First Sentier Wholesale Property Securities Fund

First Sentier Investors

Formerly the Colonial First State Wholesale Property Securities Fund

Quarterly Factsheet

30 September 2023

For Adviser use only

Portfolio Description

The fund invests in 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$)	300 million
Benchmark	S&P/ASX 200 A-REIT AccumulationIndex
Number of stock holdings	12
Buy / Sell spread	0.10% / 0.10%
Minimum investment (A$)	5,000
Management fees and costs (p.a.)*	0.81%

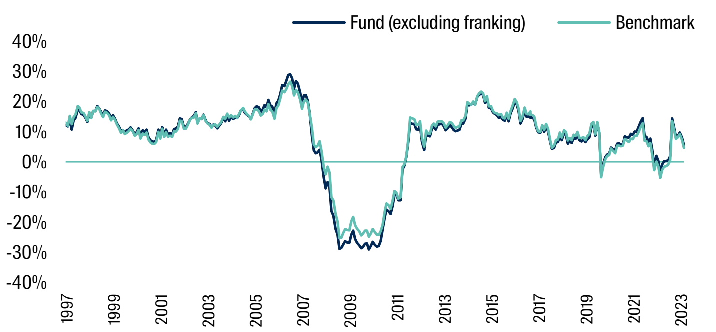
* Information on Management fees and costs (including estimated indirect costs) is set out in the Fund's PDS.

Performance Summary (%)

Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	-1.6	14.4	5.6	3.6	3.8	7.5	6.5
Benchmark return	-2.9	12.5	4.7	2.5	3.2	7.3	7.0
Excess net return	1.4	1.9	0.9	1.1	0.6	0.2	-0.5

Past performance is not a reliable indicator of future performance.

Rolling 3 year return (%)



Top 5 holdings

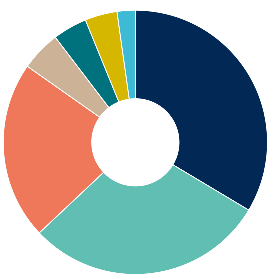
Stock
Goodman Group
GPT
Scentre Group
Stockland
Vicinity Centres

Sorted alphabetically

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	18.6	21.0	24.4	21.5	19.1	16.5
Benchmark standard deviation (%)	19.2	21.3	25.0	22.1	19.6	16.6
Tracking error (%)	1.5	1.6	1.6	1.6	1.5	2.2
Fund Sharpe ratio	0.6	0.2	0.1	0.1	0.3	0.1
Information ratio	1.9	1.1	1.2	0.9	0.7	0.1
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Cashflow adjusted turnover (%)	5.3	7.2	15.3	17.1	14.4	

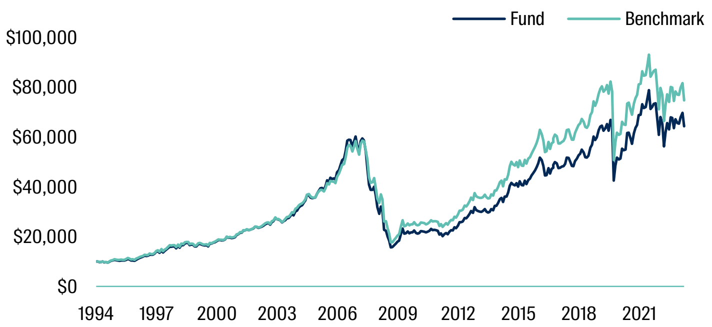
Sector Breakdown



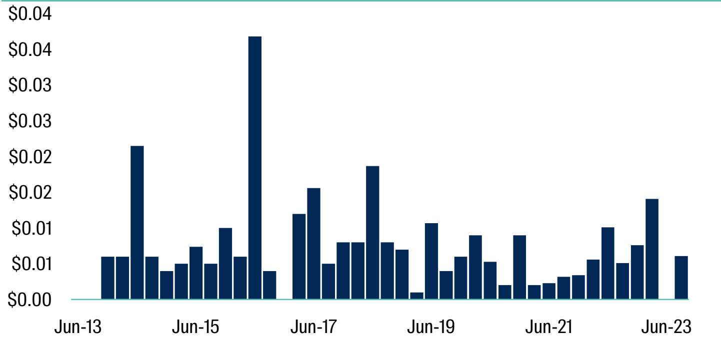
- Industrial 33.4% (33.0%*)
- Diversified 29.2% (28.9%*)
- Retail 21.7% (25.5%*)
- Multi-Family Residential 4.9% (1.4%*)
- Self-Storage 4.2% (2.4%*)
- Office 3.9% (7.2%*)
- Other Specialised 2.2% (1.7%*)

*Benchmark weight

Growth of AUD 10,000 Investment Since Inception



Distributions



Top 3 attributors to performance (3 months)

Sector	Attr.
Diversified REITs	0.78%
Office REITs	0.35%
Multi-Family Residential REITs	0.32%

Top 3 detractors to performance (3 months)

Sector	Attr.
Retail REITs	-0.02%
Self-Storage REITs	-0.01%
Other Specialized REITs	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 September 2023

Market review

The ASX 200 A-REIT Index underperformed the broader market returning -2.93% in the September quarter, with the ASX 200 Index returning -0.77%.

The outperformers for the quarter included Ingenia Communites Group (+7.07%), Goodman Group (+6.88%), HomeCo Daily Needs REIT (+0.05%). The underperformers for the quarter were Cromwell Property Group (-29.31%), Abacus Group (-21.62%) and Growthpoint Properties Australia (-20.79%).

In the quarter, the decline in the AREIT's performance was primarily driven by macro factors, including a shift to a "higher-for-longer" view on interest rates following the US Federal Open Market Committee (FOMC) meeting, where economists reduced their forecasted 2024 US rate cuts. Additionally, the Australian 10-year yield rose to reach its highest level since 2011.

A-REIT's reacted to the August reporting season with higher volatility than normal, which we believe reflected uncertainty surrounding property subsector allocations. Notably, Goodman Group's strong performance due to its well-timed pivot to the data centers sector skewed the AREIT sector's performance higher.

AREITs with a lower cost of debt underperformed due to expectations of additional earnings headwinds in the future, whereas REITs with resilient NTA's and strong growth prospects performed better. Transaction markets remain muted amongst institutional investors, as they likely wait for more clarity on the outlook for asset valuations.

Fund Performance

The fund returned -1.39% in the September quarter, outperforming the ASX 200 A-REIT Index by 155 bps

The funds exposure to the logistics and data centers sector benefitted performance in the quarter. Goodman Group (GMG) experienced a positive market response to its expansion into data centers. Data centers now make up approximately 30% of GMG's development workbook, and CEO Greg Goodman indicated a significant pipeline of over 3GW of power access. GMG's operational earnings per share (EPS) also grew by 16% in FY23, driven by strong development results.

Similarly the funds exposure to the lifestyle and communities sector aided performance in the quarter. Ingenia Communities group announced a more prudent set of guidance for the next 3 years which eased investors worried about continual guidance misses. The results also confirmed an increase in land lease sale prices which can be attributed to more desirable geographies and higher quality product. More recently, Ingenia Communities Group was reported to be in talks regarding the sale of some of its Ingenia gardens assets in Western Australia, which was viewed positively by investors.

The fund's holdings in the convenience retail sector detracted from performance in the quarter. Region RE (RGN) faced challenges from rising debt costs, leading to a weak bottom line FY23 result. Despite positive operating metrics, FY24 Funds From Operations (FFO) guidance of 15.6¢ps is 8% decline year-on-year, and 4% below consensus estimates.

The fund's holdings in the office sector also detracted from performance in the quarter. In particular the fund's holdings in GPT group declined in the quarter as a result of office leasing metrics continuing to signal a softer market for landlords.

The fund's holdings in the fund managers detracted from performance in the quarter. The sector was hampered by a rise in bond yields, due to carrying higher levels of leverage in comparison to the rest of the AREIT sector.

Market Outlook and Fund Positioning

The August AREIT reporting season highlighted several key themes across the respective property sub-sectors including issues such as future cost of debt and forecasted earnings headwinds, capital management metrics and drivers for earnings growth.

Although Australian consumer spending data has been more resilient than expected, we are cautious of the impact a decline in consumer spending will have on the retail sector in line with recent reports that retail sales are moderating. The recent reporting season highlighted that re-leasing spreads continue to improve remain positive and occupancy costs are low specifically in convenience shopping centres.

We are positive on the logistics sector in Australia. Demand weakness and reduced take-up in developed world industrial markets have not significantly affected Australian industrial markets. Low vacancy rates and deferred supply in Sydney have maintained tighter than expected market conditions. While rental growth seems to have peaked, there is still an expectation that rental growth is still expected in the next 18 months.

We are bearish on the office sector in Australia. The recent reporting season confirmed that devaluations were continuing across the sector, resulting in cap rate expansion across the office AREIT sector. Office occupancies remain lower than pre-covid levels however, it is notable that REIT office occupancy remains significantly above market occupancy rates across Australia, confirming the flight to quality thematic as REIT assets are generally of higher quality.

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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