# Property fund investors look long-term

Listed property funds that display quality long-term earnings prospects are increasingly being selected by investors. This is boosting total returns, including income and capital growth. For the year to date, Arrowhead B, which was launched last year as a result of Redefine Properties unbundling, is the strongest performer.

The fund gives its investors total returns - income plus capital growth - of 23,76%.

Arrowhead Properties has both A and B units which offer different risks and returns.

The second-best performer is Resilient Property Income Fund with 18,17%, followed in third place by SA's largest listed property group, Growthpoint Properties, with 15,34%.

Redefine Properties, which is SA's second-largest property group, gave its investors total returns on their investment of 15,23%. Vukile came in at 15,13% and newcomer Dipula B returned 14,01%.

The worst performers for the year to date were Hospitality B, which recorded a negative total return of -32,21%, followed by Redefine International, which recorded -12,04%, and SA Corporate, which recorded a total return of -2,23%.

Hospitality also has two unit structures, namely A and B units, which also offer different risks and returns.

Catalyst Fund Managers portfolio manager Paul Duncan says investors typically prefer companies likely to deliver sustainable real distribution growth in the future.

"Funds with good management teams, strong balance sheets and access to debt markets and capital markets, which they can utilise at attractive rates to enhance their portfolios, are viewed more positively than those that are unable to access capital via these markets," Mr Duncan says.

"Arrowhead, through the unbundling from Redefine, was established with good liquidity. The share price re-rated because the investors back management to deliver on its strategy."

Mr Duncan says that to date the quality of the assets Arrowhead has acquired have been "materially better" than the initial portfolio.

Alternative Real Estate fund manager Maurice Shapiro says, "Unfortunately there are no shortcuts or get-rich-quick schemes", and investors need to do their homework and understand the underlying properties that each company owns.

"Good management is important, but even the best team cannot do very much if the property fundamentals are poor," Mr Shapiro says.

Stanlib property funds head Keillen Ndlovu says Stanlib invests in companies or funds that display quality long-term earnings prospects and have defensive portfolios.

"We invest in funds that have a portfolio of assets with the potential to generate above average growth in their rental streams and have proactive management - acquisitions, disposals, extensions, refurbishments, developments and good tenant, lease and debt profiles," Mr Ndlovu says.

Meago asset manager Thabo Ramushu says the listed property sector has benefited from global and local risk aversion from equities as a result of uncertainty surrounding Europe's sovereign debt crisis. "Investors are searching for a predictable and growing yield and hence we have seen such a strong run in the listed property market," Mr Ramushu says.

"The continued uncertainty in global markets has resulted in huge inflows of both retail and institutional money into the sector, which will continue to underpin prices."

Mr Ramushu says that the investors must analyse management strategies in terms of plans for acquisitions, refurbishments and redevelopments.

"This, however, must also be balanced against improving the quality of the portfolio, which also means that they must be aggressive in disposing of nonperforming assets," Mr Ramushu says.

*Source: Business Day*