

The most important investment you can make is in yourself.
- Warren Buffett

UNIT PRICES AND RETURNS EXPLAINED

Understanding how your returns are calculated as an investor is an important part of your knowledge base.

Essentially, as a property fund investor, your returns are made up of distributions (eg monthly cash payments) and changes in the price of your units.

RETURNS = DISTRIBUTIONS + UNIT PRICE CHANGES

Imagining a fund as a pie may be a helpful way to think about this. The pie represents all the fund's investments (for a property fund – all of the properties the fund owns). Each slice of the pie is a unit. The unit price is simply the value of one slice, calculated by dividing the total pie value (all of the fund's investments) by the number of slices (units).

Unit Price Changes:

- **Distributions:** When the fund earns income (eg rental income after paying costs like interest on debt), it might distribute some of it to investors as cash. This is like taking a bite out of the pie and sharing it with unit holders. The unit price dips slightly to reflect this - there's less pie to go around.
- **Market Performance:** If the pie's value increases (its property investments perform well), the unit price goes up - each slice becomes more valuable. The opposite happens if the pie shrinks.

Capital Growth

Capital growth refers to the overall increase in the pie's value due to rising property values. This can happen over time, even if there are occasional dips. Over the long term, a steady increase in unit price generally reflects capital growth.

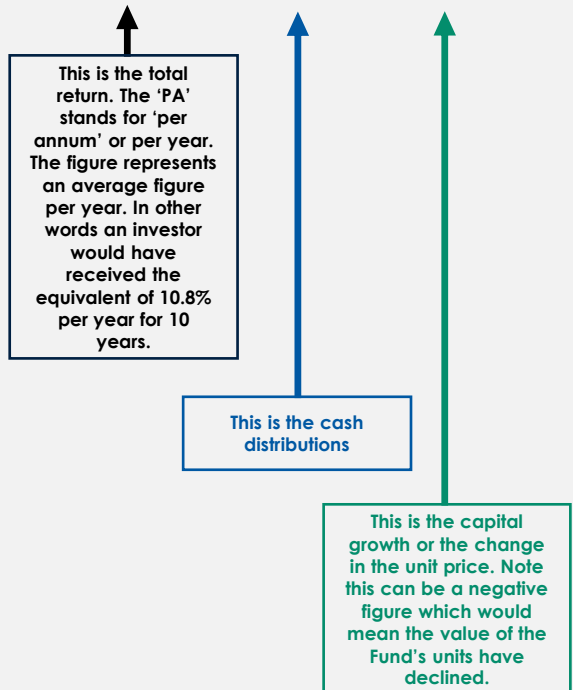


REAL WORLD EXAMPLE: DIVERSIFIED PROPERTY FUND

DIVERSIFIED PROPERTY FUND'S 10 YEAR RETURNS TO 31 MARCH 2024

$$\text{RETURN} = \text{DISTRIBUTIONS} + \text{UNIT PRICE CHANGES}$$

$$10.8\% \text{ PA} = 7.7\% \text{ PA} + 3.1\% \text{ PA}$$



Please note this is an example only. Past performance is not necessarily an indicator of future performance. All investments involve risks and returns can be positive as well as negative.

Distributions and Unit Price

It's important to note that distributions don't directly translate to capital growth. They are a way for the fund to share its income with you. However, some funds might pay out capital gains (profits from selling investments) as part of the distribution. This can lead to a slight decrease in the unit price but still reflect overall growth if the capital gains distributed came from selling investments that increased in value.

Time periods

The time period over which your return is presented is important. Usually periods less than one year are not averaged – they are presented 'as is'. Time periods of more than one year are often annualised – presented as an average over one year.

Finding Information

To track your specific fund's performance, you can find its unit price history and distribution details on the fund manager's website or through your investment platform. This will give you a clearer picture of how the unit price is behaving and how it relates to both distributions and capital growth.

Learn more and additional resources

If you'd like to learn more please take a look at our other Education Series publications and access additional resources here:
www.asarep.com/hub

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