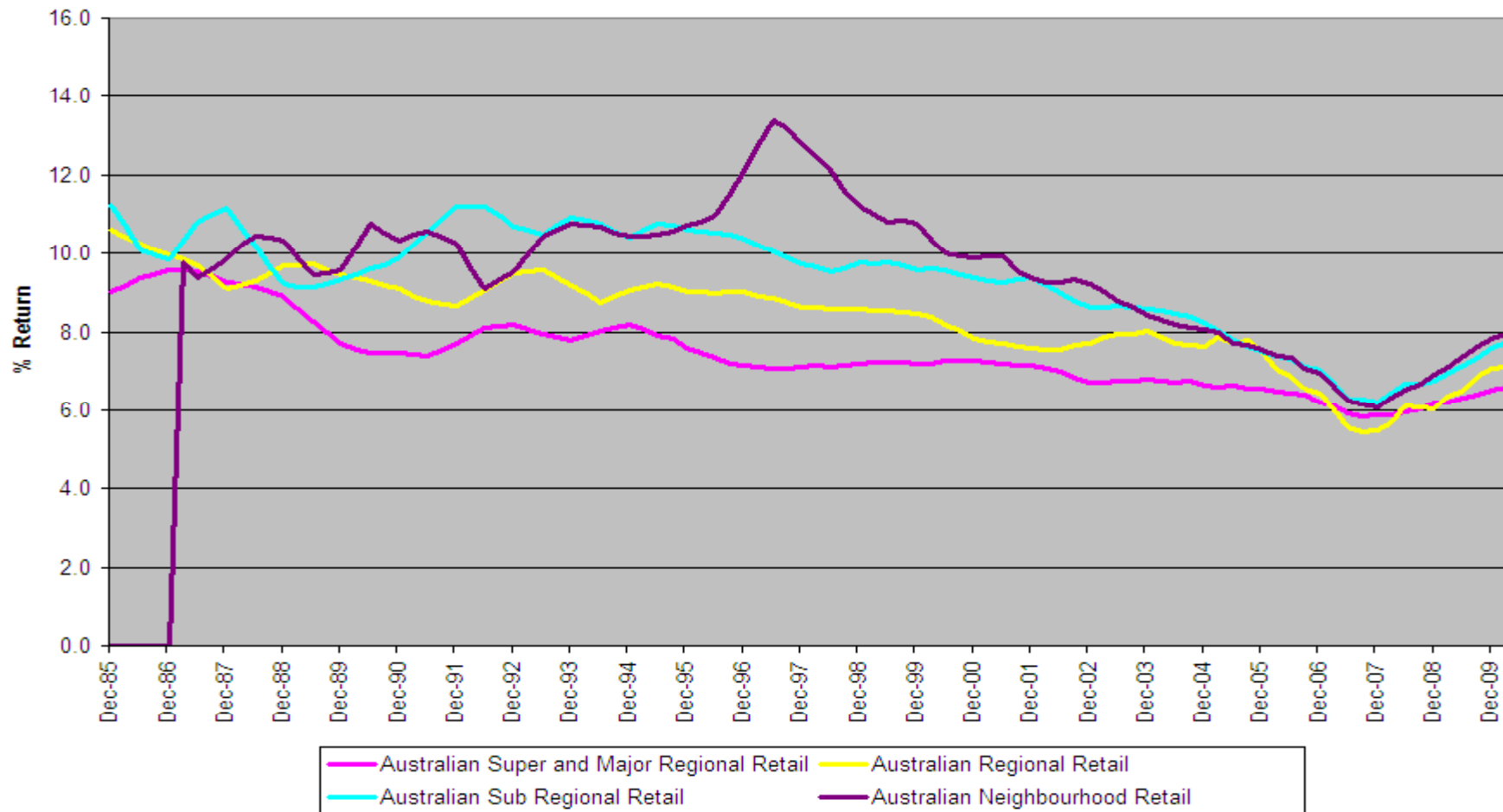
Retail Property Sector - Total Returns
 Quarterly one year rolling returns from Dec 1985 - Mar 2010



Retail Sector Income Returns



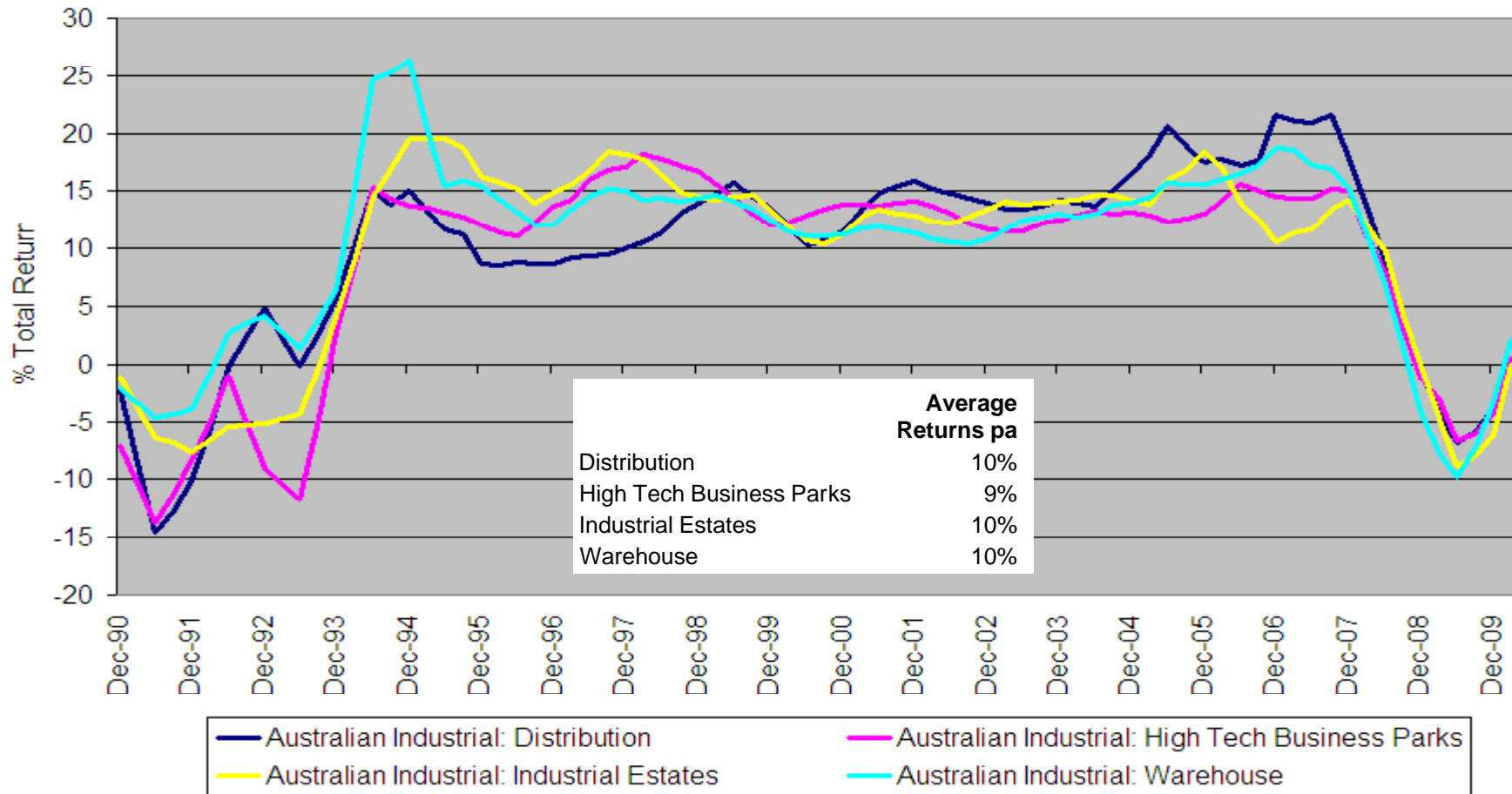
Retail Property Sector - Income Returns
 Quarterly one year rolling returns from Dec 1985 - Mar 2010



Industrial Sector Total Returns



Industrial Sub Category - Total Returns % pa
 Quarterly one year rolling returns from Dec 1990 - Mar 2010



Sector Summary



- Severity & duration of this downturn much less than 1990's
- Greatest contributor to total returns is income
- Average annual capital growth for commercial property since Dec 1985 - 2.7% pa
- Retail produced greatest capital growth but lowest income yield
- Industrial produced greatest income yield and second lowest capital growth
- Sub sectors of office, retail & industrial have performed roughly the same
- Outperformance best served by a value adding active investment approach

Case Study 1



Property: 431 Glebe Street, Glebe
Sector: Office, Non CBD, Secondary Grade
Purchase Date: 30 June 2000
Sale Date: 30 June 2006
Purchase Price: \$10,839,020
Sale Price: \$14,800,000

	Average Return Secondary Grade	Average Return Non CBD	431 Glebe Street, Glebe NSW
Total Return %pa	12.1%	10.0%	13.5%
Income Return %pa	7.8%	8.3%	8.2%
Capital Growth %pa	4.0%	1.6%	5.3%

Case Study 2



Property: 500 Princess Highway, Noble Park, VIC
Sector: Industrial Warehouse
Purchase Date: 27 November 2003
Sale Date: 11 October 2007
Purchase Price: \$19,216,428.43
Sale Price: \$27,950,000

	Average Industrial Estate	500 Princess Highway, Noble Park, VIC
Total Return %pa	16.4%	18.7%
Income Return %pa	8.4%	8.9%
Capital Growth %pa	7.5%	9.8%



Partner Host

Natalie Egan

General Manager Marketing, Research & Technical

Sector Summary



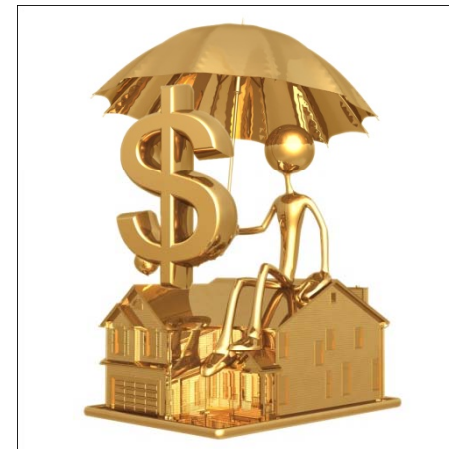
- Diversification within commercial property sector lowers risk
- Lower value properties more liquid - average transaction value reduces during negative periods (less than \$25m).
- Income returns have remained fairly consistent within each sub sector
- Capital growth varies
- Value adding active investment approach improves returns

Abacus Diversified Income Fund II



A Fund that delivers...

- A minimum 8% pa yield
- with automatic CPI indexation
- FY2011 underwritten yield – 8.244%
- and 100% tax deferral expected in FY2011 and FY2012
- and capital preservation with the potential for capital growth
- with no management fees until 110% of capital is returned
- All underpinned by real assets and underwritten by Abacus Property Group



An alternative solution to property investing, providing you with certainty

Invest with Confidence



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