

OCTOBER – DECEMBER 2009

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 5% in the December quarter, consolidating after extremely strong gains in the September quarter.

The diversified sector also outperformed the benchmark for the quarter. Small cap Ardent Leisure was the standout performer, benefiting from Index inclusion, while Charter Hall Group was the other significant outperformer – benefiting from the increasingly positive sentiment towards the commercial sector.

The commercial sector was the best performing sector during the December quarter. A number of investors became increasingly comfortable with the outlook for the sector as a result of the ongoing improvement in macroeconomic fundamentals.

The industrial sector underperformed for the period with ING Industrial fund the key detractor, coming under heavy selling pressure following their \$700m rights issue to recapitalise the Group.

The retail sector was the primary underperformer for the period. Much of this can be attributed to the Westfield Group as a result of ongoing concerns regarding the sustainability of its offshore retail assets together with the potential delay in rolling out its development pipeline given the ongoing difficult retail trading conditions, especially in the US.

## Outlook

The property sector market sentiment continues to improve. That said, while access to debt funding continues to improve, the cost of debt funding remains significantly above property yields for most groups with recent major asset acquisitions dominated by equity funding from pensions and sovereign wealth scheme funding. Looking forward, the likelihood of IPO's in the first quarter of 2010 remains quite high as unlisted property owners look to liquidate current positions and reduce their debt exposures. This would be positive for the sector as it would both provide more investment opportunities and help further underpin property values going forward.

## The legal bits.

This market report has been prepared by Virgin Money Financial Services Pty Ltd ABN 51 113 285 395 AFSL 286869 (VMFS) for Trust Company Superannuation Services Limited ABN 49 006 421 638 AFSL 235153 RSE L0000635 as Trustee for Virgin Superannuation ABN 88 436 608 094. This information is current as at 31 December 2009. You should consider the Product Disclosure Statement, which can be found on our website. Please note this information does not constitute personal financial product advice, and you may wish to consult your financial advisor before making a decision about whether Virgin Super fits your objectives, financial situation and needs. The information is based on reports provided by Macquarie Investment Management Limited ABN 66 002 867 003 AFSL 237492. We haven't verified its accuracy so we can't guarantee that it is correct, and accept no liability for inaccuracies, errors or omissions. It is very important note this information is general market commentary only and past performance is not indicative of future performance. The opinions, estimates and other forward looking statements are subject to various risks and uncertainties. It is impossible to predict future events and results, so actual events or results may differ significantly from those mentioned.

S&P/ASX 200 Property Trust Accumulation Index

