Perpetual Private

PERPETUAL SELECT REAL ESTATE FUND

December 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

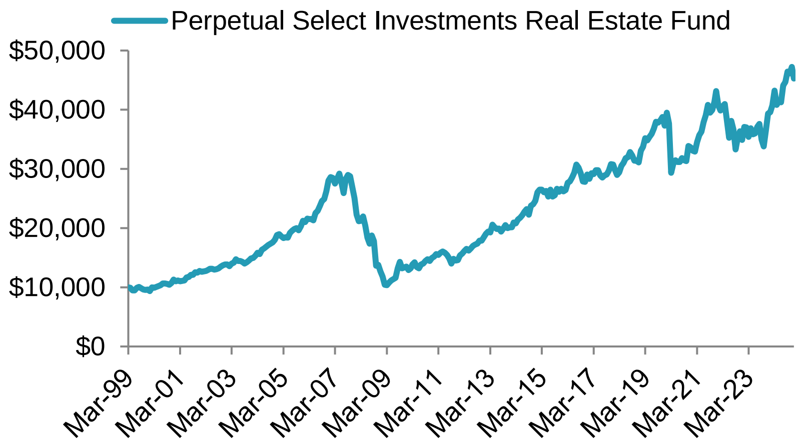
The Fund combines specialist invesment managers with different investment styles and philosophies. This can help reduce the volatility of the Fund by avoiding over exposure to a particular specialist investment manager.
The currency exposure of international assets is monitored and hedging strategies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

TOTAL RETURNS % (AFTER FEES) AS AT 31 DECEMBER 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	-4.1	-2.4	9.8	15.2	1.7	4.0
Perpetual Select Real Estate Composite Benchmark		-4.0	-2.5	10.2	14.6	1.4	4.2

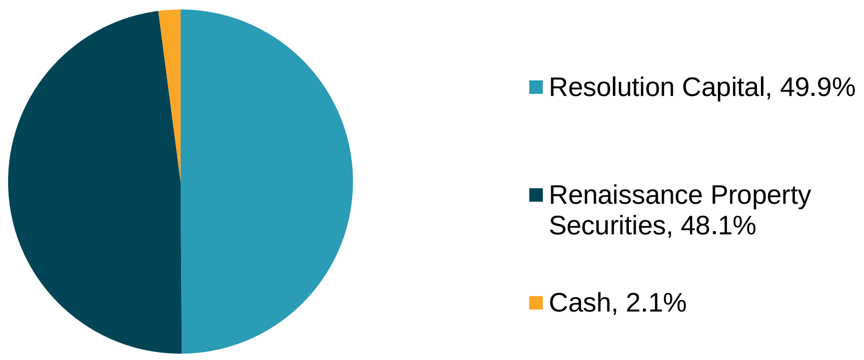
Past performance is not indicative of future performance

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.

PORTFOLIO EXPOSURES^



^Portfolio exposures represent the Perpetual Select Investments Real Estate Fund

TOP 10 STOCK HOLDINGS	WEIGHTS (%)
Goodman Group	17.0
Scentre Group Limited	7.5
Welltower Inc.	4.3
Equinix, Inc.	3.6
Digital Realty Trust, Inc.	3.5
Stockland	3.5
Unibail-Rodamco-Westfield SE	3.0
Vicinity Centres	2.7
Mirvac Group	2.7
Dexus	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 assets experienced a challenging quarter, to close out what had been a relatively constructive year. The contrasting combination of soft economic conditions in some regions, and resilient conditions in others, generated negative valuation implications for property investments globally.

Australian and US assets enjoyed the most favourable outcomes, gaining a healthy 17.6% and 6.6% respectively over the year. Whilst both countries experienced drawdowns close to 6.5% in the December quarter, this can almost entirely be attributed to rising expectations for future cash rates, with both arguably facing the 'problem' of too much economic strength and thereby not benefiting from more favourable valuation conditions. Across Europe, tepid growth weighed on asset values, and whilst a comparatively easier monetary environment softened the blow, the drawdown for the quarter was still the worst of the regions we monitor giving up 10.9%. Meanwhile a flailing Chinese property market continues to cast a dark shadow over dollar-based Asia, with both Singapore and Hong Kong experiencing a continued failure for demand to meet supply. Having fallen 10.5% in the period, and 10.8% for the year, Hong Kong real estate has generated negative annualised returns for more than 10 years. Singapore, being one step removed, experienced a drawdown of 8.2% for the year, a slight improvement from Hong Kong's -10.8% return.

Fortunately, Australian investors benefited from a significant improvement in market function in our domestic "A-REIT" market, whilst currency effects (primarily AUD weakness) meaningfully altered investment outcomes, with US dollar-based returns being enhanced by close to 10% over both the final quarter of 2024 and the 2024 calendar year.

PORTFOLIO COMMENTARY

The Perpetual Select Real Estate Fund under-performed its benchmark over the December quarter.

Resolution Capital, the portfolio's sole exposure to Global REITs outperformed its benchmark over the quarter, net of fees. Relative outperformance over the quarter came from overweight exposure to data centres, (Digital Realty and Equinix), and healthcare, (Welltower), and underweight industrial, (Prologis and Goodman). Self-storage and multi-family detracted. This impact was concentrated in the UK (Big Yellow) and Europe (Shurgard Self Storage). Derwent London (office) also detracted but the office sector in total was broadly neutral.

Renaissance Asset Management, the portfolio's sole exposure to Australian REITs, outperformed its benchmark over the quarter, net of fees. Retail was the largest contributor, with overweight Carindale the only positive amongst the retail cohort. Office detracted, driven by the GDI overweight while Aspen Group provided a positive contribution from the living sector.

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

OUTLOOK

As we entered the final quarter of 2024, we pointed to the level of returns generated in the sector as being surprising and unlikely to be repeated despite being in the midst of a broadly positive environment. The volatility that occurred over the quarter may be recognition that markets had moved too far and too fast in pricing the more positive macro environment, which partially unwound, as perceptions of the direction of interest rates changed. While prices declined, we didn't see anything to change our view of the trajectory of the various sectors, nor evidence of individual corporate distress that would suggest that this would become a significant event.

No sector demonstrated this volatility more than self-storage. What would generally be considered a less-cyclical asset, was the worst performed among key sub-sectors of the REIT universe. The prevailing narrative suggests that higher rates leads to less housing transactions and hence less demand for storage. This played out similarly across regions although UK and European companies fared worst. To a lesser extent, this dynamic also showed up with declines in industrial names including Prologis (US) and Segro (Europe/UK) through the presumed impact of rates on retail spending. We do see the industrial sector as slowing after a period of rapid, and unsustainable, rent growth so there may be more reasons for their weakness. Data centres continued to perform well, beneficiaries of the ongoing spending on Artificial Intelligence.

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.

We continue to view the economic environment as positive for REITs but recognise that the sector has had strong price appreciation of a magnitude that is unlikely to be repeated in 2025. REIT prices will remain sensitive to interest rates but for now we do not see this macro-driven shift in pricing as a cause for concern. We continue to monitor our managers as they seek to exploit supply and demand imbalances and manage sector exposures through this period of adjustment. In order to capture some of these medium-term opportunities as the real estate cycle evolves, we expect more emphasis on office, healthcare,

[1] As measured by the S&P/ASX 300 A-REIT – Total Return index
[2] As measured by the FTSE EPRA Nareit USA Net Return index in USD terms
[3] As measured by the FTSE EPRA Nareit Europe – Net Return index in EUR terms
[4] As measured by the FTSE EPRA Nareit Hong Kong - Net Return index in HKD terms
[5] As measured by the FTSE EPRA Nareit Singapore Net Return index in SGD terms
[6] As measured by the FTSE EPRA Nareit Hong Kong - Net Return index HKD terms

seniors living and data centres with less industrial and retail as the new year progresses. For our managers, the focus remains on identifying high-quality companies that are exposed to rising rents and growing demand for their properties.

MORE INFORMATION

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