

### Pendal Property Investment Fund

ARSN: 089 939 819

Equity Strategies

31 March 2024

#### About the Fund

The Pendal Property Investment 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

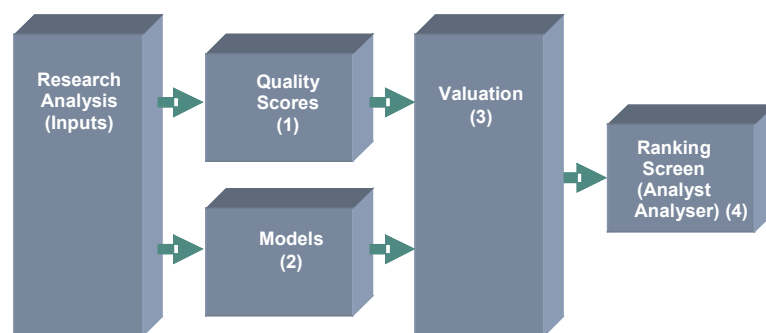
Pendal's investment philosophy is based on the beliefs that:

- 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



#### Investment Team

Pendal's Head of Property Securities, Peter Davidson has over 39 years industry experience and is supported 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	9.08	9.14	9.56
3 months	15.72	15.90	16.16
6 months	33.61	34.05	35.34
1 year	34.70	35.58	35.36
2 years (p.a)	8.36	9.06	7.88
3 years (p.a)	11.07	11.80	11.51
5 years (p.a)	8.05	8.75	6.72
Since Inception (p.a)	8.80	9.55	8.17

Source: Pendal as at 31 March 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: April 1993.

Past performance is not a reliable indicator of future performance.

#### Other information

Fund size (as at 31 March 2024)	\$161 million
Date of inception	April 1993
Minimum investment	\$500,000
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	RFA0817AU

<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.

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 Dexus 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%.

## Fund performance

The Fund underperformed for the month. Positive attribution came from underweight positions in Charter Hall Long WALE, HMC Capital Group, Homeco Daily Needs REIT, Abacus Storage REIT and Bunnings Warehouse REIT. Overweight positions in Homeco Healthcare REIT, Aspen Group, Charter Hall Retail REIT, National Storage REIT and Nextdc Limited all detracted from performance.

During the month we reduced our position in both GPT Group and Mirvac Group from overweight to underweight positions on concerns about office leasing and as well as earnings risk. We increased our position in Scentre Group from underweight to overweight on earnings upgrades and more confidence around its balance sheet. We also increased our overweights in Charter Hall Group and Arena REIT on our more benign view on interest rates.

## Outlook

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.

## Market review

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, Homeco Daily 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 Dexus Property Group also sold a 50% stake in Tea Tree Plaza

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 Investment Fund (Fund) ARSN: 089 939 819. 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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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.