Investment strategy facts

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<tbody>
<tr>
<td>Style</td>
<td>Style neutral</td>
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<tr>
<td>Indicative number of holdings</td>
<td>8-15</td>
</tr>
<tr>
<td>Portfolio turnover</td>
<td>Low to moderate</td>
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<tr>
<td>Benchmark</td>
<td>S&amp;P/ASX200 A-REIT Accumulation Index</td>
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Objective

To outperform the S&P/ASX 200 A-REIT Accumulation Index over a rolling three year period, after fees and costs, with a similar risk profile to the Index.

Target market

Investors seeking passive exposure to stable, high yielding securities through a diversified portfolio of property related higher capitalisation stocks. Investors should have a long-term investment horizon and be comfortable with equity market volatility in the short to medium-term.

Philosophy

MPPM’s A-REIT Securities Strategy is designed to mirror the risk profile of the broader Australian REIT market, whilst using active portfolio management to achieve excess returns. The strategy is based upon the following beliefs:

- An A-REIT portfolio that uses a combination of quantitative and fundamental research can outperform the Index, after fees and charges. This is based on the premise that asset prices respond to the dynamic tension between company fundamentals and investor sentiment;
- The broad drivers of active return include valuation, quality, sentiment and events. The opportunity to generate excess returns is determined by considering each of these drivers in detail on a stock by stock basis;
- Investment markets are seen as inefficient because they under-estimate risk in the short-term and extrapolate recent earnings growth into the future. A-REIT prices will tend to revert to their fundamental value over the medium- to long-term.

Decision making process

The A-REIT Securities portfolio aims to leverage both quantitative and fundamental techniques to capture the main drivers of active stock returns. The A-REIT Securities Strategy utilises the following process:

- Commence with the constituents of the S&P/ASX 200 A-REIT Index. Apply liquidity constraints to create a pool of eligible securities with a market...
capitalisation above $200m at inclusion and annual turnover of at least $100m. If a position in the portfolio subsequently falls in value and no longer meets these requirements it may be removed from the portfolio.

- The Fund aims to capture four key drivers of A-REITs returns using Quantitative and Fundamental inputs.
  - Sentiment: focuses on trends in fundamental earnings that are likely to continue.
  - Quality: aims to find companies with strong business models.
  - Valuation: identifies over and undervalued stocks.
  - Events: seek to uncover shorter term supply/demand imbalances.

- Portfolios are constructed to ensure active positions are taken in the highest ranking securities, whilst minimising the volatility of portfolio returns. In general, the greater the positive alpha, the greater the expected weighting towards that security. The portfolio is concentrated, with 8 - 15 securities.

- The Portfolio Manager reviews portfolio weightings on an ongoing basis to ensure they remain appropriate. Peer Review ensures decisions draw upon experience of the broader team.

**Risk management process**

Investment in the A-REIT Strategy is limited to securities that meet our liquidity screens and, hence, portfolio construction is biased towards large capitalisation securities. Geographic exposure and currency risks are also actively monitored.

**Targeted return outcome**

The A-REIT Strategy is targeted to provide positive, risk-adjusted, relative performance over the entire investment cycle through a combination of income and capital growth. Portfolio management does not implicitly focus on tax management (i.e. a focus on tax deferred income or turnover minimisation), however individual clients’ tax status and positions are taken into account at the implementation stage prior to investing and ongoing trading. Portfolio turnover is expected to be moderate.

### Top five holdings as at 31 March 2019

<table>
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<tr>
<th>Holding</th>
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<tbody>
<tr>
<td>Goodman Group</td>
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<tr>
<td>Scentre Group</td>
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<td>Dexus</td>
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<tr>
<td>GPT Group</td>
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<td>Mirvac Group</td>
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</table>

**Notes**

1. Past performance is not necessarily indicative of future performance.

2. Performance figures shown are investment strategy returns, and are based on the relevant wholesale managed fund performance (net of fees). It assumes static manager weightings in accordance with the overall investment strategy. There will be differences between investment strategy performance and client portfolio performance due to factors such as fees; differences in timing of, and prices received for, buy and sell transactions; differences in holdings; and the impact of client transactions such as contributions and withdrawals.

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