

Formerly the Colonial First State Wholesale Property Securities Fund

Quarterly Factsheet

31 March 2023

For Adviser use only

Portfolio Description

The fund invests in a broad selection of Australian listed property companies, with between 10 to 20 stocks typically held in the portfolio.

Investment Strategy

The fund's strategy is to bring together specialist resources in order to identify undervalued Australian 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 fund invests predominantly in Australian securities and therefore does not hedge currency exposure.

Investment Objective

To provide medium-to-long-term capital growth and income to the investor by investing in a portfolio of Australian listed property securities. The Fund aims to outperform the S&P/ASX 200 A-REIT Accumulation Index over rolling three-year periods before fees and taxes.

Key Investment Personnel and Experience (Industry / Firm)

Stephen Hayes	Head of Property Securities	(1995 / 2012)
Peter Cashmore	Portfolio Manager	(1993 / 2016)

Product Overview

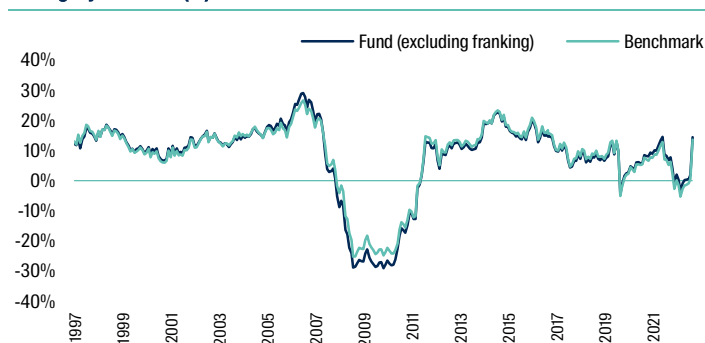
APIR code	FSF0004AU
Inception date	07 July 1994
Fund Size (A\$)	312 million
Benchmark	S&P/ASX 200 A-REIT Accumulation Index
Number of stock holdings	12
Buy / Sell spread	0.10% / 0.10%
Minimum investment (A\$)	5,000
Management fees and costs (p.a.)*	0.81%

* 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	0.8	-13.2	14.4	5.7	4.6	7.7	6.6
Benchmark return	0.5	-13.9	13.6	4.8	4.1	7.7	7.1
Excess net return	0.3	0.7	0.8	0.9	0.4	0.1	-0.6

Rolling 3 year return (%)



Top 5 holdings

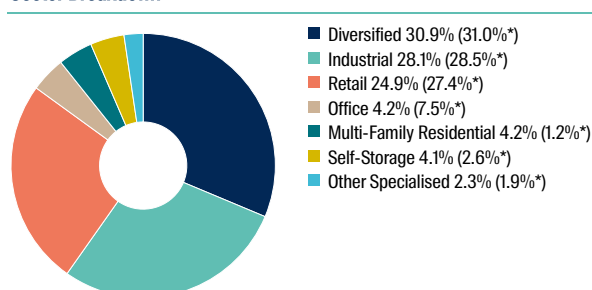
Stock
Goodman Group
GPT
Scentre Group
Stockland
Vicinity Centres

Sorted alphabetically

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	27.4	22.1	24.1	21.4	19.0	16.5
Benchmark standard deviation (%)	27.8	22.3	24.6	21.9	19.5	16.6
Tracking error (%)	1.5	1.4	1.6	1.6	1.4	2.2
Fund Sharpe ratio	-0.6	0.6	0.2	0.2	0.3	0.1
Information ratio	1.0	1.2	1.1	0.8	0.7	0.1
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Cashflow adjusted turnover (%)	7.4	12.4	20.5	17.7	15.2	

Sector Breakdown

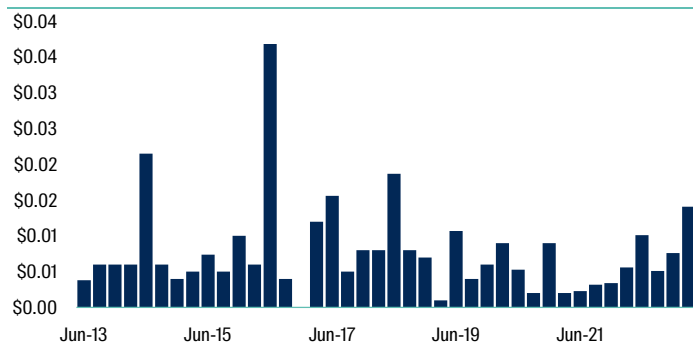


*Benchmark weight

Growth of AUD 10,000 Investment Since Inception



Distributions



Top 3 attributors to performance (3 months)

Sector	Attr.
Diversified REITs	0.62%
Multi-Family Residential REITs	0.27%
Office REITs	0.21%

Top 3 detractors to performance (3 months)

Sector	Attr.
Residential REITs	-0.77%
Retail REITs	-0.17%
Self-Storage REITs	0.02%

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: 31 March 2023

Market review

The ASX 200 A-REIT Index underperformed the broader market returning -6.79% in the March quarter, with the ASX 200 Index returning +3.46%.

The outperformers for the quarter included Stockland (+9.64%), Goodman Group (+8.24%), National Storage REIT (+8.19%). The underperformers for the quarter were Cromwell Property Group (-15.09%), Ingenia Communities Group (-14.58%) and Home Consortium (-14.54%).

Fund Managers and office exposed REITs were the hardest hit in the quarter whilst more specialized REITs such as the self-storage sector outperformed. The volatility in markets drove a moderation in interest rate expectations, with the 10-year bond yield 55bps lower in the month to 3.3%.

Dwelling approvals rose 4.0% month on Month in February following the sharp -27.1% fall seen in February. The limited rebound means the trend decline in building approvals remains with the annual rate running at -31.1% year on year. The entirety of the rebound was seen in detached dwellings (+11.3% month on Month after -13.5% in January), while apartments continued to decline (-9.5% month on month after -40.3% in January) to be at their lowest level since July 2012.

Housing loan commitments fell -0.9% month on Month in February its thirteenth consecutive month of decline, to be at its lowest level since September 2020. On an annual basis the value of loan commitments are down -30.9% year on Year, but are still 18.3% above their pre-pandemic February 2020 levels.

Australian dwelling prices rose 0.6% month on Month in March. That is the first nationwide increase since April 2022 and comes after declines moderated to just 0.1% in February. The rise in dwelling prices in March was led by Sydney, up 1.4% m/m, followed by Melbourne, up 0.6% m/m. dwelling prices remain 8.5% below their 2022 peak, but 25.5% above pre-pandemic April 2020 levels

Retail sales grew 0.2% month on Month in February. Retail spending has been broadly flat at elevated levels since September last year. The level of retail sales is still 16% above where a pre-pandemic trend line would suggest.

Fund Performance

The fund returned -5.88% in the March quarter, outperforming the ASX 200 A-REIT Index by 91 bps

The funds exposure to the residential sector in Stockland benefitted performance in the quarter. Improving residential data points boosted sentiment in the sector, namely the return to positive house price growth and increases in transaction volumes.

The fund’s holdings in the self-storage and logistics sector both benefitted performance in the quarter. Both sectors benefitted from demonstrating relatively defensive characteristics amidst wider market sell-offs.

The portfolios exposures to the fund managers and office sectors underperformed in the month. Both sectors have been impacted by mounting concerns of tightening credit markets and weakness in office markets, which could have ramifications for office values. Volatility in interest rates could result in less investor conviction and lower transaction activity.

The funds exposure to their lifestyle and communities sector through Ingenia Communities Group detracted from performance in the quarter. Revised FY23 guidance based on their reduced home settlements profile saw the stock materially retrace.

Market Outlook and Fund Positioning

The February AREIT reporting season highlighted several key themes across the respective property sub-sectors including issues such as capital management metrics and drivers for earnings growth.

Generally retail landlords reported materially improved operating metrics from the standpoint of: cash collection levels, portfolio occupancy, improvement in like-for-like income growth, re-leasing spreads and reduction in the pool of tenants in holdover. In broad terms sales growth across key segments across the specialty retail categories were materially improved on previous corresponding trading periods. AREITs remain cautious and selective with respect to the deployment of capex for development activity.

The rise in short-term interest rates and the flow on effect for interest rate hedging profiles saw AREITs expecting higher all-in interest rates for 2H2023 and into 2024 which has placed earnings headwinds for a number of AREITs depending on their specific hedging profile. AREITs expect to increase their hedging profile in 2024/2025 yet are awaiting a firmer direction in rates in order to achieve an optimum hedging profile from the standpoint of both rate and level of hedging.

AREITs with material office portfolios reported elevated leasing incentives in order to support face rents in order to address soft demand as tenants weigh up the alternative hybrid office working models and what best fits their business.

Whilst several AREITs have progressed schemes in the pre-development phase for larger office development projects AREITs are looking to sell down a material interest in the office sector to third parties to reduce their capex spend and receive fees for development services provided to third parties.

The logistics sector will remain a development focus for several AREITs that seek to either hold a 100% interest on balance sheet or else sell down a part interest in response to ongoing demand for A grade logistics product. The level of demand has seen some AREITs speculatively develop product in order to receive the mark-to-market rent rather than agree a lower than market rent as a trade-off for securing a tenant pre-commitment.

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.

Turnover is the average of sales and purchases divided by the average portfolio size. **Cashflow Adjusted Turnover** is the same as above, except that the lesser of sales and purchases is used in place of the average of the two. This is to adjust for turnover that is related to investing inflows or selling stocks to meet outflows rather than related to active management of the portfolio.

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