

Pendal Property Securities Fund

ARSN: 087 593 584

Factsheet

Equity Strategies

January 2021

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

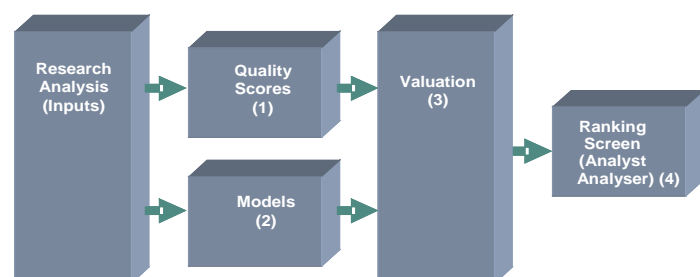
Pendal's investment philosophy is based on the beliefs that:

- 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	-3.64	-3.58	-4.07
3 months	8.33	8.51	8.93
FYTD	17.51	17.96	16.65
6 months	15.42	15.80	15.92
1 year (pa)	-8.25	-7.66	-13.33
2 years (pa)	6.35	7.04	1.96
3 years (pa)	8.68	9.39	5.55
5 years (pa)	8.15	8.85	6.30

Other Information

Fund size (as at 31 Jan 2021)	\$450 million
Date of inception	November 1997
Minimum investment	\$25,000
Buy-sell spread ¹	For the Fund's current buy-sell spread information, visit www.pendalgroup.com
Distribution frequency	Quarterly
Currency management	Foreign currency exposure is hedged
Cash holdings	Up to 20%
Tracking error guideline	2-5%
APIR code	BTA0061AU

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

Management Costs²

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

³ 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 AREIT index was down 4.1% in January, underperforming the broader market by 440bp. Returns were impacted by a rising bond rate with Australian 10 year bonds +16bp to 1.11%. Year rolling AREITs are down 14%, underperforming the broader market by 10.9%. Globally REITs (USD terms) were down 1.1% for the month and down 9.8% year rolling, with Singapore the best performing market (-3.9%) and New Zealand (-22%) the worst.

The best performing REITs for the period included Stockland Group (+6.5%) driven by continuing strong detached dwelling sales, Unibail Rodamco Westfield (+6.1%) on some new management appointments and Ingenia (+2%) on no news. The worst performing REITs included Mirvac Group (-9.8%) on a sluggish return to CBD Office/Retail, Growthpoint (-8.3%) on no news and Shopping Centres Australia (-7.5%) on no new news.

During the month Vicinity released its valuations which showed its centres down 4% (\$570M) with CBD centres worst impacted (-8.6%) and Chadstone down 2%, with cumulative falls across the portfolio down 15% from the peak. Macquarie Bank announced that it had sold its office development at 39 Martin Place, Sydney to Investa Property Group and a JV partner for \$800M. There are no leasing pre-commitments for the development (30,000sqm) and it was reportedly well below the previously contracted price of \$950M to ISPT.

Data continues to be very strong in Australia with employment +50k with the unemployment rate falling 80bp to 6.6%. FTE employment was +35.7k and PTE was +14.3k. House prices continue to rise +0.7% in January, the fourth consecutive monthly increase. Global bond yields rose, driven by vaccine optimism and a pick-up in oil prices (+7.3%) with US 10-year bonds +17bp to 1.09%. The Australian dollar was +1% to 77.5c.

Fund performance

The Fund outperformed for the month. Positive attribution came from overweight positions in Charter Hall Long WALE, Arena REIT, Stockland Group, Centuria Industrial and Ingenia Communities. Overweight positions in Charter Hall Group, Centuria Capital Group and Mirvac Group and underweight positions in Scentre Group and Irongate Group all detracted from performance.

Over the month, we increased our overweight positions in Unibail Rodamco Westfield, Ingenia REIT and National Storage Trust and funded this by increasing our underweight position in Goodman Group and reducing our overweight positions in Charter Hall Group and Mirvac Group.

Outlook

The AREIT sector is priced on an FY22 dividend yield of 4.5%, a 340bp spread over 10 year bonds, above its LT average of 200bp. We expect AREIT earnings to slowly recover and all dividends to resume in CY21 as State borders reopen, businesses recover and activity broadly picks up. NTA's 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 26%, and we expect extraordinarily low interest rates to provide support for asset values.

For more information please call **1800 813 886**,
contact your key account manager or visit pendalgroup.com

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