

STRATEGY GUIDE

Martin Currie Australia Property Securities



JANUARY 2025

MAXIMISING RETURNS FROM UNDER VALUED LISTED PROPERTY



INVESTING TO IMPROVE LIVES™

www.martincurrie.com/australia

Maximising returns from undervalued listed property

The **Martin Currie Australia (MCA) Property Securities** strategy invests in a high conviction portfolio of Australian and Asian property and property-related securities.

We aim to provide for investors seeking the long-term capital growth potential of the Value style through an actively managed exposure to property and property-related stock ideas, selected carefully by MCA's dedicated Real Assets team.

Key Pillars of the Strategy



Proprietary multi-lensed research by an experienced team

The MCA team has over 40 years of experience investing in Australian equities and listed Real Assets using a disciplined and repeatable multi-lensed investment approach.



High conviction portfolio, combining a true to label value approach with risk control

Our best ideas stock ideas are grounded in our fundamental, bottom-up **Valuation** research. Risk is managed by incorporating our **Quality** lens.



A proven process, customised to suit the Australian market

We have reflected the Australian market's deeply ingrained structural inefficiencies into our proprietary multi-lensed investment process.



Fully integrated fundamental Active Ownership approach

Responsibility for Active Ownership lies directly with the research analysts and portfolio managers responsible for making investment decisions.



Key Benefits of the Strategy



Potential for long term excess returns

While listed property security and REIT markets are efficient over the long term, the market's behavioural biases can create temporary mispricing. Investing in shares that are trading with an attractive discount to underlying value offers the potential for excess returns over the long term.



A contrarian view

Skill and discipline are needed to discern between value controversies and value opportunities. The dedicated Real Assets team has the experience and knowledge of the Australian and Asian markets, and forward-looking insights into replacement cost rents and sustainable cash flows. This means that they can look through the short-term market noise and focus on the long-term normalised earnings power of companies to drive security selection.



A forward-looking approach

Our valuations are based on long-term earnings power. This means that we can typically perform better through style and economic turning points as we base our stock decisions on fundamental forecasts rather than a mechanical approach that favours backwards looking data.



Diversification when blended with other styles

Our true to label Value style blends well with other investment styles in a diversified asset allocation, providing a sound exposure to the Value style's long-term superiority over Growth.



Portfolio liquidity and transparency

Listed property securities and REITs also provide liquidity, pricing transparency, diversification and trading cost benefits not typically found in direct investments or unlisted funds, and concentrated REIT benchmarks.

Who the strategy is suited to

The strategy is relevant for investors looking for:

- an active approach to investing, with a focus on alpha generation;
- a value-style investment philosophy; and
- a diversifying portfolio compared with other equity investments.

We believe that our long-term track record in alpha generation through varied market cycles demonstrates our ability to deliver value for listed property security and REIT investors.

How we identify opportunities

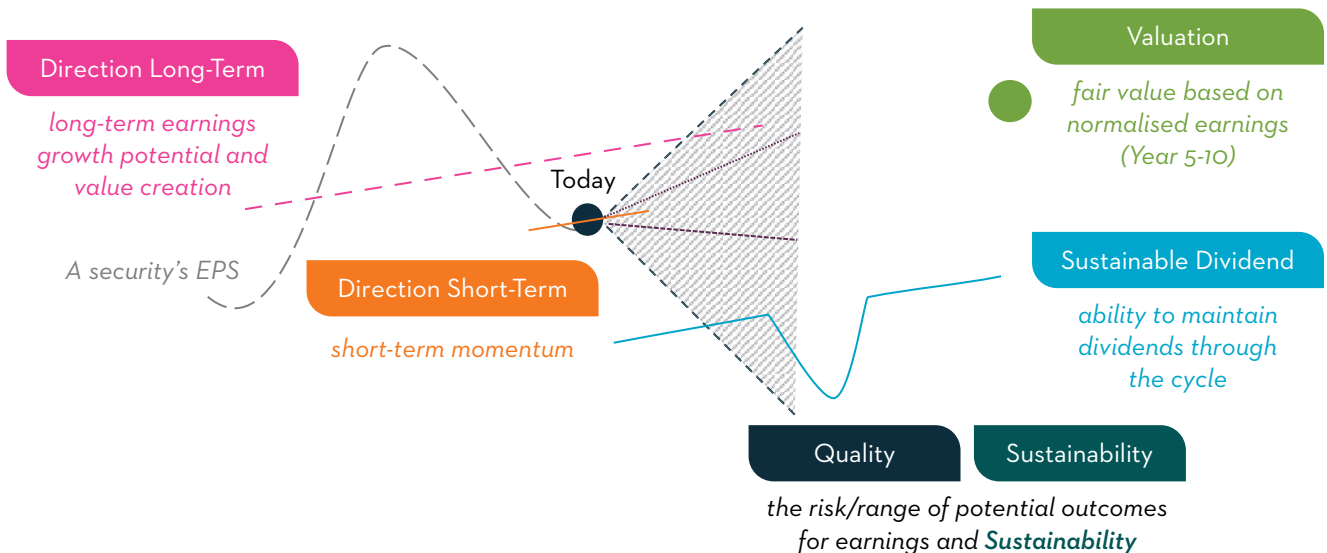
Proprietary multi-lensed research by an experienced team

The MCA investment platform offers full access to the multi-lensed fundamental insights and Active Ownership activities of a highly experienced research team. Our disciplined portfolio construction process can be fully customised to provide strong alpha potential across a range of Australian equity and listed Real Asset solutions. We believe our forward-looking fundamental insights are the key to investment success, however we also recognise how our quantitative risk flags can incorporate a broad set of incremental information in a timely and balanced manner.

The investment process for all MCA strategies, including **MCA Property Securities**, starts with bottom-up fundamental research by our specialised industry analysts. The size, quality, and experience of our investment team underpin our proprietary research efforts into long-term normalised earnings power, cashflow sustainability, business quality, and risk of listed equities.

The **MCA Property Securities** strategy benefits from a dedicated Real Assets team integrated within the broader investment team. The research process is the same for all our portfolios, no matter the sector or regional market, and we see this as a significant competitive advantage.

Our approach recognises the importance of multiple drivers in generating returns. We have designed our framework to capture forward-looking fundamental and qualitative insights across our **Valuation**, **Quality**, **Direction Short-Term**, **Direction Long-Term** and **Sustainable Dividend** research lenses. **Sustainability** is a key component of our **Quality** research lens.



Past performance is not a guide to future returns.

Source: Martin Currie Australia; data shown for illustrative purposes only.

This multi-lensed framework allows our analysts to detail their independent insights in a step-by-step and consistent manner. It creates a common language for expressing our views on the risks and opportunities for each company across the investment universe, fostering an environment of team ownership and ongoing improvement.

Fully integrated fundamental Active Ownership approach

A cornerstone of our investment approach is Active Ownership, which includes comprehensive Environmental, Social, and Governance (ESG) integration, engagement with portfolio companies, and voting.

Active Ownership has been deeply embedded in our investment process since 2009, and reflects our belief that ESG factors can impact the risk of companies delivering the normalised earnings and dividends that our analysts forecast. Our **Sustainability** assessments feed into our **Quality** and **Valuation** lenses.

ESG factors underlie the growing pressures faced by all companies from their key stakeholders. Regulators, customers, suppliers, investors, local communities, employees and environmental groups all present companies with challenges and opportunities that ultimately have to be addressed by management. Companies that fail to address the needs of key stakeholders by managing these challenges effectively may face substantial reputational and financial damage in the future.

We see that these types of ESG factors can impact the normalised earnings that our analysts forecast in our **Valuation** lens, and therefore the long-term intrinsic value and potential long-term performance of a company. Where material to a company's ability to generate long-term returns, our analysts factor in the costs/benefits of ESG inaction or action directly into their normalised earnings (five years of earnings per share forecasts).

Quality for us is a key measure of risk, and we include our *Management*, *Governance* and **Sustainability** ratings directly in our overall assessment of **Quality** for each stock. This **Quality** rating is also used as a component in the stock-specific discount rates used for **Valuation**.

The MCA investment team uses **Quality** and **Valuation**, among other factors, to build conviction in securities and to set target position sizes across all portfolios. As a result, the combination of **Quality** and **Valuation** adjustments can tilt our assessment of fair value on these stocks, and ESG factors can directly impact the size of an individual security position in a portfolio, or our decision to invest in, or divest from these companies.

Unlike many quantitative-only and passive funds, responsibility for Active Ownership lies directly with research analysts and portfolio managers responsible for making investment decisions as we believe they are best positioned to develop an informed view of the ESG risks, opportunities, and impacts that companies face or create. Our investment team's long-term experience and strong relationships and open dialogues with boards and management teams allow them to express concerns and encourage greater transparency in how companies manage these risks.

Using engagement to influence companies to make positive change

Engagement is an important source of fundamental information that helps us improve our understanding and conviction in investee companies and their governance structures. It enables us to understand to what extent companies have identified material ESG risks and how they are managing these and also provides us with an opportunity to share best practice and help steer companies towards improved corporate practice. Our approach is to engage not only with the management of companies, but also with a range of other stakeholders for each business such as competitors, customers, suppliers and government agencies to develop a more rounded view of relevant ESG risks and opportunities.

Promoting stewardship through proxy voting

Proxy voting at AGMs is a core element of our approach to active ownership. We believe it is our job as fiduciaries to make a stand where we see an issue as critical to a stock's performance in the long term. Annual General Meeting (AGM) season (typically October to December in Australia) is a critical time for us as investors to re-emphasise our stance regarding a board's progress on ESG matters and we engage directly with companies on contentious proposals.

The Property Securities Portfolio

Experienced portfolio management

The **MCA Property Securities** strategy is co-managed by Ashton Reid, Portfolio Manager, and Andrew Chambers, Portfolio Manager. While Ashton has ultimate management responsibility, all decisions are made after significant team research, team discussion as well as wider group peer review.



Ashton Reid, CFA
Portfolio Manager
Research: Australian listed property



Andrew Chambers
Portfolio Manager
Research: Australian and New Zealand listed property, utilities, infrastructure

The strategy is supported by the broader MCA investment team through detailed fundamental research analysis across MCA's four research lenses for each company within the investment universe. In addition, our quantitative research function is continually looking for new ways to improve the investment process and the efficacy of our stock decisions and portfolio risk/return outcomes.

Fundamentally driven portfolio construction

Regardless of the strategy, our investment team's multi-lensed research provides the foundation for our portfolio construction process, with fundamental research outcomes feeding directly into our expected returns for each stock. For each strategy, we calculate these **expected returns** in a customised manner by tilting towards inputs from the most relevant research lenses, thus aligning stock selection and portfolio construction with the specific objectives of each strategy. The resultant **expected return** is the difference between our **Valuation** post any strategy-specific **Quality/Sustainability**, **Direction Short-Term**, **Direction Long-Term** and **Sustainable Dividend** adjustments and the stock's current market price.

For **MCA Property Securities**, we aim to build our portfolio based on our conviction in the undervalued Australian and Asian listed property securities and which we believe will produce a positive price return to fair value. As such, we prioritize our analysts' fundamental insights on **Valuation**, while also balancing risk through the addition of **Quality** into our expected returns.

Final stock selection is augmented by the Portfolio Manager's fundamental judgement, and the portfolio typically holds around 20 stocks.







Key facts

Launch date	August 1988
Performance objective	The strategy aims to earn an after fee return in excess of the S&P/ASX 300 A-REIT Accumulation Index over rolling three-year periods
Benchmark	S&P/ASX 300 A-REIT Accumulation Index
Investable universe	Australian and Asian listed property and property-related securities/all-cap
Number of securities	Typically 20
Security limits	ASX listed: Benchmark +6%, no underweight constraint
Sector limits	Non-ASX listed: no more than 7.5%
Regional limits	None
Portfolio turnover	Up to 30% in non-ASX securities from Asia ex Japan (including New Zealand)
Tracking error	Typically 30% p.a.
How to access	Martin Currie Property Securities Fund (An Australian Unit Trust) <ul style="list-style-type: none">• APIR: SSB0128AU Segregated mandate

Investment vehicles only available in certain jurisdictions. The characteristics shown are guidelines only and are not hard risks limits.

About Martin Currie Australia

 <p>Specialist investment manager of Franklin Resources Inc.</p>	 <p>40+ years in Australian equities</p>	 <p>World class ESG credentials*</p>
 <p>Tailored investment options aligned to client needs</p>	 <p>17 member team of specialist investment analysts</p>	 <p>A\$6 billion in Australian equities</p>

Source Martin Currie Australia; as of 31 December 2024.

*For further information on our ESG credentials please refer to full details on our website: www.martincurrie.com/our-story/our-stewardship-approach

Important information

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Past performance is not a guide to future returns.

The distribution of specific products is restricted in certain jurisdictions, investors should be aware of these restrictions before requesting further specific information.

The views expressed are opinions of the portfolio managers as of the date of this document and are subject to change based on market and other conditions and may differ from other portfolio managers or of the firm as a whole. These opinions are not intended to be a forecast of future events, research, a guarantee of future results or investment advice.

The information provided should not be considered a recommendation to purchase or sell any particular strategy / fund / security. It should not be assumed that any of the securities discussed here were or will prove to be profitable.

It is not known whether the stocks mentioned will feature in any future portfolios managed by MCA. Any stock examples will represent a small part of a portfolio and are used purely to demonstrate our investment style.

The analysis of Environmental, Social and Governance (ESG) factors forms an important part of the investment process and helps inform investment decisions. The strategy/ies do not necessarily target particular sustainability outcomes.

Risk warnings - Investors should also be aware of the following risk factors which may be applicable to the strategy shown in this document.

- Investing in foreign markets introduces a risk where adverse movements in currency exchange rates could result in a decrease in the value of your investment.
- Emerging markets or less developed countries may face more political, economic or structural challenges than developed countries. Accordingly, investment in emerging markets is generally characterised by higher levels of risk than investment in fully developed markets.
- This strategy may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the strategy's value than if it held a larger number of investments.
- Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.
- The strategy may invest in derivatives (index futures) to obtain, increase or reduce exposure to underlying assets. The use of derivatives may restrict potential gains and may result in greater fluctuations of returns for the portfolio. Certain types of derivatives may become difficult to purchase or sell in such market conditions.

Franklin Templeton Australia Limited as Responsible Entity has appointed Martin Currie Australia as the fund manager for the Martin Currie Property Securities Fund (ARSN 618 906 068, APIR SSB0128AU)

Please read the relevant Product Disclosure Statements (PDSs) and any associated reference documents before making an investment decision. In accordance with the Design and Distribution Obligations and Product Interventions Powers requirements we maintain Target Market Determinations (TMD) for each of our Funds. All documents can be found via

www.franklintempleton.com.au or by calling 1800 673 776.