



MSCI/MERCER AUSTRALIA CORE WHOLESALE MONTHLY PROPERTY FUND INDEX

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1 Introduction

The objective of the MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index (Australia Core Wholesale PFI) is to represent the performance of Australia based open-ended commingled real estate funds for Wholesale (Institutional) investors. The Index is value-weighted, based on the Net Asset Value (NAV) of its constituent property funds each month and is denominated in Australian Dollars (AUD).

Wholesale funds are defined as those that are structured for wholesale investors¹ to invest in superannuation and/or corporate funds and where the minimum investment amounts are typically large in value as defined by Australian Securities and Investments Commission (ASIC).

¹ As per ASIC: A person may fall within the definition of a wholesale client if, among other things, they are: (a) a person purchasing a financial product, or a financial service related to a financial product, where the value of the product is above the prescribed threshold (currently set by the Corporations Regulations at \$500,000); (b) a person with certified net assets of at least \$2.5 million or a person who had a gross income for each of the past two financial years of at least \$250,000; or (c) a 'professional investor'. This category includes AFS licensees, listed entities, banks and friendly societies, and other entities that may be presumed to have the expertise or access to professional advice to justify their being treated as wholesale.

2 Methodology Documentation Set

The construction and maintenance rules for the Australia Core Wholesale PFI are collectively described in the following documents:

2.1 MSCI REAL ESTATE - INDEX POLICIES

The [MSCI Real Estate – Index Policies](#) document describes the various governance policies related to the construction, maintenance and termination of the MSCI Private Real Estate indexes to provide consistency in decisions and avoid ambiguity in its responses to particular events.

2.2 MSCI PROPERTY FUND INDEXES METHODOLOGY

The [MSCI Property Fund Indexes Methodology](#) describes the general methodology that is being used for the calculation of the MSCI Property Fund Indexes and includes the methodology for the index composition, data requirements and index calculation methodology.

2.3 MSCI/MERCER AUSTRALIA CORE WHOLESAL MONTHLY PROPERTY FUND INDEX METHODOLOGY

This document includes the rules and methods specific to the Australia Core wholesale PFI.

3 MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index Specific Methodology

3.1 INITIAL INCLUSION REQUIREMENTS

SPECIFIC INCLUSION REQUIREMENTS FOR MSCI/MERCER AUSTRALIA CORE WHOLESALE MONTHLY PROPERTY FUND INDEX

In addition to the standard MSCI requirements for property fund indexes (refer to [MSCI Property Fund Indexes Methodology](#) for further details), there are additional eligibility requirements for initial inclusion in the Australia Core Wholesale PFI. The Australia Core Wholesale PFI comprises of funds that adhere to specific criteria relating to their investment mandate and their structure, except for funds that are in the early stage of their investment period in which case the eligibility is based on the intended strategy as set out in fund documentation. The criteria of investment mandate and structure is mentioned below.

1. Vehicles with at least 85% of their Gross Asset Value (GAV) in domestic assets
2. Vehicles whose underlying direct property performance is measured on a quarterly basis by MSCI.
3. Open-ended, commingled, and unlisted wholesale property funds (UWPFs)
4. Funds must have a targeted gearing of less than or equal to 30%, where gearing is defined as the ratio of total debt to the fund's GAV. Funds with targeted gearing of less than or equal to 40% are included in the UWPFs- Core ($\leq 40\%$) Index Series.
5. Apart from the time of the initial inclusion, this criteria is also checked at every measurement period (monthly) for each of the constituent funds. Where leverage is above 30% for a constituent fund, the manager should have an intended strategy to reduce gearing to 30% within reasonable time period. Funds must have no more than 20% of GAV exposure to non-traditional sectors (sectors other than office, industrial and retail sectors).
6. Funds must have no more than 15% of GAV in development exposure. Additional exposure permitted for short term pre-committed developments and redevelopments.
7. Participating funds must agree to allow the fund's name, date of inclusion in the index, and date of exclusion from the index to be included in all index releases and associated materials.

3.2 CHANGE IN COMPOSITION

The addition of new funds and withdrawal/termination of existing funds are normal events in the evolution of the MSCI Property Fund Indexes. There are additional requirements and clarification for the Australia Core Wholesale Index.

New Funds:

- a. are required to provide sufficient and complete data to compile the longest possible history of their investment performance, subject to a minimum of either three years or the period from date of launch of the fund.
- b. must always provide performance data for disclosure in the index products for the longest possible time period. Full performance history shall be shown for the fund until it retires from the Index or terminates. A change of mandate, structure, branding or manager does not warrant the removal of historical performance from the index and market information products.

Removed/Withdrawn Funds:

- a. Withdrawal from the Index should be through written communication to both MSCI and, where possible, one quarter prior to the next Index release.

Re-admitted Funds:

- a. In order to be re-admitted to the Index, the funds must provide MSCI with the data to calculate their investment performance during the whole period since their last inclusion in the Index.
- b. Re-admitted funds are subject to the same eligibility requirements as potential new constituents.

Formal communication of a material change in the index composition will be done through an Index Announcement made available at www.msci.com, in accordance with the thresholds as defined in the MSCI Real Estate – Index Policies.

3.3 SUB-INDEXES

The MSCI/Mercer Australia Core Wholesale Property Fund Index series currently comprises of a standard index - all fund index series, and sector sub-indexes based on the sector weightings. The hierarchy of the sub-indexes is outlined below:

MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index

- a. MSCI/Mercer Australia Core Wholesale Monthly Office Property Fund Index -** includes funds with a target more than 70% of GAV in office sector
- b. MSCI/Mercer Australia Core Wholesale Monthly Retail Property Fund Index -** includes funds with a target more than 70% of GAV in retail sector
- c. MSCI/Mercer Australia Core Wholesale Monthly Industrial Property Fund Index -** includes funds with a target more than 70% of GAV in industrial sector
- d. MSCI/Mercer Australia Core Wholesale Monthly Diversified Property Fund Index -** includes funds with a target less than 70% of GAV in any one sector of the market

Each Index has a base date of 30 June 2007.

3.4 INDEX SERIES

In addition to the headline index, for all fund index series the standard index publication consists of two series of indexes which are reported on a pre-fee basis i.e. the calculated returns are Gross of Fees Return for the management fees.

- **UWPFs – Core**, includes unlisted core wholesale property funds with targeted gearing of less than or equal to 30%
- **UWPFs – Core (≤40%)**, includes unlisted core wholesale funds with targeted gearing less than or equal to 40%. This may include funds that are not qualified to be included in the MSCI/MERCER Australia Core Wholesale Monthly Property Fund Index.



4 Data Provision Requirements

4.1 NET ASSET VALUE REPORTING REQUIREMENTS

In addition to the standard requirements, as part of the MSCI Global Data Standards for Real Estate Investments, there are additional requirements for the Net Asset Value. These requirements are:

- a. Vehicles are required to report their NAV per unit on at least a monthly basis and to have done so for the whole of the period of their performance history within the Indexes.
- b. Constituents of the Indexes must agree to calculate their NAV on a consistent basis from month to month. This basis will be either that specified in their own articles of association (or equivalent).

4.2 INDIRECT HOLDINGS (UNITS IN OTHER FUNDS)

Constituents of the Index must disclose monthly to MSCI the extent of their holdings in other funds (indirect investments/crossholdings) that are also constituents of the Index.

5 Index Calculation Methodology

The Australia Core Wholesale PFI Methodology is constructed by applying the unitized computation methodology as detailed in the MSCI Property Fund Indexes Methodology with the below exceptions.

5.1 WEIGHTING

The funds included in the Australia Core Wholesale PFI are weighted according to their NAV at the end of the month (measurement period).

5.2 12-MONTH DISTRIBUTION YIELD

Distribution yield reported for the Australia Core Wholesale PFI is the sum of the distributions per unit over a rolling 12 months period as a percentage of its net asset value per unit at the beginning of the 12 months period and is calculated as follows:

12 Month Distribution Yield:

$$\left(\frac{\sum_{t=1}^{12} \text{Distribution}_t}{\text{NAV}_{t-12}} \right)$$

5.3 DATA PREPARATION FOR INDEX CALCULATION

CROSS HOLDING ADJUSTMENT

When one fund in the Australia Core Wholesale PFI has an interest in another fund included in the Index, the second fund's performance will be over weighted unless an adjustment is made. The performance of the fund that is cross-held will contribute directly at a weight of 100% of its total NAV as well as indirectly, with its additional weight depending upon the ownership percentage held within the cross-holding interest. As a result, the performance of the cross-held fund would, if unadjusted, therefore contribute at over 100% of its total NAV in the performance of the overall Index.

MSCI adjusts for cross holdings in the Australia Core Wholesale PFI by deducting the amount of the investment from the NAV of the fund in which the investment is made. For the Australia Core Wholesale PFI, the data is collected for the investments in other funds that are parts of the Index, and the above described adjustment is made. This same adjustment is made for all the sub-indexes within Australia Core Wholesale PFI only if a cross holding is prevalent within any/all of these sub-indexes.

5.4 RULES FOR PERFORMANCE REPORTING

As part of the requirement for inclusion in the Australia Core Wholesale PFI, data providers agree to disclose their individual fund results and NAV. This means that individual fund results including the NAV are routinely included in market information products.

5.4.1 FROZEN HISTORY REPORTING

The standard index MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index and other index series (“UWPFs – Core” and “UWPFs – Core (≤40%)”) returns are frozen, which means they have fixed histories and returns will not be updated when new data becomes available or corrections are made, unless the historical corrections need to be restated based on the MSCI Correction Policy. Therefore inclusion of a new fund with historical data does not impact the historical index returns. The index was last restated with the release of May 2011 results published in June 2011.

5.4.2 UNFROZEN HISTORY REPORTING

The returns of sector specialist funds (used in calculation of sub-indexes) are unfrozen, which means they do not have fixed histories and returns will be updated when new data becomes available or corrections are made. Therefore inclusion of a new fund with historical data impacts the historical Index returns. MSCI evaluates from time to time, the need to determine if it is suitable to freeze the Index.

6 MSCI Pooled Property Fund Indexes Advisory Group

The MSCI Pooled Property Fund Indexes Advisory Group is a set of users and data providers for the Australia Core Wholesale PFI. The functions of this group include:

- a. Providing feedback to MSCI on the development of content for the Index.
- b. Providing feedback to MSCI on the inclusion and classification rules for funds within the Index, based on investment mandates and actual data.
- c. Providing feedback to MSCI on changes to the technical specification or the rules of the Index.

MSCI believes that its editorial and operational independence is critical to its objectivity, efficiency and avoiding conflicts of interest.

7 Appendix

7.1 INCLUSION CRITERIA FOR MSCI/MERCER AUSTRALIA CORE WHOLESAL PROPERTY FUND INDEX

Inclusion criteria -MSCI/Mercer Australia Core Wholesale Property Fund Index	
1. Type of Investment Vehicle	Unlisted wholesale property funds (Listed open ended may also be considered)
2. Minimum Direct Real Estate investment in Australia	85% of GAV
3. Fund Structure	Open and commingled fund
4. Maximum fund targeted gearing	30% of GAV
5. Maximum exposure to non-traditional sectors	20% of GAV
6. Maximum development exposure	15% of GAV
7. Are the underlying direct property performance of the fund measured by MSCI at least quarterly?	Yes
8. Data provision requirement	Longest possible history, subject to a minimum of either three years, or the period from the date of launch of the fund
9. Structured for Wholesale investors	Yes

7.2 VERSIONING TABLE

Version	Publication Date	Key Changes
V1	November 2020	Release of the MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index Rules



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