BetaShares Exchange Traded Funds | LEGG MASON GLOBAL ASSET MANAGEMENT

RINC

REAL ASSETS: THINK **'PROPERTY PLUS'**

Australian listed real estate investment trusts (A-REITs) are often included in well-constructed investment portfolios for both their predictable dividends and diversification benefits. While A-REITs help provide exposure to property assets that can otherwise be difficult for the average investor to access, the A-REIT Index does pose a number of challenges for investors. The A-REIT sector is not well diversified, with only a small number of stocks, and is dominated by a few large companies.

To help overcome these issues and improve potential return outcomes, A-REIT investors should consider investing in a real asset fund which offers a broader investment universe, encompassing not only A-REITs but also listed infrastructure and utilities which carry similar characteristics … think **'Property Plus'**.

Real assets, real advantages over just A-REITs

The BetaShares Legg Mason Real Income Fund (managed Fund) (ASX:RINC) invests in a portfolio of listed companies that own 'hard' physical assets, like property, utilities and infrastructure (e.g. A-REITs, airports, toll roads, electricity and gas grids). Such companies are often monopolistic in nature and have the potential to deliver strong dividend income from reliable revenue streams (underpinned by long term contracts and favourable regulatory structures), whilst also growing that income ahead of inflation. Compared to owning just A-REITs, RINC has several advantages:

- *Lower concentration risk* – RINC's investment universe is more diversified, so it avoids the concentration issues associated with the A-REIT Index. The table below shows the broader sector allocation of RINC compared to the S&P/ASX 300 A-REIT Index.

Sector	A-REIT Index (%)	RINC (%)
A-REITs	100	57
Utilities	–	32
Infrastructure	–	11
	100	100

Source: Legg Mason, as at 30 June 2018. Indicative and based on S&P/ASX 300 A-REIT Index.

- *Lower single stock concentration* – RINC is actively managed and seeks to deliver high, sustainable and growing income, so the portfolio managers focus on building a diversified portfolio that is not over-exposed to any one company or thematic. For example, Scentre Group has a 19% weight in the A-REIT Index but its exposure in RINC is only 7.0%[1]. RINC has a 9% maximum stock limit ensuring that it constantly remains well diversified across individual stocks (see table following) and real asset sub-sectors.

Sector	A-REIT Index (% weight)	RINC (% weight)
Top 3 stocks	41.0	20.4
Top 5 stocks	58.1	31.8
Top 10 stocks	85.1	55.3

Source: Legg Mason and Martin Currie, as at 31 July 2018. Indicative and based on S&P/ASX 300 A-REIT Index.

Real assets, property plus more

Many real assets, by their nature, have inflation protection built into their pricing. That's because they are often government regulated and party to long term contracts that allow them to increase their prices, tolls or rates in line with (or sometimes above) the inflation rate. Investing in real assets can enable investors to notionally hedge against future price rises.

Real asset companies have also demonstrated a low correlation to the business cycle as their revenues tend to hold up well when growth weakens as people still need to heat their homes, drive on toll roads and use water, gas and electricity. This more stable and predictable revenue can lead to more stable returns for investors.

Legg Mason's Real income specialist

The BetaShares Legg Mason Real Income Fund (managed fund) (ASX:RINC) invests in ASX-listed securities that own hard physical assets – think A-REITs, toll roads, ports, airports, electricity and gas grids. Very few investment funds in Australia offer this combination of real assets. RINC is rated 'Recommended' by research house Lonsec. Looking forward, RINC is forecast to provide an attractive dividend yield of 6.0% (grossed up for franking credits) over the next 12 months.[2]

The Fund can be bought and sold like any share using the **ASX code: RINC**

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