



## Underlying investment fund update – AXA Wholesale Australian Property

NOVEMBER 2011

As OneAnswer - AXA Property fund (Fund) invests into the AXA Wholesale Australian Property fund, we have been provided consent by AXA to provide you with access to their 'AXA Property Fund Update Flyer' and the ASIC Regulatory Guide 46- additional disclosure document. These documents are relevant to investments in the Fund and will provide further information around the management of the Fund's underlying assets.

[AXA Wholesale Property Fund Update Flyer](#)

**Click here** to view the AXA Wholesale Property Fund update flyer

Please note that fund performance figures in this flyer are not applicable to your investment in OneAnswer - AXA Property fund. If you require this information please go to the Performance & Updates tab > Fund details, unit prices & performance history.

Update November 2011

# AXA's Wholesale Australian Property Fund



We're confident that we can continue to build on the Fund's strong foundations, which have delivered

# 9.27%<sub>pa</sub>

for investors since the Fund's inception in 1985. Plus the income return for the Fund for the year to 30 September 2011 was **6.55%**.

## Focus on fundamentals not sentiment

Current conditions in the Australian commercial property market reflect a stable and gradual recovery. Property and market fundamentals have been well supported by a relatively healthy Australian economy. Taking a longer-term perspective, we see significant value in the sector and we believe that the Fund is well positioned to take advantage of the opportunities the current operating environment presents.

Importantly, the fundamentals of the Fund remain strong. The Fund invests in a portfolio of high quality direct properties. The properties held in the portfolio are expertly managed and strongly tenanted, with a high occupancy rate of 96.4 per cent and an average lease expiry of 4.7 years as at 30 September 2011. It has continued to pay regular distributions through the ups and downs of investment markets over the past few years.

Going forward, our investment philosophy remains unchanged. We're confident that we can continue to build on the Fund's strong foundations, which have delivered a positive average return for investors of 9.27 per cent per annum since the Fund's inception in 1985 (as at 30 September 2011).



## Snapshot of the Wholesale Australian Property Fund

Rolling one-year returns to 30 September



Past performance is not necessarily indicative of future performance. Performance figures are calculated using exit prices, are net of management fees, ongoing fees and expenses, assume distributions are reinvested and tax is not deducted. The return reflects total distributions paid from the Fund. These performance figures have not taken into consideration an optional adviser review fee where applicable.

All references to the Fund in this update refer to AXA's Wholesale Australian Property Fund (WAPF).



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## Fund update

The Fund's size was \$797 million as at 30 September 2011, and its direct property weighting was 80.8 per cent.

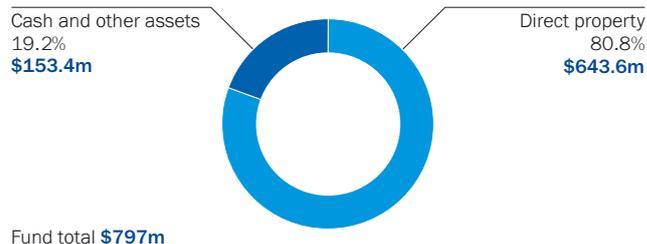
The Fund's property portfolio currently comprises 17 properties diversified geographically across Australia, plus one New Zealand property. The Fund is also very well diversified across the major property sectors including retail, office and industrial. The Fund currently has no exposure to A-REITs as a result of the termination of AXA's Wholesale Australian Diversified Property Securities Fund, which was completed on 13 October 2011.

The Fund continues to meet its primary objective of delivering a combination of income and some long-term capital growth. Income distributions remain strong and competitive relative to other investment yields available. Capital values have stabilised and begun to improve.

## Restoring liquidity in the Fund

We understand the importance of liquidity to investors and one of our top priorities continues to be exploring various capital management initiatives to restore liquidity in the Fund. Over the course of the next 6 months, we look forward to providing investors with more clarity around the future state of the Fund, and to delivering a practical and equitable liquidity solution that meets the needs of our investors.

## Fund snapshot 30 September 2011



## Property revaluations

As part of our regular revaluation cycle, the Fund's entire portfolio will be revalued by a panel of independent external valuers this December 2011. We will update you on the results of the latest valuations early in the new year.



## Sector review

### Office markets

Office markets posted a reasonable quarter, with CBD vacancy falling to 7.5 per cent on the back of positive absorption in all major markets. Most CBDs have seen rental growth over the past year, though the three months to the end of September 2011 were patchy.

Most Australian office markets are well-placed at a time of heightened uncertainty. Current vacancy and predicted supply are both below average, providing markets with resilience in the event of a period of sub-par demand.

### Industrial markets

Despite volatile global conditions, constrained supply relative to demand for stock has generated rental growth in a number of industrial markets over the past year.

While development is occurring along the east coast, the level of activity is still below the 10 year average. Western Sydney still accounts for the majority of development, with 24 per cent of stock currently under construction, or proposed in 2012.

### Retail markets

There was an above average increase in retail trade for the month of August, taking seasonally adjusted retail trade growth to 2.1 per cent for the full year. This result is encouraging given low consumer confidence, tight monetary policy and a high savings rate among households. Growth was concentrated in the non-discretionary categories.

Online retailing is a small but growing part of the market, with the impact being felt primarily in the music and books category and contributing to price discounting in electronics.

### Looking ahead

The biggest potential challenge for Australian property markets moving forward is the uncertainty in the global economy and equity markets. However, property values have only recently begun to strengthen from the GFC, and are expected to benefit from mid-2012 onwards by the wide yield spread over bond rates, rental income growth, firming yields, and a structurally sound local economy.

## Asset mix

Book value at  
30 Sept 2011  
(A\$m)

### Property



#### Retail

Casula Mall, Sydney, NSW	112.1
933-945 North East Road, Modbury, SA	15.4
The Plaza, Whangaparaoa, Auckland, NZ	28.1
	<b>155.6</b>



#### Commercial

20 Windmill Street, Walsh Bay, NSW	73.0
124 Walker Street, North Sydney, NSW	67.4
441 St Kilda Road, Melbourne, VIC	51.4
12 Moore Street, Canberra, ACT	48.9
85 Waterloo Road, Macquarie Park, NSW	16.1
	<b>256.8</b>



#### Industrial

105-111 Vanessa Street, Kingsgrove, NSW	51.1
12-18 Distribution Drive, Laverton North, VIC	50.2
121 Evans Road, Salisbury, QLD	26.1
7 and 25 Gauge Circuit, Canning Vale, WA	21.8
2 Pound Road West, Dandenong, VIC	19.6
200 Greens Road, Dandenong, VIC	19.0
1B Unwin Street, Rosehill, NSW	17.3
10 Wesley Court, Burwood East, VIC	14.1
20 Holbeche Road, Arndell Park, NSW	12.0
	<b>331.2</b>

<b>Total</b>	<b>643.6</b>
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### Important information

This information has been prepared to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, you need to consider (with or without the assistance of an adviser) whether this information is appropriate to your needs, objectives and circumstances. You should obtain a copy of the relevant Product Disclosure Statement (PDS) before making a decision to invest in any financial product. Detailed information about the product is contained in the PDS. The National Mutual Life Association of Australasia Limited and its associates derive income from issuing interests in the products, full details of which are contained in the PDSs. Unless specifically stated, the repayment of capital or performance of our products is not guaranteed. This information is provided for persons in Australia only and is not provided for the use of any person who is in any other country. Past performance is not necessarily indicative of future performance.

National Mutual Funds Management Ltd AFSL 234652 (referred to as 'AXA' or 'we') is the Responsible Entity of the Wholesale Australian Property Fund ARSN 088 996 392 and the Australian Property Fund ARSN 096 853 619.

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