

First Sentier Global Property Securities Fund Hedged Share Class

For Adviser use only

Portfolio Description

This Fund is suitable for investors seeking long term income and growth from global property securities.

Investment Strategy

The Investment Manager actively seeks to identify undervalued global real estate securities with minimal downside risk, sustainable earnings growth and good qualitative attributes. The Fund uses proprietary forecasting and valuation methodologies and a disciplined portfolio construction process with an over-riding focus on absolute and relative risk. The Investment Manager also uses environmental, social and governance scores embedded in the investment process as part of its company selection process. Sustainability considerations including a company's commitment to carbon emission reductions are assessed in the initial screen of companies used to determine the investible universe and the exclusion of companies from the investment universe. The Fund's Hedged Class uses derivatives to hedge its currency exposure to Australian dollars.

Investment Objective

To maximise total returns to the investor by investing in a portfolio of listed property securities from around the world. The Fund aims to outperform the Benchmark, hedged to Australian dollars, over rolling three-year periods before fees and taxes.

Key Investment Personnel and Experience (Industry / Firm)

Stephen Hayes	Head of Property Securities	(1995 / 2012)
---------------	-----------------------------	---------------

Product Overview

APIR code	PIM2485AU
Inception date	22 March 2022
Fund Size (A\$)	3 million
Benchmark	FTSE EPRA/NAREIT Developed Net Index - AUD Hedged
Number of stock holdings	43
Buy / Sell spread	0.10%/ 0.10%
Minimum investment (A\$)	20,000
Management fees and costs (p.a.)*	0.80%

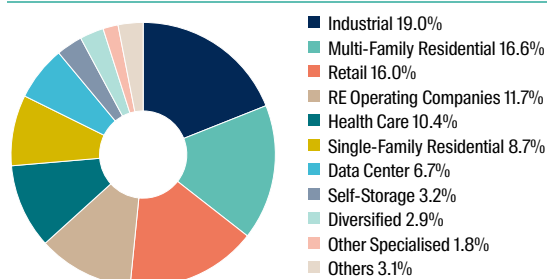
* Information on Management fees and costs (including estimated indirect costs) is set out in the Fund's PDS.

Performance Summary (%)

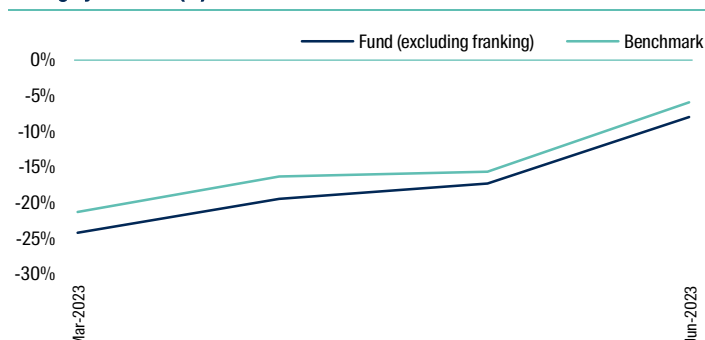
Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	1.7	-8.0	-	-	-	-	-17.8
Benchmark return	0.9	-5.9	-	-	-	-	-15.6
Excess net return	0.8	-2.1	-	-	-	-	-2.2

Past performance is not a reliable indicator of future performance.

Sector Breakdown



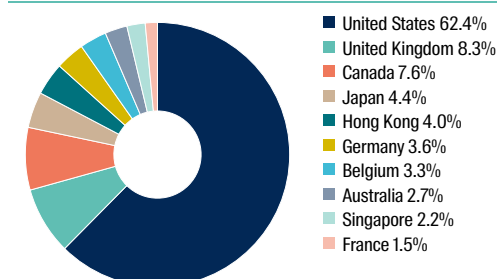
Rolling 1 year return (%)



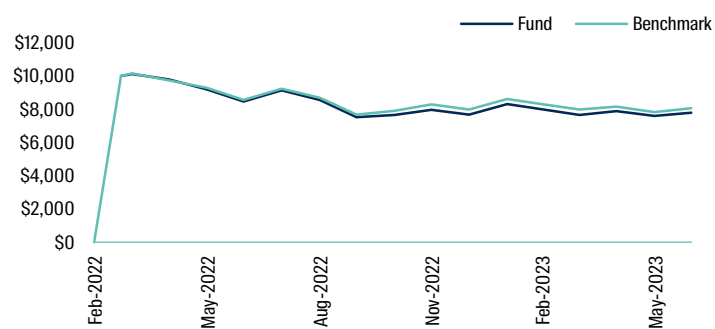
Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	20.1					19.1
Benchmark standard deviation (%)	20.0					18.9
Tracking error (%)	2.0					2.1
Fund Sharpe ratio	-0.5					-0.5
Information ratio	-1.0					-1.0
Beta	1.0					1.0

Country Breakdown



Growth of AUD 10,000 Investment Since Inception



Top 5 attributors to performance (3 months)

Country	Attr.
United States	0.62%
Singapore	0.35%
Canada	0.24%
Sweden	0.21%
Hong Kong	0.16%

Top 5 detractors to performance (3 months)

Country	Attr.
Belgium	-0.10%
Japan	-0.07%
Switzerland	-0.03%
Austria	-0.01%
New Zealand	0.00%

Performance returns are calculated net of management fees and transaction costs. Performance returns for periods greater than one year are annualised. Past performance is not a reliable indicator of future performance. Data source: First Sentier Investors 2023 Data as at: 30 June 2023

Market Review

Property securities markets posted a gain in the June quarter. The FTSE EPRA/NAREIT Developed Index increased by 0.87% in hedged Australian dollar terms.

The best performing listed real estate markets during the quarter were Japan (+7.4%), Germany (+6.5%), Australia (+3.4%) and Japan (1.9%). On the other hand, laggards included Hong Kong (-9.8%), Sweden (-8.3%) and the UK (-6.9%). (All regional performance data is in local currency)

In the US, REITs were up 2.6% in the June quarter. US economic growth numbers for the 1H of 2023 surprised to the upside and remained in the 1.5%-2% range driven by resilient job growth and consumer spending. In the housing sector, the S&P CoreLogic Case-Shiller US National Composite Home Price Index rose +0.5% m/m in April, its third consecutive monthly increase. New home sales jumped 12.2% in May to 763K. Roughly 25% of all homes available for sale today are new construction, which is double the historical norm of 12%.

The US Federal Reserve monetary policy tightening of 500 bps in just a year has been the swiftest and steepest since the early 1980's. At the June meeting, the Federal Open Market Committee (FOMC) decided to keep rates at the 5.00% - 5.25% level, but they remained hawkish and indicated that two more rate hikes and a higher path for real interest rates will likely be required to curb inflation.

Canadian REITs (as measured by the S&P/TSX Capped REIT Index) dipped 3.5% in the June quarter. Among the factors weighing on the Canadian markets in June were: capital flows preferring "growth" stocks over value stocks and fears over additional Canadian interest rate hikes.

In Europe, the FTSE EPRA NAREIT Europe x UK index was down 3.12% in the June quarter, underperforming the Eurostoxx 600 index which was up 2.65% in the quarter. The decline was driven by a drop in the UK property market. The European Central Bank has raised interest rates by 25 bps to 3.5% and signalled that it will increase them again in July, warning that inflation is likely to remain too high for longer. This was also followed by the outlook for GDP growth which has been revised down compared to March 2023 projections by 0.1% both in 2023 and 2024 to 0.9% and 1.5% reflecting tighter financing conditions. Headline inflation has been revised up by 0.1% over the next 3 years. Elsewhere in Europe Norway's Central Bank and the Bank of England (BoE) hiked rates by 50bps to 3.75% and 5% respectively. While the move in Norway was anticipated, the step taken by the BoE came as a surprise as inflation remains entrenched.

In Asia, The Hong Kong property sector continued its lacklustre performance as weak economic data from China was reported for the month of May continues to dampen market sentiment. The Peoples Bank of China (PBoC) cut the 1 year Loan prime Rate (LPR) by 10bps to 2.65%. The 5yr Loan Prime Rate (LPR) was cut by 10bps to 4.2%, which disappointed the market's high expectation for a more aggressive stimulus.

The FTSE EPRA Nareit Japan index performed well in the quarter in local currency terms (+7.43%) although a further depreciation in the Yen continues to dampen performance. In the quarter Japanese equity markets as a whole were supported which has seen large inflows of capital into the region, benefitting the Japanese listed property sector. Large property landlords performed well on the back of buoyant sentiment towards the wider Japanese equity market.

In Australia, the S&P/ASX 200 Property Accumulation index returned 3.4% in the June quarter, outperforming the S&P/ASX 200, which returned 1.0%. In the quarter, it was reported that housing loan commitments experienced a 4.8% month-on-month increase in May, which was reflective of a stabilizing housing market. However, the expectation of further interest rate hikes poses challenges to borrowing capacity and the sustainability of recent rebound in dwelling prices. With recent announced devaluations across most listed property asset classes it has shifted the market to focus more on the respective capital management credentials of the respective AREITs against a background of rising interest rate costs expected in FY24.

Fund Performance

The fund returned 1.67% in the June quarter, outperforming the benchmark by 80 bps.

In the Americas, the fund's holdings in the cold storage sector also aided performance in the quarter due to communication at the recent NAREIT conference surrounding operational improvements. The fund's holdings in the multi-family housing subsector particularly aided performance as a resilient U.S. employment market coupled with improving consumer confidence has set the stage for improving fundamentals throughout the peak leasing season. The fund's exposure to the seniors housing sector also aided performance in the quarter, due to reports that occupancy levels grew in 1Q23 which runs contrary to the normal seasonal pattern and reinforcing the momentum behind the recovery. The fund's holdings in the US industrial sector detracted from performance in the quarter due to some reports of negative Q1 absorption in Los Angeles and Inland Empire markets. Similarly, the fund's holdings in the life science sector detracted from performance as the near term outlook for the sector remains uncertain.

In Europe, the fund's holdings in the European hotel sector performed well in the quarter. An on market acquisition programme in one of our holdings at nearly a 30% premium to previous close led to the outperformance. The German residential sector also benefitted performance as reports of operational improvements in the quarter which improved investor sentiment. The fund's exposures to the UK detracted from performance in the quarter due to a surprise 50bps interest rate rise from the Bank of England.

In Asia, exposures to the large Japanese property landlords benefitted performance due to more buoyant sentiment towards Japanese equity markets as a whole. The fund's exposures to the lodging sector in Singapore which benefitted from a surge in RevPar and improved operating margins also benefitted fund performance in the quarter. The fund's holdings in Hong Kong mostly detracted from performance off weaker investor sentiment in China.

Market Outlook and Fund Positioning

The strategy invests in a range of high quality assets in high barrier to entry urban locations in the world's most bustling cities.

We are positive on the residential-for-rent sector, which includes apartments, detached housing, manufactured homes and student housing. The risk-adjusted returns currently offered by the sector are compelling as residential assets typically deliver very stable cash flows through the cycle. Housing affordability is a major issue for younger generations and we believe the aspiration to own a home will continue to wane as priorities shift towards lifestyle and experiences, which should underpin continued tenant demand for institutionally owned residential-for-rent assets that are able to maintain real pricing power amidst volatile macroeconomic conditions.

We are cautious on the short term outlook for logistical warehousing as risks of a recession in the short term could see tenant demand fall back from elevated levels. We still believe that any short term over-estimations of required supply are transitory, and will be outweighed in the longer term by strong structural tailwinds in the sector. We are also particularly constructive on the cold-storage sector driven by resilient tenant demand for cold storage space.

We remain cautious on the shopping mall sector, which is challenged by the long term structural shift towards online retailing and shorter term recessionary risk. We are more optimistic on the outlook for smaller convenience based, which are less exposed to the risks associated with the threat of online sales with tenant mixes tailored towards non-discretionary sales such as fresh food and services which have lower economic sensitivity.

Similarly, we remain cautious on the outlook for office buildings given the expected secular shifts towards more flexible working arrangements in the future and recessionary risk likely to further reduce tenant demand. We are also cautious on the outlook for hotels and leisure assets with a potential slowdown in tourism and corporate travel as economic growth slows.

We are positive on data centers as replacement values continue to rise increasing barriers to entry which should support rental growth with tenant demand likely to show low economic sensitivity. The sector is well placed over the medium to long term as they are integral to supporting the growth of the digital economy. Recent acquisitions in the sector have highlighted the value of data centres and reaffirmed the need for global scale.

We are also positive supportive on the seniors housing sector. Senior housing fundamentals continue to strengthen as well as being generally supported amidst a period where interest rates are expected to rise. The strong underlying demand drivers of the ageing population are likely to aid the sectors rental fundamentals as occupancies continue to rise.

Increases in the cost of debt and lower levels of debt availability are expected to place pressure on real estate values, however we are optimistic on property types that are able to continue to demonstrate continued pricing power going into an economic slowdown. Furthermore, strong structural trends such as e-Commerce adoption, demographics and aging populations, decentralisation of cities, falling home ownership rates and the growth in data consumption should continue to drive performance into the future in both up and down markets.

Portfolio Net Zero Date 2042



Proxy voting information

<https://www.firstsentierinvestors.com.au/au/en/adviser/responsible-investment/responsible-investment-proxy-voting.html>

Portfolio Beta measures the portfolio's sensitivity to benchmark movements. Mathematically, it is the covariance of the portfolio vs the benchmark divided by the variance of the benchmark.

www.firstsentierinvestors.com.au

For further information

Head of Wholesale - Aus/NZ Quin Smith	+61 455 095 505	Business Development Manager - VIC/TAS Jack Heinz	+61 436 810 683
Key Account Manager - NSW Paul Sleiman	+61 4 2251 1231	Business Development Associate - VIC/TAS Shannen Jacobsen	+61 457 227 728
Business Development Manager – NSW Nicole Kremastos	+61 431 187 910	Business Development Manager - QLD Julie Day	+61 466 413 176
Emerson Bloom	+61 472 633 201	Business Development Associate - QLD/WA/SA/NT Pam Evans	+61 458 864 686
Amelia McKinnon	+61 435 719 998	Key Account Manager - WA/SA/NT Nathan Robinson	+61 403 272 440
Business Development Associate – NSW Gabi Cheetham	+61 457 881 684		
Key Account Manager - VIC/TAS Nicholas Everitt	+61 499 454 206		

This report has been prepared by and is issued by First Sentier Investors (Australia) IM Ltd (ABN 89 114 194 311, AFSL 289017) (**FSI AIM**) which forms part of First Sentier Investors, a global asset management business. First Sentier Investors is ultimately owned by Mitsubishi UFJ Financial Group, Inc (**MUFG**).

It is directed at persons who are professional, sophisticated or wholesale clients and has not been prepared for and is not intended for persons who are retail clients and must not be reproduced or transmitted in any form without the prior written consent of FSI AIM. A copy of the Financial Services Guide for FSI AIM is available from First Sentier Investors on its website.

This material contains general information only. It is not intended to provide you with financial product advice and does not take into account your objectives, financial situation or needs. Before making an investment decision, you should consider whether this information is appropriate in light of your investment needs, objectives and financial situation. Total returns shown for the Fund or any Portfolio have been calculated using exit prices after taking into account all ongoing fees and assuming reinvestment of distributions. Past performance is no indication of future performance.

The product disclosure statement (**PDS**) or Information Memorandum (**IM**) (as applicable) for the First Sentier Global Property Securities Fund Hedged Share Class, ARSN 634 637 586 (**Fund**) issued by The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235150) (**Perpetual**) should be considered before making an investment decision. The PDS or IM are available from First Sentier Investors on its website. The target market determination (**TMD**) for the Fund is available from First Sentier Investors on its website and should be considered by prospective investors before any investment decision to ensure that investors form part of the target market.

MUFG, FSI AIM, Perpetual and their respective affiliates do not guarantee the performance of the Fund or the repayment of capital by the Fund. Investments in the Fund are not deposits or other liabilities of MUFG, FSI AIM, Perpetual or their respective affiliates, and investment-type products are subject to investment risk including loss of income and capital invested.

To the extent permitted by law, no liability is accepted by MUFG, FSI AIM, Perpetual or their respective affiliates for any loss or damage as a result of any reliance on this information. This information is, or is based upon, information that we believe to be accurate and reliable, however neither MUFG, FSI AIM, Perpetual nor any of their respective affiliates offer any warranty that it contains no factual errors. Any opinions expressed in this material are the opinions of FSI AIM at the time of publication only. Such opinions are subject to change without notice.

Copyright © First Sentier Investors (Australia) Services Pty Limited 2023

All rights reserved.