

Pendal Monthly Commentary

Pendal Australian Listed Property Portfolio

November 2020

Market commentary

The Australian Real Estate Investment Trusts index was up 13.2% in November, outperforming the broader market by 300bp. Year-rolling, AREITs are down 9.2%, underperforming the broader market by 7.2%.

Globally REITs were up 9.9% for the month (USD terms) and down 5.4% year-rolling.

News of a highly effective COVID vaccine propelled most markets.

The best-performing REITs for the month included Unibail Rodamco Westfield (+73.1%) cancelling a proposed €3.5B highly dilutive rights issue, Vicinity Centres (+36.4%) following the re-opening of trading in Victoria and Scentre Group (+33.3%) again spurred on by re-opening and what is expected to be a very strong Christmas for retail sales.

Worst performers included Cromwell Property Group (-2.3%) following a second strike against its remuneration report, Waypoint Group (+0.4%) on no news and Centuria Industrial REIT (+1.3%) following a \$125 million capital raising to purchase cold-storage facilities.

Goodman Group reaffirmed FY21 guidance for EPS growth of 9% and a 12% increase in development WIP to \$7.3 billion. Vicinity Centres reported improving cash collections with 1Q21 cash collections at 56% (75% excluding VIC/CBD centres) and an intention to pay a 1H21 distribution. Centre visitation was 80% vs pcp or 96% excluding VIC/CBDs.

Scentre Group announced cash collection had improved to 85% for 3Q20 and comparable specialty sales were down only 1.9% for the September 20 quarter. DXS sold a 50% stake in Grosvenor Place, Sydney – a 5% discount to book value (4.9% cap rate).

Following Covid vaccine announcements and a Democrat US election win, the ASX (+10.2%) had the strongest month in 32 years. The RBA cut the cash rate to 10bp and announced a \$100 billion Quantitative Easing program.

Australian bond yields rose 7bp to 90bp, but US bonds were flat at 85bp. The Australian dollar rallied 4.7% and oil 21%.

House prices rose 0.7%, company profits were +3.2% (Q/Q) and housing credit was +5.9%. Consumer confidence hit a 7-year high and NAB business confidence surged +4.7 (from -3.8).

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 30 November 2020)
Sector limits	Cash 2-10%
Dividend Yield	4.16% [#]

Top 10 holdings

Code	Name	Weight
GMG	Goodman Group	24.15%
DXS	Dexus Property Group	9.18%
SCG	Scentre Group	9.00%
MGR	Mirvac Group	8.97%
VCX	Vicinity Centres	7.43%
CHC	Charter Hall Group	7.40%
SGP	Stockland Trust Group	7.21%
GPT	GPT Group	6.90%
CLW	Charter Hall Long Wale Reit	4.46%
SCP	Shopping Cent Austl Prop	3.78%

Source: Pendal as at 30 November 2020

Top 5 overweights versus S&P/ASX 300

Code	Name	Weight
CLW	Charter Hall Long Wale Reit	2.80%
VCX	Vicinity Centres	2.45%
CHC	Charter Hall Group	2.39%
CQR	Charter Hall Retail REIT	1.79%
SCP	Shopping Cent Austl Prop	1.63%

Top 5 underweights versus S&P/ASX 300

Code	Name	Weight
SCG	Scentre Group	-2.39%
BWP	BWP Trust (not held)	-1.65%
NSR	National Storage Reit (not held)	-1.40%
SGP	Stockland Trust Group	-1.30%
CMW	Cromwell Property Group (not held)	-1.26%

Source: Pendal as at 30 November 2020

[#]The Portfolio's dividend yield represents the weighted average 12-month forward-looking dividend yield of the portfolio holdings (excluding cash), as at the date of the Factsheet. Each individual security's dividend yield is calculated using market consensus Dividend Per Share (DPS) before tax and franking credits, collated by Pendal and divided by the closing market price of the security as at the date of the Factsheet. The portfolio dividend yield therefore is only an estimate, and does not reflect the actual returns of the Fund, which will be affected by market movements in the price of individual securities, the returns on other assets such as cash holdings and variances of individual security's actual dividends from the forecasted DPS.

Performance

	1 month	3 month	6 month	1 year	3 Year	Since Inception*
Pendal Australian LPT	12.63%	11.30%	20.82%	-3.11%	8.23%	8.05%
S&P/ASX 300 A-REIT (Sector) (TR)	12.88%	11.27%	19.40%	-8.58%	5.67%	6.92%
Active return	-0.24%	0.03%	1.43%	5.47%	2.56%	1.13%

Source: Pendal as at 30 November 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
VCX	Vicinity Centres	0.47%
CMW	Cromwell Property Group (not held)	0.22%
CIP	Centuria Industrial Reit (not held)	0.13%
INA	Ingenia Communities Group (not held)	0.13%
NSR	National Storage Reit (not held)	0.10%

Top 5 contributors - 1 year

Code	Name	Value Added
GMG	Goodman Group	1.33%
URW	Unibail-Rodamco-Westfield CDI (not held)	1.17%
VCX	Vicinity Centres	1.12%
SCG	Scentre Group	0.61%
CHC	Charter Hall Group	0.41%

Source: Pendal as at 30 November 2020

Underweight positions are in italics.

Top 5 detractors - monthly

Code	Name	Value Added
SCG	Scentre Group	-0.42%
CLW	Charter Hall Long Wale Reit	-0.35%
URW	Unibail-Rodamco-Westfield CDI (not held)	-0.35%
SGP	Stockland Trust Group	-0.07%
ARF	Arena Reit	-0.06%

Top 5 detractors - 1 year

Code	Name	Value Added
SGP	Stockland Trust Group	-0.40%
VVR	Viva Energy Reit (not held)	-0.27%
RFF	Rural Funds Group (not held)	-0.24%
BWP	BWP Trust (not held)	-0.22%
DXS	Dexus Property Group	-0.22%

Strategy performance and outlook

The portfolio made strong gains, but was behind the index in November. The underweight in retail malls, which rebounded on the re-opening trade, was the largest detractor.

The AREIT sector is priced on an FY21 dividend yield of 3.8%, a 280bp spread over 10-year bonds, above its LT average of 200bp.

We expect AREIT earnings to slowly recover and dividends to resume in FY21 as State borders reopen, businesses recover and activity broadly picks up.

NTAs are expected to soften in the short term with discretionary mall values likely to come under pressure.

Gearing across the sector is relatively low at 27%, and we expect extraordinarily low interest rates to provide support for asset values.

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

PENDAL

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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.

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