

Pendal Property Securities Fund

ARSN: 087 593 584

Factsheet

Equity Strategies

29 February 2024

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

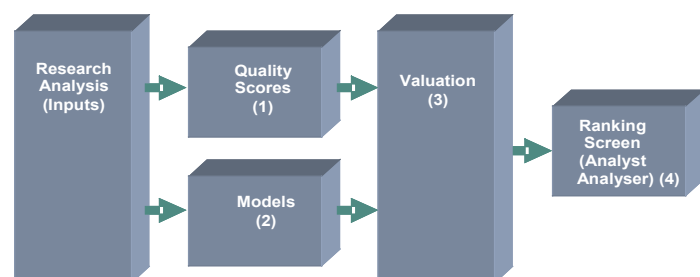
Pendal's investment philosophy is based on the beliefs that:

- 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 39 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)	(pre-fee)	Benchmark Return
1 month	4.85	4.90	4.75
3 months	17.46	17.65	18.11
6 months	12.55	12.91	12.83
1 year	16.14	16.90	15.10
2 years (p.a)	4.58	5.26	3.81
3 years (p.a)	10.16	10.88	10.40
5 years (p.a)	7.41	8.11	6.03
Since Inception (p.a)	7.74	8.54	7.32

Source: Pendal as at 29 February 2024

"Post-fee" returns assume reinvestment of distributions and is calculated using exit prices. "Pre-fee" returns exclude the effects of management costs and any taxes. Returns for periods greater than one year are annualised. Fund inception: November 1997.

Past performance is not a reliable indicator of future performance.

Other Information

Fund size (as at 29 February 2024)	\$351 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.

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 ²	0.65% pa
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² 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 delivered a 5.1% total return in February, outperforming the broader market by 430bp with returns driven by stock specific news as the Australian bond rate rose 13bp to close the month at 4.14%. Year rolling AREITs returned 16.1%, outperforming the broader market by 540bp. Globally REITs were up 1.5% in February (USD terms) with Australia the best performing market and the EU markets the worse (-7%). Australian REITs have also been the strongest relative market on a year rolling basis.

The best performing stocks over the month were Goodman Group (+16.8%) driven by a strong 1H24 result with EPS +28% as well as news of its pending EPRA NAREIT index inclusion, HMC Capital (+14.8%) with the Group reiterating their \$20B FUM target as well as growth initiatives such as the Energy Transition platform and the acquisition of a US Digital Infrastructure platform and Ingenia Group (+9.2%) driven by an improvement in land lease sales and prices. The worst performing stocks were GPT Group with a softer result in its retail portfolio as well as cutting its distribution as capex and incentives for its vacant office space hamper cash flow, Centuria Group driven by flat FUM and elevated gearing across some of its funds and Dexu Property Group (-5.6%) with some slippage in funds management margins and flagging a weaker 2H24.

February was reporting season with Industrial and Mall REITs the stand out for returns with record leasing spreads and occupancy levels driving cash flows and protecting asset values from cap rate expansion. Goodman Property trust (NZ) announced its intention to internalize management at a cost of NZ \$272M. National Storage REIT also announced the acquisition of a 9 asset self storage portfolio which is expected to be earnings accretive in FY24.

The RBA held the cash rate steady at 4.35%, however fixed income markets are pricing the cash rate to be at 3.95% by the end of 2024. Employment increased by <1k with full time employment +6.5k offset by a fall in part time employment (-6.4k). The unemployment rate increased by 20bps to 4.1% with the participation rate flat at 66.8%.

Fund performance

The Fund outperformed the index for the month. Positive attribution came from underweight positions in Dexu Property Group, Region Group, Waypoint REIT and Centuria Capital Group as well as an overweight position in NextDC Limited. Overweight positions in Charter Hall Retail REIT, National Storage REIT, Vicinity Centres and RAM Essential Property Fund and an underweight position in HMC Capital Limited all detracted from performance.

During the month we reduced our underweight position in Dexu Property Group funded by trimming our overweight position in Goodman Group.

Outlook

The AREIT sector is priced on an FY24 dividend yield of 4.1%, a 2bp spread over 10 year bonds and forward PE of 17x. AREIT prices have recovered strongly, although continue to price 60-70bp cap rate out shift from book value cap rates of 5.3%, implying asset falls of 12-14%. We are expecting AREIT earnings to bottom in FY24 and recover strongly into FY25, assisted by falling/stable funding costs and top line growth. Gearing levels across the sector sit at 27% and most 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

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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. The Target Market Determination (TMD) for the Fund is available at 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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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.