

Pendal Monthly Commentary

Pendal Australian Listed Property Portfolio

March 2024

Market commentary

The AREIT index was up 9.6% in March, outperforming the broader market by 6.3%. The Australian 10 yr bond rate fell 18bp to close at 3.96%. The sector was also buoyed by M&A activity and transaction markets resuming with a few sales during the month. Globally REITs were up 3.3% in March (USD terms) and +7.5% over the last year with the Australian AREITs the strongest performer (+16.4% in USD) and Hong Kong REITs the worst (-30.3%).

The best performing stocks over the month were Arena REIT (+17.1%) following underperformance over the last two months, Growthpoint Properties (+14.4%) following the appointment of new CEO Ross Lees (ex CNI) and Goodman Group (+13.1%) following its recent FTSE EPRA NAREIT index inclusion. The worst performing stocks were Charter Hall Education REIT (+3.8%) on no specific news, HomecoDaily Needs REIT (+3.7%) on no new news and Bunnings REIT (+3.4%) following its unconditional offer for Newmark REIT.

During the month Charter Hall Group and Charter Hall Retail REIT jointly acquired a 'strategic' 13.8% stake in Hotel Properties Investments (HPI) from 360 Capital. GPT Group announced the appointment of Merran Edwards as new CFO (ex Investa Group) and as previously noted Ross Lees the former Head of Funds at Centuria has joined Growthpoint Properties as CEO. An unlisted fund managed by Mirvac sold a 50% stake in 255 George St, Sydney for \$364M to Keppel REIT on a circa 6.5% cap rate, a 17% discount to its peak book value. An unlisted fund managed by Dexu Property Group also sold a 50% stake in Tea Tree Plaza Shopping Centre in Adelaide to a syndicator IP Generation for \$308M at a 12% discount to Scentre Group's book value. Holders of \$323M of Dexu Property Group's 2.3% Exchangeable Notes elected to exercise a put option, with the group financing the notes with bank debt.

Rates were held steady at the RBA meeting; however fixed income markets continue to price a rate cut by the end of 2024. Employment increased by 68k, and the unemployment rate fell by 36bps to 3.7%. Year/year employment is +389k with the unemployment rate rising by 0.15%.

Portfolio overview

Australian Listed Property Portfolio	
Investment strategy	Pendal employs a bottom up, fundamental approach to build a diversified portfolio of Australian listed property shares.
Investment objective	To deliver outperformance relative to the benchmark after fees over a rolling three year period.
Benchmark	S&P/ASX 300 A-REIT (Sector) (TR)
Number of stocks	8 - 15 (14 as at 31 March 2024)
Sector limits	Australian Property 90 - 98%, Cash 2 - 10%
Dividend Yield	3.67% [#]

Top 10 holdings

Code	Name	Weight
GMG	Goodman Group	30.03%
SCG	Scentre Group	11.89%
SGP	Stockland	10.32%
CHC	Charter Hall Group	6.69%
DXS	Dexu	6.61%
VCX	Vicinity Centres	6.59%
GPT	GPT Group	4.57%
MGR	Mirvac Group	3.33%
NSR	National Storage REIT	2.73%
ARF	Arena REIT	2.12%

Source: Pendal as at 31 March 2024

Top 5 overweights versus S&P/ASX 300 A-REIT

Code	Name	Weight
SGP	Stockland	3.17%
CHC	Charter Hall Group	2.67%
DXI	Dexu Industria REIT	1.60%
VCX	Vicinity Centres	1.50%
DXS	Dexu	1.35%

Top 5 underweights versus S&P/ASX 300 A-REIT

Code	Name	Weight
GMG	Goodman Group	-6.09%
MGR	Mirvac Group	-2.42%
RGN	Region Group (not held)	-1.72%
CLW	Charter Hall Long WALE REIT (not held)	-1.57%
INA	Ingenia Communities Group (not held)	-1.21%

Source: Pendal as at 31 March 2024

[#]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 (p.a.)	5 year (p.a.)	Since inception (p.a.)*
Pendal Australian LPT	9.04%	15.09%	33.75%	34.59%	12.54%	8.51%	9.26%
S&P/ASX 300 A-REIT (Sector) (TR)	9.56%	16.16%	35.34%	35.36%	11.51%	6.72%	8.16%
Active return	-0.52%	-1.07%	-1.59%	-0.77%	1.02%	1.79%	1.10%

Source: Pendal as at 31 March 2024

*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
<i>CLW</i>	<i>Charter Hall Long WALE REIT (not held)</i>	<i>0.09%</i>
ARF	Arena REIT	0.09%
<i>HMC</i>	<i>HMC Capital Limited (not held)</i>	<i>0.08%</i>
<i>HCW</i>	<i>HealthCo Healthcare & Wellness REIT (not held)</i>	<i>0.07%</i>
<i>BWP</i>	<i>BWP Trust (not held)</i>	<i>0.07%</i>

Top 5 detractors - monthly

Code	Name	Value Added
<i>GMG</i>	<i>Goodman Group</i>	<i>-0.19%</i>
SGP	Stockland	-0.05%
HDN	HomeCo Daily Needs REIT	-0.03%
NSR	National Storage REIT	-0.03%
DXS	Dexus	-0.03%

Top 5 contributors - 1 year

Code	Name	Value Added
<i>BWP</i>	<i>BWP Trust (not held)</i>	<i>0.51%</i>
<i>MGR</i>	<i>Mirvac Group</i>	<i>0.47%</i>
<i>RGN</i>	<i>Region Group (not held)</i>	<i>0.43%</i>
<i>GPT</i>	<i>GPT Group</i>	<i>0.36%</i>
<i>CLW</i>	<i>Charter Hall Long WALE REIT (not held)</i>	<i>0.36%</i>

Top 5 detractors - 1 year

Code	Name	Value Added
<i>GMG</i>	<i>Goodman Group</i>	<i>-0.78%</i>
<i>HMC</i>	<i>HMC Capital Limited (not held)</i>	<i>-0.45%</i>
NSR	National Storage REIT	-0.44%
DXS	Dexus	-0.38%
SGP	Stockland	-0.25%

Source: Pendal as at 31 March 2024

Underweight positions are in italics.

Strategy performance and outlook

The model portfolio finished behind the index in March. The underweight in Goodman Group and overweight in Stockland detracted.

The AREIT sector is priced on an FY24 dividend yield of 3.7%, a 26bp discount to 10 year bonds and forward PE of 18.8x. AREIT prices have recovered almost all of their recent falls, and are now trading at 0.95 vs the All Industrials PE, in line with their long term average. We are expecting AREIT earnings to bottom out 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.

New stocks added and/or stocks sold to zero during the month

No new stocks added or sold to zero during the month.

For more information contact your
key account manager or visit pendalgroup.com

PENDAL

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