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Fund Research & Ratings
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Unlisted Property Fund Report

AMP Capital

Wholesale Australian Property Fund

July 2018

Low risk diversified property fund providing stable income and long-term growth

AMP Capital Wholesale Australian Property Fund

Contents

About Core Property Research

Core Property Research Pty Ltd was established in July 2017 to provide market leading and insightful research on the property funds sector for its clients and investors. Our ratings and research cover sector level research, ratings and recommendations on listed and unlisted property funds, and is built upon the extensive research experience of its staff.

The Core Property team collectively, has over 50 years' experience across property, financial services and investment markets. The team has also evaluated over 500 different funds across multiple sectors and a range of investment structures over the last decade.

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AMP Capital Wholesale Australian Property Fund

July 2018

The AMP Capital Wholesale Australian Property Fund ("the *Fund* or *WAPF*") is an open-ended property fund that invests in a diversified portfolio of direct commercial properties, supported by investments in ASX listed property securities. The Fund was established in 1985 and has been managed by AMP Capital ("the *Manager*") since January 2012 following the merger of AXA Asia Pacific with AMP. Both the Manager and the Responsible Entity ("*RE*") are part of AMP Limited, a top 50 ASX listed company.

The Fund's objective is to provide investors with income and long-term capital growth. This is achieved through investing in a diversified portfolio of 25 commercial assets in the office, retail and industrial sectors. The portfolio metrics are robust: (1) Weighted Average Lease Expiry (WALE) of 4.2 years; (2) 98% occupancy; (3) good tenant diversification with no one tenant representing more than 5% of rent income. WAPF is also the largest unlisted fund available to retail investors in the sector with $1.9B of assets.

The Fund aims to hold 50% - 100% of its assets as direct properties and 0% - 50% in ASX listed securities and cash. Currently the Fund has $1.9B of assets with $1.8B (92.5%) in Direct Properties, $0.1B (5.4%) in listed securities, as well as cash and other assets.

Since inception (over 30 years), the Fund has delivered an average total return of 9.1%pa. The total return over the 5-years to December 2017 has been 9.75% p.a., slightly below the PCA/IPD benchmark index return of 11.5% p.a. However, the total returns delivered must be seen in the context of the Fund having the lowest gearing in the unlisted funds sector (max gearing of 25% v/s sector average of over 35%). As such, the Fund's risk/return trade-off presages a conservative management strategy albeit still delivering healthy total returns.

Consistent with this thematic is the distribution profile with distributions increasing by 1.5%-2.0% p.a. over the next five years (including a slight reduction in FY20), with forecast FY19 distributions of 7.48cpu (from the current portfolio), paid quarterly. This implies a distribution yield of 5.6%-6.0% p.a, on the current unit price and suggests a healthy 2.5% premium over bank deposit rates and above the current A-REIT sector average distribution yield.

Core Property estimates the pre-tax equity IRR to be between 6.5% - 10.7% p.a. (midpoint 8.5% p.a.) over an estimated five-year period (see *Financial Analysis* section). The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions, and does not include any upside from potential development opportunities.

The Fund provides monthly withdrawals, which may be limited to 5% of the net asset value of the Fund each calendar quarter. It is however important for investors to recognise that investment in property funds generally need to be over a medium to long duration to benefit from forecast returns and for the Manager to execute on stated strategies.

Fees currently charged by the Fund are competitive, and at the low end of the market.

The Fund reduces interest rate risk through a conservative gearing policy to maintain gearing below 25% (currently 18.3%), with a target to remain in the 0% - 15% range. The Loan to Valuation Ratio (LVR) of 19.8% is well below the bank LVR covenant of 50% and the Interest Coverage Ratio (ICR) is 7.25x. Both metrics provide a substantial cushion against market headwinds.

Investor Suitability

In Core Property's opinion, the Fund is suited for investors seeking a stable income distribution yield backed by a well-diversified portfolio with robust metrics and conservative balance sheet metrics. As such, the Fund presents a good risk/return trade-off in current market conditions and should generate total returns in line with stated objectives.

Recommended

See the Appendix for a description of our ratings. The above rating must be viewed in the context of comparable Funds and not across all products

Fund Details	
Offer Open:	Open-ended
Min. Investment:	$10,000
Unit Entry Price:	$1.32 (29 June 2018)
Unit Exit Price:	$1.32 (29 June 2018)
Liquidity:	Monthly[1]
FY19 Forecast Distributions:	7.48 cpu
Distribution Frequency:	Quarterly
Recommended Investment Period:	5 Years

Note 1: The fund provides a Monthly Withdrawal Facility, which may be capped at 5% of the Net Asset Value of the Fund, each calendar quarter. Redemptions are subject to the Manager's discretion and the financial position of the Fund.

Fund Contact Details

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Fund Manager
christopher.davitt@ampcapital.com
Phone: (02) 9257 1680

Note: This report is based on the Wholesale Australian Property Fund Product Disclosure Statement dated 22 February 2018, together with other information provided by AMP Capital.

Key Considerations

Management: The Fund is managed by the AMP Capital, which has been managing real estate funds for over 50 years. AMP Capital has over $175B in funds under management and $24B in commercial real estate. Core Property considers the Fund to be strongly positioned to access the extensive resources and depth of experience within AMP Capital, which is part of AMP Limited, a top 50 ASX listed company.

Impact of the Royal Commission inquiry into banking and financial services: The inquiry to date has bought to light issues that has cast a shadow over the major Australian banks and financial institutions. The conclusions and the fall-out of the inquiry are as yet, uncertain and it is difficult to ascertain the indirect impact on the Fund.

Compliance and Governance: The Fund has a strong track record of compliance and governance, which is undertaken by the Risk and Compliance department of AMP Capital and independent of operations. The Compliance Plan is audited annually in accordance with the Corporations Act. The Fund's auditors are Ernst & Young. The Fund has a defined related party transactions policy and is compliant with 5 of the 6 ASIC Benchmarks under RG46.

Open ended unlisted Fund with a diversified portfolio: The Fund is open ended and currently has a portfolio of 25 direct property assets valued at $1.8B with a portion of investments held in ASX listed property securities and cash to provide liquidity. The portfolio is subject to change as assets are acquired and sold, which may impact investor returns.

Diversified Property Portfolio: The Fund's strategy is to invest primarily in direct properties (50% - 100%), supplemented by listed property securities (0% - 50%) and cash (0% - 50%). The Fund currently invests 92.5% of assets in 25 properties valued at $1.8B, with a portfolio occupancy of 98% and WALE of 4.2 years. The properties are diversified across the retail, office and industrial sectors with the largest property accounting for 12.1% of the direct property portfolio. The Fund also invests 5.4% of its portfolio in the ASX listed property securities and 1.6% in cash to provide liquidity.

Distributions: Based on the Manager's assumptions of the current portfolio, Core Property estimates distributions of 7.48 cents in FY19, with a slight reduction to 7.29 cents in FY20 with average growth of 1.5% - 2.0% p.a. over the 5-year assessed period. As such, the implied distribution yield range of 5.6%-6.0% over the forecast period suggests a healthy premium to cash deposit rates, above the A-REIT sector average distribution yield, and perhaps with lower volatility.

Fees: Core Property considers the fees charged by the Fund to be low, compared to its peers in the industry (see Figure 4: Fees in Perspective).

Total return profile: Core Property estimates the pre-tax equity IRR to be between 6.5% - 10.7% p.a. (midpoint 8.5%) over an estimated five-year period, based on the Fund's sensitivities to debt and capitalisation rates (see the *Financial Analysis* section). Investors may receive a potential capital gain or loss, depending on market conditions.

Leverage: Whilst our forecasts suggest gearing to peak at 22.6% in 3 years (FY21), the Manager expects to reduce this closer to 15% through strong fund inflows. The current Interest Cover Ratio (ICR) of 7.25x is well above the ICR bank covenant of 1.8x.

Partial Liquidity: The Fund offers a monthly withdrawal facility which may be capped at 5% of the net asset value of the Fund each calendar quarter. The offer is subject to the Manager's discretion and the financial position of the Fund. As such, investors should consider the Fund as offering limited liquidity as there is a risk that investors may not be able to access the withdrawal offer during the investment timeframe.

Investment Scorecard

Management Quality

★★★★★

Governance

★★★★☆

Portfolio

★★★★★

Income Return

★★★☆☆

Total Return

★★★☆☆

Gearing

★★★★☆

Liquidity

★★★★☆

Fees

★★★★☆

Fund Structure

An open ended unlisted property fund investing in a diversified portfolio of direct properties, listed property funds and cash. The Fund has a daily unit pricing and currently offers a monthly withdrawal facility.

Management

Experienced fund manager, AMP Capital is one of Australia's largest investment managers with over $175B in funds under management.

30 June 2018	Direct Property	Listed A-REIT's	Cash	Total Portfolio
Allocation Range:	50% -100%	0% - 50%	0%-50%	100%
Actual Allocation:	92.5%	5.4%	1.6%	100%[1]
Holdings:	25 properties	15	NA	NA
Valuation:	$1,761.2M	$102.7M	$29.8M	$1,903.7M[1]
Property Location:	NSW, VIC, QLD, ACT, SA	NA	NA	NSW, VIC, QLD, ACT, SA
Property Sector:	Office, Industrial, Retail	NA	NA	Office, Industrial, Retail
Key Tenant:	Dentsu Aegis <5% of income	NA	NA	Dentsu Aegis <5% of income
Occupancy	97.5%	NA	NA	NA
WALE:	4.2 years	NA	NA	NA

Note 1: Approx. $10.1M, or 0.5% is held in "Other Assets" including call options to purchase assets

Return Profile

Forecast Distribution: (Core Property estimates, based on Manager's assumptions)	FY19: 7.48 cents per unit FY20: 7.29 cents per unit
Distribution Frequency:	Quarterly, in arrears
Tax advantage:	TBA
Estimated Levered IRR (pre-tax, net of fees):	6.5% - 10.7% (midpoint 8.5%)
Investment Period:	The Fund is open ended. The Manager advises a minimum investment period of 5 years.

Risk Profile

Property/Market Risk:	Capital at risk will depend on a portfolio of twenty-five office, retail and industrial properties in NSW, QLD, VIC, ACT and SA. Investors will be exposed to a potential capital gain or loss, based on market conditions.
Interest Rate Movements:	Interest rates are not currently hedged. Any change in the cost of borrowings may impact the distributable income in the remaining term of the Fund.
Property Specific Risks:	Property investments are exposed to a change in vacancy rates, prevailing market rents, and economic supply and demand.

For a more detailed list of the key risks, refer to the "Risks of investing" section of the Product Disclosure Statement.

Fees Paid

Fees charged by the Fund are at the low end of what Core Property has seen in the market (see Figure 5: Fees in Perspective).

Entry Fees:	Nil
Exit Fees:	Nil
Property Acquisition Fee:	0.4% of the purchase price.
Property Disposal Fee:	0.5% of the gross sale proceeds.
Management Fees:	Estimated at 0.78% of Gross Asset Value (GAV) for FY19. Management Fees are calculated on: • Management Fee of 0.42% of the GAV, plus 4.2% of the Gross Income of the Fund. • Indirect Costs of up to 0.19% of GAV.
Performance Fee:	Nil

Debt Metrics – as at 30 June 2018

Current Debt / Facility Limit:	$349M / $450M
Loan Period:	$125M expiring Jul 2019 $200M expiring Feb 2021 $125M expiring July 2021
Gearing (Debt/Total Assets) / Max Gearing	18.3% / 25%
LVR / Loan Covenant:	19.8% / 50%
ICR / ICR Covenant:	7.25x / 1.8x

Legal

Offer Document:	Product Disclosure Statement, 22 February 2018
Wrapper:	Unlisted Property Fund
Investment Manager	AMP Capital Investors Limited (AFSL 232497)
Manager & Responsible Entity:	National Mutual Funds Management Ltd
Significant Investor Visa (SIV):	The Manager has advised the Fund is a complying investment for investors seeking an Australian Significant Investor Visa (SIV).

Fund Overview

The AMP Wholesale Australian Property Fund ("the Fund") is an open ended diversified property fund originally established in 1985 by National Mutual. Since 31 January 2012, the Fund has been managed by AMP Capital as the investment manager ("the Manager") following the AMP's takeover of AXA Asia Pacific Holdings (formerly National Mutual). The Responsible Entity ("the RE") is National Mutual Funds Management Limited. Both the RE and the Manager are subsidiary entities within AMP Limited (ASX: AMP) a top 50 ASX listed financial services group.

The Fund aims to provide investors with income and long-term capital growth. This is achieved primarily through the investment in direct properties with the Manager targeting a diversified portfolio of assets with high occupancy rates and stable income streams underpinned by leases to long term secure commercial and government tenants. The Fund also allocates a portion of its investments to Australian listed property securities and cash to assist in managing the Fund's return profile and liquidity.

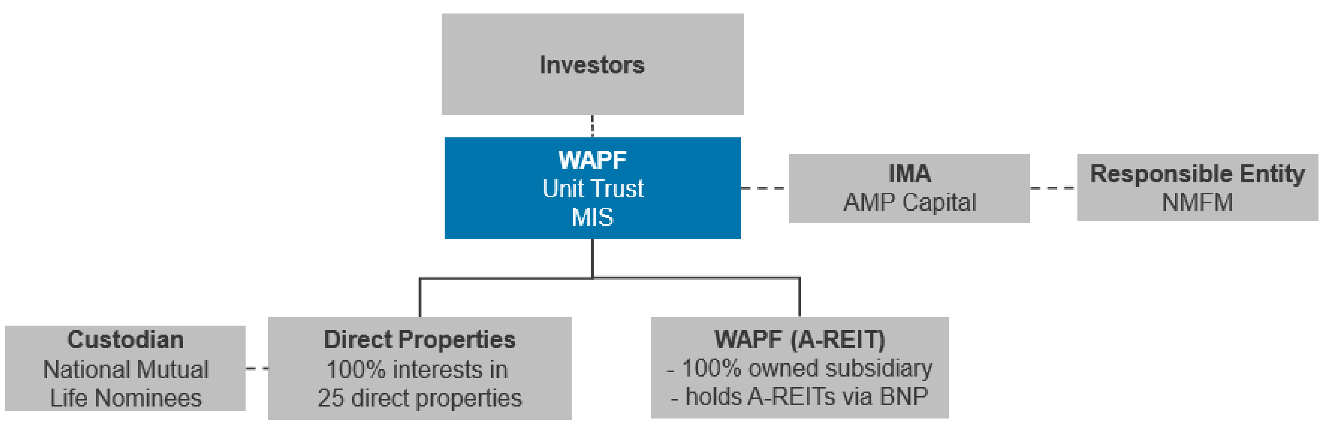
The Fund currently manages $1.9B in assets with 92.5% invested across 25 Direct Properties, 5.4% in to listed securities, 1.6% in Cash and 0.5% in Other Assets (as at 30 June 2018).

The Fund has a current entry and exit price of $1.32144 per unit, with no Buy/Sell spread charged. Core Property estimates the Fund can deliver distributions for FY19 of around 7.48 cents per unit, delivering a yield of around 5.7% p.a., based on the Manager's assumptions.

A monthly withdrawal facility is provided by the Fund, which may be capped at 5% of the net asset value of the fund each calendar quarter. Redemptions are subject to the Manager's discretion and the Fund's financial position.

The Fund has consistently paid all quarterly distributions to unitholders for the past 33 years. Since inception in 1985, the Fund has delivered a Total Return of 9.1% p.a., including a Distribution Return of 8.3% p.a. During AMP Capital's tenure as Manager, the Fund has delivered total distributions of $0.4914, equivalent to an 7.1% p.a. yield on a straight line basis, with an increase in the Entry Price of 15.3% (from $1.146506 in March 2012 to $1.32144 in June 2018.), and an IRR of 9.2% p.a.

Figure 1: Fund structure



Source: AMP Capital

The Offer

The Fund is open-ended and investors may purchase units in the Fund at the prevailing entry price, which is calculated from the net assets of the Fund. As at 29 June 2018, the entry and exit price was $1.32144. The Fund currently does not charge a Buy/Sell spread on its entry and exit price.

Investors should note that the Fund is not a fixed term property fund and there is no current intention to wind up the Fund. As such, investors who wish to redeem their investments can do so by way of a withdrawal request, which is subject to the Managers discretion and may be limited to 5% of the net assets of the Fund every three months (see Liquidity/exit strategy below).

Background of the Fund

The Fund was established in 1985 to provide investors with a stable income and long-term capital growth. The Responsible Entity of the Fund, National Mutual Funds Management Limited was part of the National Mutual group, which demutualised in 1996 with French firm AXA taking a 51% stake. In 1999 National Mutual was renamed AXA Asia Pacific Holdings.

In November 2008, during the GFC, the Fund was declared illiquid under the Corporations Act, primarily due to a lack of market liquidity in the assets and the Fund closed applications and withdrawals of units from new and existing investors. In March 2011 AXA Asia Pacific was acquired by AMP Limited and on 31 January 2012 the Fund was declared liquid and the RE appointed AMP Capital as the investment manager. Both the RE and investment manager are subsidiary entities within the AMP group.

Since inception in 1985 the Fund has delivered:

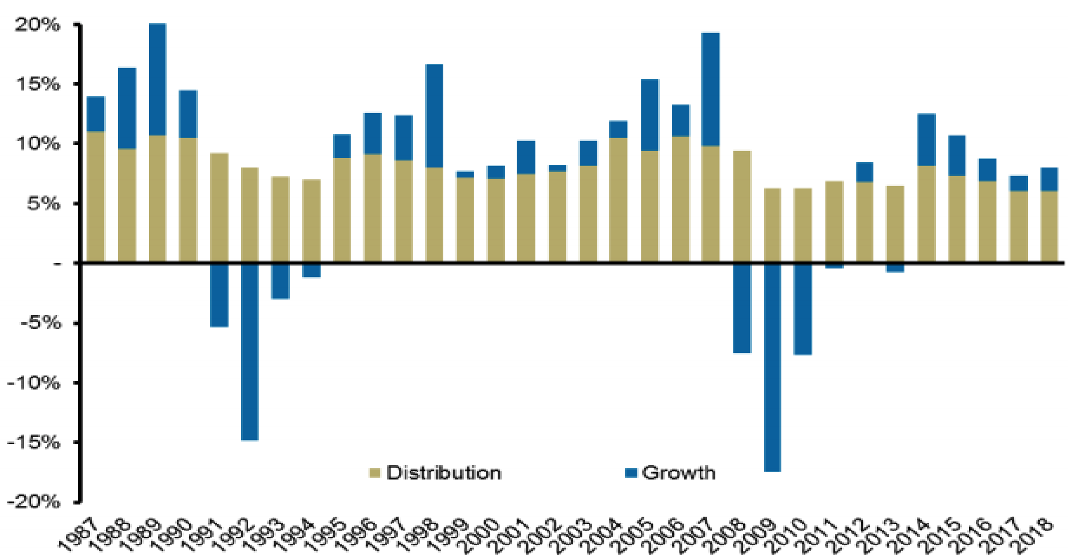
- The Fund has consistently maintained quarterly distributions for 33 years since 1985, with an average distribution yield of 8.3% p.a. (range 4.3% - 11.6% p.a.)
- Total returns of 9.1% p.a. since inception.
- Unit prices have increased during 24 out of the 33 years, with declines in 9 years (1991-1994, 2008-2011 and 2013).
- The Unit price has ranged between $1.00 and $1.595 per unit over the past 33 years.

AMP Capital was appointed investment manager on 31 January 2012. Since 31 March 2012, under AMP Capital, the Fund has delivered:

- Improved diversification with a roughly even allocation to retail, office and industrial properties and diversity of tenants.
- An increase in portfolio with acquisitions of $1,129M and divestments of $247.2M in direct properties.
- An increase in unit price of 2.4% p.a. over the 6.25 years to June 2018.
- A total IRR of 9.2% p.a. under AMP Capital for the 6.25-year period from March 2012 to June 2018.
- For the 5-year period to 31 December 2017, the Fund has delivered an IRR of 9.75%, compared to the PCA/IPD Australian Property Index return of 11.5% over the same period.
- Maintained quarterly distributions with an average yield of 7.1% p.a.
- Regular quarterly property valuations.
- Maintained monthly withdrawal requests to provide liquidity for investors wishing to redeem their units.

Core Property notes that past performance is not a reliable indicator of future performance as each syndicate, and its respective underlying asset, has its own specific risks and unique attributes.

Figure 2: Returns since inception



Source: AMP Capital

Sources & Application of funds

The Fund is open-ended and investors are able to apply for units at any time at the prevailing entry price. Capital raised will generally be used by the Fund as follows:

1) If a specific use cannot be found, the capital will be used to pay down debt in the short term. Where additional cash is required to fund new investments, the Fund will draw back on the debt to fund its requirements.
2) Payment for property capital expenditures and developments.
3) Acquisition of new properties
4) Cash reserves to support the withdrawal facilities.

Unit Pricing

Unit prices are calculated are normally calculated each business day using the market prices and unit prices of the assets, subtracting the liabilities of the Fund and dividing by the total number of units.

The Fund's valuation policy is to have all properties independently at least once every year, however in practice the Manager has undertaken independent valuations every quarter since being appointed in January 2012. Core Property considers the quarterly valuation of properties allows the unit price to more accurately reflect the value of the underlying assets in a more timely manner.

The Fund does not currently charge a buy/sell spread and the current Entry/Exit Price is identical. AMP Capital has advised that it has not charged a Buy/Sell spread during its period as Manager of the Fund. The PDS states that the Fund may in future charge a Buy spread to cover to cover any transactional and operational costs however if this is undertaken the amount will be retained in the Fund, as assets of the Fund.

The Fund's Constitution does not allow for Sell spreads to be applied to withdrawal payments.

Liquidity / exit strategy

The Fund should be considered partially liquid. Withdrawal requests can be made at any time, with requests processed on a monthly around on the 15th of each month (or next business day) and expected to be paid within five business days. The Fund may limit withdrawals to 5% of the Net Asset Value of the Fund per calendar quarter, however the Manager has confirmed that it has not used this limit since it was introduced in 2015.

The Fund's Constitution allows withdrawal request to be paid up to 12 months after the withdrawal date or even longer in circumstances where the RE is unable to realise sufficient assets due to circumstances beyond its control. Where the amount of funds available is not sufficient to fully meet withdrawal request, the withdrawal amount may be paid in part with the balance paid once sufficient cash is available to meet the full request.

Investors should be aware the Withdrawal Request is at the discretion of the Responsible Entity and is subject to the financial capacity of the Fund. There is no obligation to make the withdrawal offer. As a result, there is a risk that investors may not be able to access the withdraw offer during the investment timeframe.

Debt Facility & Metrics

Core Property considers the Fund's debt structure to be very conservative and prudent with a target gearing of between 0-15% of gross assets, and a maximum gearing of 25% of gross assets (measured at the time the debt is drawn). Gearing is forecast to peak at 22.6% in FY21, however the Manager expects to reduce this close to the 15% level through fund inflows during this time.

As at 30 June 2018 the Fund's debt facility has a limit of $450M, which represents around 23.6% of the Fund's Gross Assets. The debt facility is drawn to $349M, or 18.3% of gross assets, slightly above the target range. The drawn debt equates to a Loan to Valuation Ratio (LVR) on the Direct Properties of 19.8%, which is safely below average industry levels. The debt facility has an LVR covenant of 50%. Core Property calculates the Direct Property Portfolio can withstand a 60.4% fall in valuation before it will reach the bank covenant. The terms of the debt facility provide for a step up in interest rates where the LVR is in excess of 25%.

The forecast Interest Cover Ratio (ICR) for FY19 is 7.25x. Based on the Manager's forecasts the ICR is expected to be between 6.0x – 7.25x over the next five years, well above the bank covenant of 1.8x.

Core Property considers the low level of debt to be an attractive feature of the Fund.

It should be noted that in a low interest rate environment, high debt levels typically enhance return whilst also increasing risk. The Fund's low level of debt provides a lower level of risk for investors with returns driven more by the underlying asset metrics of the portfolio.

Figure 3: Debt Metrics

Details	As at 30 June 2018
Bank	Westpac and NAB
Security	First ranked mortgage secured against the directly owned properties.
Debt Facility Limit	$450M
Drawn Amount	$349M
Loan Period	$125M 3 years expiring 19 July 2019 (Westpac) $125M 5 years expiring 19 July 2021 (Westpac) $200M 3 years expiring 1 Feb 2021 (NAB)
% Hedged	Nil
All-in cost of Debt	3.40% approx. (based on $349M drawn debt)
Gearing (Debt/Total Assets) / Peak Gearing	18.3% / 22.6% (FY21)
Target Gearing	0% - 15%
Maximum Gearing	25%
LVR / Peak LVR	19.8% / 23.9% (FY21)
LVR Covenant	50%
Initial interest covered ratio / Lowest ICR	7.25x / 6.0x (5 year low)
ICR Covenant	1.8x
Amount by which valuation will have to fall to breach LVR covenant	60.4%
Amount by which income will have to fall to breach ICR covenant	75.2%

Source: Core Property, AMP Capital

Fees Charged by the Fund

Overall, Core Property considers the fees charged by the Fund to be at the low end of what has been seen in the market.

Core Property notes that Management Fees are charged on a variety of measures, based on the Gross Assets of the Fund (GAV), Net Assets of the Fund (NAV) and Gross Income of the Fund. We have consolidated the amounts and estimate the Total Management Fee for FY19 to be equivalent to 0.78% of the Gross Assets of the Fund. This is at the low end of the what we have typically seen in the industry (0.7% - 1.1% of GAV).

Core Property notes the Indirect Costs of the Fund have been stated at up to 0.19% of the NAV, however the amount is only charged on actual expenses of the Fund. Based on the Manager's forecasts and current size of the Fund, the amount is estimated to be around 0.05% - 0.07% of the NAV.

A summary of the fees charged by the Fund is presented below.

Figure 4: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Entry/Establishment Fee	Nil	
Exit Fee	Nil	
Acquisition Fee	0.4% of the purchase price.	Industry average is to charge 1.5% - 2.0% of the purchase price of the property.
Sale Fee (Disposal Fee)	0.5% of the gross sale proceeds.	Industry average is to charge 1.0% - 2.0% of the sale price of the property.
Management Fee	Total Management Fees are charged on the GAV, NAV and Gross Income of the Fund as follows: • Management Fee of 0.42% p.a. of Gross Assets of the Fund, plus 4.2% of Gross Income of the Fund; plus • Indirect Costs: of up to 0.19% p.a. of Net Assets of the Fund.	Total Management Fees are estimated at 0.78% of GAV for FY19, based on the Manager's forecasts. We consider the Fees to be at the lower end of what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV).
Performance Fee	Nil	The Fund does not currently charge a performance fee. In the future, the Fund may appoint an investment manager for the portfolio of listed property securities. These managers may be entitled to a performance fee, which would be an expense of the Fund.

Note 1: The Fund may also incur transaction and Operational Costs which will vary depending on the level of transactional activity within the Fund. The returns delivered by the Fund are net of these costs.
Source: AMP Capital, Core Property

All-in fee analysis

Core Property has estimated the fees that will accrue to the Manager over an estimated five-year period as a percentage of all cash flow generated after deducting interest costs but before management fees payable. The calculation is based on the current portfolio at June 2018.

- Calculations assume a five-year Fund term to June 2023.
- A Performance Fee has not been included;
- Core Property assumes there is no change in the forecast portfolio terminal cap rate at the end of the initial term, which effectively assumes no cap rate compression. A lower terminal cap rate would lead to a higher sale price and performance fees may become payable.

Overall, Core Property estimates the Manager will receive approximately 3.3% of the total cash flow from the current portfolio, which leaves investors with approximately 96.7% of the total. Core Property believes the fees paid to the Manager to be lower than the market when compared to similar products, which are typically around 7% - 9%.

Core Property stresses that these are estimates of how much investors will receive and not guaranteed amounts. For further details, please refer to the *Financial Analysis* section.

Figure 5: Fees in Perspective – over an estimated five-year period

Core Property estimates that for every $1.00 of equity invested the Fund can return:	Amount per $1.00 unit
Principal repayment to investors:	$1.00
Income and capital gains to investors:	$0.42
Total cash to investors:	**$1.42**
Acquisition fee:	$0.00
Base management fee:	$0.05
Disposal fee:	$0.00
Fees for the RE (excluding disposal/admin):	**$0.05**
Total cash generated by Fund:	**$1.47**
Fees = % of total cash generated (before fees)	3.3%
Fees= % of gains (before fees)	10.3%
Up-front fee vs total fees	0%

Source: Core Property estimates

Investment Portfolio

The Fund primarily invests in direct property within Australia, supported by investments in cash and listed property securities.

- **Direct Properties:** The Fund has an asset allocation to invest 50% - 100% (target 75%) in direct properties and currently holds 92.5% of its assets in 25 properties sites with a book value of $1,761.2M. The properties generate a net operating income of around $115.6M with an average occupancy of 97.5% and a WALE of 4.2 years. The assets are diversified across the office, retail and industrial sectors, located in NSW, VIC, ACT, QLD and SA. The Fund has a policy to undertake an independent valuation at least once every financial year, however in practice the Fund has undertaken valuations on a quarterly basis to ensure asset values and unit prices remain up to date.
- **Listed Property Investments:** The Fund has an asset allocation to hold 0% - 50% in listed property investments (A-REITs) and currently holds $102.7M, or 5.4% of its total assets in ASX listed securities.
- **Cash:** The Fund has an asset allocation to hold 0% - 50% in Cash and currently hold around 1.6% in Cash to provide liquidity for investors.

The following table is a summary of the Fund's metrics at 30 June 2018, based on unaudited accounts

Figure 6: Portfolio Summary as at 30 June 2018 – preliminary, unaudited accounts

Details	Amount	% of Assets
Direct Properties – 25 assets	$1,761.2M	92.5%
Listed Property Investments (A-REITs) – 16 Security's	$102.7M	5.4%
Cash	$29.8M	1.6%
Total Portfolio	**$1,893.7M**	
Other Assets	$10.1M	0.5%
Total Assets	**$1,903.7M**	
Direct Properties		
WALE – by income	4.2 years	
Weighted Average Capitalisation Rate	5.91%	
Occupancy	97.5%	
Forecast Max LVR (5 years) / Covenant	26.3% /50.0%	
Gearing Ratio FY19 / Max Gearing (5 years)	18.3% / 27.2%	
Forecast Low ICR (5 years)/ Covenant	6.0x / 1.8x	
Unit Price – Entry / Exit Price (22 June 2018)	$1.32144 / $1.32144	
Forecast Distribution - FY19 (Core Property forecast)	**7.48 cents per unit**	

Source: Core Property based on AMP Capital assumptions

Direct Properties

The Fund primarily invests in Direct Properties, which currently comprise 92.5% of the Fund's gross assets, and has strong property metrics, including:

- An extensive portfolio of 25 properties valued at $1,761M, with 382,881 sqm of net lettable area (NLA)
- Average portfolio occupancy of 97.5% and a WALE of 4.2 years.
- Average portfolio capitalisation rate of 5.91% (range 5.00% - 7.75%).
- Well diversified portfolio in the Retail (36.9%), Office (38.1%) and Industrial (25.0%) sectors.
- Properties are primarily located on the eastern seaboard with 36.2% in NSW, 34.1% in Queensland and 24.9% in Victoria.
- The largest property, Casula Mall, accounts for 12.1% of the portfolio and the largest tenant represents 3.9% of revenue.

The following table provides a summary of the direct properties held by the Fund as at 30 June 2018.

Figure 7: Direct Properties as at 30 June 2018

Address	Sector	Lettable Area (sqm)	Book Value ($M)	Valn Date	Cap Rate	Occ	WALE
Casula Mall, Casula NSW	Retail	20,033	213.0	June 2018	5.50%	99.4%	3.8 yrs
Stud Park Shopping Centre	Retail	25,605	155.0	June 2018	5.75%	99.5%	2.5 yrs
Gasworks Plaza	Retail	8,747	146.8	June 2018	5.00%	96.2%	6.3 yrs
Brickworks	Retail	15,101	135.0	June 2018	5.25%	95.2%	4.6 yrs
124 Walker St, North Sydney	Office	11,096	120.0	June 2018	5.75%	94.4%	3.0 yrs
Bond One, Walsh Bay	Office	9,149	111.0	June 2018	5.75%	100.0%	1.5 yrs
12 Moore St, Canberra	Office	11,975	52.0	June 2018	7.25%	91.6%	2.8 yrs
636 St Kilda Rd, Melbourne	Office	17,050	105.3	June 2018	5.75%	90.0%	2.6 yrs
425 Collins St, Melbourne	Office	5,293	39.2	June 2018	5.00%	100.0%	2.7 yrs
199 Grey St, Brisbane	Office	13,245	93.0	June 2018	6.50%	100.0%	3.7 yrs
Gasworks Workspace, Brisbane	Office	9,624	72.5	June 2018	6.50%	100.0%	3.1 yrs
33 Park Rd, Brisbane	Office	7,288	49.3	June 2018	7.25%	100.0%	3.5 yrs
Stanley House, South Brisbane	Office	3,299	29.1	June 2018	6.00%	100.0%	5.5 yrs
Connect Corporate Centre B1, Mascot	Industrial	5,642	46.5	June 2018	5.75%	100.0%	6.3 yrs
Connect Corporate Centre B2, Mascot	Industrial	11,745	103.0	June 2018	5.25%	100.0%	10.7 yrs
1B Unwin St, Rosehill	Industrial	11,679	28.0	June 2018	7.00%	100.0%	1.2 yrs
20 Holbeche Rd, Arndell Park	Industrial	6,850	16.4	June 2018	6.50%	100.0%	4.7 yrs
Central West DC, Laverton North	Industrial	56,112	51.5	June 2018	6.75%	100.0%	1.3 yrs
704-744 Lorimer St, Port Melbourne	Industrial	25,697	43.4	June 2018	5.75%	97.1%	5.1 yrs
2 Pound Rd West, Dandenong	Industrial	16,696	20.0	June 2018	6.50%	100.0%	1.7 yrs
202-228 Greens Rd, Dandenong	Industrial	22,586	24.1	June 2018	6.25%	100.0%	4.3 yrs
121 Evans Rd, Salisbury	Industrial	28,961	33.0	June 2018	7.75%	100.0%	2.0 yrs
Acacia Gate Industrial Est, Acacia Ridge	Industrial	18,484	20.0	June 2018	7.75%	69.0%	2.2 yrs
7-9 French Ave, Brendale	Industrial	12,282	21.1	June 2018	6.50%	100.0%	11.5 yrs
2 Second Ave, Mawson Lakes	Industrial	8,642	33.0	June 2018	7.50%	100.0%	12.5 yrs
Total – Direct Portfolio		**382,881**	**1,761.2**		**5.91%**	**97.5%**	**4.2 yrs**

Source: AMP Capital

Main Properties

The following eight properties account for 61.4% of the Direct Property portfolio.

Casula Mall: 1 Ingham Drive, Casula NSW – 12.1% of the Direct Property portfolio

As at 30 June 2018	
Book Value	$213.0M
Capitalisation Rate	5.50%
Lettable Area (sqm)	20,033 sqm
Occupancy-by NLA	99.4%
WALE	3.8 years
Major Tenants (by income): Coles (Expiry Sep-22), KMart (Expiry Sep-22), Aldi (Expiry Sep-31)	

Casula Mall is a fully enclosed single level sub-regional shopping centre located in Casula, approximately 30 kms south west of the Sydney CBD. The centre is anchored by Coles (26% of NLA), Kmart (39% of NLA), Aldi (8% of NLA) and 63 specialty tenants. The total site area of 52,220 sqm includes net lettable area of 20,041 sqm and space for 806 cars. The centre commenced trading 1986 and was expanded in 1998. A major refurbishment was undertaken in 2008 including external facade works and a reconfiguration of the layout to create an additional entrance point. Additional works were undertaken in 2016 which included the introduction of an Aldi supermarket, additional car spaces and outdoor dining areas.

Stud Park Shopping Centre: Stud Road, Rowville VIC – 8.8% of the Direct Property portfolio

As at 30 June 2018	
Book Value	$155.0M
Capitalisation Rate	5.75%
Lettable Area (sqm)	25,605 sqm
Occupancy-by NLA	99.5%
WALE	2.5 years
Major Tenants (by income): Kmart (Expiry Jul-19), Coles (Expiry Jul-19), Woolworths (Expiry Nov-20)	

Stud Park Shopping Centre, an enclosed sub-regional retail property located in Rowville, approximately 27 kms south east of Melbourne's CBD. Anchor tenants include Woolworths (19% of NLA), Coles (17% of NLA) and Kmart (28% of NLA), and 61 specialty tenancies. The total site area of 109,220 sqm includes net lettable area of 25,605 sqm and 1,530 car spaces. The centre commenced trading in 1989 and has been extended and refurbished over the years, first in 1997, again in 2004 and most recently in 2015.

Gasworks Plaza: 76 Skyring Terrace Newstead QLD – 8.3% of the Direct Property Portfolio

As at 30 June 2018	
Book Value	$146.8M
Capitalisation Rate	5.00%
Lettable Area (sqm)	8,747 sqm
Occupancy-by NLA	96.2%
WALE	6.3 years
Major Tenants: Woolworths Supermarket (Expiry Aug-33)	

Gasworks Plaza consists of a mixed-use retail and commercial asset located in Newstead, approximately 2.5 km north-east of the Brisbane CBD. The site comprises 3 properties on 5 separate titles with an open space parkland located adjacent. Gasworks 1 was built in 2013 and consists of two detached buildings separates by an intersecting internal thoroughfare with a common basement carpark for 400 vehicles. The retail component is anchored a Woolworth supermarket (45% of NLA), 2 mini majors and 21 retail specialty tenants, with commercial suites located above. Gasworks 2 was built in 2016 and consists of a ground floor retail with 7 tenancies (including 1 vacancy), a residential tower and 20 basement car spaces. Gasworks 3 is currently under construction and comprises a ground level retail (1,100 sqm of NLA) below a residential tower with 81 basement car spaces. The Fund does not own any of the residential component of the complex.

Brickworks Centre: 107 Ferry Road, Southport QLD – 7.7% of the Direct Property Portfolio

As at 30 June 2018	
Book Value	$135.0M
Capitalisation Rate	5.25%
Lettable Area (sqm)	15,101
Occupancy-by NLA	95.2%
WALE	4.6 years
Major Tenants: Freedom (Expiry Nov-24), TK Maxx (Expiry Mar-19)	

Brickworks Centre is a large format retail property on a total site area of 35,427 sqm with 15,101 sqm of NLA. The retail centre commenced trading in 1986 and comprises a merger of 11 contiguous allotments and includes major tenants Freedom (16% of NLA), TK Maxx (13% of NLA) and 54 specialty retail tenants. The property benefits from four street frontages, as well as car parking for 386 vehicles.

124 Walker Street, North Sydney NSW – 6.8% of the Direct Property Portfolio

As at 30 June 2018	
Book Value	$120.0M
Capitalisation Rate	5.75%
Lettable Area (sqm)	11,096 sqm
Occupancy-by NLA	94.4%
WALE	3.0 years
Major Tenants: Professional Advantage (Expiry Jan-21), 3P Learning (Expiry Mar-23), White Ribbon Australia (Expiry Apr-22), Holocentric (Expiry Nov-22), Reid Campbell (Expiry Dec-22)	

A B-grade commercial office tower constructed in 1974, located in North Sydney NSW, approximately 4km north of the Sydney CBD. The property comprises of 18 upper levels of office accommodation, ground level foyer, three ground level retail shops as well as a two leveled basement car parking. The property's major tenants include: Professional Advantage (16.7% of NLA), 3P Learning (11.0% of NLA), White Ribbon Australia (5.6% of NLA), Holocentric (5.6% of NLA) and Reid Campbell (5.6% of NLA).

Bond One: 20 Windmill Street, Walsh Bay NSW – 6.3% of the Direct Property portfolio

As at 30 June 2018	
Book Value	$111.0M
Capitalisation Rate	5.75%
Lettable Area (sqm)	9,149 sqm
Occupancy-by NLA	100.0%
WALE	1.5 years
Major Tenants: Aegis Media (Expiry May-20), Newcastle Ports (Expiry Jun-19), Leo Burnett (Expiry Mar-19).	

An A-grade commercial office property originally constructed in 2008 and located in Millers Point, approximately 1.5 km north west of the Sydney CBD. The property comprises of eight levels of office space, with two entry foyers and four levels of basement car parking, accessed from Hickson Road. In addition, level 3 is occupied by a retail tenancy, currently operating as a café. The property is fully occupied, with major tenants Aegis Media (62.3% of NLA), Newcastle Ports (19.1% of NLA) and Leo Burnett (18.0% of NLA).

Central West DC: 13-19 William Angliss Drive, Laverton North VIC – 2.9% of the Direct Property portfolio

As at 30 June 2018	
Book Value	$51.5M
Capitalisation Rate	6.75%
Lettable Area (sqm)	56,112 sqm
Occupancy-by NLA	100.0%
WALE	1.3 years
Major Tenants: ACI Operations (Expiry Oct-19)	

An industrial property, consisting of 3 facilities known as Building A, B and C, located in Laverton North, an established suburb in Melbourne's west, approximately 16 kms west of Melbourne's CBD. Constructed in 2005, the property was extended in 2007 and included improvements to offices and attached warehouse units. The site is fully occupied by ACI Operations (since 2002) and includes a surplus land component fronting Doherty's Road totaling 15,600 sqm.

Connect Corporate Centre: Buildings 1 and 2, 191 O'Riordan Street, Mascot NSW – 8.5% of the Direct Property portfolio

Connect Corporate Centre – Building 2

As at 30 June 2018	
Book Value	$46.5M (B1) $103.0M (B2)
Capitalisation Rate	5.75% (B1) 5.25% (B2)
Lettable Area (sqm)	5,642 sqm (B1) 11,745 sqm (B2)
Occupancy-by NLA	100.0% (B1) 100.0% (B2)
WALE	6.3 years (B1) 10.7 years (B2)
Major Tenants: Qudos Mutual Limited (Expiry May-26), Boston Scientific Pty Limited (Expiry May-23), Comonwealth of Australia (DAWR), Kone Elevators.	

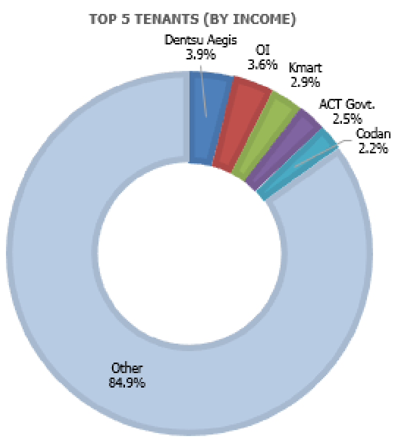
Connect Corporate Centre is a developing estate located in the airport suburb of Mascot, approximately 10 km south of the Sydney CBD. Building 1 consists of an A-grade commercial office building constructed in 2016 with 4 levels of office (5,640 sqm of NLA) and 4 upper levels of car parking with 141 car spaces. Building 1 is fully occupied, with major tenants Qudos Mutual Limited (50% of NLA), and Boston Scientific (39% of NLA) and a WALE of 6.6 years. The property consists of total site area of 2,385 sqm with net lettable area of 5,640 sqm with 141 car parking spaces. Building 2 consists of an A-grade commercial office building constructed in 2017 with 6 levels of office and 6 upper levels of car parking with 313 spaces. Building 2 has a site area of 4,541 sqm with 11,656 sqm of net lettable area and is fully occupied with major tenants including the Commonwealth of Australia (DAWR) and Kone Elevators.

Leases, tenants and income

The direct portfolio has a WALE of 4.2 years (at 30 June 2018). The top five tenants represent 15.1% of total revenue and include corporate and government entities, including;

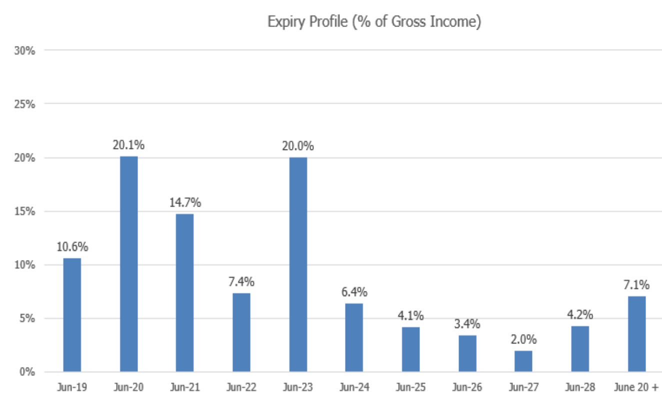
- Dentsu Aegis (Office) – 20 Windmill Street, Millers Point NSW – 3.9% of revenue
- OI (Industrial) – 13-19 William Angliss Drive, Laverton North VIC – 3.6% of revenue
- Kmart – Casula (Retail) – 1 Ingham Drive, Casula NSW – 2.9% of revenue
- ACT Govt (Office) – 12 Moore Street, Canberra – 2.5% of revenue
- Codan (Industrial) – 2 Second Ave, Mawson Lakes – 2.2% of revenue.

Figure 8: Top 5 tenants by income – 30 June 2018



Source: AMP Capital

Figure 9: Lease expiry profile – as at 30 June 2018



Source: AMP Capital

Capex

The Manager is forecasting around $100M in capital expenditure (capex) over the next five years across the portfolio of 25 properties, with the capex assumptions based on the independent valuer assumptions.

The capex is entirely funded through debt resulting in the gearing increasing to around 25.9%, slightly above the Fund's maximum gearing of 25%. We note the current debt facility has $100M in undrawn debt, and the Manager will need to increase the facility (at maturity in 2019 and 2021), or initiate other capital measures in order to fund the capex requirements.

Core Property has adopted the Manager's capex assumptions on the basis that they were based on independent technical reports. The inherent assumptions here is that the capital expenditure is likely to improve the value of the building. While this has been the case in recent years, Core Property reminds investors that this may not be the case in adverse market conditions.

Diversification

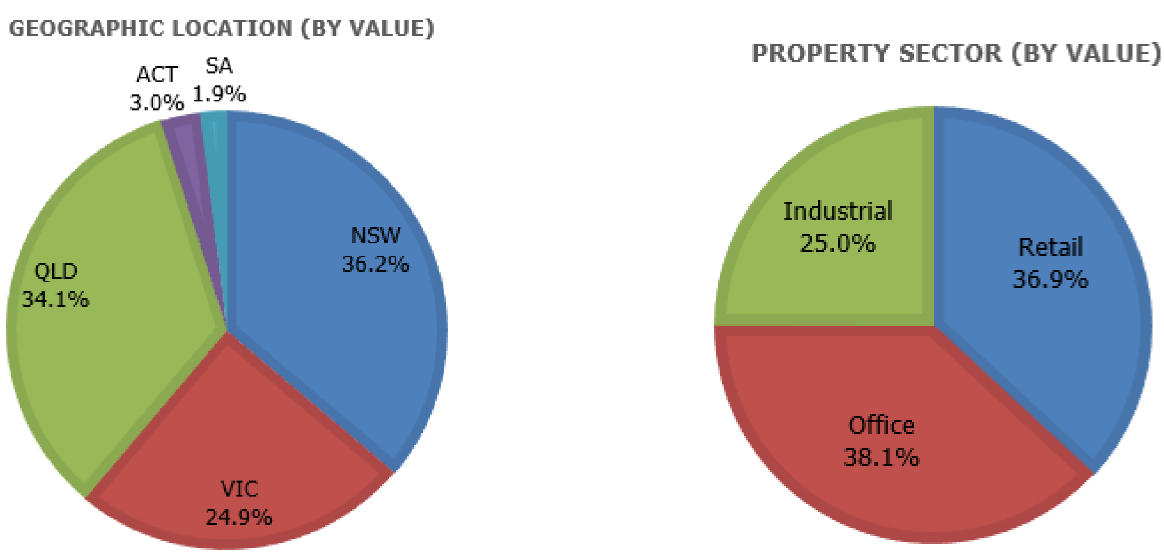
The Fund's direct properties are diversified across the office, retail and industrial sectors with a slight preference to the Office (38%) and Retail (37%) sectors. The bulk of the assets are in NSW (36% of the portfolio), QLD (34% of the portfolio) and Victoria (25% of portfolio) with a small exposure to the ACT (3%) and South Australia (2%). The Fund is primarily in direct property within Australia, with the ability to also invest in cash and listed property securities.

Core Property notes the Manager has improved diversification since March 2014. In particular:

- The Fund previously held 9 properties in 2014, with of 5 assets in NSW (74% of portfolio), 1 asset in ACT (10% of portfolio), 2 assets in VIC (9% of portfolio) and 1 asset in QLD (7% of portfolio).
- From September 2014 onwards, the Fund purchased 17 assets for a total of $1,129M.
- The Fund currently holds 25 assets with a greater diversification in geographical regions, as well as a 5% investment in listed A-REITS.
- The Top 10 tenants in March 2014, accounted for around 60% of Fund revenue. Currently, the Fund has reduced the top 10 tenants to 25% of Fund revenue.

The following table is a summary of the portfolio mix as at 30 June 2018.

Figure 10: Diversification metrics – as at 30 June 2018



Source: AMP Capital, as at 30 June 2018

Listed Investments – A-REIT Portfolio

The Fund currently invests $102.7M, or 5.4% of its portfolio, in ASX listed property securities. The securities are managed by AMP Capital's Property Securities Team in accordance with the Fund's objectives to deliver a stable income stream and capital growth over the long term as well as providing liquidity for investors.

The Manager has advised that since December 2014 the Fund has held between 5.5% - 17.5% (average 9.9%) of its assets in listed securities.

Financial Analysis

Core Property has undertaken a financial forecast of the Fund, based on a review of the current portfolio as well as discussions with the Fund Manager. The forecast below is based on certain assumptions that may change as a result of market conditions and the changing performance of the properties.

Core Property's calculations provide an indicative expectation of the performance of the Fund as the calculations assumes that no properties are purchased or sold over a 5-year period and the assets in the Fund are realised at the end of 5 years. It should be noted that this is unlikely to occur, as the Trust is open ended. The key assumptions in our forecasts are:

- Property assets are based on the portfolio as at 30 June 2018.
- Capitalisation Rates are calculated via a weighted average method and are assumed to remain constant at 5.91% on the direct property portfolio;
- Based on the units on issue of 1,160.0M as at 30 June 2018. Assumes units on issue increase to 1,520.0M over 5 years, or around 72M new units p.a. This compares to an average increase in units of 120M p.a. over the 2 years to June 2018.
- Assumes all earnings in the Fund are paid out as distributions.
- Assumes all capex expenditure is funded by net fund inflows and increase in debt.
- Assumes debt facility is renewed on similar terms as the existing debt facility and remains in place over the term of the Fund, with an increase in the facility limit to $550M.
- Net Property Income declines in FY20 based on lease expiry assumptions as provided by the Manager.
- Assumes the A-REIT portfolio provides a yield of 5.75% p.a., with valuation growth of 3.25% p.a.

A summary of our forecasts is presented below.

Figure 11: Profit & Loss Forecast

Profit & Loss - Forecast $M	**FY19**	**FY20**
Net Property Income	115.6	117.7
Distributions Received (Listed Securities)	5.9	6.1
Fees	-14.4	-14.6
Expenses	-1.0	-1.0
Finance Costs (net)	-14.1	-16.2
Funds from operations	**92.1**	**91.9**
Cash distribution	**92.1**	**91.9**
Cash distribution per unit (cents)	**7.48**	**7.29**
Annualised Distribution Yield	**5.7%**	**5.6%**

Source: Core Property, based on AMP Capital assumptions

Balance sheet

Figure 12: Balance Sheet

Balance Sheet – $M	As at 30 June 2018 (preliminary unaudited)
Cash	29.8
Direct Property	1,761.2
Listed Securities	102.7
Other	10.1
Total Assets	**1,903.7**
Interest-bearing debt	349.0
Other liabilities	22.0
Total Liabilities	**370.9**
Net Assets	**1,532.8**
Units on Issue (Millions)	1,160.0
NTA per unit	**1.321**
Debt/ Total assets	**18.3%**
LVR (Debt/ Property Valuation)	**19.8%**

Source: AMP Capital

Expected Future Performance (IRR Sensitivity)

Core Property has estimated the total return from the Fund based on the 5-year forecasts presented in the section above.

Using these assumptions Core Property expects the Fund to deliver a 5-year Internal Rate of Return (IRR) in the range of 6.5% - 10.7% (midpoint 8.5%).

Investors should be aware the sensitivities include the potential for the valuation of the assets to increase or decrease (depending on market conditions) which will result in either a capital gain or loss for investors.

The three main performance drivers in a property syndicate are:

1. The property income profile (lease structure);
2. The terminal value upon the sale of the property (asset quality + market conditions); and
3. The cost of debt (depending on leverage).

The table below summarises our expected IRRs.

Figure 13: Pre-tax, 5-year IRR (after fees) sensitivity analysis

Terminal cap rate	Cost of debt				
	2.40%	2.90%	3.40%	3.90%	4.40%
5.41%	10.8%	10.7%	10.5%	10.4%	10.3%
5.66%	9.7%	9.6%	9.5%	9.4%	9.3%
5.91% (base)	8.7%	8.6%	8.5%	8.4%	8.3%
6.16%	7.8%	7.7%	7.6%	7.4%	7.3%
6.41%	6.9%	6.8%	6.7%	6.5%	6.4%

Source: Core Property

Management & Corporate Governance

Background of the Responsible Entity & Manager

The Responsible Entity of the Fund is National Mutual Funds Management Limited ("RE"). In February 2012, the RE appointed AMP Capital as the Investment Manager ("Manager"). Both the RE and Manager are subsidiaries within AMP Limited (ASX: AMP), a top 50 ASX-listed company with a market capitalisation of over $10 billion. AMP was formed in 1849 as the Australian Mutual Provident Society, a non-profit life insurance company and mutual society, and was demutualized and listed on the Australian and New Zealand stock exchanges in 1998. On 31 March 2011, AMP acquired the Australian and New Zealand operations of AXA Asia Pacific Holdings, which included the former National mutual business.

The Board of the RE comprises four executive directors from AMP Capital. Core Property notes the Board of the RE does not have any independent directors, as the Fund is structured to make use of the extensive resources within AMP Capital. In addition, there are two non-executive members on the Investment Committee.

AMP Capital has been investing and managing real estate for over 50 years and with over $175 billion in funds under management, with over $24 billion in commercial real estate. Core Property considers the management within AMP Capital to have the relevant skills and experience to manage the Fund successfully.

Figure 14: The Board of the Responsible Entity & Fund Manager

Name & Role	Experience
James Georgeson Director Deputy Group CFO BCom, MCom	James is Deputy Group CFO for AMP and is responsible for Group Performance reporting, Strategic Planning & Forecasting, Portfolio & Capital Management and Mergers & Acquisitions. He previously held the position of Group Finance Director for 4 years which also included responsibility for Investor Relations. James has been with AMP for more than 17 years working primarily across the areas of finance, risk management and strategy. James also has experience in AMP's New Zealand business. During his 4 years there, he held the position of Chief Financial Officer for 2 and a half years with end-to-end responsibility for the NZ finance team, including overseeing the integration of the AMP and AXA Finance teams. In 2013, James took on the role of Director of Strategy and Chief Risk Officer for AMP's New Zealand Business with responsibility across Strategy development, Risk management, Communications and Governance. Prior to this, James spent time in a range of roles in Corporate accounting, Group consolidation, Management reporting and project activities. James is a Chartered Accountant (Institute of Chartered Accountants of Australia and New Zealand), holds a Master of Commerce (Macquarie University) and has a Bachelor of Accounting (University of Technology, Sydney).
Eric Gibson Director B.Comm (Hons), Fellow Chartered Accountant (Ireland), FPA Allied Professional	Eric commenced his career with Ernst & Young. He worked for EY in both Ireland and the United States before moving out of practice when he relocated to Australia. Eric joined AMP Advice ipac securities limited (now part of AMP Advice) in March 2004 and was Chief Operating Officer prior to becoming Head of Financial Planning for NSW & ACT in 2013. Prior to joining ipac securities limited he held a number of senior financial roles with Cashcard Australia, BT Financial Group & Tricon Restaurants International (formerly PepsiCo).
Simon Warner Director Global Chief Investment Officer – Fixed Income BSc, MSc (Economics), Global Executive MBA	Simon Warner was appointed as Global Chief Investment Officer, Fixed Income in March 2017. Before this he was Head of Global Fixed Income from 2014 to 2017. He joined AMP Capital in March 2007. Mr Warner is responsible for the management of AMP Capital's active fixed income strategies including macro markets, credit markets, commercial lending and protected growth. With assets under management in excess of $55 billion, the Global Fixed Income team has more than 30 investment professionals in Sydney, Chicago, Hong Kong and Wellington. Mr Warner was appointed to the board of AMP Capital Investors New Zealand Limited in July 2016. Mr Warner began his career with JP Morgan in London, later moving to Sydney and Singapore as Chief Investment Officer for Australasia. He holds an EMBA from New York University, HEC Paris and the London School of Economics, as well as Master and Bachelor of Science degrees in Economics from the London School of Economics and Political Science.

Julie-Anne Mizzi Director Principal, Head of Social & Aged Care AU & NZ BCom, MCom, GAICD	Julie-Anne Mizzi, Head of Social and Aged Care, is responsible for leading AMP Capital's broad social infrastructure business. This includes responsibility for the performance and growth of AMP Capital's Community Infrastructure Fund, the Aged Care business and management and development of the student housing assets. Ms Mizzi has more than 25 years' financial markets and investment management experience across mainstream and alternative asset classes. She has been with AMP for nearly 20 years in both Sydney and London, first as head of an equities portfolio management team and later in various corporate strategy roles including responsibility for significant mergers and acquisition activity. Her most recent role was Global Head of Strategic Business Development for Infrastructure which culminated in the acquisition of the RBS Social Infrastructure Fund, now the Community Infrastructure Fund. Prior to joining AMP, Ms Mizzi held various roles in a number of stock-brokering and investment management companies, including Ord Minnett Limited, ANZ McCaughan Corporation and NZI Investment Services. Ms Mizzi holds a Bachelor of Commerce (Economics), as well as a Master of Commerce (Econometrics and Finance), both from the University of New South Wales in Australia and is a Graduate of the Australian Institute of Company Directors.
Fund Manager	
Christopher Davitt Fund Manager	Christopher joined AMP Capital in March 2010, with responsibilities to manage a $500M separate account mandate investing in unlisted funds all over the globe. More recently, Christopher was the portfolio manager of a $1.7B property portfolio with investments in Australia, the UK and Asia. Prior to joining AMP Capital, Christopher was Vice President at a real estate private equity firm based in London. In addition, his experience ranges to research, transactions and funds management roles.

Source: AMP Capital

Investment Committee

The Fund's Investment Committee comprises seven members, including five members from within the AMP Capital property team plus two non-executive members. The members are:

Figure 15: Fund Manager and Executive Team

Name & Role	Experience
Eric Goodwin AM, BEng UNSW, MIE (Aust), JP *Chair, Real Estate Investment Committee*	Eric joined Lend Lease Group as a Cadet Engineer in 1963 and enjoyed a 42 year career with the company. Eric has expertise in design, construction and project management, general management and funds management. His experience includes management of the MLC Property Portfolio during the 1980s, he served as the founding Fund Manager of the Australian Prime Property Fund, held a number of senior executive and subsidiary board positions in the Lend Lease Australian operation, the US and he was the inaugural manager of the group's Asian operations. He served as director on the Responsible Entity for DUET Finance Trust, from June 2004 and was the Chairman of Duet Finance Limited until 2017. He served as Non-Executive Director of Eureka Funds Management Limited from 2004 until 2018, and is a past Director of Macquarie Global Property Advisors and Lend Lease Global Properties SICAF. He served as a Representative Director of GPT Management Limited from 2004 and as a Non-Executive Director of GPT RE Limited and GPT Group (GPT Management Holdings Limited) from 2005 until 2015. Eric was Chair of both St Aloysius' College Council and Jarjum College Council for many years and is Chair of St Mary's Cathedral Conservation Committee. Eric was appointed Chair of AMP Capital Real Estate Investment Committee in 2017.
Stuart Nisbett, Ccom, Mcomm, ACA Non-Executive Member	Stuart has more than 25 years' experience in property development, project finance, funds management, equity/debt raising and real estate corporate advisory in Australasia and Asia. He has extensive contacts within the Australian property industry, the finance and funds management sectors and with institutional investors. In July 2008 Stuart established Archerfield Capital Partners, a boutique advisory firm focused on the real estate markets of Australasia and Asia Pacific. He was appointed a Responsible Officer of the company in January 2010. Prior to Archerfield, Stuart was Executive Director, Head of Property, Alternative Assets, for ANZ Bank with responsibility for the bank's property funds management business, having previously been Managing Director and Head of Property Investment Banking at N M Rothschild & Sons (Australia) Limited. At Rothschild, Stuart established and built the property banking and investment banking business into one with a substantial presence in the Australian property market. In late 2006 the Rothschild Australian banking operations were sold to Investec Bank Australia. Prior to joining Rothschild in late 2001, Stuart was Head of Structured Finance and Property Advisory at Macquarie Bank where amongst other things he was financial and project advisor to a Multiplex consortium in relation to the $600 million Latitude at World Square project (Ernst & Young Tower). In addition, Stuart was a senior development and finance executive with the Lend Lease Group from 1989 to 1998 where he was responsible for the equity and debt raisings and joint venture management for the development of Darling Park Stages 1 and 2 in Sydney. Stuart holds a Bachelor of Commerce and Master of Commerce from the University of New South Wales. He is a member of the Institute of Chartered Accountants in Australia and in 2005 was appointed a Fellow of the Australian Property Institute.

Carmel Hourigan – Global Head of Real Estate	Over 22 years' experience, Carmel joined AMP Capital in November 2015 from the GPT Group. During her time at the GPT Group, Carmel was the Chief Investment Officer and prior to that, Head of Investment Management since 2012. At AMP Capital, Carmel is responsible for leading AMP Capital's $23 billion property investment and management business, as well as overseeing AMP Capital's property investment committees. Carmel holds a Bachelor of Business (Land Economics, and a Graduate Diploma of Finance and Investment from the Securities Institute of Australia.
Chris Judd – Head of Funds Management	Over 25 years' experience in the property industry, Chris is responsible for overseeing AMP Capital's Australian and New Zealand unlisted Fund Management Team. In his role, Chris is responsible to managing a suite of core property funds, ensuring delivery of investment performance and strategic growth goals. Prior to his role as Head of Funds Management, Chris was the Fund Manager of AMP Capital' Global Direct Property Fund.
Andrew Roy – Head of Origination	Over 25 years' experience in the property industry, Andrew joined AMP Capital in July 2004 as Head of Real Estate Transactions. Prior to his current position, Andrew was employed by Investa Property Group where he founded and headed their Syndication Business. At AMP Capital, Andrew is responsible for sourcing new investment opportunities as well as all property acquisitions and disposals for AMP Capital Real Estate's clients.

Source: AMP Capital

Compliance and Governance

The Fund's compliance is undertaken by the Risk and Compliance department of AMP Capital and is independent of operations. The Compliance Plan includes processes to deal with complaints handling, applications processing, transfers and distributions, registry systems, record keeping, valuations, conflicts of interest and the monitoring of suspected compliance breaches.

The Compliance Plan is audited annually in accordance with the Corporations Act. The Fund's auditors are Ernst & Young. The Manager has also lodged a copy of the Fund's Constitution and Compliance Plan with ASIC, as required by the Corporations Act.

The Fund does not comply with RG46 Disclosure Principle 6, which requires that distributions be paid out of cash from operations. Instead, the Fund may include a component of capital as part of its distribution where the Fund's income of distribution per unit would otherwise be temporarily reduced.

The following table summarises how the Manager has addressed the RG46 benchmarks as at 31 March 2018.

Figure 16: Summary of ASIC retail disclosure benchmarks

ASIC Benchmark	Meets Reqmt (Y/N)	Comments
1. Gearing Policy	Y	The Fund's gearing as at 31 March 2018 was 15.9% (calculated according to ASIC's method) or 17.2% on a look-through basis. The Fund has a target gearing ratio of 05- 15% and may borrow up to 25%.
2. Interest Cover Ratio (ICR)	Y	The Fund's ICR as at 31 March 2018 is 55.8x (calculated according to ASIC's method: EBITDA plus unrealised gains less unrealised losses, divided by interest expense), which is above its target of 2.0x.
3. Interest Capitalisation	Y	The Fund meets this benchmark. The interest expense of the Fund is not capitalised.
4. Valuation Policy	Y	The RE maintains and complies with a written valuation policy, including obtaining an independent valuation prior to the purchase of a property, the rotation of valuers, and for valuations to generally be conducted at least once in a financial year.
5. Related Party Transactions	Y	The RE maintains and complies with a written policy on related party transactions, including the assessment and approval of such transactions and arrangements to manage conflicts of interest.
6. Distribution Practices	N	The Fund does not meet this benchmark, which requires the Fund to source distributions from cash from operations. Instead, the Fund's Distribution Policy allows distributions to include a component of capital as part of its distribution where the fund's income or distribution would otherwise be temporarily reduced. This may involve part of the distribution effectively being funded from borrowings.

Source: AMP Capital

Related Party Transactions

The Fund is structured to fully utilise the resources and capabilities within AMP Capital and the AMP Group of companies.

The senior management maintains and complies with a written policy on related party transactions, including the assessment and approval process for such transactions and arrangements to manage conflicts of interest. Decisions made in relation to conflict of interest and related party transactions are documented.

Core Property has reviewed the list of related party transactions as disclosed in the Fund's June 2017 Annual Report and consider the transactions to be appropriate in relation to the management of the Fund. The following is a summary of the related party transactions for the financial year ended 30 June 2017:

- **Related Party Investors in the Fund:** Approximately 21.66% of the units in the Fund are owned by related parties within the AMP Group, including the AMP Australian Property Fund (244.5M units, or 21.63%), AMP Life Limited (20,194 units, or less than 0.00%) and National Mutual Funds Management Ltd (0.4M units, or 0.03%).
- **Management, Custodian and Transaction Fees:** In accordance with the PDS, the Fund incurred $10.2M in related parties expenses for Management Fees to the RE ($9.4M), Custodian Fees ($0.5M) and Transaction Fees for the Acquisitions and Disposals ($0.3M).
- **Property Management Fees:** The Fund paid a total of $1.9M in Property Management Fees for the property management, leasing and development services to related parties of the RE. This includes fees to AMP Capital Shopping Centres Pty Limited ($1.3M) and AMP Capital office & Industrial Pty Limited ($0.6M).

All related party transactions are under normal commercial terms and conditions and at market rates.

Material service engagements and financial benefits that are paid to related parties are updated regularly through the Fund Update and Continuous Disclosure Notice. The dollar amounts of related party payments are also reported annually in the Fund's Annual Report.

Past Performance

Since the Fund was established in 1985, it has delivered a total of $3.2621 per unit in distributions for the 33.25 years to 30 June 2018, equivalent to a distribution yield of 9.8% on a straight-line basis.

AMP Capital was appointed as Investment Manager on 31 January 2012. Since 31 March 2012, under AMP Capital, the Fund has delivered total distributions of $0.4914 unit, equivalent to an average yield of 7.86 % p.a., on a straight-line basis. During this time the unit price has increased by an average of 2.4% p.a. over the 6.25-year period.

Core Property notes that past performance is not a reliable indicator of future performance as each fund, and its respective underlying assets, has its own specific risks and unique attributes.

Appendix – Ratings Process

Core Property has developed a framework for rating property and property related investment product offerings in Australia. The methodology gives consideration to a number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product and underlying portfolio construction; strength and depth of management team, product structure, risk management, financial analysis, and likely outcomes.

It is important for financial planners and investors to view the recommendation and rating in the context of comparable products only and not across all products rated by Core Property.

The Ratings

Financial Advisers and investors should note that for all ratings categories, the product may not suit the risk/return profiles of all investors.

Rating	Definition
Highly Recommended	This is the highest rating provided by Core Property and is indicative of the product exceeding the requirements of our review process across a number of parameters.
Recommended	Indicates that the product has an above average grade profile across a number of Core Property's parameters and has the potential to deliver above average risk adjusted total returns.
Approved	Indicates that the product has met the aggregate requirements of Core Property's criteria. The product has an acceptable risk/return trade-off and is potentially able to generate risk-adjusted returns in line with stated investment objectives.
Speculative	Core Property believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Core Property does not rule out investing in this product, investors should be very aware of, and be comfortable with the specific risks. The product may provide unique diversification opportunities, although concerns over one or more features mean that it may not be suitable for most investors.
Not Approved	Indicates that the product has failed to meet the minimum aggregate requirements of Core Property's criteria. While the product may have some positive attributes, Trusts in this category are considered high risk.

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