IDEAS | PEOPLE | TRUST

Finding strength in trying times

A-REIT Survey 2023

BDO

Welcome to BDO in Australia's 29th Annual Survey of Australian Real Estate Investment Trusts

Finding strength in trying times

Findings from BDO in Australia's 29th annual survey of Australian Real Estate Investment Trusts

During the 2023 financial year (FY23), the Australian economy grappled with subdued market conditions, exacerbated by the most significant surge in the Reserve Bank of Australia's (RBA) cash rate target in over three decades. This had a widespread impact, with various industries and businesses facing considerable challenges. The Australian Real Estate Investment Trusts (A-REITs) were no exception, experiencing notable fluctuations in their returns throughout FY23.

This survey tracks the listed Australian property industry over FY23 by ranking the S&P/ASX 200 A-REIT Index trusts (A-REIT Index) using key financial and investment indicators.

Our analysis reveals that in FY23, the A-REIT Index lagged behind the S&P/ASX 200 Index by 6.6 per cent, yielding a total return of 3.1 per cent. Notably, the office and retail sectors performed poorly, delivering negative returns for FY23, while industrial and diversified A-REITs delivered positive returns.

The A-REIT Index experienced a robust start to FY23, surging by approximately 10 per cent in July 2022, only to plummet approximately 18 per cent by September 2022. This downturn was primarily driven by significant increases in borrowing costs, which heavily impacted the largely debt-dependent sector.

The latter half of FY23 witnessed a strong initial performance from A-REITs at the outset of the calendar year, before tapering off as FY23 drew to a close.

Despite the challenges, our findings have uncovered pockets of strength over the past year, with three pivotal themes that we anticipate will continue to exert influence on the performance of A-REITs throughout the current financial year.

1.

Alternative real estate assets are becoming the cornerstone for profits

REITs are typically divided into industrial, office, retail, and diversified sub-sectors. However, the alternative real estate sub-sector, consisting of non-traditional forms of real estate (such as data centres, student accommodation, petrol stations, holiday parks, childcare centres, and built-to-rent (BTR)), has risen in popularity. The alternative sub-sector has also excelled compared to more traditional commercial, retail, and industrial assets in the past three years.

The positive performance of alternative real estate assets is expected to continue as they are often linked with consistent income that is not always impacted by the traditional market risks such as cyclicality, vacancy risks, and inflationary pressures. Many alternative real estate assets are underpinned by being the leading performers in their sub-segment and thus heightened demand in a market with an insufficient supply.

For example, Australian data centres are estimated to grow more than 20 times in storage capacity over the coming years in anticipation of increased demand driven by artificial intelligence. Similarly, student accommodation is expected to become a hotspot for investment, with Australia seeing 524,500 student visa arrivals as at July 2023. Moreover, some universities and colleges were receiving up to seven applications per bed.

Beyond their increasing popularity, some alternative real estate assets come with embedded social value. For example, these assets might support areas of the community such as retirement homes for Australia's aging population, transforming shopping malls to incorporate hotels, sports fields, and offices, and repurposing office space for affordable accommodation.

As Australia undergoes both demographic and systematic shifts, the appetite for alternative assets is growing and presenting substantial opportunities for REITs to benefit from consistent income, relatively stable tenants, and the competitive advantage of social impact investments, whilst shoring up their portfolios with more defensively positioned assets.

2.

Stronger REITs are capitalising on higher borrowing costs to acquire undervalued assets

The consistent increases in Australia's cash rate across 2023 have placed high levels of stress on all funds. The higher financing costs have been minorly offset by increasing rental income; however, these costs are still forcing a shift away from strategies that rely solely on rental cash inflow. Several funds are endeavouring to decrease their gearing to alleviate interest rate exposure and appease their investors.

This has motivated several funds to sell assets within their portfolio that are highly leveraged. The urgency of the sale compounded with unfavourable valuations in the market has led to these assets being sold at a large discount. This has presented an opportunity for stronger players, both internationally and locally, to acquire assets at huge discounts. In the Sydney market, office spaces have sold at discounts up to 17 per cent from independent valuations in December 2022 (Source: MSCI Real Capital Analytics).

The drop in valuations is expected to continue into 2024 with the RBA considering further cash rate increases, with some economists forewarning about a possible peak in the interest rate of five per cent (4.1 per cent as at October 2023), before any decreases are expected later in FY24.

Moving forward, A-REITs must ensure they retain the ability to periodically adjust their rent, to ensure stability throughout these uncertain times.

3.

A-REITs are walking the line between conflicting investor mandates

A-REITs that have prioritised embedding sustainability measures into their assets have a competitive advantage in both their attractiveness to institutional investors and their customer attrition and tenant satisfaction. Investors and consumers alike are willing to pay above market rates to ensure they are working with companies that consciously consider their environmental, social, and governance (ESG) impact.

However, it is worth noting that there is a fine balance between meeting consumer and investor mandates whilst delivering positive returns and fund performance. For example, in the case of data centres, stricter data privacy regulations and rising demand for both storage space and data sovereignty are increasing the need for onshore and local data centres. Data centres are known to have an adverse effect on the environment and require a considerable amount of land.

The demand for data centres will continue to grow as computing power increases but this will also present challenges for exposed A-REITs as Australian sustainability reporting ramps up, and the supply of land in metropolitan areas declines, causing either the displacement of communities and/or businesses, or higher costs to set up the appropriate infrastructure for regional builds.

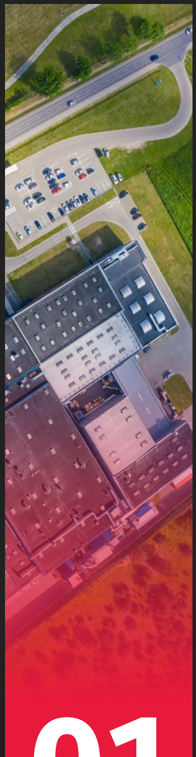
Broadly, A-REITs will need to navigate competing priorities and are expected to weigh up sustainability targets against other investment criteria such as liquidity, diversification, and industry exposure. In the current climate, A-REITs are under pressure to deliver short- to medium-term gains but sustainable investments may take time to mature and could have a longer horizon for returns.

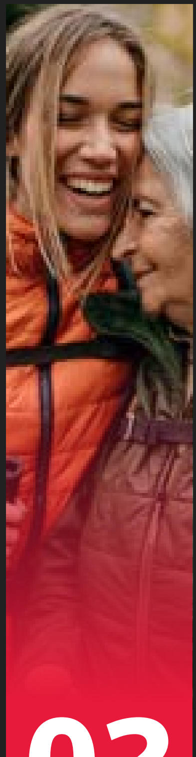
A-REITs need to consider the long-term potential of these investments and communicate transparently with their investors about their expectations and the potential sacrifice of short-term fund performance for long-term environmental benefit and financial gains.

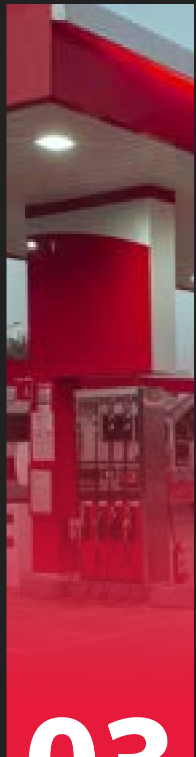
Sebastian Stevens
Partner,
Corporate Finance

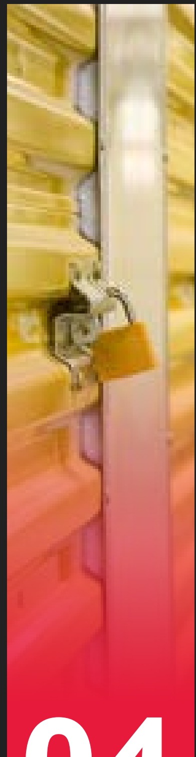
Contents

2023 A-REIT rankings


01 Goodman Group

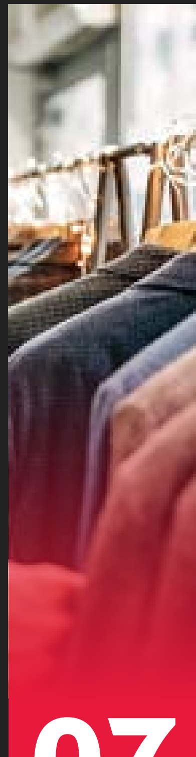

02 Aspen Group


03 Waypoint REIT

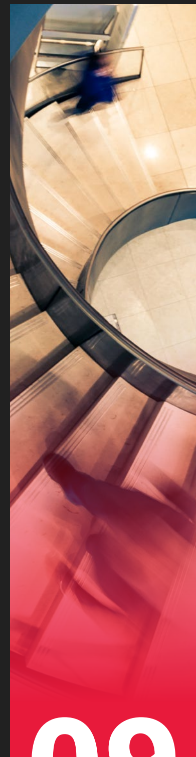

04 National Storage REIT

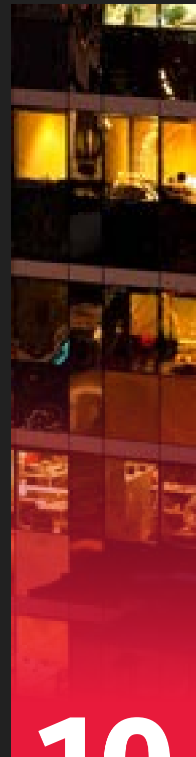

05 Charter Hall Group


06 Scentre Group


07 Stockland


08 Vicinity Centres


09 The GPT Group


10 Charter Hall Long Wale REIT

2023 A-REIT rankings

11	Centuria Industrial REIT
12	Home Consortium Limited
13	Charter Hall Retail REIT
14	Hotel Property Investments
15	Ingenia Communities Group
16	Dexus
17	Arena REIT
18	US Masters Residential Property Fund
19	Abacus Group
20	Mirvac Group
21	Elanor Commercial Property Fund
22	Dexus Industria REIT
23	Homeco Daily Needs REIT
24	Dexus Convenience Retail REIT
25	Garda Property Group
26	Centuria Office REIT
27	Charter Hall Social Infrastructure REIT
28	Region Group
29	Healthco Healthcare and Wellness REIT
30	BWP Trust
31	Wotso Property
32	Carindale Property Trust
33	GDI Property Group
34	Unibail-Rodamco-Westfield
35	Ram Essential Services Property Fund
36	Growthpoint Properties Australia
37	360 Capital REIT
38	Newmark Property REIT
39	Aims Property Securities Fund
40	Rural Funds Group
41	Australian Unity Office Fund
42	Cromwell Property Group
43	360 Capital Group
44	US Student Housing REIT

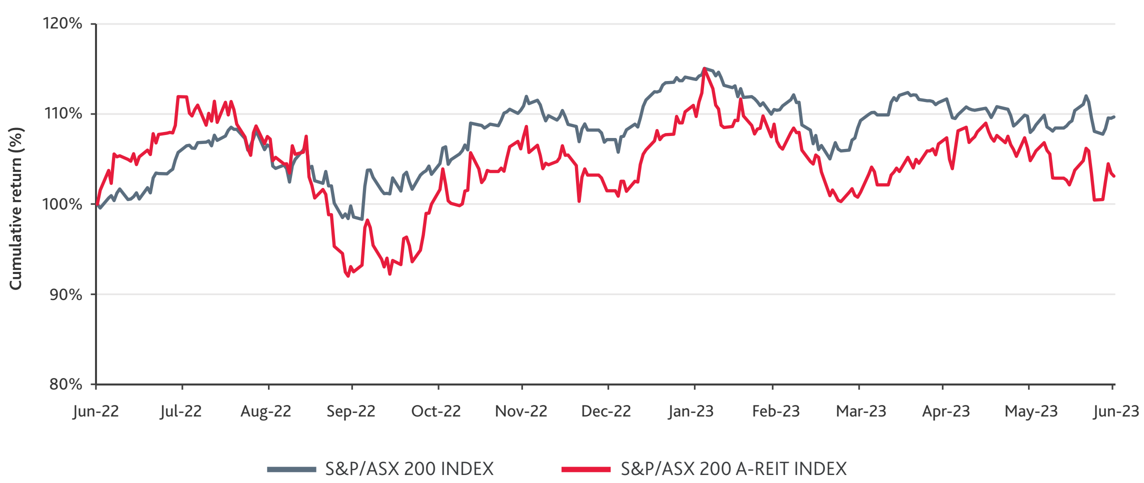
Key findings in 2023

A-REIT sector price return

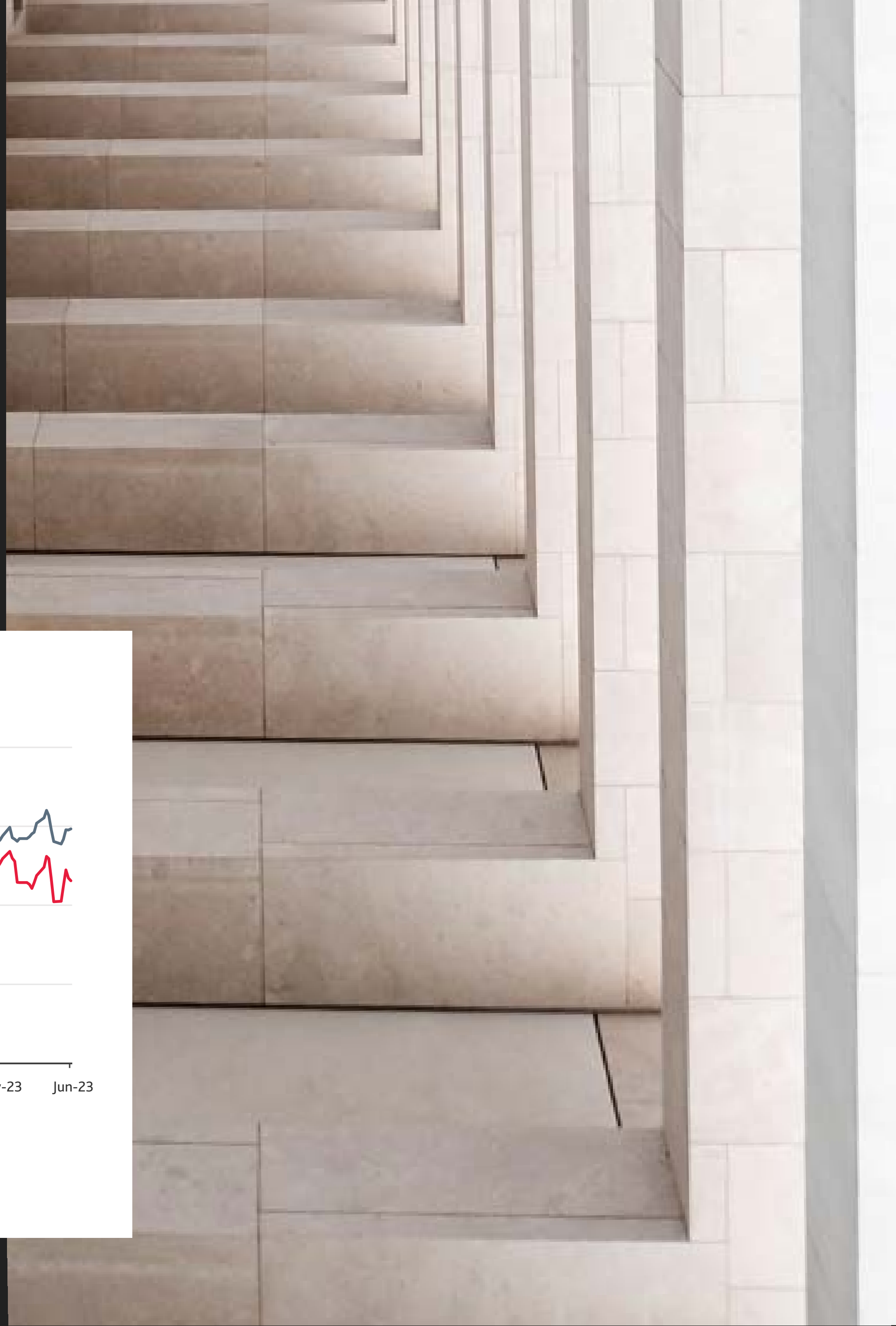
The S&P/ASX A-REIT 200 Index returned 3.1 per cent in FY23, underperforming the broader market index (ASX 200 Index) by 6.6 per cent by year end.

During FY23, the A-REIT sector experienced similar volatility to the broader market, initially outperforming the S&P/ASX 200 (ASX 200 Index) until August 2022, but ultimately underperforming the ASX 200 Index by 6.6 per cent by year end.

Figure 1: S&P/ASX A-REIT 200 Accumulation Index VS S&P/ASX 200 Index



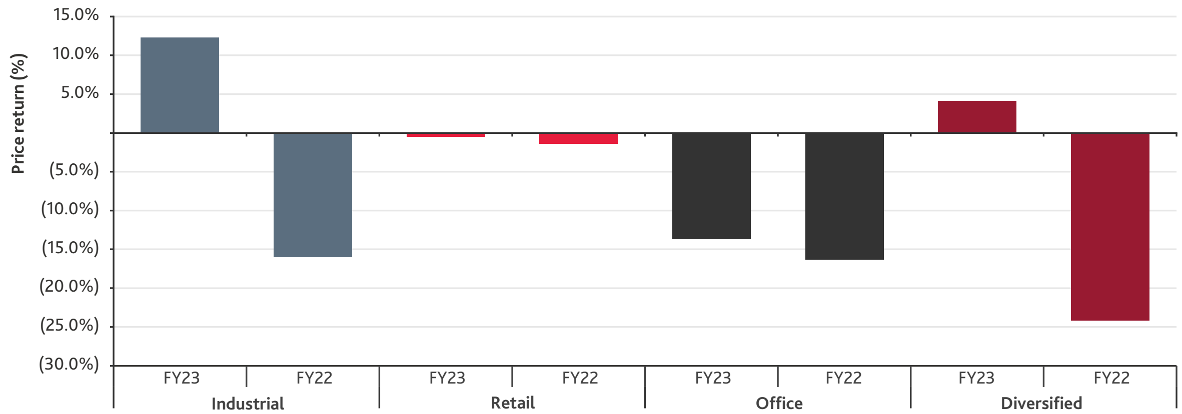
Source: CapitalIQ and BDO analysis



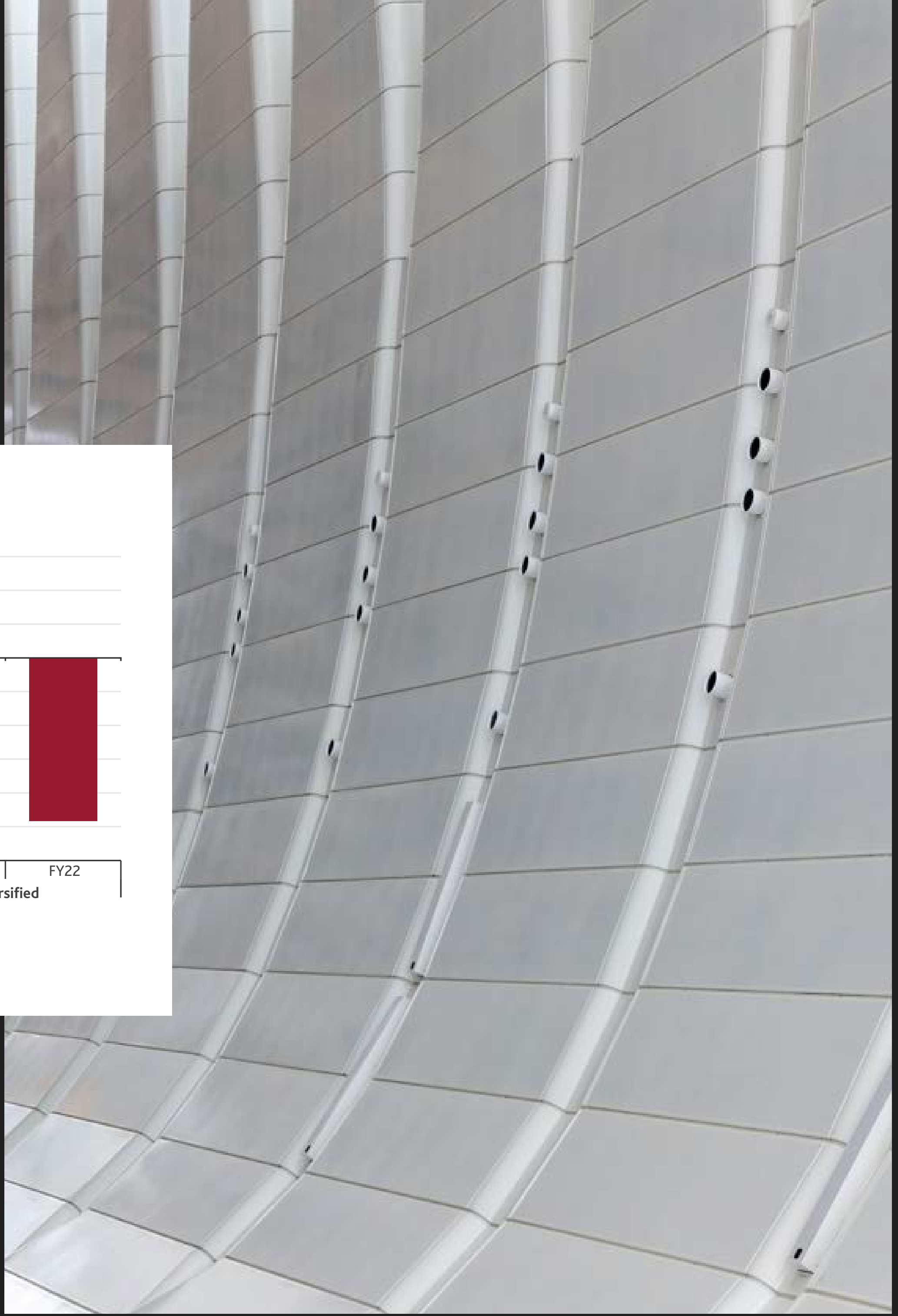
Individual category performance

All categories outperformed their FY22 result in FY23, with the office category performing the worst with –13.9 per cent (FY22: -16.6 per cent), followed by retail with -0.8 per cent (FY22: -1.6 per cent), diversified with 4.2 per cent (FY22: -24.3 per cent), and industrial with 12.4 per cent (FY22: -16.2 per cent).

Figure 2: 2023 A-REIT sector price returns



Source: CapitalIQ and BDO analysis



Industrial

Top 3 performing A-REITs in industrial:

Goodman Group

National Storage REIT

Centuria Industrial REIT

The industrial sub-sector had the strongest performance during FY23, with a 12.4 per cent return. However, there was a large amount of volatility over the course of the year, with the sub-sector gaining 10 per cent by August before finishing the calendar year in a similar position to July. Growth was somewhat tempered for the remainder of FY23, but ultimately the industrial sub-sector finished in a strong position.

Interest rates increasing 275bps between July 2022 and June 2023 did little to deter consumer demand for industrial assets, as signified by their record low vacancy rates. There is consistently strong institutional demand for industrial properties due to underlying market dynamics driving interest in the range of industrial leasing deals being struck (Source: CBRE Research). Further, the growth of the online economy has led to tenants requiring premium spaces, which in turn, is driving development demand and sustained rental growth.

Retail

Top 3 performing A-REITs in retail:

Waypoint REIT

Scentre Group

Vicinity Centres

Retail A-REITs experienced a subdued year, with the index decreasing in value by -0.8 per cent over FY23. The increase in borrowing costs drove material write-downs on retail portfolios – higher funding costs offset strong rental growth and high occupancy rates. Moreover, this increased cost of capital led to significantly fewer acquisition opportunities as return expectations were elevated. The decrease in portfolio valuations within the retail sub-sector was lower than those experienced in other sub-sectors due to earnings resilience and shopping centres solidifying their place as a bastion of social infrastructure.

Changes in economic circumstances have led to decreased consumer confidence over the course of FY23, with Westpac's Consumer Confidence Index commencing the year with a score of 83.8 and ending the year at 79.2, floating just above the all-time lows experienced during the COVID-19 pandemic.

Office

Top 3 performing A-REITs in office:

Dexus

Centuria Office REIT

Wotso Property

The office sub-sector followed on from a difficult FY22 with another negative year, returning -13.9 per cent during FY23. The sub-sector experienced a large drop in index value between July 2022 and October 2022 and then hovered around this mark for the remainder of FY23. A-REITs with a heavy weighting of office assets took a significant hit to their property valuations over the course of FY23 as the sub-sector felt the effects of increased borrowing costs and transactions ground to a halt.

While inflation slowed down to close FY23, the RBA has stated its intention to quash inflation by any means necessary, implying interest rates will remain elevated for longer. Higher rates combined with lower occupancy rates have caused many investors to withdraw from the asset class which has contributed to the falling valuations recorded over the financial period.

Premium/discount to Net Tangible Assets (NTA)

The median discount to NTA for A-REITs in FY23 was 27 per cent, implying current unit price valuations are not reflective of the underlying assets held by the A-REITs. There were five A-REITs that traded at a premium to NTA and the largest premia was Goodman Group at 129 per cent.

Gearing levels

A-REITs continue to maintain lower gearing levels, with an average 26.9 per cent gearing in FY23. This is aligned with the sector's long-term gearing levels of c.30 per cent.

The weighted average cost of debt for the A-REIT sector grew as the fiscal year came to a close and averaged 4.0 per cent.

Capital raising

FY23 saw a depleted market activity due to several factors including increasing economic uncertainty and increasing borrowing costs. Total transaction value decreased from $7.8 billion in FY22 to $3.8 billion in FY23. However, average transaction value marginally decreased from c.$270 million in FY22 to c.$252 million in FY23, this was primarily driven by the largest transaction of the year — $2.0 billion capital raise by Unibail-Rodamco-Westfield.

Generally, market activity was focused on capital raising with Dexus, HealthCo Healthcare and Wellness REIT, and National Storage REIT all closing capital raisings of over $300 million.

2023
Top 10 A-REITs

01 Goodman Group

Goodman Group (ASX:GMG) represents one of Australia's largest purely industrial players and are active in 14 countries across the Asia Pacific, European, and American regions with more than 430 properties and $81 billion in assets under management.

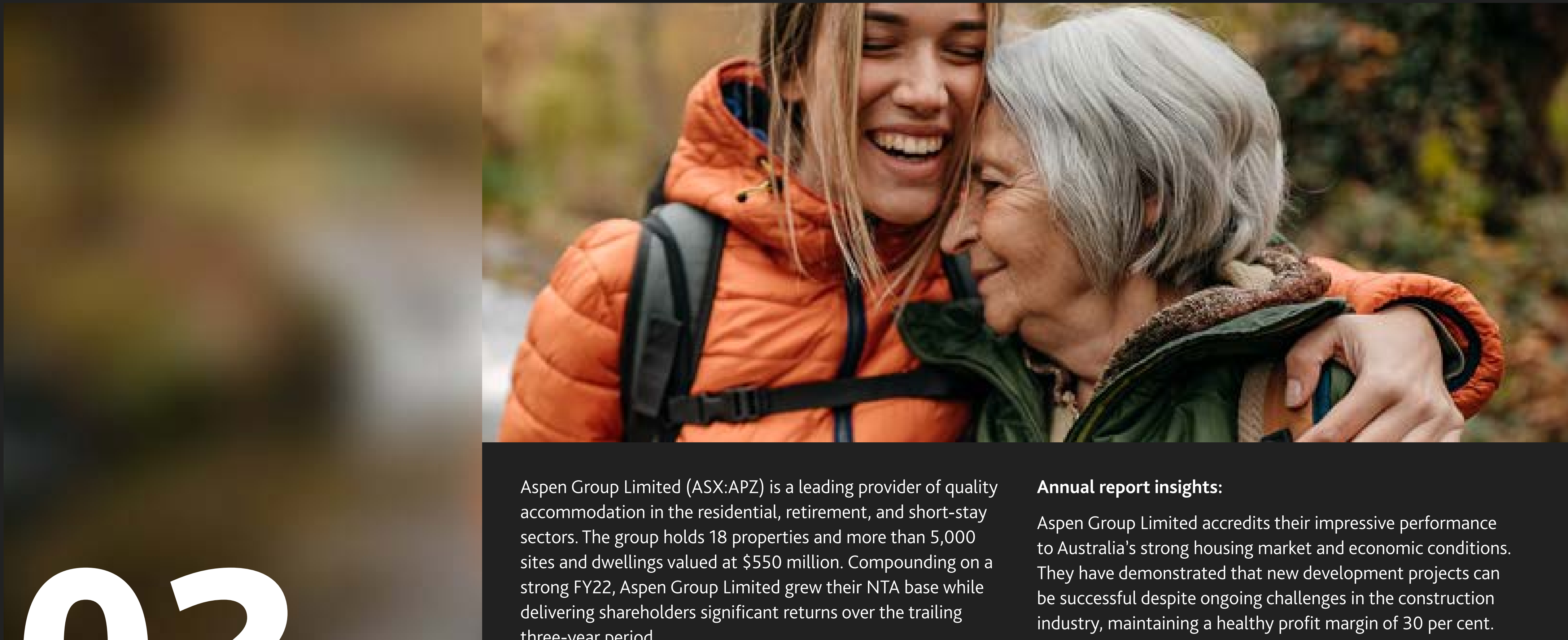
Goodman Group has seen a significant increase in valuations across their portfolio which is underpinned by high demand from quality tenants for assets that help to take advantage of supply chain and logistics pressures.

Annual report insights:

Goodman Group pegs a large amount of their success to providing essential infrastructure for the digital economy. Their focus is on maintaining premium industrial assets in the face of exponential growth in e-commerce, supply chain optimisation, and data storage. Moreover, Goodman Group's along-term strategy is built on supporting customers to operate in the most productive, efficient, and sustainable way possible.

Highlights:

- **7 per cent** operating cash yield
- **41 per cent** three-year return
- **9 per cent** increase in NTA
- **29 per cent** liquidity
- **14 per cent** one-year return



02

Aspen Group Limited

Aspen Group Limited (ASX:APZ) is a leading provider of quality accommodation in the residential, retirement, and short-stay sectors. The group holds 18 properties and more than 5,000 sites and dwellings valued at $550 million. Compounding on a strong FY22, Aspen Group Limited grew their NTA base while delivering shareholders significant returns over the trailing three-year period.

Annual report insights:

Aspen Group Limited accredits their impressive performance to Australia's strong housing market and economic conditions. They have demonstrated that new development projects can be successful despite ongoing challenges in the construction industry, maintaining a healthy profit margin of 30 per cent. Earnings per security were 12 cents per unit, which is an increase of 39 per cent on FY22.

Highlights:

- **12 per cent** increase in NTA
- **24 per cent** one-year return
- **97 per cent** three-year return

03

Waypoint REIT

Waypoint REIT (ASX:WPR) is Australia's largest listed fuel and convenience retail REIT. Owning properties across all Australian states and mainland territories, Waypoint REIT's objective is to maximise the long-term returns from their portfolio for the benefit of all security holders. With 99.9 per cent occupancy and an 8.6-year Weighted Average Lease Expiry (WALE), Waypoint REIT has predictable income and growth providing stable returns to security holders.

Annual report insights:

Waypoint REIT has more than 700 sites representing 26 per cent of the Australian market share in the petrol, diesel, and jet fuel sales sub-sector. The Board has a focus on maintaining high ESG standards and announced that Waypoint REIT maintained their carbon-neutral targets during FY23. These targets were to offset their scope 1, scope 2, and direct scope 3 emissions under operational control. Looking forward, Waypoint REIT remains focused on the ongoing improvement of their fuel and convenience portfolio and aims to continue assessing opportunities to grow their asset base, whilst remaining open to divesting non-core assets.

Highlights:

- **19 per cent** one-year return
- **11 per cent** three-year return
- **37 per cent** liquidity

04

National Storage REIT

Founded in 1995, National Storage REIT (ASX:NSR) is the largest self-storage owner and operator across Australia and New Zealand. The group owns, operates, and manages more than 230 storage centres valued at a combined $4.29 billion.

Annual report insights:

National Storage REIT's pillars are organic growth, acquisitions, developments & expansions, technology & automation, and sustainability. By focusing on their core business operations while keeping an eye out for market-leading opportunities, National Storage REIT was able to increase total revenue by 18 per cent to $330 million. This allowed their Board to approve delivering tangible returns to securityholders by increasing distributions per security by 10 per cent. National Storage REIT aims to continue delivering value to their securityholders through ongoing development and the implementation of innovative technology, whilst ensuring the business operates sustainably and resiliently.

Highlights:

- **6 per cent** increase in NTA
- **15 per cent** one-year return
- **43 per cent** three-year return

05

Charter Hall Group

Founded in 1991, Charter Hall Group (ASX:CHC) is an integrated property group that manages listed and unlisted property funds on behalf of wholesale, institutional and retail investors. Their portfolio is worth more than $71.9 billion. Charter Hall Group invests in all core classes of property, including retail, industrial, social infrastructure, and commercial.

Annual report insights:

Charter Hall Group focus on resilience in their strategy and operate the largest sector-diversified commercial property portfolio in Australia. Their Board remains committed to capitalising on opportunities while managing risks. This focus has allowed Charter Hall Group to grow through strategic acquisitions and deliver long-term industry outperformance of 15.1 per cent post-tax growth in earnings per annum over the past 10 years. The annual growth in earnings has allowed for increases in distributions, averaging growth of 7.7 per cent over the past 10 years.

Highlights:

- **10 per cent** operating cash yield
- **71 per cent** premium to NTA
- **25 per cent** three-year return

06

Scentre Group

Scentre Group (ASX:SCG) is a shopping centre company with retail destinations operating under the Westfield brand in Australia and New Zealand. There are 42 total destinations, with 37 in Australia, and five in New Zealand. The group's retail assets under management are valued at $50.8 billion with the group's ownership interests valued at $34.7 billion.

Annual report insights:

Scentre Group has set a focus on attracting more people, more frequently, and for longer durations to their destinations. This strategy is how the group creates value for security holders. The group hosted more than 15,400 events in 2022 across their 42 Westfield destinations, which grew their customer visits from 417 million in 2021 to 480 million in 2022. Due to this, sales increased to $26.7 billion for the year-end December 2022, up 21 per cent from the prior year. Demand from businesses to access Scentre Group's customers was high, as Scentre completed a record 3,409 lease deals during calendar year 2022, an increase of 912 on the year prior.

Highlights:

- **39 per cent** three-year return
- **8 per cent** one-year return
- **95 per cent** tax advantaged distribution

07 Stockland

Stockland Corporation Limited (ASX:SGP) is a diversified Australian property development company. The company has shopping centres, residential estates, industrial estates, and manufactured housing communities within their real estate portfolio. The fund hosts a WALE of 3.3 years.

Annual report insights:

FY23 saw Stockland continue their sustainable growth strategy, as they divested in many non-core properties and developed a $40 billion development pipeline. Stockland entered an income tax paying position during the year due to the sale of their retirement living business in July 2022. On a post-tax basis, funds from operations (FFO) for the year was $847 million, which translates to 35.6 cents per security. Moving forward, the group intends to focus on progressing their strategic priorities, maintaining capital discipline, and extending their ESG ambitions.

Highlights:

- **19 per cent** one-year return
- **45 per cent** three-year return
- **35 per cent** liquidity

08 Vicinity Centres

Vicinity Centres (ASX:VCX), previously known as Federation Centres and Centro Properties Group, specialises in the ownership and management of Australian shopping centres. The investment trust was established in 1985 and has stakes in 60 shopping centres and five mixed-use precincts across Australia, with 20+ properties enabled by solar energy. The group has $23.6 billion in retail assets under management.

Annual report insights:

Vicinity delivered a net profit after tax of $271.5 million, which was offset by a net property valuation decline and other statutory and non-cash items. FFO increased 14.5 per cent in FY23, underpinned by 12.1 per cent growth in Net Property Income (NPI). Vicinity's portfolio strategy remains focused on increasing exposure to premium malls and premium outlet centres, whilst also unlocking their mixed-use opportunities. The group has also looked to divest whole or partial interests in assets where positive pricing can be realised. Vicinity Centres continues to target an environmentally friendly portfolio, with their net-zero target set for 2030.

Highlights:

- **6 per cent** operating cash yield
- **33 per cent** liquidity
- **7 per cent** one-year return

09

The GPT Group

The GPT Group (ASX:GPT) is an owner, manager, and developer of retail, office, and logistics assets, with a portfolio of 10 shopping centres, 27 office buildings, and 69 logistics assets across Australia. Established in 1971, the group has grown to a portfolio of more than $30 billion in assets. As at 31 December 2022, the portfolio's occupancy rate was 97.5 per cent, which is expected to continue into the future.

Annual report insights:

Based on the year ending December 2022, all three business sections for The GPT Group reported an increase in FFO on the prior period, which was partially offset by higher financing costs. The fund has bounced back well from the pandemic, with all assets recovering beyond pre-pandemic levels, the only exception being their CBD-located assets in Melbourne Central, as visitation remains low. Moving forward, GPT is well positioned to combat the rise in interest rates, as 78 per cent of the Group's drawn-down debt is hedged. The group's pipeline includes further investments into the logistics section and to create next-generation office assets over the medium to long term in Melbourne, Sydney, North Sydney, Parramatta, and Brisbane.

Highlights:

- **35 per cent** liquidity
- **100 per cent** tax advantaged distribution
- **4 per cent** one-year return

10

Charter Hall Long Wale REIT

Charter Hall Long Wale REIT (ASX:CLW) invests in high-quality real estate assets that are predominately leased to corporate and government tenants on long-term leases. The group owns over 600 properties spanned across office, industrial, retail, and social infrastructure spaces. The group operates multiple different funds, with a total asset under management of more than $6 billion.

Annual report insights:

Despite strong rental growth across Charter Hall Long Wale's portfolio in FY23, the cumulative effect of the interest rate rises ultimately had a negative impact on their operating earnings, down 8.2 per cent from FY22 to 28 cents per security. The strong rental growth in the Group was driven by the quality of properties and tenant customers, alongside their 11.2-year WALE. 51 per cent of leases featured annual rent reviews linked to Consumer Price Index (CPI), reducing their exposure to inflationary pressures. The fund intends to continue its current strategy of pursuing long-term WALE opportunities and aiming for long-term earnings and distribution growth. They are currently well positioned for the future, with a diversified and resilient portfolio, high-quality tenants, and security of long leases.

Highlights:

- **33 per cent** liquidity
- **100 per cent** tax advantaged distribution
- **7 per cent** distribution return

Macro overview

FY23 began with concerns of all-time high inflation and continued geopolitical tension. While pressures from supply chain disruptions and high commodity prices eased at the beginning of the year, core inflation's reaction to tightened monetary policy was lagging.

Core inflation was 6.7 per cent at the end of the September 2022 quarter and peaked at 7.6 per cent by mid-FY22. China's COVID-zero policies caused further supply chain disruptions, however, the reversal of these policies led to a quick economic recovery for Australia's largest trading partner.

The labour market remained tight for the entire fiscal year as the unemployment rate remained at its lowest rate in almost 50 years at c.3.5 per cent. This has also contributed to a slower than anticipated decline in inflation. A nationwide shortfall in housing supply relative to the strong demand from an increasing population is expected to drive continued upward pressure on rents, bolstering stubborn inflation.

These factors have contributed to the cash rate target rising from 1.35 per cent at July 2022 to 4.10 per cent at June 2023. Increases in the cash rate target have increased borrowing costs for A-REITs and further diminished the supply of new developments as margins for these projects decreased. The increase in borrowing costs should make property investments more appealing for investors sitting on dry powder, particularly as property owners who cannot bear the brunt of increased debt repayments begin to feel distressed and look to sell their assets at discount.

The economic outlook for Australia remains uncertain but A-REITs continue to look forward to a stabilisation of interest rates which will improve their certainty when making investment decisions, assisting with delivering consistent returns to their investors.

Method of ranking

1. Explanation of criteria and ranking

A brief explanation of each criterion used to rank REITs in the 2023 Survey is provided below.

1.1 Financial criteria

- **Operating cash yield on average net assets**

Calculated by dividing operating cash flow (including interest expense); by the average of opening and closing net assets for the period.

The financial year end of the entity has been used in all cases, except for 31 December entities where 30 June 2023 figures have been sourced from half year reports.

Where accounts have been prepared for a period of less than one year, the operating cash measure has been annualised.

- **Distribution return on investment**

Calculated by dividing the distribution per Security paid for the entity's financial year by the average ASX price of the Security through the year. The average ASX price is calculated on a daily closing price basis, with prices sourced from S&P Capital IQ.

Where accounts have been prepared for a period of less than one year, the distribution has been annualised.

- **Tax deferred distribution component**

The percentage of the total annual distribution from each entity which is tax deferred.

Where this information was not disclosed in the annual report, BDO attempted to obtain the detail required from other sources.

- **Movement in NTA per security**

Calculated by assessing the percentage increase (or decrease) in NTA per Security over the entities' financial year by using the opening and closing figures for NTA per Security.

Where an entity was listed during the year, BDO has assessed the opening NTA as being equal to the issue price.

In all cases the financial year end of the entity has been used, except for 31 December year ends where we have used NTA from the 30 June 2022 and 2023 half year reports.

- **Premium/discount to NTA**

Calculated by subtracting the average of NTA per Security (being opening NTA plus closing NTA divided by two) from the average ASX price per Security and dividing this by the average NTA per Security.

We have ranked entities trading at a premium to NTA as having the highest ranking in this metric.

1.2 Investment criteria

- **Total return**

This measure, over both the one year and three years to 30 June 2023, records both the income return (i.e. distributions) and capital appreciation (i.e. movement in ASX price).

Information sourced from the ASX has been used to compile this criterion.

- **Volume of trading on ASX (liquidity)**

This liquidity measure is expressed as a percentage and is calculated by dividing the total volume of Securities traded in each entity for the year ended 30 June 2023 by the weighted average total number of Securities on issue.

This provides an indication of relative liquidity, irrespective of entity size.

1.3 Method of ranking

A total score of 100 (maximum) has been used, comprising 65 points for financial criteria and 35 points for Investment criteria. In determining the final rankings, the scores on each component were aggregated (not the rankings) such that the relative performances within each criterion are maintained in determining the overall rankings.

Financial criteria

The tests used in the financial criteria and assigned weightings are as follows.

Financial criteria	Score
	2023
Operating cash yield (on net assets)	15
Movement in NTA	15
Premium/discount to NTA	15
Distribution yield	10
Tax deferred distribution percentage	10
Perfect score	**65**

In each of the above tests the scores were scaled so that the top performer in each test received the maximum available score for that criterion. Rankings were then assigned based on the scaled scores.

Investment criteria

The tests used in the investment criteria and assigned weightings are as follows.

Investment criteria	Score
	2023
Total return (one year)	20
Total return (three year)	10
Volume of trading on ASX	5
Perfect score	**35**

The above tests have been ranked using a variable points system for each test, based on the number and importance of aspects considered. In each of the tests, the scores were scaled so that the top performer in each test received the maximum available score for that criterion. Rankings were then assigned based on the scaled scores.

Median results

For an entity which could not be scored equitably in a particular metric, due to its recent listing, the unique nature of an entity's activities, or lack of available information for the relevant criteria, that entity was allocated a median result for the purpose of ranking. This ranking was then weighted and scored as usual. For all such instances 'N/A' appears in the result column for the individual criteria tables.

About BDO

BDO in Australia

BDO was established as an association of firms in Australia in 1975. Today, we are one of Australia's largest accounting, audit and advisory organisations, with offices in New South Wales, Northern Territory, Queensland, South Australia, Tasmania, Victoria, and Western Australia.

We support clients of all types and sizes, from large corporate organisations to private businesses, start-ups, entrepreneurs, and individuals across an array of industries and sectors.

We're working towards a strong future as a global organisation built on local relationships and exceptional client service.

Our global presence

BDO's global network extends across 164 countries and territories, with over 111,300 people working out of 1,803 offices.
We're all working towards one goal: to provide you with exceptional client service. That means local resources who understand your business and industry, backed by a truly global network.

No matter where you do business, we have people who know your business.

1300 138 991
www.bdo.com.au

NEW SOUTH WALES
NORTHERN TERRITORY
QUEENSLAND
SOUTH AUSTRALIA
TASMANIA
VICTORIA
WESTERN AUSTRALIA

AUDIT • TAX • ADVISORY

23-10-1126