

ADVANCE GLOBAL PROPERTY FUND

as at 31 December 2009

WHOLESALE FUND RETURN AS AT 31 DECEMBER 2009¹

	3 months (%)	6 months (%)	1 year (%)	2 year (%)	Inception ² (% p.a.)
Growth Return	5.48	25.48	33.13	-20.36	-24.36
Distribution Return	0.00	0.22	0.23	2.89	2.44
Total Return	5.48	25.70	33.36	-17.47	-21.92
FTSE EPRA/NAREIT Global Real Estate Index A\$ hedged	5.42	28.90	33.01	-16.93	-19.29

¹ Performance figures are calculated using withdrawal values and assume that income is reinvested. Annual management fees and expenses have been taken into account; however, no allowance has been made for entry fees, tax or any rebates that may be given.

² Inception date is 30 September 2007

Past performance is not a reliable indicator of future performance.

FUND COMMENTARY

The Advance Global Property Fund, managed by CBRE Global Real Estate Securities, LLC (CBRE GRES), delivered a strong return of 5.48% over the December quarter, outperforming the benchmark.

MARKET PERFORMANCE

Global REITs concluded 2009 on a positive note as economies around the world continued to recover. In December, investor's appetite for risk increased, adding to global property securities upward momentum. Improving real estate fundamentals and favourable capital market conditions have enabled selected REITs to consider accretive strategies in anticipation of stressed opportunities from over-leveraged owners. Despite the improvements to the economic outlook, challenges remain due to the highly leveraged governments that will need to unwind their involvement in the global capital markets.

Singapore was the best performer in the December quarter delivering a 12.1% index return as Chinese economic strength benefitted sub-regional performance. The US was the next best performing sub region generation an 8.8% index return. In Canada, the sub-region posted a 7.5% quarterly Index return as record low interest rates helped fuel demand. Hong Kong delivered a 6.0% sub-regional Index return in the quarter as improvements in China's economy overshadowed the prospect of policy changes by the Chinese government to be less accommodative to property. The U.K. rebounded late in the quarter to conclude 2009 with a 3.9% sub-regional Index return.

Australia was the worst performing sub-region in the quarter, generating a -5.1% Index return as positive jobs reports and a stabilizing property market could not turn the market's attention away from rising interest rates. Japan bounced back from being one of the worst performing sub-regions to deliver a -1.1% Index return as a sell-off on banking sector worries diminished late in the quarter. Continental Europe and New Zealand ended the quarter posting 2.0% and 1.8% sub-regional Index returns, respectively.

FUND PERFORMANCE

Relative performance for the quarter was driven by stock selection. The Fund was well positioned in the US, Hong Kong and Australia which provided for positive relative performance. Within Australia, the Fund benefited from its exposure to ING Office Fund, Dexus Property Group and Stockland, while it had no exposure to GPT Group, the worst performing stock. In Hong Kong, the Fund's exposure to China Resources Land, Hang Lung Properties and Henderson Land provided outperformance, while no exposure to underperforming China Overseas Land and a significant underweight to Sun Hun Kai, also an underperformer, contributed to positive stock selection. In the US, the Fund's overweights to the quality, well capitalized of companies Alexandria Real Estate, AvalonBay, Digital Realty and Simon Property Group (among others) led to outperformance. In addition, the Fund remained underweight the highly geared companies and hotels which underperformed during the period.

MARKET OUTLOOK

Confidence in a global economic recovery continued to gain momentum in December which drove the positive return of global REITs and equities. Relaxed monetary policies are expected by the U.S., U.K., Euro-zone, and Japanese governments for at least the next 6 months. This has encouraged investors to reduce risk premiums and re-price equities. Global REITs are attractive in this regard.

Global REITs also continued their capital raising activity during the period, finishing a year of over \$63 billion of equity raised and more than \$10 billion of public debt issued. Those REITs able to raise capital continued to solidify their position as potential acquirers of over-leveraged real estate in the private market.

Given REITs' abundant access to low cost capital and the attractive yields available for property assets, acquisitions should be highly value accretive to buyers (in terms of future growth of dividends, cash flows, and net asset values).

CBRE GRES are fairly confident that the extreme volatility experienced in the listed global REIT market over the past 18 months is behind us and the next 12 months should provide for more stable returns. Investors will increasingly focus on property fundamentals and REITs' investment strategies as we enter the recovery cycle. The manager does not believe that this will be an 'L' shaped recovery, but rather a long and gradual recovery. Given this expectation, CBRE GRES anticipate that interest rates will remain low for an extended period. This will bode well for commercial property as the healing process of deleveraging can occur in an orderly manner, avoiding the calamitous impact of a sharp rise in interest rates which would lead to significant defaults.

TOP 10 PORTFOLIO HOLDINGS

	Country	Fund (%)
Unibail-Rodamco	France	4.95
Simon Property Group Inc	US	4.89
Westfield Group	Australia	4.84
Mitsubishi Estate Co Ltd	Japan	3.95
Vornado Realty Trust	US	3.50
Capitaland Ltd	Singapore	3.13
Stockland	Australia	3.00
Sun Hung Kai Props	Hong Kong	2.76
British Land Co	UK	2.69
Hang Lung Properties	Hong Kong	2.49

REGIONAL ALLOCATIONS

Region	Fund (%)	Benchmark (%)
Canada	4.57	3.84
US	33.69	36.84
Continental Europe	10.09	11.12
UK	8.74	6.42
Singapore	6.46	4.91
Australia	12.35	9.61
Japan	7.37	10.02
Hong Kong	15.78	17.14
New Zealand	0	0.09
Cash	0.95	-

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