Listed Property – Quarterly Report

APRIL 2010 – JUNE 2010

The expected return on listed property investments is generally greater than fixed interest or cash but they are considered more risky as returns can rise and fall substantially. Listed Property securities generally comprise properties such as offices, hotels and shopping centres as they are usually more liquid (i.e. easier to cash in) than residential property, as they're listed on the share market.

Quarter Review

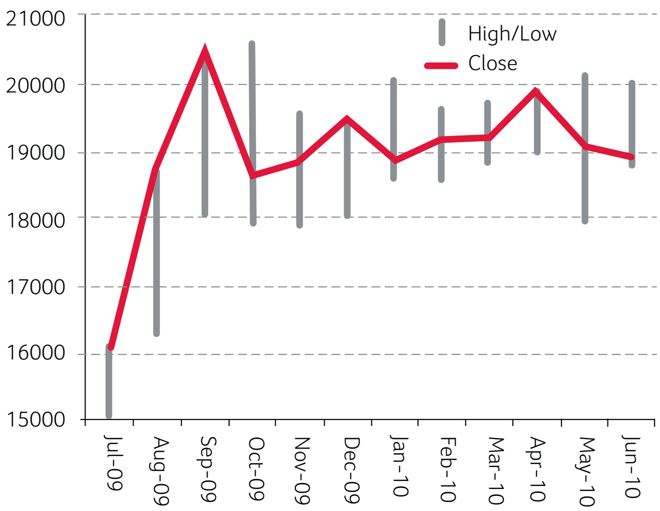
The S&P/ASX 200 Property Trust Accumulation Index fell 1.3% in the June quarter, outperforming the broader market by almost 10% for the period, highlighting its strong defensive qualities.

The retail sector was the best performing sector for the quarter, with investors attracted to its strong defensive characteristics. CFS Retail Property Trust was the standout, with investors attracted to its high quality portfolio, strong balance sheet and no offshore exposure. All the other sector constituents, namely Westfield Group, Bunnings Warehouse Property Trust and Charter Hall Retail REIT, outperformed for the quarter given their reliable cash flows and supportive valuations.

The Commercial sector was the second best performing sector for the quarter. Commonwealth Property Office Fund was the standout due to its balance sheet and 100% domestic only exposure. ING Office Trust also marginally outperformed, while Charter Hall Office REIT underperformed for the quarter.

The Industrial sector underperformed the benchmark for the quarter, with ING Industrial Fund the main catalyst with investors becoming increasing impatient at the Fund's lack of progress in deleveraging, especially with the Canadian portfolio. The diversified sector was the worst performer for the period. Ardent Leisure Group was the weakest, impacted by a subdued third quarter operational update. Charter Hall Group was the other notable underperformer, as investors looked to avoid stocks perceived to have greater risk.

S&P/ASX 200 Property Trust Accumulation Index



Outlook

For the property sector, ongoing global uncertainty should continue to see the sector perform well, given its higher relative yield, recapitalised balance sheets and solid cash flows. That said, the property sector will not be immune from the deteriorating macroeconomic conditions. With anecdotal evidence suggesting that underlying property market fundamentals remain challenging – particularly the commercial sector where landlords continue to offer generous incentive packages to attract tenants – and debt markets continue to be fickle, all eyes will be in the upcoming reporting season due to commence at the end of July for further guidance to earnings going forward.

A note from our legal team