

PENDAL

Pendal Property Securities Fund

ARSN: 087 593 584

Factsheet

Equity Strategies

December 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

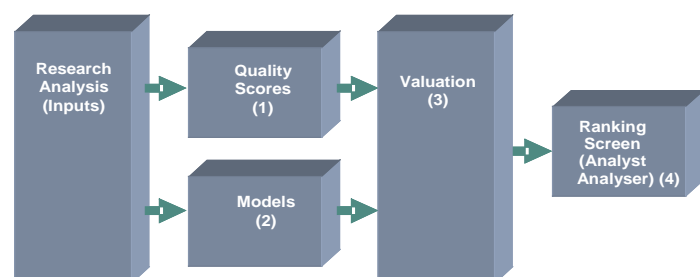
Pendal's investment philosophy is based on the beliefs that:

- 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	0.87	0.92	0.60
3 months	11.84	12.02	13.24
FYTD	21.95	22.35	21.60
6 months	21.95	22.35	21.60
1 year (pa)	1.41	2.07	-3.96
2 years (pa)	11.65	12.37	7.16
3 years (pa)	8.80	9.50	5.85
5 years (pa)	9.20	9.91	7.39

Other Information

Fund size (as at 31 Dec 2020)	\$464 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 transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Management Costs²

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

³ 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 0.4% in December, underperforming the broader market by 80bp. Year rolling AREITs are down 4.6%, underperforming the broader market by 6.0%. Globally REITs (USD terms) were up 3.2% for the month and down 9.2% year rolling with Singapore the best performing market (-0.8%) and New Zealand (-25.4%) the worst.

The best performing REITs for the period included Charter Hall Group (+8.5%) after announcing a consortia of Charter Hall managed funds had acquired the David Jones Elizabeth Street Sydney store for \$510M on an initial yield of 5%. BWP Trust (+4.6%) and MGR (+4.1%) were also very strong, both on no new news. The worst performers were Abacus Property Group (-7.3%) following the announcement of a 1:4.8 accelerated non-renounceable equity issue, raising \$402M to provide the Group with \$911M of balance sheet capacity for acquisitions and development. Stockland Group was also weak (-5.7%) following the announcement of a \$1B logistics capital partnership with an international investor. GPT (-4.7%) announced the sale of its 25% interest in Farrer Place office building to a Lend Lease Fund for \$584M, in line with book value.

Charter Hall Long WALE raised \$250M in equity to fund the acquisition of an office building from Telstra in Pitt Street, Sydney. The property, leased by Telstra for 10 years sold for \$281M on a yield of 4.5% with annual fixed increases of 2.5%. APN Industria REIT raised \$35M to acquire 4 industrial assets and Home Consortium raised \$125M to acquire 6 new health/education/government assets for \$131M.

Data continues to be very strong in Australia with employment +226k for the quarter and now only 1.1% below the February 2020 level. Retail sales was very strong +7% (for month of November) driven by Black Friday sales and product launches. Housing credit continues to improve with growth running at 4% and growth for owner-occupiers annualizing at 5.8%. Australian bond yields rose 7bp to 97bp and US bonds also rose 7bp to 92bp. The Australian dollar rallied 4.6% and oil climbed 7.5%.

Fund performance

The Fund outperformed for the month. Positive attribution came from overweight positions in Charter Hall Group, GDI Property Group and Arena REIT and underweight positions in GPT Group and Abacus Property Group. Overweight positions in Charter Hall Long WALE, Stockland Group and National Storage and underweight positions in BWP Trust and Waypoint REIT all detracted from performance.

Over the month, we increased our underweight positions in GPT Group and Goodman Group and reduced our overweight positions in Charter Hall Long WALE REIT, GDI Group and Stockland Group. We used the proceeds to increase our overweight in Unibail Rodamco Westfield and lift our cash balance.

Outlook

The AREIT sector is priced on an FY22 dividend yield of 4.2%, a 320bp spread over 10 year bonds, above its LT average of 200bp. We expect AREIT earnings to slowly recover and all dividends to resume in CY21 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 26%, 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

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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.