

## Former PIR exec launches property fund

*John Wilkinson*



**John Welch**

Former head of research at PIR John Welch has moved into the world of boutique funds management with the launch of Armytage Property Funds Management.

Armytage is the funds management arm of Prime Financial group and will invest in listed property trusts (LPTs) and property related companies.

The first product is the Armytage Strategic Property Fund, which will invest in smaller property companies and both large and mid-cap LPTs on the ASX that have proactive management and growth potential.

The retail fund will be capped at \$300 million, and Welch said the forecast income distribution was tipped at above 8 per cent.

"The fund is a unique product in the market, with a targeted asset allocation of 40 per cent to be invested in large cap LPTs, 45 per cent in LPTs outside the LPT200 index and 10 per cent in property companies with 5 per cent in cash," he said.

"The style will focus on capital preservation whilst maintaining high levels of tax effective income with lower levels of risk."

Welch said investments in the fund would be researched from the property perspective to ensure incomes are sustainable.

Also, the move to avoid investing in just the top five LPTs was a strategic decision, as he believes the returns are not sustainable.

"The dream run experienced by large cap LPTs cannot continue at recent rates forever," he said.

"Sooner or later, investors will wake up to the fact that the underlying income from the properties is not growing at a rate sufficient to justify the near historic high price to earning ratios we currently see in that index."

These five LPTs comprise of 64 per cent of the index weighting, and many managers treat them more like equities rather than a trust with reliable rental income.

"These five LPTs are also all stapled securities, where an increasing proportion of their income comes from business components and financial structuring," Welch said.

"They are over researched and there is no hidden value, but our investment universe is 101 property companies – including all 71 LPTs in the index – most of which have little research coverage and offer huge upside potential."

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