



## ASX Listed Property Roadshow – October 2008

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# Overview



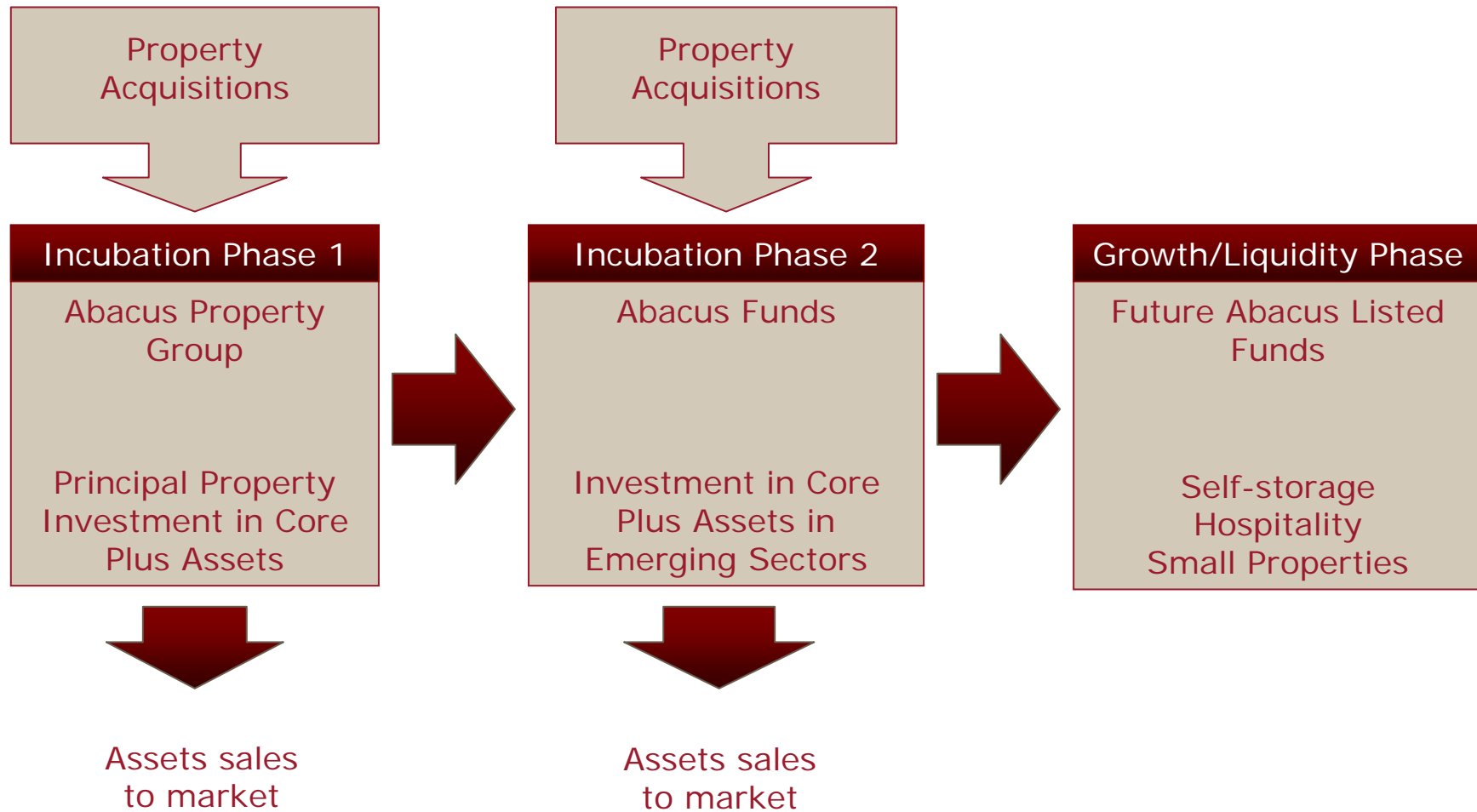
1. **Abacus Property Group**
2. **Year in Review – Financial Results**
3. **Property Investment Outlook**
4. **Funding Outlook**
5. **Business Outlook**

# 1. Abacus Property Group



- Abacus was established in 1996 as a property fund manager for financial planners and their clients
- Over the past 12 years, we have grown to become one of Australia's major REITs:
  - Stapled security structure
  - \$2.5bn AUM
  - S&P/ASX 200 index inclusion
  - 60% institutional ownership
- Our business comprises four business units:
  - Principal property investments
  - Funds management
  - Joint venture developments
  - Property finance solutions

# 1. Abacus Property Group - Our Business Model



# 1. Abacus Property Group

## - Our Investment Philosophy



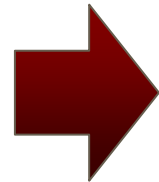
### Property Acquisitions

1. We seek assets offering attractive real estate fundamentals

- Purchase below replacement cost
- Undeveloped land
- Rezoning potential
- Poor leasing profile
- Sum of parts > whole

2. That are mispriced by the market

- Low purchase rate psqm
- Attractive passing yield
- Favourable terms
- Distressed/forced vendors
- Balance date vendors



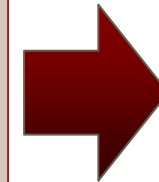
### Asset Management

1. We focus on optimising asset yield

- Rental growth
- Releasing
- NLA expansion
- Additional revenue sources

2. While seeking to unlocking the asset's potential

- Development consents
- Refurbishment
- Rezoning
- Lease structures
- Alternate use



### Profit Realisation

1. As a property matures, we seek to crystallize the value created by our management of the asset

- Sales to market
- Sales to Abacus funds
- JV/partnering
- Future ASX Listing

# 1. Abacus Property Group – Our Track Record



Asset Disposals History	Sector	Equity IRR	Holding period					
			FY99 - FY03	FY04	FY05	FY06	FY07	FY08
109 Pitt Street Offices	Office	18.24% <sup>1</sup>	[Bar spanning FY99 - FY08]					
Glebe Point Road, Glebe	Office	16.16%	[Bar spanning FY00 - FY04]					
Pitt St car park	Office / car park	27.60%	[Bar spanning FY03 - FY07]					
Miller Street <sup>2</sup>	Office	33.90%	[Bar spanning FY05 - FY07]					
Kings Park	Industrial	19.20%	[Bar spanning FY04 - FY06]					
Bathurst Retail / Metcash JV	Retail	15.10%	[Bar spanning FY06 - FY07]					
Hospitality Fund (3 assets) <sup>2</sup>	Hospitality	37.00% <sup>3</sup>	[Bar spanning FY07 - FY08]					
Carlton Hotel	Hospitality	43.50% <sup>3</sup>	[Bar spanning FY07 - FY08]					
1-5 Lake Drive, Dingley, Melbourne, VIC	Industrial	16.18%	[Bar spanning FY04 - FY08]					
Matson Hotel - Esplanade, Cairns	Hospitality	34.88%	[Bar spanning FY05 - FY08]					
500 Princess Highway, Noble Park, VIC	Office/Industrial	23.91%	[Bar spanning FY04 - FY08]					
<b>Average IRR</b>		<b>25.97%</b>						

1. Asset has been disposed on an ongoing basis and to date c95% of the offices have been sold

2. Assets were used to seed funds management initiatives

3. Calculation based on a ROI basis for assets held less than 12 months

Note: Past performance is not an indicator of future performance

## 2. Year in Review - Results Summary



	Jun 08	Jun 07	Change
Total Income (including fair value adjustments)	\$138.4m	\$181.8m	-24%
Normalised NPAT <sup>1</sup>	\$92.0m	\$79.8m	+15%
Normalised Earnings Per Security <sup>1</sup>	14.7c	14.4c	+2%
Distributions Per Security	13.5c	12.5c	+8%

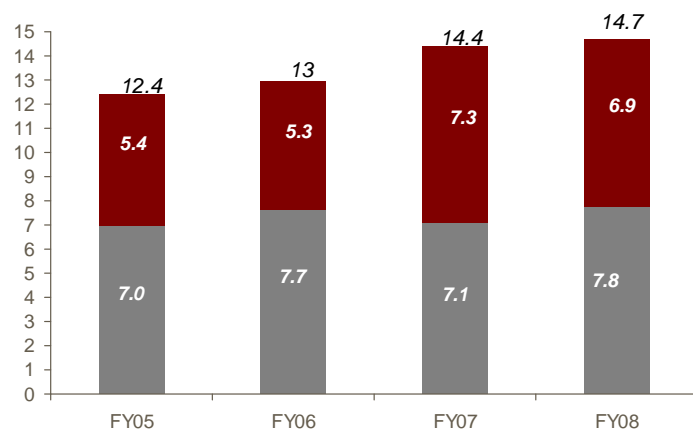
	Jun 08	Jun 07	Change
Total Assets	\$1,647m	\$ 1,270m	+30%
Net Tangible Assets per Security	\$1.37	\$1.32	+4%
Gearing <sup>2</sup>	37.5%	30.0%	-7.5%

1. Normalised earnings have been calculated by adding back non-cash AIFRS adjustments to after tax profit.
2. Gearing calculated as net debt divided by total assets minus cash. If joint venture assets and debt are proportionately consolidated into Abacus, "look through" gearing would be 39.7% at 30 June. Gearing increased during the half primarily due to the incubation of Storage and Fern Bay assets. Post syndication of these assets and other transactions in H109, gearing is expected to be between 30% and 33%.

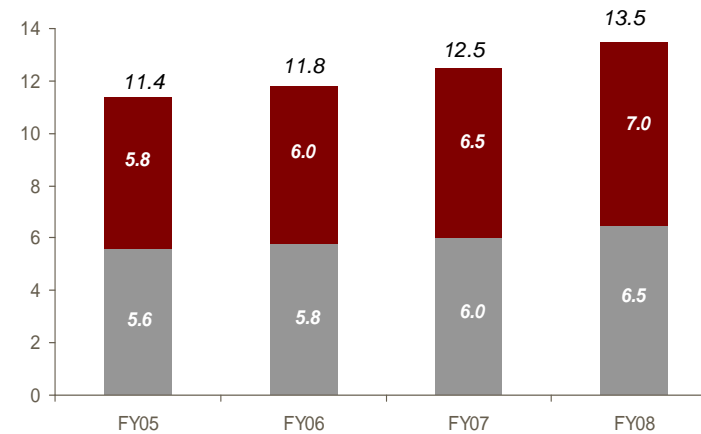
## 2. Year in Review – Financial Results



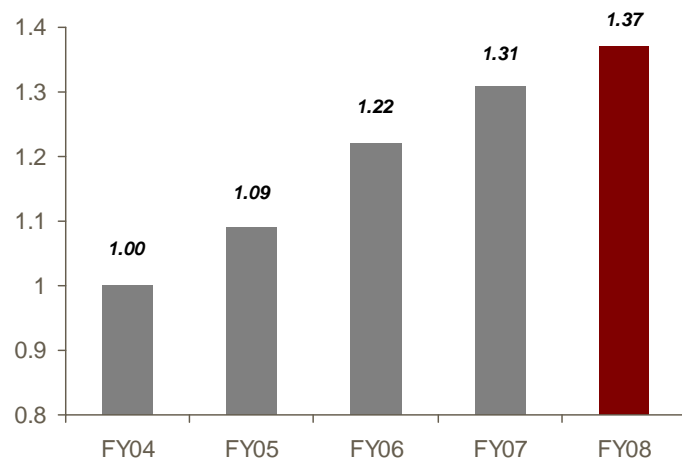
Earnings per security



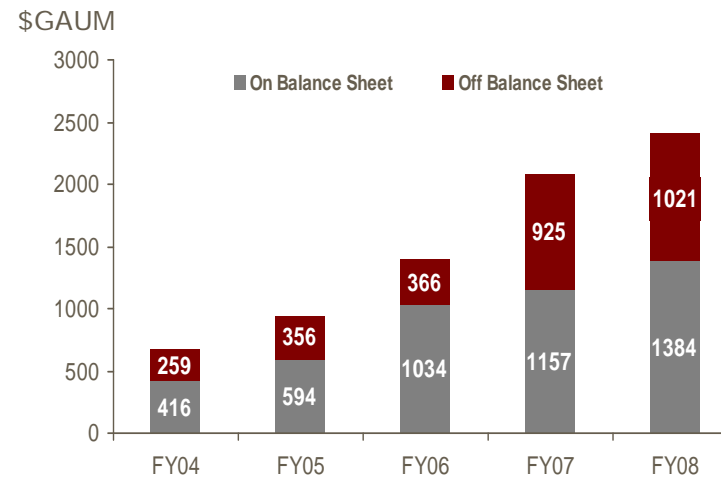
Distribution per security



NTA per security



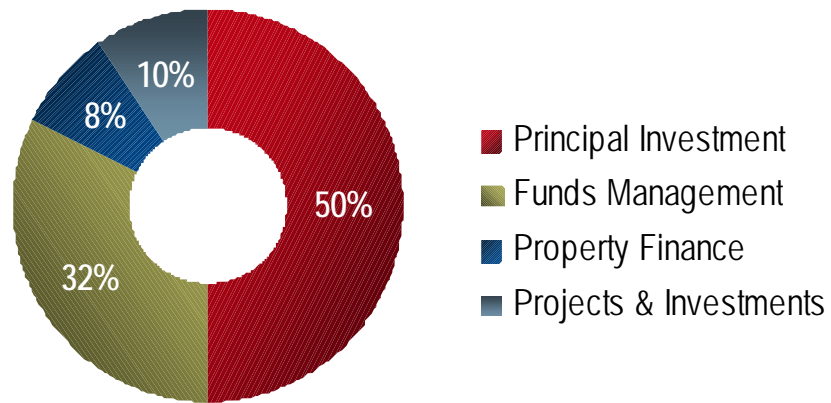
Assets under management



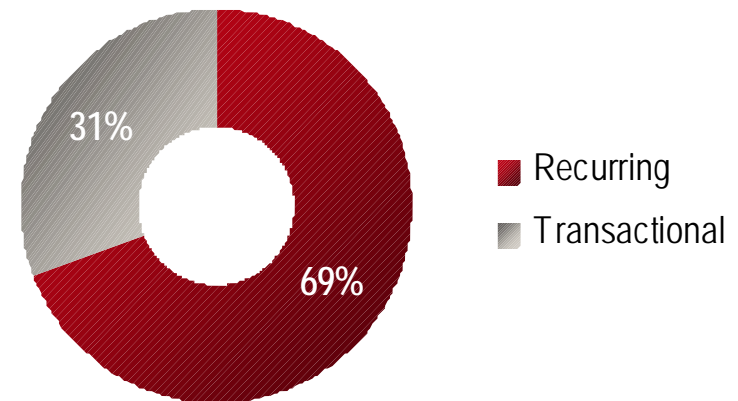
## 2. Year in Review – Earnings Profile



### EBITDA by Business



### EBITDA by Earnings Type



*Transactional earnings includes gains on sale, acquisition/disposal fees, performance fees, establishment fees and origination profits.*

### 3. Property Investment Outlook



- Abacus hasn't acquired significant property in recent years as value was too difficult to find
- The current market is now offering many good investment opportunities, particularly from distressed/forced vendors
- The next two years will provide the property pipeline that will underwrite the next five years' profit
- We would expect further valuation decline, but by how much will depend on the following factors:
  - Underlying economy
  - Interest rates
  - Level of distressed sales

## 4. Funding Outlook



- We have moved from a period where capital was abundant and good deals scarce, to a period where good deals are becoming available but capital is scarce and expensive
- The cost of capital issue is surmountable given that the expected IRRs from new investments are 20% plus
- The availability of capital is more problematic, however we are still sourcing debt from our existing banks and new banks keen to build their business with us
- Equity yields are now very high given REIT price declines

## 5. Business Outlook



- 2008 was a very strong year for the group
- Our business model has proven robust, and we expect it to remain so going forward
- We require a small number of high value transactions to attain our transactional earnings objectives and we are well progressed year to date
- Our funds management business is benefiting from the challenges faced by others
- The property market will present fantastic acquisition opportunities over the next 12-18 months
- The key is accessing capital
- Abacus remains well positioned given our long history and credentials in the sector

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