

## Pendal Property Securities Fund

ARSN: 087 593 584

## Factsheet

Equity Strategies

November 2020

### 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

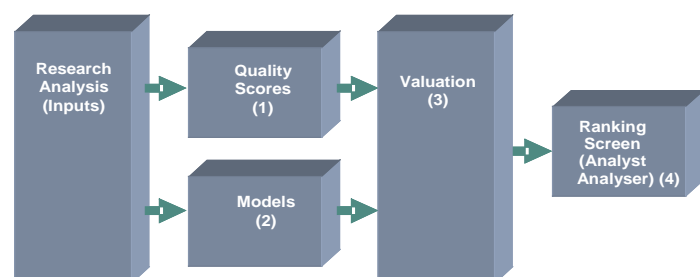
Pendal's investment philosophy is based on the beliefs that:

- 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 35 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 Bond, Income & Defensive.

### Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	11.45	11.51	12.88
3 months	10.01	10.20	11.27
FYTD	20.90	21.23	20.87
6 months	19.12	19.48	19.40
1 year (pa)	-3.13	-2.51	-8.58
2 years (pa)	12.46	13.18	7.76
3 years (pa)	8.64	9.34	5.68
5 years (pa)	9.75	10.46	8.12

### Other Information

Fund size (as at 30 Nov 2020)	\$463 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 transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

### Management Costs<sup>2</sup>

Issuer fee <sup>3</sup>	0.65% pa
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<sup>2</sup> You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

<sup>3</sup> 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 up 13.2% in November, outperforming the broader market by 300bp. Year rolling AREITs are down 9.2%, underperforming the broader market by 7.2%. Globally REITs were up 9.9% for the month (USD terms) and down 5.4% year rolling.

News of a highly effective COVID vaccine propelled most markets. The best performing REITs for the month included Unibail Rodamco Westfield (+73.1%) cancelling the proposed €3.5B highly dilutive rights issue, Vicinity Centres (+36.4%) following the re-opening of trading in Victoria and Scentre Group (+33.3%) again spurred on by re-opening and what is expected to be a very strong Christmas for retail sales. Worst performers included Cromwell Property Group (-2.3%) following a second strike against its remuneration report, Waypoint Group (+0.4%) on no news and Centuria Industrial REIT (+1.3%) following a \$125M capital raising to purchase cold storage facilities.

Goodman Group reaffirmed FY21 guidance for EPS growth of 9% and a 12% increase in development WIP to \$7.3B. Vicinity Centres reported improving cash collections with 1Q21 cash collections at 56% (75% excluding VIC/CBD centres) and an intention to pay a 1H21 distribution. Centre visitation was 80% vs pcq or 96% excl. VIC/ CBD's. Scentre Group announced that cash collection had improved to 85% for 3Q20 and that comparable specialty sales were down only 1.9% for the September 20 quarter. DXS sold a 50% stake in Grosvenor Place, Sydney, a 5% discount to book value (4.9% cap rate).

Following the announcement of a COVID vaccine and Democrat win the US election, the ASX (+10.2%) had the strongest month in 32 years. The RBA also cut the cash rate to 10bp and announced a \$100B QE program. Australian bond yields rose 7bp to 90bp, however US bonds were flat at 85bp. The Australian dollar rallied 4.7% and oil was 21%. House prices rose 0.7%, company profits were +3.2% (Q/Q) and housing credit was +5.9%. Consumer confidence hit a 7 year high and NAB business confidence surged +4.7 (from -3.8).

## Fund performance

The Fund underperformed for the month. Positive attribution came from underweight positions in Waypoint REIT, Cromwell Property Group, Goodman Group and National Storage REIT. Overweight positions in Charter Hall Long WALE, Centuria Industrial REIT and Arena REIT and underweight positions in Unibail Rodamco Westfield and Scentre Group all detracted from performance.

Over the month, we reduced our underweight positions in GPT Group and National Storage REIT and increased our overweight position in Mirvac Group. We also participated in the Centuria Industrial REIT equity raising. This was funded by reducing our overweight positions in Charter Hall Group, Goodman Group, Stockland Group and Charter Hall Long WALE. We also increased our underweight in Scentre Group.

## Outlook

The AREIT sector is priced on an FY21 dividend yield of 3.8%, a 280bp spread over 10 year bonds, above its LT average of 200bp. We expect AREIT earnings to slowly recover and dividends to resume in FY21 as State borders reopen, businesses recover and activity broadly picks up. NTA's are expected to soften in the short term with discretionary mall values likely to come under pressure. Gearing across the sector is relatively low at 27%, and we expect extraordinarily low interest rates to provide support for asset values.

For more information please call **1800 813 886**, contact your key account manager or visit [pendalgroup.com](http://pendalgroup.com)

**PENDAL**

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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.