Perpetual Private

PERPETUAL SELECT REAL ESTATE FUND

September 2024

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

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.

RISKS

All investments carry risk and different strategies may carry different levels of risk. The relevant product disclosure statement or offer document for a fund should be considered before deciding whether to acquire or hold units in that fund. Your financial adviser can assist you in determining whether a fund is suited to your financial needs.

INVESTMENT APPROACH

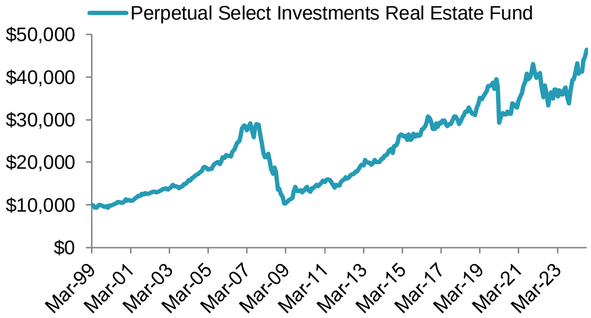
The Fund combines specialist invesment managers with different investment styles and philosophies. This can help reduce the volatility of the Fund by avoiding over exposure to a particular specialist investment manager.
The currency exposure of international assets is monitored and hedging strategies may be implemented (using derivatives) with the aim of reducing the impact of adverse currency movements.

TOTAL RETURNS % (AFTER FEES) AS AT 30 SEPTEMBER 2024

	APIR CODE	1 MTH	3 MTHS	6 MTHS	1 YR PA	3 YRS PA	5 YRS PA
Perpetual Select Investments Real Estate Fund	PER0254AU	3.9	12.6	7.5	32.9	5.5	4.2
Perpetual Select Real Estate Composite Benchmark		3.6	13.1	7.2	32.5	5.4	4.4

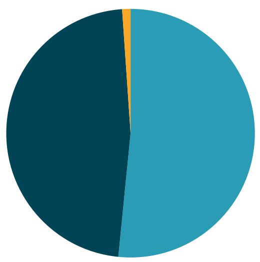
Past performance is not indicative of future performance

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.

PORTFOLIO EXPOSURES^



^Portfolio exposures represent the Perpetual Select Investments Real Estate Fund

TOP 10 STOCK HOLDINGS	WEIGHTS (%)
Goodman Group	16.8
Scentre Group Limited	8.5
Stockland	3.9
Welltower Inc.	3.8
Unibail-Rodamco-Westfield SE	3.5
Mirvac Group	3.1
Equinix, Inc.	3.0
Vicinity Centres	2.9
Ventas, Inc.	2.8
Charter Hall Group	2.7

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

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.

[1]As measured by the S&P/ASX 300 A-REIT - Total Return Index
[2]As measured by the FTSE EPRA Nareit Developed - Net Return Index (AUD unhedged)

PORTFOLIO COMMENTARY

The Perpetual Select Real Estate Fund under-performed 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 Select Real Estate Fund 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.

RETURNS BREAKDOWN (INVESTMENTS)

	FY 2024	FY 2023	FY 2022
Growth Return %	12.4%	0.0%	-12.4%
Distribution Return %	2.2%	2.0%	5.5%
Total Return %	14.7%	1.9%	-6.9%

DISTRIBUTION BREAKDOWN

	FY 2024	FY 2023	FY 2022
Cents per unit	2.0110	1.7652	5.7797

PRODUCT FEATURES

	INVEST.
Inception date	Mar 99
Management/Investment Fee (p.a.)*	1.25%
Ongoing fee discount	No
Admin fee	0.00%
Buy spread	0.24%
Sell spread	0.00%
Contribution fee	0.00%
Withdrawal fee	$0
Monthly member fee	$0
Min. initial contribution	$2,000
Min. additional contribution	$0
Savings plan	Yes
Withdrawal plan	Yes
Distribution frequency	Quarterly
Contact information	1800 022 033

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

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.

MORE INFORMATION
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