Factsheet

Equity Strategies

30 June 2022

Pendal Property Securities Fund

ARSN: 087 593 584

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

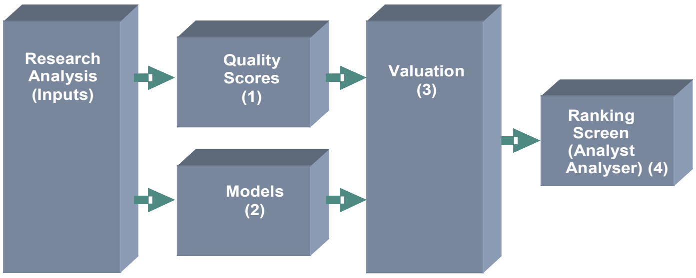
Pendal's investment philosophy is based on the beliefs that:

- → 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 38 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 Income & Fixed Interest.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	-10.72	-10.67	-10.39
3 months	-17.61	-17.47	-17.49
FYTD	-13.11	-12.55	-11.22
6 months	-24.07	-23.83	-23.03
1 year (pa)	-13.11	-12.55	-11.22
2 years (pa)	8.17	8.87	9.03
3 years (pa)	-0.79	-0.15	-1.95
5 years (pa)	6.23	6.92	4.96

Other Information

Fund size (as at 30 Jun 2022)	$393 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 a contribution to the transaction costs incurred by the Fund, when the Fund is purchasing and selling assets. The buy-sell spread is generally incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Management Costs[2]

Issuer fee[3]	0.65% pa

[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 10.3% in June, underperforming the broader equity market which was down 8.8%. The sector was impacted by an unexpected 50bp increase in the cash rate to 0.85% and rising inflation in offshore markets. The forward interest rate curve is now pricing a cash rate of 3.25% by December 2022, well ahead of economist's expectations (2.6%). The 10 year bond yield closed up 31bp to 3.66%, however hit an intra-month peak of 4.20%. Globally REITs were -6.9% in June with the EU REIT market the worst performing (-17.7%) and the Hong Kong REIT sector the best (-0.3%). Year rolling Global REITs are -12.5% with US REITs the best (-6%) and EU REITs the worst (-29.3%).

The best performing stocks were Arena REIT (flat) with June 2022 asset valuations +7.8% driven by cap rate compression (-23bp to 4.91%) and like for like rent reviews +4.1%, driven by CPI liked rent reviews. Other top performers included Cromwell Group (-2.4%) on no new news and Vicinity Centres (-2.9%) with upgraded FY22 FFO guidance (+3.3%) and better than expected sales/operating conditions. Underperformers included Home Consortium (-19.5%) and Charter Hall Group (-16.6%) with fund managers most impacted by rising bond yields and the implications for FUM flows and asset values and Centuria Industrial REIT (-16.8%) with the market concerned about asset values (narrow gap between funding costs and cap rates) and unhedged debt.

A number of AREITs released asset revaluations during the month with Dexus announcing a 2.2% increase in values, with office +1.7% (cap rate -10bp to 4.75%) and industrial +3.8% (cap rate -13bp to 4.29%). Vicinity Centres asset values were +1.7% with the portfolio weighted average cap rate (WACR) down 4bp to 5.31%. Shopping Centres Australia asset values were +0.8% with the WACR down 2bp to 5.43%. Charter Hall Retail REIT announced its portfolio rose 4.5% with its WACR -19bp to 5.2%.

Australian employment was +60.6k for the month and the unemployment rate stayed at 3.9% (participation +30bp to 66.7%).

Fund performance

The portfolio underperformed for the month. Positive attribution came from underweight positions in Dexus Property Group, Unibail Rodamco Westfield and Home Consortium and overweight positions in Stockland Trust Group and Arena REIT. An overweight position in Centuria Industrial REIT and underweight positions in Homeco Daily Needs REIT, BWP Trust, Ingenia Communities and Irongate Property all detracted from performance.

During the month we reduced our overweight positions in Charter Hall Group, Centuria Industrial REIT, Scentre Group and GPT Group. The proceeds were used to reduce our underweight position in Vicinity Centres (now overweight).

Outlook

The AREIT sector is priced on an FY23 dividend yield of 6% (excluding Fund Managers), a 230bp spread over 10 year bonds and forward PE of 14.7x. AREIT prices have fallen significantly year to date, pricing in 100bp of cap rate out shift from book value cap rates of 5%, implying asset falls of 18%. We were expecting AREIT earnings to recover in FY23, recovering some of the rental abatements granted to tenants during COVID. However, some of this earnings growth will be diminished by rising funding costs (+170bp from the start of 2022). Gearing levels across the sector sit at 25% and the majority of REITs have lengthened and diversified their debt sources. As such we expect the AREIT sector to be more resilient than in previous asset cycles.

For more information please call **1300 346 821**,
contact your key account manager or visit **pendalgroup.com**

PENDAL

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Performance figures are calculated in accordance with the Financial Services Council (**FSC**) standards. Where performance returns are quoted "Post fees" then this assumes reinvestment of distributions and is calculated using exit prices which take into account management costs but not tax you may pay as an investor. Where performance returns are quoted "Pre fees and tax", they exclude the effects of management costs and any taxes. Past performance is not a reliable indicator of future performance.

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.