

Resolution Capital Ltd

- The Investment Management team have been managing **Australian property securities** for MLC, since 1995
- Manages \$ 1.7billion, across the company, as at 30 June 2011
- Employs nine investment professionals

Andrew Parsons, the Managing Director and Senior Portfolio Manager, is held in very high regard in the Australian property market. He has received a number of industry awards for his knowledge of the market, as rated by the companies and property trusts he researches. Andrew works hard to keep property trust management accountable to unitholders.

Why has MLC chosen Resolution Capital?

MLC uses Resolution Capital because of the team knowledge and experience which results in a deep understanding of all aspects of the property market and the underlying property assets of each trust. They have one of the best resourced Australian property securities teams in Australia.



ANDREW PARSONS
Managing Director and Senior
Portfolio Manager

Philosophy on investing

Resolution Capital is a long-term specialist investor in securitised real estate. Fundamentally they believe that listed property provides an excellent means of accessing some of the highest quality real estate assets in the world.

As a long-term investor, Resolution Capital believes that the ultimate drivers of real estate securities are the quality and level of sustainable cash earnings generated by the underlying properties. As such, their process is focussed on evaluating these cash flows across regions and sectors on a consistent basis.

Consequently, their overriding bias is towards higher quality properties which are

- located in markets with strong underlying fundamentals,
- owned by vehicles with appropriate and sustainable capital structures,
- and are run by disciplined management teams.

An important aspect of their investment philosophy has been the adoption of a centralised (i.e. one team, one location) approach to investing. The centralised investment team is responsible for investing in and evaluating both domestic and global property securities. Resolution Capital believes this critical element of their investment philosophy gives them a competitive advantage in understanding and evaluating the management teams of Australian Real Estate Investment Trusts (AREITs) and their increasing number of offshore domiciled assets. While locating the investment team in a centralised office in Sydney, Australia means they do not hear the same level of 'chatter' or 'noise' that surrounds local markets and

often preoccupy many 'on the ground' investors, the sheer distance also acts as a filter to enable a more objective, global perspective to be formed and allows them to concentrate on what we believe are the true long-term drivers of real estate markets.

Reinforcing this global perspective is the division of research responsibilities amongst the investment team by sector, rather than region. The investment team are experts in their respective sectors, having travelled widely and been exposed to world best practice in the retail, office, residential, development and industrial sectors. They are uniquely equipped to evaluate domestic management teams in what is an increasingly global market.

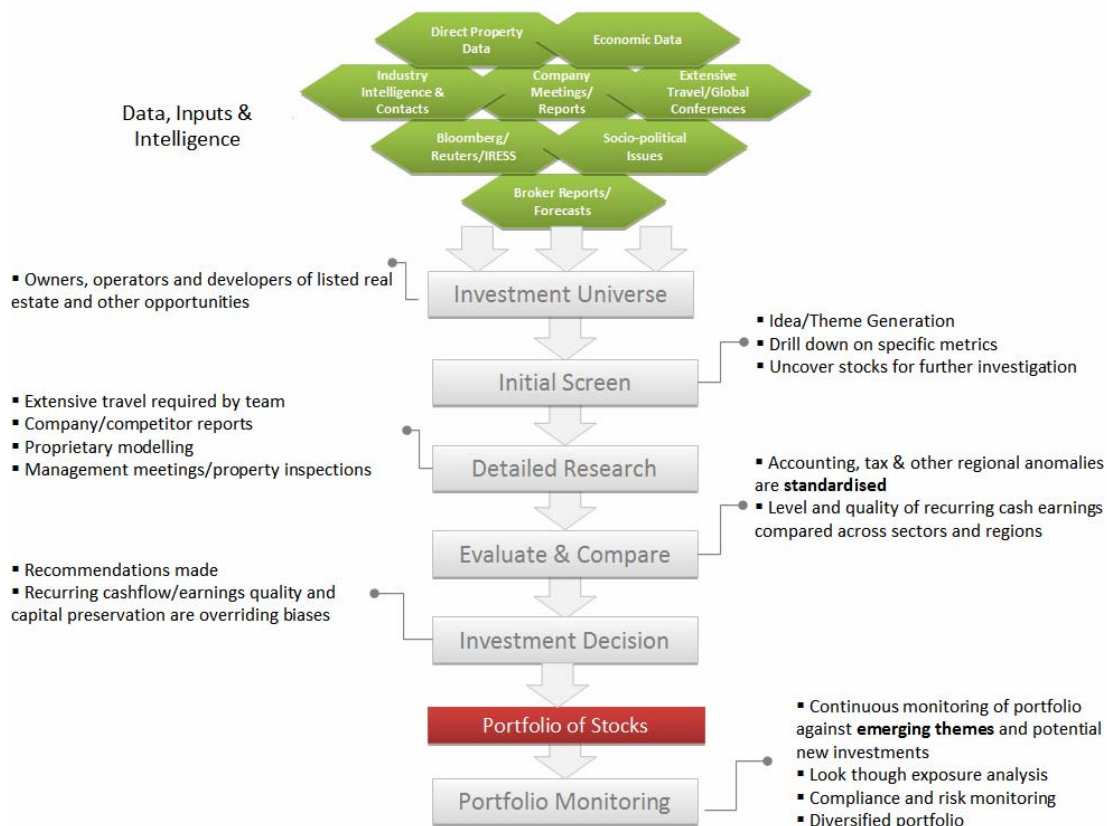
As an active investment manager Resolution Capital is also committed to the principle of holding company management accountable with the objective of contributing to an improved environment for risk-adjusted returns.

Investment process

Resolution Capital's consistent and rigorous investment process has been a key contributor to the team's success for or over 14 years. The Portfolio Managers and Analysts have experienced the highs and lows of property investment cycles, as well the evolution and globalisation of the Australian listed property market. Over this time, the team's overriding focus has remained on maintaining and developing the quality and integrity of their analysis and research. The Portfolio Managers and Analysts each bring a diverse range of experience and skills to the team, and they pride themselves on a collaborative approach.

Research responsibilities amongst the investment team are divided up by sector – office, retail, industrial, residential etc– rather than by region – Asia, Europe etc. This reinforces the focus on identifying and evaluating stocks globally rather than on a purely regional basis.

The diagram below illustrates Resolution Capital's investment process.



The research process begins with the distillation of data and information from numerous external sources including an extensive network of industry contacts and regular travel.

Resolution Capital employs a variety of measures to screen the investment universe, including financial metrics, economic forecasts, qualitative criteria and direct property data. The specific criteria sought and the weight assigned to those criteria will vary and is largely dependent upon investment 'themes' that are generated and debated internally. Detailed research is then focused on those stocks that pass the initial screen.

Bottom-up View of Relative Value

Central to the bottom-up analysis of relative value between the various trusts is the manager's proprietary research program. The key elements in the trust evaluation process are:

- assessment of the quality of a trust's income stream;
- evaluation of the physical aspects of the underlying property portfolio;
- evaluation of the competence of trust management via frequent meetings;
- balance sheet and income statement analysis;
- recognition of unique or strategic asset exposures; and
- assessment of the market liquidity of the trust.

The results of this research program comprise the input for in-house financial models designed to specifically identify relative value with respect to the nature and sustainability of underlying cash flows.

Throughout the investment process the team constantly assesses the risks associated with each potential and current investment. The focus is on ensuring appropriate compensation for risk. Key areas of risk including development exposure, leverage, tenant credit, transparency and governance are debated and compared against global peers.

While the process has been refined and adapted to suit changing market conditions, the long-term focus remains on investing in quality assets with sustainable earnings.

Investment people

Andrew Parsons B Ec, F. Fin, FAPI, FRICS

Andrew has 21 years experience in financial markets, previously working for the Australian Stock Exchange, CS First Boston and Lend Lease. Andrew is a past Chairman of the Property Council of Australia's Capital Markets Committee and currently is a serving member of the FTSE EPRA_NAREIT Asian Index Committee. He is a Fellow of the Australian Property Institute and a Fellow of The Royal Institute of Chartered Surveyors. Andrew is the Senior Portfolio Manager at Resolution Capital.

Marco Colantonio B. AppSc (Land Econ) A.S.I.A.

Marco Colantonio has over 18 years experience in commercial real estate. Prior to joining the Investment Management team in 2002, Marco held roles as a senior valuer at Jones Lang LaSalle, equities research analyst at BBY and capital transactions analyst at Lend Lease. As part of his role at Lend Lease, Marco also gained experience working on real estate transactions in Singapore and Japan. Marco is one of the portfolio managers of Resolution Capital's Global property securities fund and is also portfolio manager of Resolution Capital's Asian property securities mandate and the Total Real Estate Solution strategy.

Jan-Aldert de Vos, B.Economics, M.Finance

Jan has 6 years experience working as a real estate securities analyst, of which 4 years at LaSalle Investment Management in Amsterdam. Jan joined Resolution Capital in 2007 and brings a wide range of knowledge to Resolution Capital, in particular knowledge of the European market. Jan is one of the portfolio managers of Resolution Capital's Global property securities fund.

Peter Hartigan B.E. FAPI

Peter graduated in Civil Engineering in 1975. His diverse property experience includes project management and property development in Australia and Asia on a variety of industrial, residential and commercial projects from 1976 until 1994. Peter stepped down after 15 years in his role as Portfolio Manager in January 2010 and continues as a Director of Special Projects.

Glen Bull B.Com, B.Econ, F. Fin

Glen Bull has over 12 years experience in the financial markets in trading and analytical/economist roles at Suncorp Insurance and Finance, Citibank and Standard & Poor's IMS. He holds a Bachelor of Commerce and Economics degrees from the University of Queensland and has completed the Graduate Diploma in Applied Finance from the Securities Institute of Australia. In 2004 Glen joined the Investment Management team as Portfolio Trader with focus also on the economic outlook and the impact of foreign exchange and interest rates on trust earnings.

Ben Cleeve, B.Economics, B.Arts

Ben has over 5 years experience in property. Ben joined Resolution Capital in 2007 from Lonsec in Melbourne where he was responsible for researching unlisted, domestic listed and global listed real estate markets and managers. While completing his double degree, Ben received a scholarship to study at University College Dublin, Ireland, in 2002.

Ismail Khan B.Business (Finance and Accounting), CA

Ismail joined Resolution Capital in 2011 as an Analyst. Ismail has a strong corporate finance and strategy background. Ismail has a strong corporate finance and strategy background having previously worked in Mergers & Acquisitions and Corporate Strategy at IAG where, among other roles, he undertook financial modelling and industry analysis. Ismail has completed CFA level one in January 2009 and is currently a level two candidate.

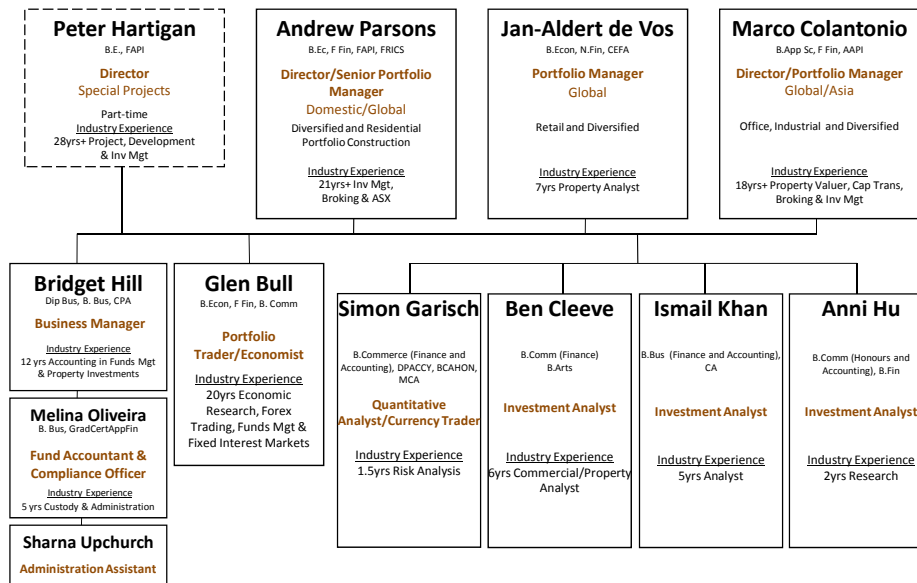
Anni Hu B.Comm (Honours and Accounting), B.Fin

Anni joined Resolution Capital in 2010 as an Analyst. Anni previously worked as a Junior Analyst with Strategic Capital Management Ltd providing analytical support to investment portfolios in the sectors of private equity and global listed equity. Anni's honours degree focused on Portfolio Theory and Management.

Simon Garisch B.Commerce (Finance and Accounting), Grad.Dip in Professional Accounting, Honours in Finance, Master of Commerce and Administration

Simon joined Resolution Capital in 2011 as a Quantitative Analyst/Currency Trader. With a strong academic track record focused on Accounting & Finance, Simon previously worked for the New Zealand Stock Exchange as a risk analyst.

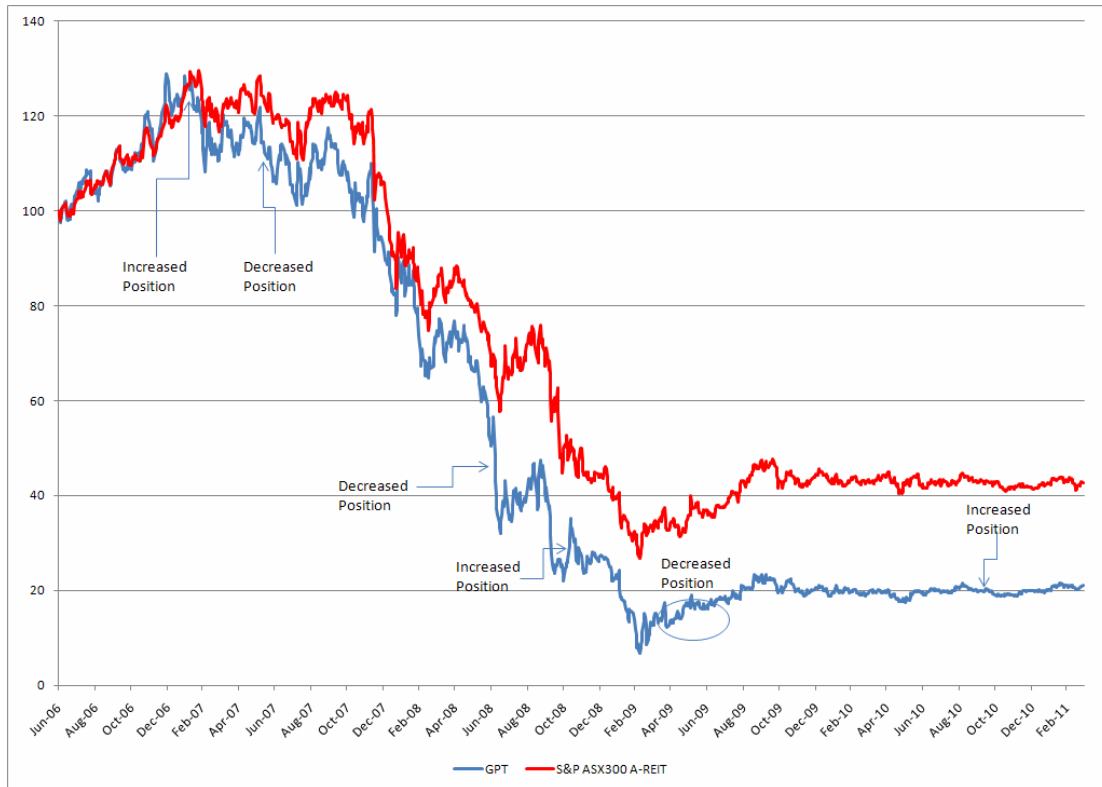
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Stock story – GPT Group (GPT)

Founded in 1971, GPT was the first and is one of Australia’s largest real estate investment trusts. After steadily amassing higher quality Australian assets for the first 34 years of its existence, in 2005 GPT became involved in a series of costly blunders involving joint ventures with unsuitable parties and associated disparate investments in low quality, highly leveraged offshore real estate. The GFC triggered the collapse of these investments and forced GPT to undertake deeply discounted emergency equity capital raisings. The damage done resulted in significant changes to the board and management of the vehicle. New management has set about restoring a more sensible investment strategy focused on Australian shopping centres, office buildings and industrial parks. A funds management division enhances GPT’s ability to recycle capital and enhance returns on equity. In addition, there has been a focus on reducing management overhead and finance costs. The capital structure has been greatly improved with gearing (debt/assets) now less than 25% whilst GPT was the first A-REIT to secure 7 year bank debt (5 year bank debt was the longest duration to that point). Management has also focused on improving its environmental credentials to the point where GPT is recognised as a world leader in “sustainable” buildings.

Resolution Capital and MLC were opposed to GPT’s offshore misadventures and maintained a significantly reduced exposure to the Group during this period. As Resolution Capital have gained confidence in management’s ability to deliver better quality returns, they have gradually increased their exposure.



Source: IRESS

This stock may no longer be included in Resolution Capital's portfolio as their view may have changed since this document was prepared.

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