

Perpetual Private

IMPLEMENTED REAL ESTATE PORTFOLIO

Fund Profile – 30 September 2024

FUND FACTS

APIR code	PER0712AU
Inception Date	9 December 2013
Asset class	Australian & Global Property Securities
Investment style	Multi Manager Blend
Benchmark	Real Estate Composite Benchmark [#]
Suggested length of investment	5 years or more
Unit pricing frequency	Daily
Distribution frequency	Quarterly
Legal type	Unit Trust
Product type	Wholesale Managed Investment Scheme
Status	Open
Management Fee* (%)	0.70%
Buy/Sell spread	0.24% / 0.00% as at February 2023
Issuer	Perpetual Investment Management Limited

* Additional fees and costs generally apply. Please refer to the Product Disclosure Statement for further details.

INVESTMENT OBJECTIVE

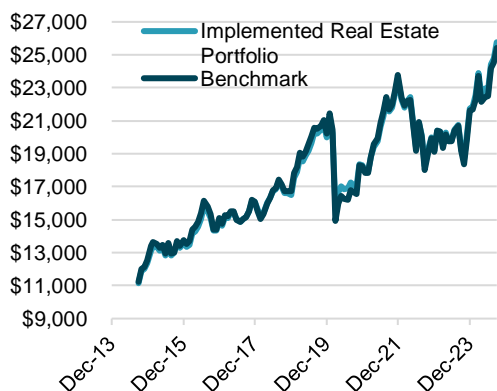
To provide investors with income and long-term capital growth through investment in a diversified portfolio of Australian and international real estate investment trusts. To outperform the stated benchmark over rolling three-year periods.

BENEFITS

Provides investors with the potential for maximising income and capital growth, with broad market exposure.

GROWTH OF \$10,000 SINCE INCEPTION (NET OF FEES)

As at September 2024



Source: State Street

NET PERFORMANCE

As at September 2024

RETURNS	1MTH	3MTH	1YR	3YR	5YR	S/I*
Total return	3.9%	12.8%	33.7%	6.1%	5.0%	9.3%
Growth return	3.6%	12.4%	30.6%	2.1%	0.3%	6.3%
Distribution return	0.3%	0.3%	3.1%	4.0%	4.7%	3.0%
Benchmark	3.6%	13.1%	32.5%	5.4%	4.4%	9.2%
Excess Return	0.3%	-0.3%	1.1%	0.7%	0.6%	0.1%

Source: State Street. Past performance is not indicative of future performance.
*Since Inception

TOP 10 STOCK HOLDINGS

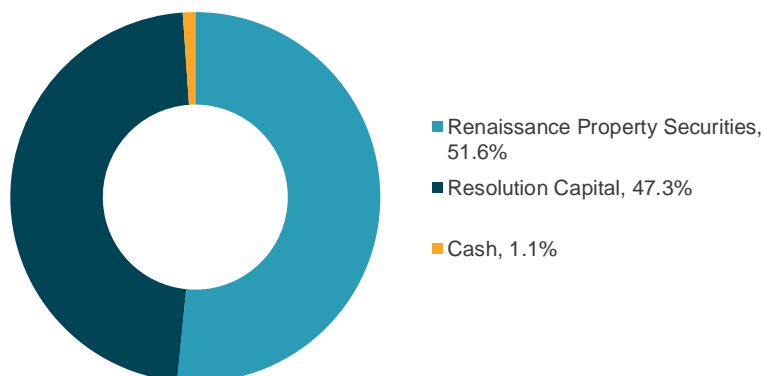
As at September 2024

STOCK	WEIGHT %	COUNTRY
Goodman Group	16.8%	Australia
Scentre Group	8.5%	Australia
Stockland	3.9%	Australia
Welltower Inc.	3.8%	United States
Unibail-Rodamco-Westfield	3.5%	France
Mirvac Group	3.1%	Australia
Equinix	3.0%	United States
Vicinity Centres	2.9%	Australia
Ventas, Inc.	2.8%	United States
Charter Hall Group	2.7%	Australia
Total Top 10 Holdings %	51.1%	

Source: State Street, FactSet

PORTFOLIO EXPOSURE BY MANAGER

As at September 2024



Source: State Street

*The Real Estate Composite benchmark consists of 50% S&P/ASX 300 A-REIT Accumulation Index & 50% FTSE EPRA/NAREIT Developed Index – Net Return (Unhedged in AUD), reflecting the portfolio's investment strategy.

INVESTMENT APPROACH

A multi-manager framework is utilised, where specialist investment managers are selected to form a diverse and complementary mix of investment strategies and styles. This can help reduce volatility by avoiding over exposure to a particular specialist investment manager. Derivatives may be used in managing the portfolio.

INVESTMENT STRATEGY

The strategy is biased towards utilising managers who are fundamental bottom-up stock pickers, have a repeatable investment process, operate within an appropriate risk management framework, and operate in an aligned and stable organisational structure. We believe these factors best deliver a stable outcome of returns within a multi-manager framework.

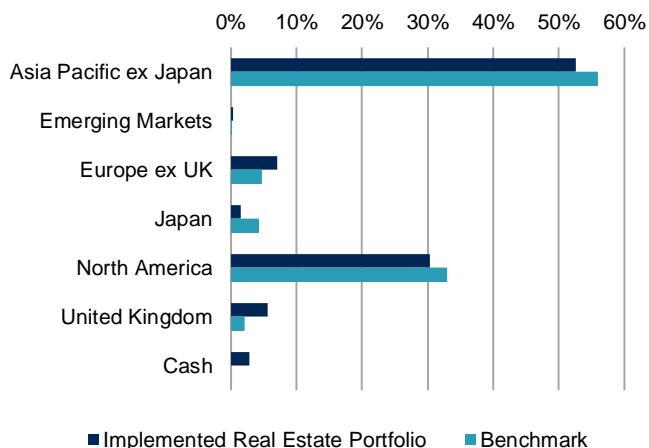
The Implemented Real Estate Portfolio uses two broad market managers that respectively invest across the entire market capitalisation spectrum of the domestic and global Real Estate Investment Trust (REIT) markets. That includes large, mid and small REITs by market capitalisation.

The portfolio managed by the domestic REIT manager will tend to be diversified in nature as it relates to the domestic benchmark and typically hold anywhere between 15-25 Australian REITs. The portfolio managed by the global REIT manager will typically be concentrated in nature as it relates to the global benchmark, holding anywhere between 30-50 global REITs. This allows for the Implemented Real Estate Portfolio to access the managers' high conviction stock picking decisions across what is a broader global REIT universe when compared to the domestic REIT universe.

The portfolio blends the above-mentioned managers, targeting managers who have a long term and consistent track record, are expected to continue to deliver on this track record, and whose investment styles complement each other well. Consistency of return profiles are of paramount importance such that we can comfortably blend managers who we believe will continue to complement each other well. The end result is the creation of a portfolio that aims to have an overall volatility below that of the composite benchmark.

REGION EXPOSURES

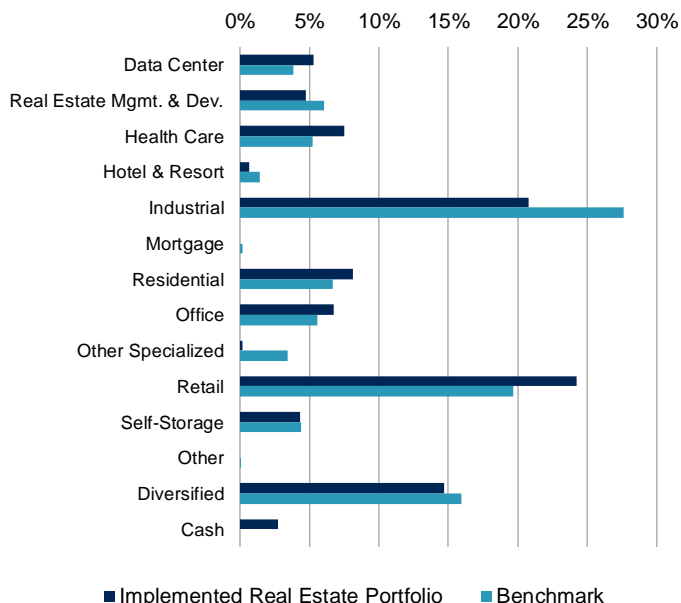
As at September 2024



Source: State Street, Factset

INDUSTRY EXPOSURES

As at September 2024



Source: State Street, Factset

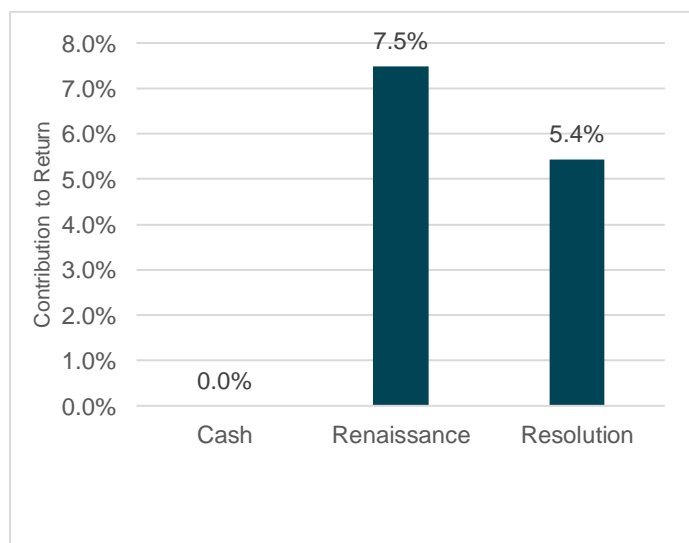
MANAGER LINE-UP AND APPROACH

As at September 2024

MANAGER	APPROACH
Renaissance Property Securities	Diversified A-REIT portfolio, fundamental bottom-up stock selection
Resolution Capital	Concentrated G-REIT portfolio, fundamental bottom-up stock selection

CONTRIBUTION BY MANAGER

Quarter to September 2024



Source: State Street

MARKET COMMENTARY

Real Estate Investment Trusts (REITs) were the best-performing asset class in Q3 2024, outperforming all other asset classes. This strong performance was primarily driven by a global decline in long-term bond yields, as investors responded to widespread monetary easing. Notably, the U.S. Federal Reserve cut rates by 50 basis points throughout the quarter, contributing to a global interest rate-cutting cycle. The resulting decline in bond yields bolstered cap rates - a key measure in the REIT sector akin to an investment yield. After years of pressure from rising rates, cap rates are now acting as a tailwind for the asset class.

Australian REITs (A-REITs) delivered a robust return of 14.3%¹ during the quarter, and a remarkable 45.9% over the past twelve months. Global REITs (G-REITs) also performed well, returning 11.7%² for the quarter and 19.9% over the year.

Several sectors contributed to this positive performance. The office sector benefited from a more optimistic outlook and greater clarity over prices with a rise in transaction activity. Additionally, the retail sector, which constitutes a substantial portion of the G-REIT index, performed well as consumer spending was better than expected in key geographies.

PORTFOLIO COMMENTARY

The Perpetual Implemented Real Estate Portfolio underperformed its benchmark over the September quarter.

Resolution Capital, the portfolio's sole exposure to Global REITs underperformed its benchmark over the quarter, net of fees. Relative outperformance came from the overweight exposure to healthcare names Ventas and Welltower. Asset allocation detracted with underweight US and over weight UK both hampering returns. At a sector level, retail and residential were the major detractors despite mixed results from underlying stocks.

Renaissance Asset Management, the portfolio's sole exposure to Australian REITs, outperformed its benchmark over the quarter, net of fees. The main contributors to performance during the quarter was the underweight exposure to Goodman Group and overweight positions in GDI and Charter Hall. Retail, predominantly Unibail, was the largest detractor.

There were no manager additions or terminations to the Perpetual Implemented Real Estate Portfolio during the quarter. We remain comfortable with our manager selection.

OUTLOOK

Listed real estate benefitted from the US Federal Reserve's 50 basis point rate cut and the prospect of further cuts by year-end. With rates rises seemingly at an end, cap rates appear to be stabilising. With this comes a rise in transaction activity, particularly apparent in Australia with major sales at 255 George St and 5 Martin Place contributing to re-pricing in the office sector. This will continue to play out in a divergent pattern across sectors which are operating in different stages of their market cycles but should be broadly positive overall.

Regional disparity is likely to persist, however, Chinese stimulus near quarter-end should support Hong Kong, while Japan may lag as the only major region forecasting rate rises.

Throughout 2024, we have sought to keep cash holdings to a minimum due to the sector's positive outlook. We have also allowed a slight domestic bias to run driven by the strength of some of the major companies in the domestic market.

In this buoyant environment, most sectors posted gains, though accommodation - hotels and residential - while positive, lagged behind. Some of the best returns globally came from lesser quality, more highly leveraged names. The few cases of significant price declines were associated with negative earnings announcements and in the case of Lifestyle Communities, pending legal dispute and the withdrawal of future guidance. We've previously discussed Equinix, which has nearly recovered to its March peak, outperforming other operators this quarter. It has also stayed out of the news cycle, a positive development for the company.

In Australia, Charter Hall was one of the strongest stocks, a prospective beneficiary from a resumption of transaction activity. Meanwhile Goodman Group lagged the market despite a positive operating environment as asset values adjusted lower and industrial demand slowed.

The strength of the price appreciation over the quarter has been surprising but the direction of the move was not, given the evolution of inflation and interest rate dynamics. This has been a very positive environment for the sector and may persist but further moves of this magnitude are unlikely. As alluded to earlier, the sectors and to some extent regions, are moving through different stages of the cycle. The office sector is closer to a trough while retail is growing. Industrial remains strong but is starting to decelerate. Japan's interest rate path presents a risk, but Asia broadly could benefit from a recovery in China. At a more granular level, we remain of the view that office valuations may adjust further but this is a significantly diminished segment of the market and the bulk of valuation decline is behind us. Industrial rental growth should continue to slow.

¹As measured by the S&P/ASX 300 A-REIT - Total Return Index

²As measured by the FTSE EPRA Nareit Developed - Net Return Index (AUD unhedged)

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