

## Pendal Monthly Commentary

### Pendal Australian Listed Property Portfolio

May 2021

#### Market commentary

The Australian Real Estate Investment Trust index was up 1.6% in May, underperforming the broader equity market by 70bp. A number of quarterlies were released during the period. The majority lifted earnings/distribution guidance. Globally REITs (USD terms) were up 1.4% for the month. EU markets were the strongest (+3.4%) and US the weakest (+1.1%).

The best-performing AREITs for the period included Unibail Rodamco Westfield (+7%) which was driven by a strong performance from European REITs and the economy opening up. Ingenia Communities (+5.9%) was driven by an accretive acquisition and Centuria Industria REIT (+4.6%) gained on market evidence of firming cap rates for industrial property.

The worst-performing REITs were Charter Hall Long WALE REIT (-2.4%) which was impacted by a \$250 million equity issuance to fund a number of regional acquisitions and Vicinity Centres (-1.6%) which was impacted by the Melbourne Covid shutdown.

Goodman Group's quarterly revealed a 14% increase in work in progress to \$9.6 billion, like-for-like property income up 3.3% and reaffirmed EPS growth of 12%.

Scentre Group's visitation rose to 93% of FY19 levels and cash collections were running at 94%. Charter Hall Group upgraded EPS guidance by 3.6% due to higher FUM and inflows.

Dexus Group entered into a scheme to acquire APN Property Group for \$320 million, lifting FUM by \$2.9 billion to \$23.9 billion. Charter Hall Long WALE raised \$250 million to acquire four office assets and a service station.

Employment data was softer than expected. Overall employment was down 37.2k people, with full-time work up 15.3k and part-time down 52.5k. As a result of a falling participation rate (down 30bp), the unemployment rate fell 10bp to 5.5%.

Despite escalating inflation concerns US and Australian 10-year bonds fell 3bp to 1.58% and 1.65% respectively.

The AUD was relatively flat against the USD over the month.

#### 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 (14 as at 31 May 2021)
Sector limits	Cash 2-10%
Dividend Yield	4.29% <sup>#</sup>

#### Top 10 holdings

Code	Name	Weight
GMG	Goodman Group	23.45%
SGP	Stockland Trust Group	10.35%
DXS	Dexus Property Group	9.32%
SCG	Scentre Group	8.31%
MGR	Mirvac Group	7.69%
CHC	Charter Hall Group	7.34%
GPT	GPT Group	5.42%
SCP	Shopping Cent Austl Prop	4.36%
CLW	Charter Hall Long Wale Reit	4.19%
VCX	Vicinity Centres	3.98%

Source: Pendal as at 31 May 2021

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

Code	Name	Weight
SCP	Shopping Cent Austl Prop	2.35%
CHC	Charter Hall Group	2.35%
CQR	Charter Hall Retail REIT	2.18%
ARF	Arena Reit	2.17%
CLW	Charter Hall Long Wale Reit	2.17%

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

Code	Name	Weight
SCG	Scentre Group	-2.26%
BWP	BWP Trust (not held)	-1.56%
WPR	Waypoint Reit (not held)	-1.52%
NSR	National Storage Reit (not held)	-1.47%
GPT	GPT Group (not held)	-1.29%

Source: Pendal as at 31 May 2021

<sup>#</sup>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	1.62%	11.20%	5.12%	27.01%	9.54%	8.25%
S&P/ASX 300 A-REIT (Sector) (TR)	1.78%	11.52%	4.96%	25.32%	7.08%	7.18%
<b>Active return</b>	<b>-0.16%</b>	<b>-0.33%</b>	<b>0.16%</b>	<b>1.69%</b>	<b>2.46%</b>	<b>1.07%</b>

Source: Pendal as at 31 May 2021

\*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
IAP	IAPF Group	0.09%
ARF	Arena Reit	0.09%
<i>HMC</i>	<i>Home Consortium (not held)</i>	<i>0.05%</i>
CIP	Centuria Industrial Reit	0.04%
<i>SCG</i>	<i>Scentre Group</i>	<i>0.04%</i>

### Top 5 contributors - 1 year

Code	Name	Value Added
<i>VCX</i>	<i>Vicinity Centres</i>	<i>1.41%</i>
<i>GMG</i>	<i>Goodman Group</i>	<i>0.73%</i>
CHC	Charter Hall Group	0.48%
ARF	Arena Reit	0.41%
CIP	Centuria Industrial Reit	0.30%

Source: Pendal as at 31 May 2021

*Underweight positions are in italics.*

### Top 5 detractors - monthly

Code	Name	Value Added
CLW	Charter Hall Long Wale Reit	-0.10%
<i>INA</i>	<i>Ingenia Communities Group (not held)</i>	<i>-0.05%</i>
<i>URW</i>	<i>Unibail-Rodamco-Westfield CDI (not held)</i>	<i>-0.05%</i>
SCP	Shopping Cent Austl Prop	-0.04%
SGP	Stockland Trust Group	-0.04%

### Top 5 detractors - 1 year

Code	Name	Value Added
CLW	Charter Hall Long Wale Reit	-0.35%
SCP	Shopping Cent Austl Prop	-0.29%
<i>AVN</i>	<i>Aventus Retail Property Fund (not held)</i>	<i>-0.22%</i>
<i>CNI</i>	<i>Centuria Capital Ltd (not held)</i>	<i>-0.21%</i>
SGP	Stockland Trust Group	-0.19%

## Strategy performance and outlook

The portfolio was slightly behind the index in May. The overweight in the Investec Australia Property Fund (IAPF) and childcare-focused Arena REIT were beneficial. But this was offset by a drag from Charter Hall Long WALE REIT and an underweight in Ingenia Communities.

The AREIT sector is priced on an FY22 dividend yield of 4%, a 240bp spread over 10-year bonds and forward PE of 21.3x. We expect AREIT earnings to slowly recover as businesses recover and activity broadly picks up. Recent NTA growth has been driven by strengthening asset values, particularly in industrial assets and long lease office/alternative assets. Gearing across the sector is relatively low at 26%. We expect extraordinarily low interest rates to continue providing support for asset values.

## New stocks added 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**

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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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