

## Pendal Monthly Commentary

### Pendal Australian Listed Property Portfolio

July 2020

#### Market commentary

The Australian Real Estate Investment Trust (AREIT) index was up 0.6% in July, performing in line with the broader market. Year-rolling AREITs were down 22.8%, underperforming the broader market by 12.9%.

Globally REITs were up 2.9% for the month. New Zealand was the best market (+10.8%) and Hong Kong the worst (-6.3%).

The best-performing REITs for the month included Goodman Group (+14%) which announced a 20-year leasing pre-commitment with Amazon on a development at Oakdale in Western Sydney.

Charter Hall Group (+8.6%) performed well on the back of deal flow/acquisitions for funds while Charter Hall Long WALE (+8.2%) benefited from defensive rotation on the back of increasing Covid cases in Australia.

The worst-performing REITs continued to be the discretionary malls. URW (-10.4%) reported 1H20 earnings were down 28%. Vicinity Centres (-8.7%) has 45% of its portfolio based in Melbourne and expected impact from Stage 3 and 4 restrictions.

During the month Charter Hall and Charter Hall Long WALE both sold their 5% stakes in Waypoint REIT. Press speculation suggested Charter Hall Group was pursuing an investment in a portfolio of 250 Ampol service stations.

Vicinity Centres reported its shopping centre portfolio fell 11.3% in value with Chadstone Shopping Centre -7.5% (cap rate +12bp to 3.875%). Charter Hall Retail REIT acquired a 52% interest in a \$215 million distribution centre in Adelaide. The centre has a 14.5-year lease to Coles and has fixed 2.75% pa rent increase.

Home Consortium raised \$140 million in equity to fund three shopping centres and an aged care facility. Dexu Logistics Trust acquired a portfolio of six industrial assets (\$269 million) on a 5.3% cap rate.

Employment data showed an increase of 211K jobs during the month, lifting the unemployment rate 40bp to 7.4%.

JobKeeper was extended to March 2021 with the payment reduced to \$1200/fortnight.

Following a spike in US COVID infection rates, US bond rates were down 10bp to 0.55% and down 5bp in Australia to 0.82%.

The Australian dollar was up 3.4% vs the USD.

#### Portfolio overview

Australian Listed Property Portfolio	
Investment strategy	The strategy employs a bottom up, fundamental approach to build a diversified portfolio of Australian listed property shares.
Investment objective	The objective of the Model Portfolio is to outperform the S&P/ASX 300 A-REIT (Sector) (TR) Index on a rolling 3 year period.
Benchmark	S&P/ASX 300 A-REIT (Sector) (TR)
Number of stocks	8-15 (15 as at 31 July 2020)
Sector limits	Cash 2-10%

#### Top 10 holdings

Code	Name	Weight
GMG	Goodman Group	29.69%
DXS	Dexus Property Group	9.66%
MGR	Mirvac Group	8.78%
SCG	Scentre Group	7.92%
SGP	Stockland Trust Group	7.41%
CHC	Charter Hall Group	6.85%
GPT	GPT Group	5.81%
CLW	Charter Hall Long Wale Reit	5.15%
SCP	Shopping Cent Austl Prop	3.65%
VCX	Vicinity Centres	3.23%

Source: Pendal as at 31 July 2020

#### Top 5 overweights versus S&P/ASX 300

Code	Name	Weight
GMG	Goodman Group	3.32%
CLW	Charter Hall Long Wale Reit	3.24%
CHC	Charter Hall Group	2.16%
CQR	Charter Hall Retail REIT	1.66%
SCP	Shopping Cent Austl Prop	1.43%

#### Top 5 underweights versus S&P/ASX 300

Code	Name	Weight
SCG	Scentre Group	-2.22%
BWP	BWP Trust (not held)	-1.85%
NSR	National Storage Reit (not held)	-1.69%
VCX	Vicinity Centres	-1.63%
CMW	Cromwell Property Group (not held)	-1.59%

Source: Pendal as at 31 July 2020

## Performance

	1 month	3 month	6 month	1 year	3 year	Since inception*
Pendal Australian LPT	1.60%	7.30%	-21.53%	-18.37%	4.42%	4.83%
S&P/ASX 300 A-REIT (Sector) (TR)	0.63%	6.41%	-25.23%	-22.24%	2.59%	3.77%
<b>Active return</b>	<b>0.97%</b>	<b>0.89%</b>	<b>3.71%</b>	<b>3.87%</b>	<b>1.83%</b>	<b>1.06%</b>

Source: Pendal as at 31 July 2020

\*Since Inception - 17 March 2015

Performance returns are pre-fee. Investors should contact their platform provider for applicable fee rates.

Past performance is not a reliable indicator of future performance

### Top 5 contributors - monthly

Code	Name	Value Added
GMG	Goodman Group	0.42%
<i>VCX</i>	<i>Vicinity Centres</i>	<i>0.17%</i>
CLW	Charter Hall Long Wale Reit	0.16%
<i>SCG</i>	<i>Scentre Group</i>	<i>0.15%</i>
CHC	Charter Hall Group	0.14%

### Top 5 contributors - 1 year

Code	Name	Value Added
GMG	Goodman Group	0.99%
<i>SCG</i>	<i>Scentre Group</i>	<i>0.77%</i>
<i>URW</i>	<i>Unibail-Rodamco-Westfield CDI (not held)</i>	<i>0.77%</i>
SCP	Shopping Cent Austl Prop	0.48%
<i>VCX</i>	<i>Vicinity Centres</i>	<i>0.48%</i>

Source: Pendal as at 31 July 2020

*Underweight positions are in italics.*

### Top 5 detractors - monthly

Code	Name	Value Added
DXS	Dexus Property Group	-0.13%
CQR	Charter Hall Retail REIT	-0.10%
<i>INA</i>	<i>Ingenia Communities Group (not held)</i>	<i>-0.06%</i>
MGR	Mirvac Group	-0.04%
<i>RFF</i>	<i>Rural Funds Group (not held)</i>	<i>-0.04%</i>

### Top 5 detractors - 1 year

Code	Name	Value Added
<i>BWP</i>	<i>BWP Trust (not held)</i>	<i>-0.40%</i>
<i>INA</i>	<i>Ingenia Communities Group (not held)</i>	<i>-0.39%</i>
<i>NSR</i>	<i>National Storage Reit (not held)</i>	<i>-0.37%</i>
<i>VVR</i>	<i>Viva Energy Reit (not held)</i>	<i>-0.21%</i>
<i>CIP</i>	<i>Centuria Industrial Reit (not held)</i>	<i>-0.20%</i>

## Strategy performance and outlook

The portfolio was ahead of the index in July. Key contributions came from the overweight in Goodman Group and the underweight in retail malls.

The AREIT sector is priced on an FY21 dividend yield of 4.8%, a 390bp spread over 10-year bonds, well above its LT average of 200bp. We expect earnings and dividends to come under pressure in FY20/21 as tenants' ability to pay rent is impacted by forced and voluntary temporary closures. NTAs are expected to fall in the short to medium term with discretionary mall values likely to come under the most pressure. While gearing is relatively low at 26%, it is expected to increase as asset values fall. However, we expect the majority of REITs to remain well inside loan covenant limits.

## New stocks added and/or stocks sold to zero during the month

**No new stocks added or sold during the month.**

For more information contact your  
key account manager or visit [pendalgroup.com](https://pendalgroup.com)

**PENDAL**

This monthly commentary has been prepared by Pental Institutional Limited ABN 17 126 390 627, AFSL 316455 (**Pental**) and the information contained within is current as at the date of this monthly commentary. It is not to be published, or otherwise made available to any person other than the party to whom it is provided.

This monthly commentary relates to the Pental Australian Listed Property Portfolio, a portfolio developed by Pental. The portfolio composition for any individual investor may vary and the performance information shown may differ from the performance of an investor portfolio due to differences in portfolio construction or fees.

Performance figures are shown gross of fees and are calculated by tracking the value of a notional portfolio. Past performance is not a reliable indicator of future performance.

This monthly commentary is for general information purposes only, should not be considered as a comprehensive statement on any matter and should not be relied upon as such. It has been prepared without taking into account any recipient's personal objectives, financial situation or needs. Because of this, recipients should, before acting on this information, consider its appropriateness having regard to their or their clients' individual objectives, financial situation and needs. This information is not to be regarded as a securities recommendation.

The information in this commentary may contain material provided by third parties, is given in good faith and has been derived from sources believed to be accurate as at its issue date. While such material is published with necessary permission, and while all reasonable care has been taken to ensure that the information in this commentary is complete and correct, to the maximum extent permitted by law neither Pental nor any company in the Pental group accepts any responsibility or liability for the accuracy or completeness of this information.