

Australian Unity A-REIT Fund

Fund Update
31 December 2024

The Fund invests in a portfolio of select Australian Real Estate Investment Trusts (A-REITs), aiming to deliver a total return, consisting of income and capital growth, above the S&P/ASX300 A-REIT Accumulation Index over the medium to long term.

Performance as at 31 December 2024

| | 3 mths % | 1 yr % | 3 yrs % p.a. | 5 yrs % p.a. | 7 yrs % p.a. | 10 yrs % p.a. | Since inception % p.a. |
|--------------------------------------|----------|--------|--------------|--------------|--------------|---------------|------------------------|
| Distribution return | 1.13 | 5.58 | 6.00 | 6.12 | 10.48 | 10.92 | 10.91 |
| Growth return | (8.34) | 0.49 | (7.07) | (4.79) | (6.85) | (5.19) | (1.58) |
| Total return | (7.21) | 6.07 | (1.07) | 1.33 | 3.63 | 5.73 | 9.33 |
| S&P/ASX300 A-REIT Accumulation Index | (6.09) | 17.63 | 3.21 | 6.05 | 7.47 | 8.60 | 11.29 |

Inception date for performance calculations is 31 July 2011.

Returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance.

How the listed property market performed

Global politics stole the headlines in the final quarter of 2024 as November saw Donald Trump sweep to victory in the US Presidential election and return to the White House for a second term. Trump will commence his Presidency in January 2025 and while the geopolitical and macro-economic impacts of his charge remain to be seen, a campaign ran on trade tariffs and business friendly tax settings have the potential for inflationary growth impacts at a time when most global economies are trying to moderate such levels. This has seen bond yields increase in the US as on the pace of further interest rate cuts by the US Federal Reserve subsides, which together with robust economic growth has seen the US dollar strengthen considerably. Despite this, equity markets responded favourably to the change in government, with the S&P 500 and ASX 200 both delivering healthy gains over November.

More locally, the conclusion to 2024 saw the Australian economy continue to stutter along, achieving GDP growth of 0.3% for the September 2024 quarter and 0.8% over the year, down slightly from the 12 months to June 2024. With slow growth in the private sector, the Australian economy continues to be heavily supported by the public sector with Government spending and investment comprising 28% of GDP in the September quarter. On a positive note, consumer sentiment (Westpac Consumer Sentiment Survey) improved over the second half of 2024 while household saving levels also increased in 3Q2024 as tax cuts and ongoing strength in the employment market assist consumers. There is thus the possibility that spending levels may improve in 2025, assisting the broader economy, as households balance sheets improve, and cost of living pressures subside.

In its final meeting of 2024, the RBA continued to leave the cash rate at 4.35%, a level at which it has remained unchanged since November 2023. While a much-anticipated interest rate cut is yet to materialise, in its December decision the RBA noted the upside risk to inflation appears to have diminished and should economic data continue to fall in line with expectations with inflation declining sustainably towards target, then it would appropriate to commence cutting rates. Recently released Australian inflation figures showed that underlying inflation fell from 3.5% in October to 3.2% in November 2024 and continues to close in on the RBA's target inflation band of 2%–3%. While conjecture remains as to when cutting action may be taken, such cooling in inflation has given hope to potential rate cuts coming sooner rather than later in 2025.

For Australia's commercial property markets, 2024 proved to be somewhat of a challenging year as repeated false dawns for interest rate cuts did little to assist as asset values continued to come under pressure from softening capitalisation rates. Volatility within interest markets continued to impact debt pricing, however adjustments in vendor pricing expectations saw transactional activity pick up in the second half of the year, with several large transactions occurring across all the major real estate sub-sectors. Looking forward to 2025, several living and healthcare sectors will continue to be supported by housing shortages and population growth while the retail sector should be assisted by an improved cost of living environment for consumers as inflation subsides and the much-anticipated cash rate cuts materialise. The Industrial market continues to be supported by tight vacancy levels nationally, and despite being much maligned, the office sector is experiencing some investor interest albeit more asset and

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geographic specific than other sectors. Emerging optimism regarding a transition to a less restrictive macro-economic environment together with ongoing population growth could support commercial real estate sectors more broadly in 2025, while the recent decline in the strength of the Australian Dollar will continue to make high quality real estate assets attractive to overseas based investors.

For the quarter ending 31 December 2024, the Australian listed property sector, as measured by the S&P/ASX 300 A-REIT Accumulation Index (A-REIT Index), returned negative 6.1% underperforming the broader equities market as measured by the S&P/ASX 300 Accumulation Index which returned negative 0.8%. This market weakness was widespread, impacting all A-REIT subsectors with only two S&P/ASX 300 Accumulation Index included stocks providing positive returns for the period (HPI and QRI). Other outperforming stocks (vs the index) included industrial focused Goodman Group (GMG), retail landlords Vicinity Centre (VCX), Unibail Rodamco Westfield (URW) and Scentre Group (SCG) as well as Childcare focused Arena (ARF) and diversified Charter Hall Long WALE REIT (CLW). The index stock laggards for the December 2024 quarter were office focused Cromwell Group (CMW) and self-storage REIT Abacus Storage King (ASK) which returned negative 13.9% and negative 12.8% respectively, while fund manager Centuria Capital (CNI) returned negative 12.6% and development group Lendlease (LLC) returned negative 12.3%.

Despite this soft end to the year, over the 12 months to 31 December 2024, A-REITs have significantly outperformed the broader equities market with a positive 17.6% return compared to the S&P/ASX 300 Accumulation Index market return of positive 11.4%. Within the index the strongest performing stock was Goodman Group (GMG) which now accounts for a c.42% weight within the overall index (however, at the time of writing, GMG has been negatively impacted in January by recent market movements related to Artificial Intelligence trends and their potential impact to data centres, which GMG is heavily invested in). Several other index stocks including Charter Hall Group (CHC), Scentre Group (SCG), Unibail Rodamco Westfield (URW) and Stockland (SGP) all provided strong double digit returns over 2024, while Hotel Property Investments (HPI) recorded 12 months returns of 38.2% as it was subject to a hostile takeover from Charter Hall Retail (CQR). Across A-REIT sub-sectors, 2024 saw Goodman Group benefit from investor appetite to gain data centre exposure while the industrial market more broadly cooled (see Centuria Industrial REIT). Retail stocks proved resilient despite cost-of-living pressures on consumers, while office concentrated stocks such as Mirvac (MGR), Dexs (DXS), Cromwell Group (CMW) and Centuria Office Fund (COF) lagged as persistently high interest rates and ongoing volatility weighed on the A-REIT market more broadly.

Overall, 2024 saw strong returns for Australia's A-REIT sector and while sector outperformance was somewhat concentrated, this was particularly positive given the backdrop of ongoing volatility in interest rate levels that was experienced. Australian 10-year bond yield levels (commonly used as a proxy for comparing and valuing asset classes) finished the year at 4.36% having hit an annual peak of 4.69% as recently as mid-November following a low of 3.80% in September 2024. Despite this, asset valuation adjustments appear to have slowed over the year as transactional activity has returned to markets providing increased market evidence for valuers and greater validity to net tangible asset levels. The year also saw an uplift in corporate activity with successful equity raises undertaken by Arena REIT (ARF), HMC Capital (HMC) and National Storage (NSR). In addition, M&A activity saw Bunnings Warehouse Property Trust (BWP) acquire

Newmark Property (NPR) as well as Charter Hall Retail (CQR) together with Hostplus pursue a takeover of Hotel Property Investments (HPI).

The A-REIT sector (A-REIT Index) is currently trading at a c.3.2% FY25 estimated dividend per share yield and a c.1% discount to last stated Net Tangible Assets (NTA) which excludes Charter Hall Group, Centuria Capital Group, HMC Capital and Goodman Group from the equation as these have a large portion of non-rental earnings/assets (i.e. development and funds management businesses) and their market pricing can deviate substantially from NTA backing.

Outlook

In general terms, commercial property returns over the past few years had been strongly influenced by substantial property yield compression and a low interest rate environment, however since 2022 this dynamic began to unwind impacting returns. Listed markets continue to look towards an interest rate peak and property yield stabilisation. In the near term listed market volatility is set to continue, while returns moving forward are likely to be increasingly guided by underlying property fundamentals.

Top 10 A-REIT holdings

| Stock | Portfolio % |
|----------------------------------|-------------|
| Scentre Group Limited | 10.93 |
| Goodman Group | 8.07 |
| Vicinity Centres | 7.54 |
| Stockland | 7.48 |
| Dexus | 6.37 |
| Mirvac Group | 5.03 |
| GPT Group | 4.63 |
| Region Group | 4.38 |
| Charter Hall Retail REIT | 4.14 |
| Growthpoint Properties Australia | 3.76 |

Asset Allocation

| Asset class | Portfolio % |
|-----------------|-------------|
| Listed Property | 97.44 |
| Cash | 2.56 |

Important Information

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