

### 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

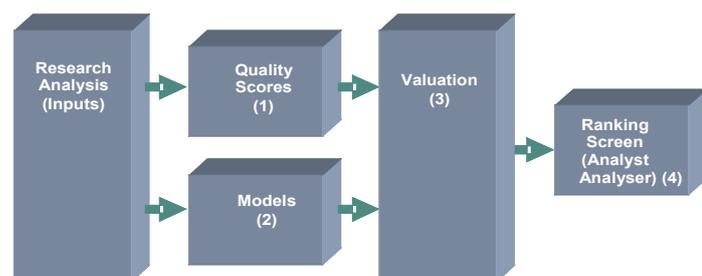
Pendal's investment philosophy is based on the beliefs that:

- 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		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	11.42	11.48	11.78
3 months	-9.01	-8.86	-8.40
6 months	-6.36	-6.06	-4.99
1 year (pa)	-3.61	-2.98	-1.23
2 years (pa)	13.16	13.89	14.92
3 years (pa)	2.13	2.79	0.89
5 years (pa)	8.68	9.39	7.36

### Other Information

Fund size (as at 31 Jul 2022)	\$461 million
Date of inception	November 1997
Minimum investment	\$25,000
Buy-sell spread <sup>1</sup>	For the Fund's current buy-sell spread information, visit <a href="http://www.pendalgroup.com">www.pendalgroup.com</a>
Distribution frequency	Quarterly
Currency management	Foreign currency exposure is hedged
Cash holdings	Up to 20%
Tracking error guideline	2-5%
APIR code	BTA0061AU

<sup>1</sup> 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.

### Fees and costs

You should refer to the latest Product Disclosure Statement for full details of the ongoing fees and costs that you may be charged.

Management fee <sup>2</sup>	0.65% pa
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<sup>2</sup> This is the fee we charge for managing the assets and overseeing the operations of the Fund. The management fee is deducted from the Fund's assets and reflected in its unit price.

### 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 up 11.9% in July, outperforming the broader equity market which was up 5.7%. Over the last year the AREIT sector has generated a total return of -2.1% broadly in line with the market at -2.2%. The AREIT sector's strong performance in July was driven by falling Australian bond yields, down 60bp to 3.06% assisted by lower than expected inflation (6.1% vs expectations of 6.3%). Globally REITs returned 7% in July (USD terms) with the AREIT sector the top performer and Hong Kong AREIT sector the worst performer (-0.1%). Year rolling Global REITs are down 9.8% with Singapore REITs the best market (+0.9%) and EU REITs the worst performers (-28.8%).

The best performing stocks over the month were Home Consortium Group (+18.6%) which recouped some recent underperformance and launched a new \$500M unlisted wholesale fund. Charter Hall Group (+17.6%) was driven by increasing FUM with the recent acquisition of a 50% interest of Southern Cross Towers by wholesale fund CPOF. Ingenia Group (+16.6%) confirming FY22 guidance with FY22 EBIT growth of 5-10% and underlying EPS of 1-2c below FY21. Underperformers over the month included Charter Hall Long WALE (+6.6%) on no new news however the stock had significantly outperformed the sector YTD, Stockland Group (+6.6%) despite upgrading FY22 guidance to the top end of the range and confirming it had settled the \$1B sale of its retirement business. Dexus Property Group (+7.2%) also underperformed the sector as it lost the right to acquire the \$7.7B AMP Office Fund.

Over the month Mirvac Group announced that it would replace Dexus Property Group as the manager of the AWOFF Fund. Dexus are still on track to acquire the \$20B of FUM of the residual Collimate business. National Storage REIT upgraded FY22 EPS guidance by 5% to a total of +24% on FY21 following strong occupancy/REVPAM gains.

Australian employment was +88.4k for the month and the unemployment rate fell 40bp to 3.5% (participation +10bp to 66.8%). This is the lowest unemployment rate in 50 years.

## Fund performance

The portfolio underperformed for the month. Positive attribution came from underweight positions in Dexus Property Group and Mirvac Group and overweight positions in Healthco Healthcare REIT, Goodman Group and Charter Hall Group. Overweight positions in RAM Essential Services REIT, Stockland Trust group and Shopping Centres Australia and underweight positions in National Storage REIT and Ingenia Communities Group all detracted from performance.

During the month we reduced our overweight positions in GPT Group and Stockland Group and increased overweights in Charter Hall Retail REIT, Goodman Group, Vicinity Centres and Healthco Healthcare REIT as well as reducing our underweight position in National Storage REIT.

## Outlook

The AREIT sector is priced on an FY23 dividend yield of 5.4% (excluding Fund Managers), a 230bp spread over 10 year bonds and forward PE of 15.9x. AREIT prices have fallen significantly year to date, pricing in 90bp of cap rate out shift from book value cap rates of 5%, implying asset falls of 15%. 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](http://pendalgroup.com)

**PENDAL**

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PFSL is the responsible entity and issuer of units in the Pental Property Securities Fund (Fund) ARSN: 087 593 584. A product disclosure statement (PDS) is available for the Fund and can be obtained by calling 1300 346 821 or visiting [www.pentalgroup.com](http://www.pentalgroup.com). The Target Market Determination (TMD) for the Fund is available at [www.pentalgroup.com/ddo](http://www.pentalgroup.com/ddo). You should obtain and consider the PDS and TMD before deciding whether to acquire, continue to hold or dispose of units in the Fund. An investment in the Fund is subject to investment risk, including possible delays in repayment of withdrawal proceeds and loss of income and principal invested.

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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.