

Perpetual Private

PERPETUAL SELECT REAL ESTATE FUND

September 2020

FUND FACTS

Investment objective: Income and long-term capital growth through investment in a diversified portfolio of Australian and international real estate investment trusts and unlisted property trusts.

Suggested length of investment: Five years or longer.

INVESTMENT APPROACH

The Fund combines specialist investment managers with different investment styles and philosophies. This can help reduce the volatility of the Fund by avoiding over exposure to a particular specialist investment manager.

The currency exposure of international assets is monitored and hedging strategies may be implemented (using derivatives) with the aim of reducing the impact of adverse currency movements.

TOTAL RETURNS % (AFTER FEES) AS AT 30 SEPTEMBER 2020

	APIR CODE	1 MTH	3 MTHS	6 MTHS	1 YR PA	3 YRS PA	5 YRS PA
Perpetual Select Investments Real Estate Fund	PER0254AU	-1.2	0.9	7.4	-16.7	2.7	4.3
Mercer Retail Trusts Aust. Listed Property - Median		-0.4	2.4	21.9	-14.6	4.0	5.6
Perpetual Select Super Real Estate Fund	WDL0010AU	-1.2	0.7	6.5	-15.8	2.2	3.7
Mercer Personal Super Aust. Listed Property - Median		-1.1	5.6	24.4	-15.0	2.8	4.5
Perpetual Select Pension Real Estate Fund	WDL0020AU	-1.2	0.9	7.3	-17.0	2.5	4.1
Mercer Allocated Pensions Aust. Listed Property - Median		-0.6	5.6	26.0	-12.5	4.0	5.2

Past performance is not indicative of future performance

GROWTH OF \$10,000 SINCE INCEPTION*



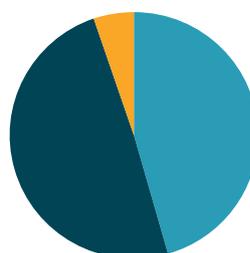
*The Growth of \$10,000 chart includes reinvestment of dividends and capital gains, but does not reflect the effect of any applicable sales or redemption charges which would lower these figures.

TOP 10 STOCK HOLDINGS	WEIGHTS (%)
Goodman Group	10.7
Scentre Group Limited	7.2
Prologis Incorporated	4.3
Stockland	3.9
Vicinity Centres	3.3
Dexus	3.0
Mirvac Group	2.8
Vonovia SE	2.5
Invitation Homes, Inc.	2.2
GPT Group	2.2

BENEFITS

Offers investors a highly liquid access to the potential long-term growth in property markets, without having to hold and manage physical property assets.

PORTFOLIO EXPOSURES



- Renaissance Property Securities, 46%
- Resolution Capital, 49%
- Cash, 5%

MANAGER INVESTMENT APPROACH

Renaissance Property Securities	Diversified Australian Real Estate Investment Trust portfolio, fundamental bottom-up stock selection
Resolution Capital	Concentrated Global Real Estate Investment Trust portfolio, fundamental bottom-up stock selection

MARKET COMMENTARY

In AUD terms, Global Real Estate Investment Trusts (G-REITs) fell 1.9% over the quarter to the end of September 2020 (as measured by the FTSE EPRA/NAREIT Developed Index). On a currency hedged basis, the FTSE EPRA/NAREIT Developed Index rose by 0.6%. Similar to last quarter, company fundamentals were not the market's focus. Rather, market participants were focused on monetary and fiscal stimulus measures, and increasingly the upcoming US Presidential Election. The variance between sectors during the quarter was marked with Self Storage and Hotel / Lodging REITs rallying strongly, while Retail and Office REITs underperforming the broader market.

In Australia, A-REITs rose 7.4% over the quarter, outperforming the broader equity market (S&P/ASX 300 Accumulation Index) which fell 0.1%. Despite outperforming during the quarter, over the past 12 months, A-REITs still trail Australian equities. The main news during the quarter was Unibail announcing its 'Reset plan', which involves a EUR3.5b rights issue and EUR4.0b of asset sales. Additionally, Scentre issued a 60 year USD3.0b subordinated hybrid at a blended coupon of 4.93% which will be treated as equity for covenant purposes. On the transaction front, Charter Hall Long WALE and Charter Hall Retail acquired a 49% interest in BP NZ on a 6.25% yield.

PORTFOLIO COMMENTARY

The Perpetual Select Real Estate Fund underperformed its benchmark over the June quarter, due to the allocation between A-REITs and G-REITs.

Resolution Capital, the portfolio's sole exposure to Global REITs outperformed its benchmark over the quarter by 63 basis points, gross of management fees. Relative outperformance was mostly attributable to stock selection with overweight positions in Shurgard Self Storage, CubeSmart, Vonovia and a non-benchmark position in Equinix contributing. Overweight exposures to Klepierre, Urban Edge Properties and Canadian Apartment Properties and nil exposure to Public Storage REIT detracted from performance.

Renaissance Asset Management, the portfolio's sole exposure to Australian REITs, underperformed its benchmark over the quarter by 239 basis points, gross of management fees. The main contributors to underperformance during the quarter were overweight positions in Retail REITs, namely Unibail Rodamco Westfield, Scentre Group and Vicinity Centres, while an underweight position in Goodman Group detracted from performance.

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

OUTLOOK

The COVID-19 pandemic continues to result in significant disruption, volatility and uncertainty in the global economy and financial markets. Despite the market rally post March 2020, COVID-19 and government policy responses continue to create uncertainty across real estate markets. Until markets have 'certainty' around government policy as it relates to when normal activity can resume, and an economic recovery becomes self-sustaining we expect markets to be less focused on company and real estate fundamentals.

RETURNS BREAKDOWN (INVESTMENTS)

Growth Return %	-19.4%	12.5%	8.9%
Distribution Return %	6.2%	0.4%	1.1%
Total Return %	-13.2%	13.0%	10.0%

DISTRIBUTION BREAKDOWN

	FY 2020	FY 2019	FY 2018
Cents per unit	6.6766	0.3952	0.8837

PRODUCT FEATURES

	SUPER	PENSION	INVEST.
Inception date	Dec 94	Dec 94	Mar 99
Estimated Mgmt Cost	2.16%	2.16%	2.03%
Ongoing fee discount	Yes	Yes	Yes
Buy spread	0.40%	0.40%	0.40%
Sell spread	0.00%	0.00%	0.00%
Contribution fee	0.00%	0.00%	0.00%
Withdrawal fee	\$0.00	\$0.00	\$0
Monthly member fee	\$10.64	\$10.64	\$0
Min. initial contribution	\$3,000	\$3,000	\$5,000
Min. additional contribution	\$0	\$0	\$1,000
Savings plan	Yes	No	Yes
Withdrawal plan	No	No	Yes
Distribution frequency	N/A	N/A	Quarterly
Contact information		1800 003 001	

While many REITs were in good shape coming into the crisis, operating conditions have changed meaningfully for sectors like Hotels, Retail and Office, with the future of earnings unclear. For corporates, it's likely that management teams will use this crisis to further 'right size' their retail footprints. With working from home, it is possible there may be a shift in thinking about office space requirements by many corporates as leases expire over the coming months and years. For Hotels, while domestic travel may pick up in some regions, those hotels which are heavily on reliant on business or international leisure travel will likely remain under pressure for the foreseeable future. As with all market crises, those assets with weak balance sheets or severely negative earnings prospects are sold off the most, and typically don't benefit from 'relief rallies'. We remain of the view that 'quality' real estate with strong balance sheets and access to capital remain the most attractive investments at this time.

Given the recent drawdown in markets, valuations appear to be more attractive relative to the recent past. However, we remain cautious on the robustness of short-term earnings underpinning current valuations and the valuations ascribed to various assets. Longer term, we believe that REITs are well placed to benefit once the economic recovery begins to take hold. Furthermore, we expect the accommodative monetary policy and quantitative easing to remain a feature of markets for some time to come, supporting real estate values.

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MORE INFORMATION

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