

Wholesale Australian Diversified Property Securities Fund

Quarterly Investment Report to 30 June 2008

Fund performance

Wholesale Australian Diversified Property Securities Fund^{1 2 & 3}	3 mth%	1 yr%	3 yr% p.a.	5 yr% p.a.	7 yr% p.a.
Distribution return	10.4	9.4	13.7	12.8	13.7
Growth return	-26.6	-45.5	-15.6	-7.2	-5.5
Total return	-16.2	-36.1	-1.9	5.6	8.2
S&P/ASX 300 Property Trusts Accumulation Index ²	-15.8	-37.7	-2.4	5.2	7.5

Review and outlook

Market review

The Listed Australian Property sector, as measured by the S&P/ASX 300 Property Trust Accumulation Index, underperformed the broader equity market during a highly volatile quarter, dropping 15.8% against a 1.7% decline of the S&P/ASX 300 Accumulation Index.

Fund review

The Wholesale Australian Diversified Property Securities Fund underperformed the benchmark during the June quarter.

Detractors included non-benchmark stock Australand, diversified trust Mirvac and retail trust APN/UKA Europe.

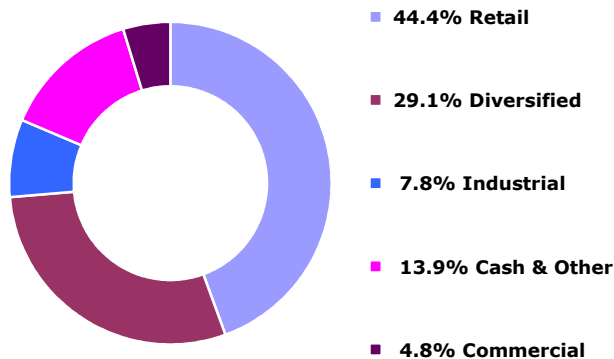
Contributors included industrial trust Goodman, non-benchmark stock Trinity and commercial office trust Tishman Speyer.

Outlook

Bernstein Real Estate Securities believe Australia's listed real estate vehicles are facing bleak times ahead. After a decade of asset price inflation, cap rates (net rental yield divided by market value of asset) hit unsustainable lows. Bernstein Real Estate Securities believe asset prices need to fall to push cap rates back towards long-term norms. Finally, Bernstein Real Estate Securities also points out that gearing levels in the listed property trust sector have increased by about 15% to 45% in the last five years and falling asset prices could place pressure property companies' loan-to-valuation ratio covenants. This could force them to sell assets and in a weaker market there may be limited opportunities to realise assets without selling at a discount.

Portfolio analysis

Sector allocation



Top ten shareholdings

Holding	Profile	% of Fund
Westfield Group	Listed Property Trusts	36.5
Stockland	Listed Property Trusts	11.7
Dexus Property Group	Listed Property Trusts	6.4
GPT Group	Listed Property Trusts	6.1
Goodman Group	Listed Property Trusts	5.4
ING Office Fund	Listed Property Trusts	3.7
Mirvac Group	Listed Property Trusts	3.7
CFS Retail Prop	Listed Property Trusts	3.0
Macquarie Countrywide	Listed Property Trusts	2.7
ING Industrial Fund	Listed Property Trusts	2.5
Total		81.9%
Total number of holdings		23

Fund information

The fund holds predominantly listed property securities, but may also hold unlisted property securities (most of which are 'initial public offerings').

Property securities may include:

- Securities in property trusts and companies; and
- Securities in connection with income generating property investments, including infrastructure ventures.

The objectives are: to provide unitholders with long-term capital growth and to outperform the S&P/ASX300 Property Trusts Accumulation Index after costs and over rolling five-year periods.

Fund facts

Inception Date: August 1993

Fund Size (30 June 2008): \$433.3m

Notes

1. Past performance is not necessarily indicative of future performance. Performance figures are calculated using exit prices, are net of management fees, ongoing fees and expense, assume distributions are reinvested and tax is not deducted. The distribution return reflects total distributions paid from the fund, while the growth return reflects changes in the capital value of units.
2. Before 3 April 2000, the benchmark was the ASX Property Trusts Accumulation Index; between 3 April 2000 and 31 January 2001 it was the S&P/ASX 200 Property Accumulation Index; between 1 February 2001 to 30 June 2002 it was the S&P/ASX 300 Property Accumulation Index and from 1 July 2002 it is the S&P/ASX 300 Property Trusts Accumulation Index.
3. The Wholesale Australian Diversified Property Securities Fund, issued by National Mutual Funds Management Ltd, is available by way of PDS which you can obtain from your financial adviser or by calling 1800 780 085. You should read the PDS before making an investment decision.

Responsible entity: National Mutual Funds Management Ltd. ABN 32 006 787 720. Address: 750 Collins St, Docklands VIC 3008.

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