

### About the Fund

The Pendal Property Securities Fund (**Fund**) invests primarily in Australian listed property securities including listed property trusts, developers and infrastructure investments. In addition, up to 15% of the Fund can be invested in international listed property securities and around 5% of the Fund will generally be invested in unlisted property securities.

### Investment Return Objective

The Fund aims to provide a return (before fees, costs and taxes) that exceeds the S&P/ASX 300 A-REIT (Sector) (TR) Index over the medium to long term. The suggested investment timeframe is five years or more.

### Investment Style

Pendal's property securities investment style is active, bottom-up and valuation-driven with stock selection driven by absolute valuations.

### Investment Philosophy

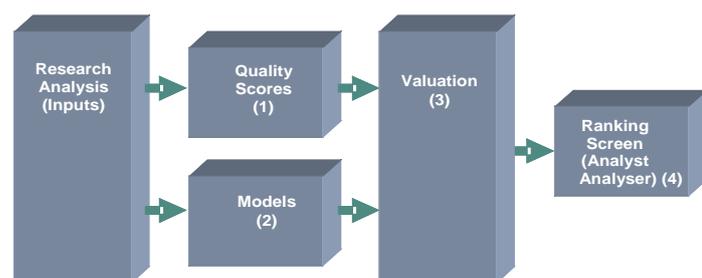
Pendal's investment philosophy is based on the beliefs that:

- market inefficiencies provide opportunities for well researched and disciplined investors to identify and purchase securities that are mispriced compared to what we consider to be their fundamental value;
- quality companies will outperform over time. Pendal's Listed Property Team place a high emphasis on quality scores to identify the best business franchises; and
- active investment management will outperform passive alternatives over a full market cycle.

### Investment Process

The Property Securities investment process starts with comprehensive research utilising a range of proprietary valuation methodology and continues to four steps:

1. Scoring of quality factors
2. Financial modelling
3. Valuation
4. Stock Ranking



Environmental, social and governance (ESG) elements are incorporated into our investment process through the "Quality Scores". Examples of such ESG criteria include environmental performance (e.g. ABGR and NABERS environmental ratings); leading sustainability practices such as community and greenspace areas in residential projects as well as management's approach to addressing the risks (and opportunities) associated with climate change and the transition to a low carbon environment.

### Investment Team

Pendal's Head of Property Securities, Peter Davidson has over 35 years industry experience and is supported by one portfolio manager/analyst and a specialist LPT dealer. The team also draws on the resources of Pendal's other specialist teams: Multi-Asset, Equity and Bond, Income & Defensive.

### Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	5.53	5.59	4.16
3 months	5.79	5.96	4.12
FYTD	23.61	24.41	19.39
6 months	22.50	22.89	19.10
1 year (pa)	23.61	24.41	19.39
2 years (pa)	17.72	18.48	16.25
3 years (pa)	9.69	10.40	8.44
5 years (pa)	14.35	15.10	13.81

### Other Information

Fund size (as at 30 Jun 2019)	\$333 million
Date of inception	November 1997
Minimum investment	\$25,000
Buy-sell spread <sup>1</sup>	0.50% (0.25%/0.25%)
Distribution frequency	Quarterly
Currency management	Foreign currency exposure is hedged
Cash holdings	Up to 20%
Tracking error guideline	2-5%
APIR code	BTA0061AU

<sup>1</sup> The buy-sell spread represents transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

### Management Costs<sup>2</sup>

Issuer fee <sup>3</sup>	0.65% pa
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<sup>2</sup> You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

<sup>3</sup> This is the fee we charge for overseeing the operations of the Fund and managing the assets of the Fund. The Issuer fee is paid from the assets of the Fund and is reflected in the unit price of your investment.

### Risks

An investment in the Fund involves risk, including:

- **Market risk** - The risk associated with factors that can influence the direction and volatility of an overall market, as opposed to security-specific risks. These factors can affect one country or a number of countries.
- **Security specific risk** - The risk associated with an individual asset.
- **International investments risk** - The risk arising from political and economic uncertainties, interest rate movements and differences in regulatory supervision associated with international investments.
- **Liquidity risk** - The risk that an asset may not be converted to cash in a timely manner.

Please read the Fund's Product Disclosure Statement (**PDS**) for a detailed explanation of each of these risks.

## Market review

The ASX 300 AREIT index was up 4.2% in June, outperforming the broader market by 50bp, with the strongest performance coming from Goodman Group (+13.3%) and GPT Group (+9.1%). REITs were driven by the 10 year bond yield falling 15bp to an all-time low of 1.32% and a 25bp cash rate cut. US bond yields fell below 2% for the first time since 2016. On a rolling 12 months, AREITs are +19.3%, outperforming the broader market by 7.8%. Globally REITs were up 2.6% for the month, with year rolling performance up 10.8%. Australian REITs have been the best performing market, followed by the US (+16.8%) with the laggard being Europe -10.9%.

June saw another very strong month for capital raisings with \$1.7b raised, bring YTD raisings to \$3.7b, the largest since the re-capitalisations just after the GFC. Cromwell Property Group, Growthpoint Properties and National Storage took advantage of high stock prices to raise equity to fund future opportunities/developments. GPT raised \$800m to fund a further 25% of Darling Park 1&2, Sydney and Charter Hall Long WALE raised capital to acquire three assets. Interestingly only \$150m has been raised to fund retail assets. The other notable transaction during the period was Scentre Group's sale of the three office towers above Westfield Sydney to Blackstone for \$1.52b, a 4.4% cap rate and 13% premium to book value. Scentre Group will deploy \$800m of the proceeds to buy back stock as the REIT is trading at a 12% discount to NTA.

Macro data continues to disappoint with weak global PMIs, particularly in manufacturing (now in contraction mode). Despite this, global markets performed well with the S&P500 +7% and Europe +6%, driven by falling bond yields and some optimism about a trade truce.

In Australia employment was solid +42,300 positions, with the unemployment rate flat at 5.2%. A soft first quarter GDP growth rate of 0.4% saw the RBA cut the cash rate by 25bp to 1.25%, the first cut since 2016. Retail sales disappointed, -0.1% and credit growth continued to be lacklustre at a six-year low of +3.6%.

## Fund performance

The Fund outperformed for the month. Positive attribution came from underweight positions in Vicinity Centres, Unibail-Rodamco Westfield, Stockland Trust Group and Shopping Centres Australia and an overweight position in Precinct Properties NZ. An overweight position in Japara Healthcare, Arena REIT and Charter Hall Education Trust and underweight positions in GPT Group and Abacus Property Group detracted from performance.

Over the month we increased our overweight positions in Goodman Group, Charter Hall Long WALE and Centuria Industrial Trust and reduced our underweight position in Unibail-Rodamco Westfield, reduced our overweight in Charter Hall Retail REIT and moved from an overweight to underweight position in both National Storage REIT and GPT Group.

For more information please call **1800 813 886**, contact your key account manager or visit [pendalgroup.com](http://pendalgroup.com)

**PENDAL**

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If market movements, cash flows or changes in the nature of an investment (e.g. a change in credit rating) cause the Fund to exceed any of the investment ranges or limits specified, this will be rectified by PFSL as soon as reasonably practicable after becoming aware of it. If PFSL does so, it will have no other obligations in relation to these circumstances. The procedures, investment ranges, benchmarks and limits specified are accurate as at the date of this factsheet and PFSL reserves the right to vary these from time to time.