



Need for diversification . . . Rismark managing director Christopher Joye. Photo: JIM RICE

Shared equity equals profitable innovation

Ben Wilmot and Lisa Carapiet

Australia's first national "shared equity" investor, Rismark International, has revealed the performance of its main residential property product for the first time.

Rismark has invested in about 500 home loans and, based on the cash flows realised by the repayment of more than 60 shared equity assets, its portfolio has generated an internal rate of return of about 7 per cent a year.

The performance is despite 2008 being the worst year on record for residential property returns and a period of enormous wealth-destruction in most asset classes.

Rismark International managing director Christopher Joye said the group's shared equity portfolio had outperformed the Mercer Unlisted Property Funds Index, bank bills, the S&P/ASX Property 300 Index, Australian and international shares, and the underlying housing market since it started investing in March 2007.

Mr Joye has argued that superannuation funds have suffered by mostly restricting their investments to the commercial real estate sector. He said the argument that residential property was more risky than commercial assets was not true: "What is clear is that commercial property has fared far worse than residential during all the recent economic downturns."

But there have been few products

that have offered institutions a way of gaining exposure to the \$3 trillion residential property market.

Mercer Investment Consulting has argued that creating an equity mortgage securitisation market in Australia would give institutions access to the sector.

Few fund managers have followed Rismark's lead despite global interest in the area. In February, it was invited to present its shared equity model to the Obama administration.

The group is benefiting from the pick-up in residential property markets. It reported that its "mature portfolio" had a mark-to-market value 21.3 per cent higher than its starting value in March 2007.

Rismark executive director Ben Skilbeck added that the product was a good way of diversifying.

"Australian shares, international shares, hedge funds, A-REITs [Australian real estate investment trusts] and private equity are all highly correlated. They offer super funds little diversification, particularly in downturns when they need it most."

Rismark launched its shared equity offering through Bendigo and Adelaide Bank in March 2007.

In 2008, Australian shares and real estate investment trusts fell in value by 36 and 47 per cent respectively. In contrast, residential property declined by just 3 per cent and has risen by 4.5 per cent in 2009, according to the Reserve Bank of Australia.