

Equity mortgage trust ready to go

Ben Wilmot

Macquarie Bank and Rismark International yesterday confirmed plans to list a residential real estate fund in the next three to five years, as they kicked off a roadshow to raise \$1 billion from superannuation funds.

The unlisted trust will back equity finance mortgages, in which investors will share in the capital gains and losses on homes.

The Advanced Real Estate Solutions Fund will invest in 17,000 equity finance mortgages sourced across major Australian markets. They will have a total face value of \$1.05 billion, giving the fund a total exposure of \$5.25 billion in Australian residential real estate.

The novel fund will target an ungeared internal rate return of more than 13 per cent a year after fees.

Cash distributions are expected to be about 4 per cent in the first five years but the real kicker will come as capital is recycled, and from growth in residential property values over the longer term.

Investors have indicated their interest in the new product and the fund's first close is expected as early as December.

Looking ahead, Rismark is targeting an initial public offering on the

KEY POINTS

- The Advanced Real Estate Solutions Fund will eventually list on the ASX.
- It will invest in 17,000 residential equity finance mortgages.
- The targeted ungeared internal rate of return is 13pc a year after fees.

Australian Stock Exchange in the next three to five years, the chairman and former Macquarie Bank executive director, Richard Facioni, said.

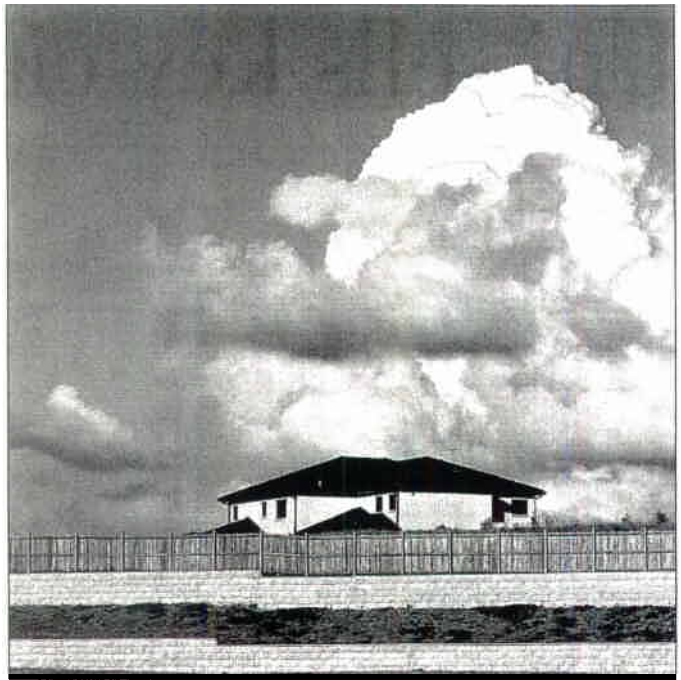
Mr Facioni said a listing would enable the fund to tap a ready source of capital. "It opens it to retail investors," he said.

Residential real estate had outperformed cash, government bonds, listed property and even the broader equity market on a risk-adjusted basis, he said.

Rismark also unveiled its first distribution partner yesterday: ING Bank, one of the largest mortgage distributors in Australia. The company said it had more agreements in place that would give it access to mortgage originators who lend about \$1.5 billion a month.

Rismark expects interest from first-home buyers and home owners looking to upgrade to better houses.

The products will be branded and



Residential property has outpaced shares on a risk-adjusted basis. Photo: ROB HOMER

serviced as part of the ING network, and other mortgage providers are expected to also use their own names. "We're intending to be a wholesaler," Mr Facioni said.

He said Rismark did not expect to take big chunks of the mortgage market and was in "ongoing" talks with larger banks about their interest in the products. It was relatively inefficient, he said, for banks to hold such assets on balance sheet, and if they wished to issue equity finance

mortgages Rismark might look at providing capital to them.

In its first fund, Rismark plans to only invest in owner-occupied housing in major metropolitan centres, but future funds could accommodate investment properties.

Rismark has also set up a global research advisory board including Yale economist Barry Nalebuff, University of Melbourne economist Joshua Gans and University of Sydney finance professor Alex Frino.