A-REIT SURVEY 2017

A YEAR OF CONTRASTS IN SECTOR PERFORMANCE

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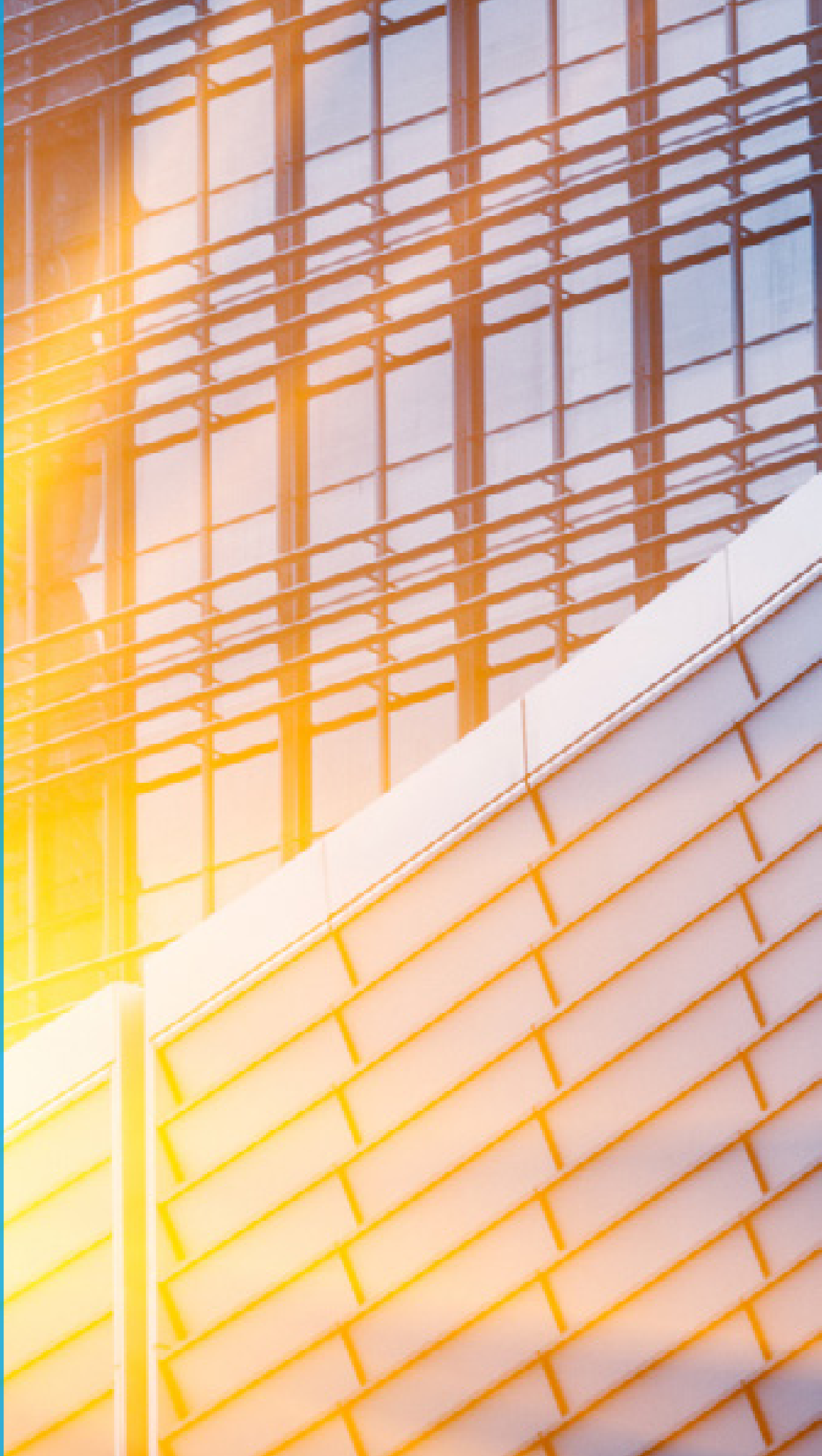


A YEAR OF CONTRASTS IN SECTOR PERFORMANCE

BDO PRESENTS THE 23RD EDITION OF THE ANNUAL BDO A-REIT SURVEY

Over FY17 the S&P/ASX 200 A-REIT Index delivered a total return of negative 6.3%. The poor return was a significant departure from previous years where the sector delivered total returns of 24.6% in FY16 and 20.2% in FY15. The negative return was less likely linked to the A-REITs underlying income and valuation metrics (which remained stable in FY17) and more likely in response to external threats and competing investments. This was particularly evident in the retail sector.

The three largest retail A-REITs (Westfield Corporation, Scentre Group and Vicinity Centres), a group that accounts for c.40% of the S&P/ASX 200 A-REIT Index, all delivered negative returns in FY17. With a number of other retail stocks also performing poorly, the market has likely reacted to the decline in retail sales and the threat of Amazon's entrance into the Australian retail market. However, it remains to be seen what the impact of external threats such as Amazon will have on the underlying performance of A-REITs.

Yields and underlying asset values for the major retail A-REITs all performed strongly through the period (Westfield, Scentre Group and Vicinity Centres, respectively returned yields of 4.1%, 5.3% and 6.7%) suggesting that these entities possess a strong defence against Amazon's offense. Especially as they continue to diversify their tenant mix to differentiate from the online marketplace.

Since the end of FY17, retail A-REITs performed better over the Q1 FY18 period, suggesting that the market is recognising a stable income yield, high quality assets and stability of leasing demand.

Changing bond yields were also seen to have an impact on the sector as an uptick in global bond yields in H1 FY17 caused a significant sell-off of A-REIT stocks. However, sector yields continue to trade at their historical premium above bond yields.

Many pundits are also predicting the long term fall in interest rates is now over, which could further impact A-REIT income yield and property valuations.

This year, we interviewed Charter Hall Group, ALE Property Group and Ingenia Communities Group who identified bond yields, retail performance, competition for assets, and attraction of investment capital as key challenges for the industry.

Overall, it's clear that while A-REITs and their assets remain a stable and secure underlying investment, there are several external challenges that will continue to impact the overall return of the sector.

We thank all those trusts who engaged with us to complete this year's survey and especially those who shared their insights into their performance and the outlook for the A-REIT sector.

SEBASTIAN STEVENS
National Leader, Real Estate & Construction

2017 A-REIT RANKINGS

01 CHARTER HALL GROUP

02 ALE PROPERTY GROUP

03 RURAL FUNDS GROUP

04 BLACKWALL PROPERTY TRUST

05 HOTEL PROPERTY INVESTMENTS

06 ARENA REIT

07 GOODMAN GROUP

08 BROOKFIELD PRIME PROPERTY FUND

09 NATIONAL STORAGE REIT

10 CROMWELL PROPERTY GROUP

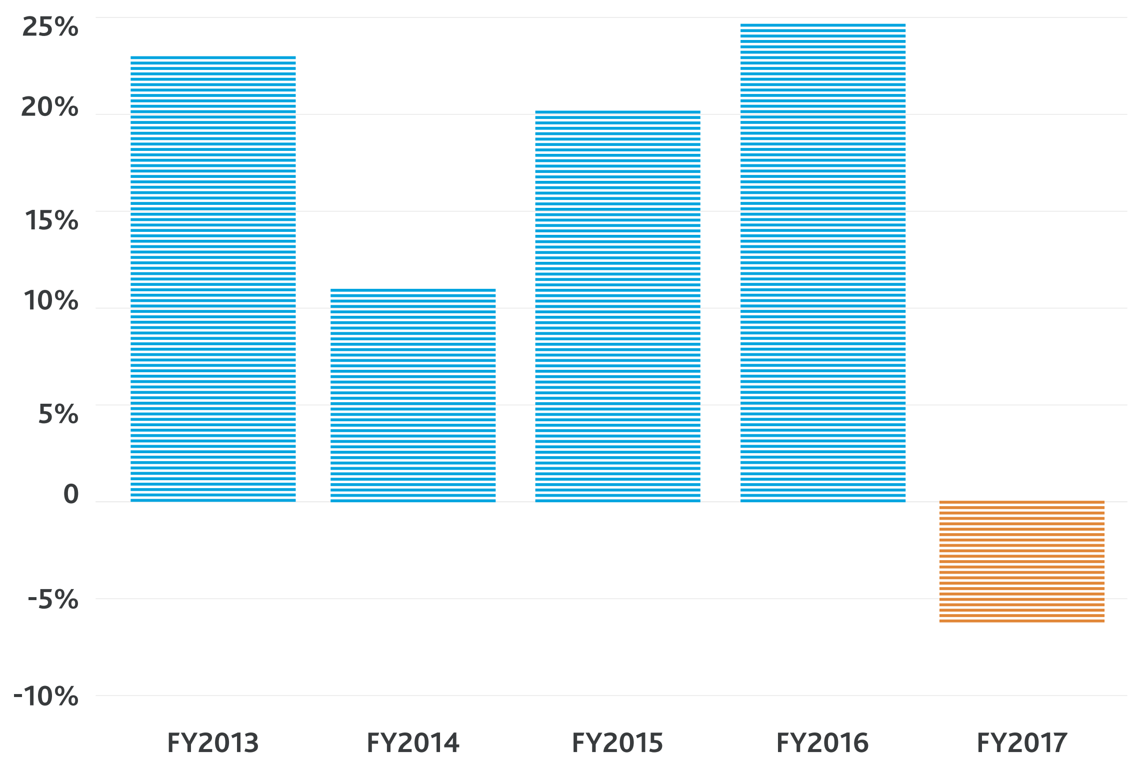
KEY FINDINGS IN 2017

SECTOR RETURN

The S&P/ASX A-REIT 200 Index was down 6.3% over FY17. Over the same period, the S&P/ASX 200 Index returned 14.1%.

S&P/ASX A-REIT 200 Accumulation Index VS S&P 200 Index

S&P/ASX A-REIT 200 Accumulation Index Historical Annual Returns



RETAIL IMPACT ON OVERALL RETURNS

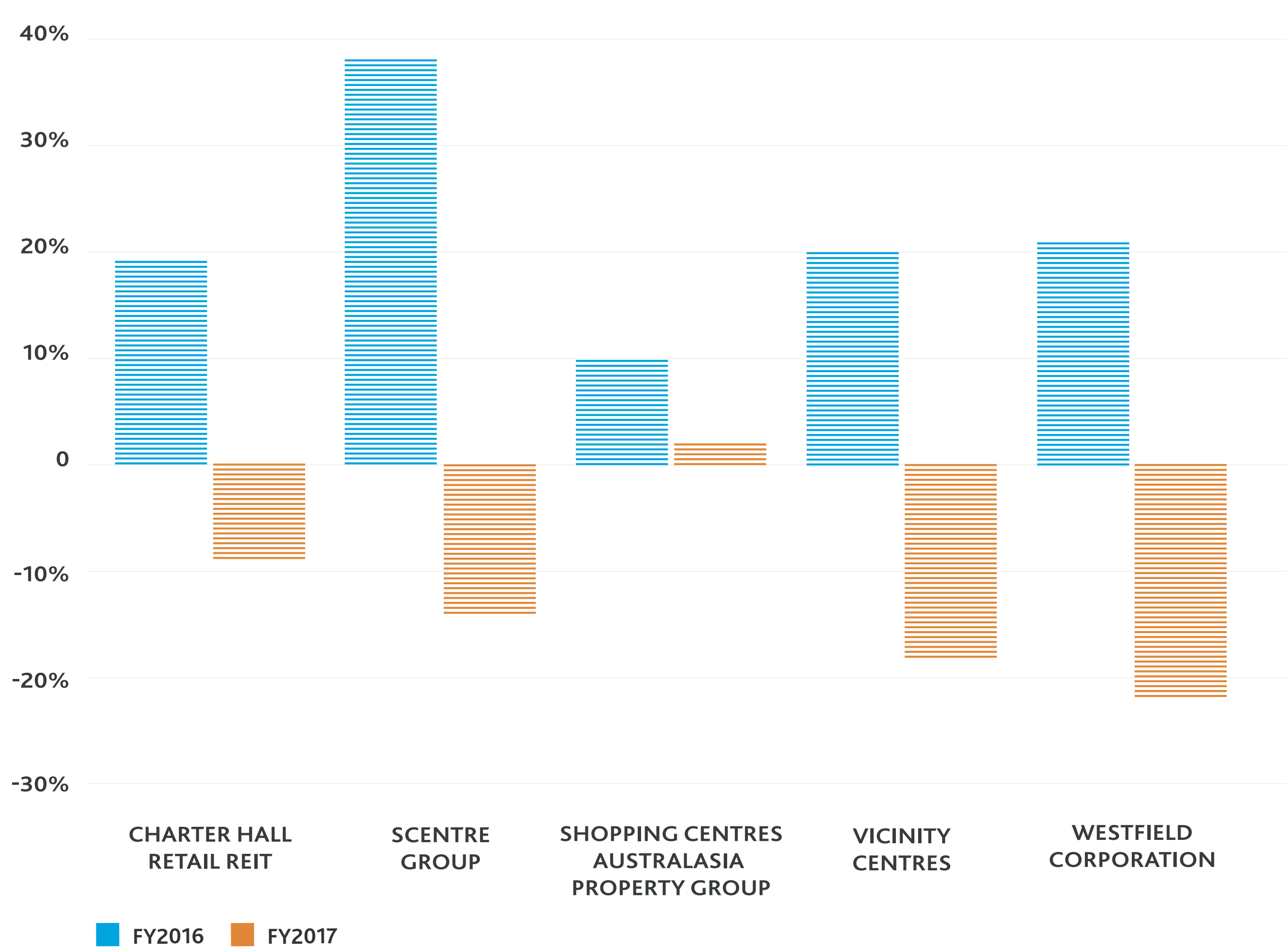
The returns were largely impacted by the poor share price performance of the three biggest listed retail landlords (Westfield Corporation, Scentre Group and Vicinity Centres – these trusts make up 40% of the S&P/ASX 200 A-REIT index).

"For the retail sector there's some concerns about the impact of Amazon and e-commerce and what that's doing for retail assets more broadly. If you review the last 12 to 24 months you've seen quite strong asset value appreciation, meaning cap rate compression. It looks like that compression is starting to slow."

"On the other side we're starting to see quite strong rental growth, particularly in the office sector, in Sydney and Melbourne. So there's a range of factors influencing markets. We still think it's a conducive environment for further investment into real estate and markets are likely to continue on their current path."

PHILIP CHEETHAM, CHARTER HALL

Total return – Retail A-REITs



The imminent arrival of Amazon in Australia, coupled with poor performance from some major bricks and mortar retail brands, was the likely catalyst for the sell-off of retail A-REITs.

Investors may also have reacted to the US market where bricks and mortar retail saw a significant decline.

Upon Amazon's announcement of its entry into the Australian market, there was a quick negative reaction in the share market for stocks linked to bricks and mortar retail.

Amazon poses a direct threat to many of the anchor tenants that traditionally dominate many an Australian shopping centre.

However, when Amazon does launch, the market may find that the impact is more heavily felt by other online retailers and undiversified bricks and mortar retail or shopping centres in regional areas. Many of the premium grade retail assets have adapted and diversified their offerings compared to the online market and it remains to be seen what the true effect Amazon will have on the underlying performance of premium retail A-REITs.

Within this context, a closer look at the underlying fundamentals of the A-REITs, especially the larger retail REITs, makes the negative returns seem more a result of the perceived risk of online retailing rather than any current structural developments.

Whilst capital return was modest (and negative in the case of retail stocks), the majority of underlying metrics were stable or improved, especially in the case of income return and asset values.

Yields

During FY17, overall average A-REIT distribution yields remained in their stable average c.5%-6% range. The retail sector in particular, despite relatively poor capital returns in FY17, delivered increased yields (increasing from c.4.3% to c.5.3%). This trend was particularly reflected by the retail leviathans Westfield Corporation, Scentre Group and Vicinity Centres, who respectively returned solid yields of 4.1%, 5.3% and 6.7%, proving the strong fundamentals of these large A-REITs.

Valuation movements

The value of investments by A-REITs increased by a median of 5.5%, which was a moderate up-tick when compared to the 4.7% in FY16. The underlying assets of A-REITs continue to increase in value.

We note that the retail, office and industrial sectors all saw strong valuation growth, c5%, c6% and c7% respectively.

Overall, larger retail centre operators may end up being well insulated against increased online competition, especially as these centres become more diversified and offer services and retail experiences that won't be easily replicated in the online marketplace.

We expect to see further capital development, divestment of non-core assets and increasing diversification of tenant mix as strategies employed by retail A-REITs to combat the Amazon threat.

INTEREST RATES

As discussed in our previous surveys, low interest rates continue to be a key driver for the real estate sector. The prolonged period of low interest rates has fuelled investor demand for low risk assets with stable secure income streams. These conditions have also perpetuated higher property prices and strong property revaluations in recent years as lower rates also continue to reduce borrowing costs and improve A-REIT earnings.

Some market predictions have foreseen a rise in interest rates in the short to medium term, which could impact A-REITs in a number of ways including a reduction in A-REIT income and property valuations and (if bond yields rise in correlation) a possible sell off of A-REITs similar to that seen in H1 FY17.

Notwithstanding the above, although interest rates may rise in the short to medium term, a relatively low interest rate environment will still exist which will help to support A-REITs in the long term.

"The biggest factor affecting commercial real estate today is bond yields and the market's uncertainty in terms of their future direction.

A-REITs by virtue of being listed are very sensitive to movements in bond rates. This is because bond rates generally form the basis of equity market valuations and, as such, A-REITs (also being seen as a yield sector) are regarded as more sensitive to movements in interest rates. Bonds have obviously moved out a bit from where they were at the beginning of the year. They're still around the 270 to 280 mark. The real question is where do they go from here?"

PHILIP CHEETHAM, CHARTER HALL

PREMIUM/DISCOUNT TO NTA

Overall, median premium to NTA was c.4% in FY17, a considerable decline from FY16 (c.12%). This was primarily caused by large falls for retail A-REITs which decreased their premium by an average of c.60%.

M&A ACTIVITY – DE-LISTINGS AND THE RISE OF FOREIGN BUYERS

There were a number of transactions in the A-REIT sector in FY17, following a slightly quieter FY16. The largest transactions included Northwest Healthcare Properties REIT (a Canadian REIT) completing its acquisition of Generation Healthcare REIT for a consideration of USD$451m. We note that the consolidation of Centuria Metropolitan REIT and Centuria Urban REIT took place in April 2017, creating a combined market cap REIT of $430 million.

Post 30 June 2017, we have seen the sale of Astro Japan (which has a $1.1 billion portfolio) to Blackstone for a consideration of $430 million. With the potential sale of Asia Pacific Data Centres to 360 Capital Group, the market could see further consolidation and M&A activity in the upcoming period.

We also note that there were 42 building transactions, with a large $3 billion spent by A-REITs on individual properties. One of the largest acquisitions related to Scentre Group's $360 million purchase of David Jones' flagship store.

Scentre Group and Vicinity Centres have divested $370 million and $550 million respectively to focus on their higher performing portfolio assets. Dexus sold $1 billion in assets and purchased $870 million in FY17.

Overall, the sector was a net seller, with c.$4.5 billion of sales recently compared with c$2.5 billion in acquisitions.

CAPITAL RAISING AND INITIAL PUBLIC OFFERING ('IPO') ACTIVITY

In FY17, the IPO market for A-REITs was fairly quiet after a fast start to the year, Viva Energy's petrol station portfolio (August 2016, placing proceeds of $911m), Charter Hall Long WALE REIT, which was initially delayed in October, did eventually float (proceeds totalling c$0.5m).

$2.6 billion was raised in FY16 in secondary equity markets, up slightly on the $2.5 billion raised in the further issues market in the previous year. The largest of these related to Westfield Group (c$0.7bn), with considerable secondary issues from Scentre Group (c$0.6bn) and Dexus (c$0.5bn). This continued the trend of A-REITs using secondary capital raising initiatives to fund earnings accretive acquisitions whilst maintaining gearing levels at conservative rates.

GEARING

Gearing declined to 28.3% in FY17 as balance sheet positions further strengthened for A-REITs. Net tangible asset positions increased across the sector, driven by both asset revaluations and acquisitions. Some A-REITs also sold lower quality properties, further lowering their debt.

The sector has now seen a steady nine year run of gearing at c.30%.

The weighted average cost of debt in FY17 was c.4.5% and further optimism should come from cost of debt for the sector being hedged at an average of c.70%.

"There's opportunities for consolidation over and above all the normal things that might affect pricing like interest rates, inflation rates, credit markets and the geopolitical impact, all of which may make the index and the volume of the index even higher or lower. We've seen a certain amount of activity in the market this year where one trust might be taking over another. We haven't seen much IPO activity. Maybe those two swing factors will change in the future as the market dynamics allow. Hopefully, if the IPO market comes back we might see new portfolios of property being brought to the market and diversifying the range of assets that investors can invest in."

ANDREW WILKINSON, ALE GROUP

TOP 10 A-REITs

01 CHARTER HALL GROUP

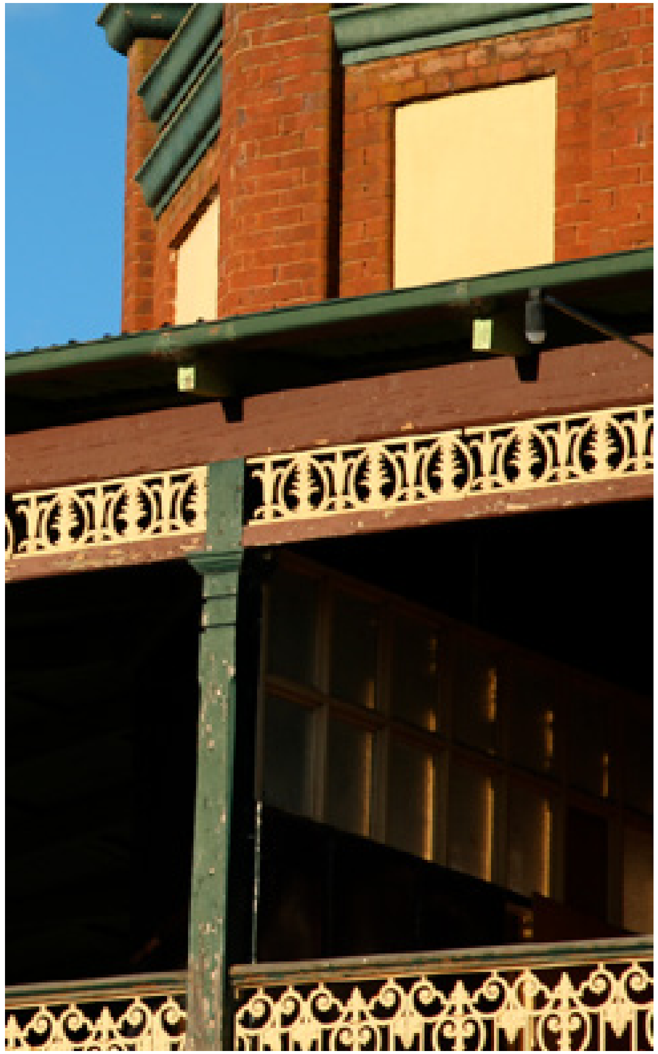
3rd	4th	4th
NTA movement (18%)	Premium/Discount to NTA (39%)	Operating cash yield (10%)

Charter Hall Group (CHC) tops the BDO A-REIT Survey in the current year. CHC is a listed REIT on the Australian Securities Exchange that invests in high quality office, retail and industrial spaces with a large presence of corporate and government tenants.

In FY17, CHC generated a net profit after tax of $257.1 million, representing a large increase of $41.8 million (19%). In addition, the statutory net asset position has grown to $1.722 billion up from $1.311 billion. With this solid performance in the year, CHC had distributions of 30 cents to security holders totalling $132 million.

CHC invests in high quality office, retail and industrial spaces with a large presence of corporate and government tenants.

02 ALE PROPERTY GROUP



4th
NTA movement (18%)

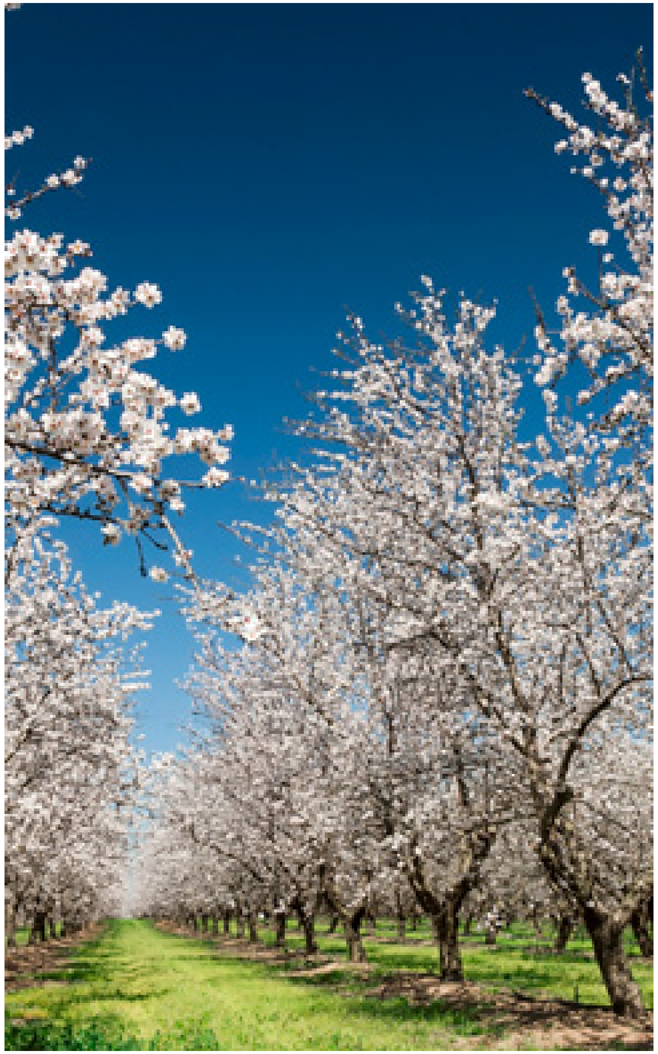
3rd
Premium/Discount to NTA (43%)

100%
Tax deferred distribution

ALE Property Group had its third successive year in the top three of the BDO A-REIT Survey. It is the owner of Australia's largest portfolio of freehold pub properties with 86 pub properties across Australia. All the properties are leased to Australian Leisure and Hospitality Group Limited (ALH) for an initial lease term of 12 years plus options for ALH to extend for a further 40 years. ALE Property Group have a remaining WALE of 11.3 years.

- Property values increased by 9.1% to c$1,080 million. This was driven by a drop in the capitalisation rate from 5.5% to 5.1% across the property portfolio.
- NTA increased 18% year on year to $2.99 per share.
- Net profit after tax has increased by 42.6% to $130 million.

ALE Property Group had its third successive year in the top three of the BDO A-REIT Survey.



03 RURAL FUNDS GROUP

2nd

Three year returns (39%)

3rd

One year returns (27%)

Rural Funds Group (RFF) is a unique Australian real estate investment trust engaged in leasing of agricultural properties and equipment. The Company is engaged in leasing almond orchards, macadamia orchards, poultry property and infrastructure, vineyards, agricultural plant and equipment and water rights leased to experienced tenants on long term leases. Within the year, RFF has increased their property portfolio to 35, up from 31 in the year prior.

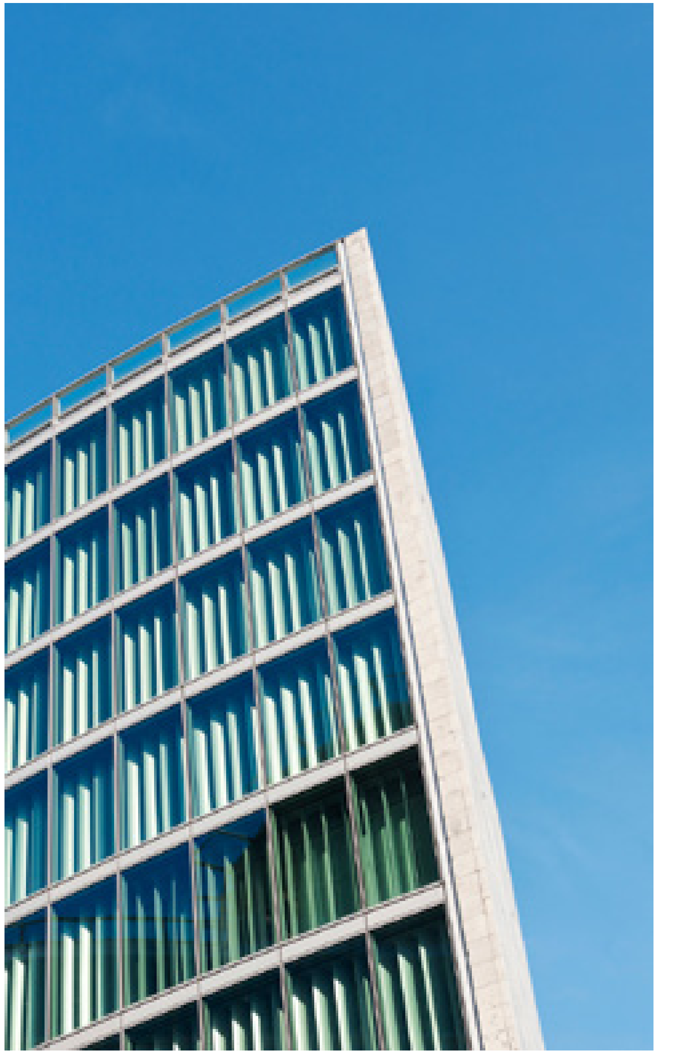
This is the second year in a row that RFF has ranked third in the BDO A-REIT Survey. RFF has achieved an increase of 10.4% in NTA per unit to $1.58 which reflects the solid growth seen in RFF's asset base of 43.3%. This growth was predominantly due to the investment property portfolio's acquisitions and additions of $87.6 million and a revaluation uplift of $17 million.

04 BLACKWALL PROPERTY TRUST

10th	4th	100%
Three year returns (18.6%)	Distribution yield (8.8%)	Tax deferred distribution

BlackWall Property Trust (BWR) is a total return property investment trust that holds major investments in North Strathfield's Bakehouse Quarter, Canberra North, 55 Pyrmont Bridge Road and 162 Macquarie Street, Hobart. These investments represent a total property portfolio of $156 million up from $136 million in the year prior. This 14.7% increase in BWR's property portfolio benefited from property acquisitions and uplifts to the value of their property portfolio.

In addition to BWR's property portfolio growth, net operating profit had increased to $16.8 million. This represents a 55% increase on FY16 results.



05 HOTEL PROPERTY INVESTMENTS

2nd	3rd	7th	3rd
Distribution yield (12%)	Operating cash yield (11%)	Movement in NTA (16%)	Three year returns (31%)

Hotel Property Investments (HPI) is an Australian real estate investment trust which invests in the freehold pub sector. HPI's property portfolio consists of pubs and on-site specialty leases owned throughout Queensland and South Australia.

HPI's property investment portfolio has seen an upward revaluation of $69.5 million over the previous year, taking the total portfolio to $658.7 million as at 30 June 2017. The strong performance in HPI in the year has also been complemented by the 0.8% reduction in the weighted average capitalisation rate to 6.5%.

Assisting in HPI's strong performance within FY17 was the 64% growth in net profit after tax to $98.9 million and a 16% jump in net tangible assets.

06 ARENA REIT

6th
One year returns (20%)

4th
Three year returns (33%)

2nd
Movement in NTA (19%)

Arena REIT (ARF) is an internally managed A-REIT included in the S&P/ASX 300 Index. The Trust's investment strategy is to invest in sectors such as childcare, healthcare, education and government tenanted facilities leased on a long term basis.

In FY17, ARF reported a net operating profit of $28.7 million, representing a 12% increase on the FY16 results. This is attributable to growth in rental income on a like-for-like basis (4.3%). Total assets increased by 20.8% largely due to a revaluation uplift of $66.1 million across the portfolio. This uplift contributed to a 19% increase in NTA per unit at $1.84.

07 GOODMAN GROUP

10th

One year returns (15%)

9th

Three year returns (20%)

Goodman Group (GMG) is a global commercial and industrial property group that owns, develops and manages real estate including warehouses, large scale logistics facilities business parks and offices.

GMG achieved an operating profit of $776 million, an 8.6% increase compared with last year. Goodman's gearing ratio was 5.9%. GMG property valuation growth of $1.6 billion contributed to a 3% growth in net tangible assets per security. The distribution per security was up 8% on FY16, to 25.9 cents.

08 BROOKFIELD PRIME PROPERTY FUND

1st	4th
One year returns (51%)	Three year returns (60%)

Brookfield Prime Property Fund (BPA) had topped the BDO A-REIT Survey in 2016 after ranking first in One-Year and Three-Year returns.

BPA invests in prime commercial office properties in Sydney and Perth and has been able to maximise these exceptional results by maintaining long-term lease profiles with the highest credit quality tenants. This has been reflected by securing a lease during the year for the 680 George Street, Sydney property allowing for the weighted average lease expiry to increase to 7.05 years from 3.61 years. Underpinning the strong one and three year returns was a 19.5 cents distribution to security holders amounting to $9.5m. It is noted BPA delisted on 3 July 2017.

09 NATIONAL STORAGE REIT

2nd

Operating cash yield (12%)

5th

Movement in NTA (18%)

National Storage REIT (NSR) is an internally managed owner and operator of self-storage centres.

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In FY17, NSR delivered a statutory profit of $103.4m, a 135% increase on FY16.

Assets under management increased by 21% to $1,163m and its NTA increased from $1.14 to $1.34.

Distributions to security stakeholders increased by 5.7% to 9.20 cents. Overall, NSR's gearing fell from 38% to 37%.

10 CROMWELL PROPERTY GROUP

6th

Operating cash yield (10%)

7th

Distribution yield (8%)

Cromwell is a Real Estate Investment Trust and a property fund manager of commercial properties throughout Australia.

In FY17, Cromwell delivered a statutory profit of $277.5m, a 15.8% decrease on FY16. NTA increased from $0.81 to $0.89. Distributions to security stakeholders increased by 1.7% to 8.34 cents.

Overall, Cromwell's group gearing increased from 43% to 45% as a result of an increase in net debt, offset by property valuations and asset acquisitions.

Total assets under management were valued at $10.1bn with a geographical spread comprising Europe, Australia and New Zealand. Over FY17, Cromwell's property investment segments saw an 8% fall in property investment valuation.

A-REIT INSIGHTS

We are proud to present valuable insights from the senior management of some of the top performing A-REITs in this year's survey.

The following insights from A-REIT management provide a valuable understanding of how the industry is approaching sector challenges and their outlook for the sector.

BOND YIELDS, INTEREST RATES AND THEIR IMPACT ON A-REIT PERFORMANCE

"The biggest factor affecting commercial real estate today is bond yields and the market's uncertainty in terms of their future direction.

A-REITs by virtue of being listed are very sensitive to movements in bond rates. This is because bond rates generally form the basis of equity market valuations and, as such, A-REITs (also being seen as a yield sector) are regarded as more sensitive to movements in interest rates. Bonds have obviously moved out a bit from where they were at the beginning of the year. They're still around the 270 to 280 mark. The real question is where do they go from here?"

PHILIP CHEETHAM, CHARTER HALL

"We have significant exposure to financial markets risk. Our debt profile is continuing to grow. Ensuring that we monitor what is going on with interest rates and our serviceability of debt is important to us."

SIMON OWEN, INGENIA

"Interest rates and inflation rates, if they were both to move higher then I would expect a fairly moderate impact on the commercial property pricing and valuations. If interest rates were to rise on their own I would expect that to be have a more severe impact on commercial property prices. We are hopeful that inflation would rise with interest rates and that would have less of an impact."

ANDREW WILKINSON, ALE GROUP

"Credit markets in Australia at the moment are in fairly good shape. There's been significant bond issuances over the last couple of years at very effective prices. So, if the capacity and the pricing of that market continues we'd see that being fairly positive. The other factor I'd point to is geopolitical matters here in Australia and beyond. They have the potential to make the market bigger or smaller depending on how those play out."

ANDREW WILKINSON, ALE GROUP

INSIGHTS ON THE IMMEDIATE OUTLOOK FOR A-REITs

"From a capital perspective we still see strong interest in Australian real estate and that's really a function of the fact that it's still offering very attractive internal rates of return versus other markets and other asset classes. Offshore capital continues to seek a home in Australia, the domestic superannuation system means that there is ongoing demand for real estate as people top up their allocations. So that backdrop is still fairly favourable."

PHILIP CHEETHAM, CHARTER HALL

"For the retail sector there's some concerns about the impact of Amazon and e-commerce and what that's doing for retail assets more broadly. If you review the last 12 to 24 months you've seen quite strong asset value appreciation, meaning cap rate compression. It looks like that compression is starting to slow."

"On the other side we're starting to see quite strong rental growth, particularly in the office sector, in Sydney and Melbourne. So there's a range of factors influencing markets. We still think it's a conducive environment for further investment into real estate and markets are likely to continue on their current path."

PHILIP CHEETHAM, CHARTER HALL

"12 months ago most of the conversations we were having with investors were large onshore and offshore REIT investors chasing yield. Now over the last six months we've seen a lot of small cap fund managers coming into the sector who are chasing growth."

SIMON OWEN, INGENIA

"I'm constantly amazed at the continuing tightening in cap rates we're witnessing across core assets in Australia. Every conversation I have with CEOs of other A-REITs, is about whether we ring the bell or whether there are another 25 or 50 basis points to come. I don't think in the current stable economic environment where interest rates from a generational perspective are very cheap, there's any near term catalyst for a significant increase in rates. I would still think there is a bit more pricing improvement to come through."

SIMON OWEN, INGENIA

ON THE STRONG COMPETITION FOR ASSETS, DIVESTMENT AND ALLOCATION OF CAPITAL

"There's opportunities for consolidation over and above all the normal things that might affect pricing like interest rates, inflation rates, credit markets and the geopolitical impact, all of which may make the index and the volume of the index even higher or lower. We've seen a certain amount of activity in the market this year where one trust might be taking over another. We haven't seen much IPO activity. Maybe those two swing factors will change in the future as the market dynamics allow. Hopefully, if the IPO market comes back we might see new portfolios of property being brought to the market and diversifying the range of assets that investors can invest in."

ANDREW WILKINSON, ALE GROUP

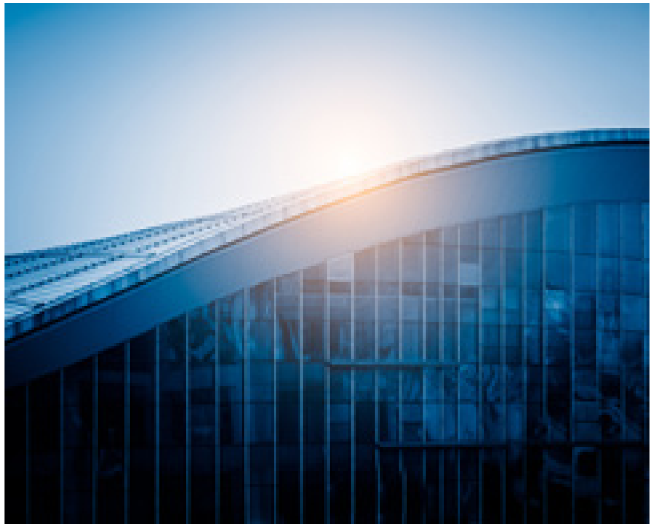
"Two or three years ago we probably had the market to ourselves and now there's a lot of new capital and new participants coming in, and that's putting pressure on prices and raising vendor expectations. We're having to maintain our discipline in the way we allocate capital across the business."

SIMON OWEN, INGENIA

"The real threshold issue for Ingenia at the moment is capital. We've been quite an acquisitive company over the last four years. As a result we've raised capital. We've now made it very clear to our shareholders that we're looking to fund the next phase of growth internally within the business. That's primarily going to be through recycling non-core and regional assets and then reinvesting that capital into the next stage of growth."

SIMON OWEN, INGENIA

Click here to view the insights from the leading A-REITs via our website.



SECTOR CHALLENGES

From our engagement with senior executives of top performing A-REITs in the FY17 survey, we have identified key challenges and issues that A-REITs face in the short to medium term.

SWIMMING UPSTREAM AGAINST THE AMAZON TIDE

The retail REITs have had weaker performances during FY17 compared to historical trends, this has been caused by weakening investor sentiment as a result decreased sales and a lift in the number of retailers in financial distress (such as Topshop during early 2017). There are also scaremongering rumours about the impact the forthcoming arrival of Amazon will have on incumbent retailers with the threat of online sales growth possibly leading to further declines for retail assets. However, large, premium grade properties, with low vacancies and differentiated offerings to the online market may find themselves well insulated against the Amazon threat.

BOND AND INTEREST RATES

Despite the ever present threat of interest rate rises, the federal bank is yet to implement an interest rate rise. The current low interest rates continue to support A-REITs attractiveness when compared to other investment offerings.

The challenge for A-REITs will be to maintain their share price and total return if global low risk investments such as long term bonds continue to increase. This is despite A-REITs continuing to be one of the most secure sources of income for ASX investors and domestic interest rates likely to continue in the medium term.

Distribution yields still sit at a premium above bond yields, (well above the long term average). Asset valuations increased across the sector, and the industry insiders BDO has spoken to suggest it is unlikely that cap rates currently fully reflect falling bond yields, meaning further increases can be weathered.

OVERALL SECTOR RETURNS

Short term total returns have been relatively disappointing in 2017, but the long term drivers are actually performing well. Generally, yields were maintained but the total returns were down, however we feel that the metrics remain strong, evidenced by average distribution yields remaining in the 5%-6% sweet spot in FY17. We feel that investors will be rewarded if they show patience in their investments, during FY18.

A number of A-REITs have also announced share buy-backs, which prove that managers have confidence in the underlying assets of A-REITs.

"Two or three years ago we probably had the market to ourselves and now there's a lot of new capital and new participants coming in, and that's putting pressure on prices and raising vendor expectations. We're having to maintain our discipline in the way we allocate capital across the business."

SIMON OWEN, INGENIA

METHOD OF RANKING

A total score of 100 (maximum) has been used,comprising 65 points for financial criteria and 35 points for investment criteria.

In determining the final rankings the scores on each component were aggregated (not the rankings) such that relative performances within each criterion are maintained in determining the overall rankings.

FINANCIAL CRITERIA

The tests used in the financial criteria and assigned weightings are as follows.

FINANCIAL CRITERIA	SCORE 2017
Operating Cash Yield (on net assets)	15
Distribution Yield	10
Tax Deferred Distribution Percentage	10
Movement in NTA	15
Premium/Discount to NTA	15
Perfect score	**65**

In each of the above tests the scores were scaled so that the top performer in each test received the maximum available score for that criterion. Ranks were then assigned based on the scaled scores.

INVESTMENT CRITERIA

The tests used in the investment criteria and assigned weightings are as follows.

INVESTMENT CRITERIA	SCORE 2017
Total Return (One-Year)	20
Total Return (Three-Year)	10
Volume of Trading on ASX	5
Perfect score	**35**

In each of the above tests the scores were scaled so that the top performer in each test received the maximum available score for that criterion. Ranks were then assigned based on the scaled scores.

The above tests have been ranked using a variable points system for each test, based on the number and importance of aspects taken into account. In each of the tests the scores were scaled so that the top performer in each test received the maximum available score for that criterion. Ranks were then assigned based on the scaled scores.

MEDIAN RESULTS

For an entity which could not be scored equitably in a particular criteria, due to its recent listing, the unique nature of an entity's activities, or lack of available information for the relevant criteria, that entity was allocated a median result for the purpose of ranking.

This ranking was then weighted and scored as usual. For all such instances 'N/A' appears in the result column for the individual criteria tables.

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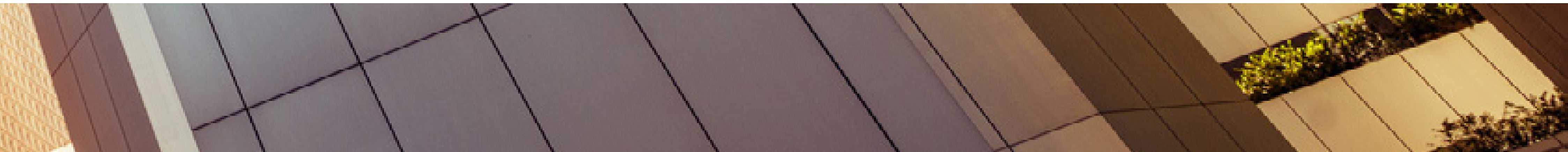

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