Australian Unity A-REIT Fund

Fund Update
30 September 2025

The Fund invests in a portfolio of select Australian Real Estate Investment Trusts (A-REITs), aiming to deliver a total gross 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 30 September 2025

	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	1.19	7.98	6.89	7.57	8.91	10.78	10.88
Growth return	6.48	1.47	7.51	2.66	(3.54)	(3.94)	(0.79)
Total return (Net)	7.67	9.45	14.41	10.23	5.36	6.84	10.09
S&P/ASX 300 A-REIT Accumulation Index	4.77	4.27	19.42	11.92	8.32	8.91	11.48

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

During the September quarter, the Australian economy recorded modest growth amid a backdrop of mixed economic indicators. Following a 25-basis point interest rate cut in August 2025, the Reserve Bank of Australia (RBA) maintained the cash rate at 3.60% during its September meeting, as it continues to assess inflationary pressures. Despite this, labour market conditions have begun to soften, with the national unemployment rate rising to 4.5% in September, marking its highest level in four years.

Throughout 2025, the Australian real estate market has shown signs of recovery, supported by three interest rate cuts in February, May, and August. Sentiment has improved, particularly within the office property sector, which now appears to be at or near its cyclical low point. In general, office property yields appear to be stabilising, and office values are showing signs of having bottomed. Encouragingly, prime office rents are experiencing growth, and all four major CBD office markets have recorded positive net absorption over the past 12 months, indicating that demand for office space is outpacing vacancy levels.

The retail property sector continues to benefit from stable income returns and favourable supply-side dynamics. Elevated construction costs and restrictive planning controls have constrained new shopping centre development, creating a structurally supportive environment for retail landlords. In this context, rental levels have responded positively. Robust consumer spending and resilient retail sales have further underpinned a positive outlook for rental growth, contributing to improved investor sentiment toward the retail property sector.

In contrast to other major property sectors, industrial real estate continues to experience significant new supply, driven by strong tenant demand in recent years. The industrial supply pipeline for 2025 is expected to exceed the 10-year average. While rental growth has begun to moderate from previously elevated levels, and leasing incentives have begun to rise. Nevertheless, the national industrial vacancy rate remains exceptionally low at 2.8% (CBRE), one of the lowest globally, helping to maintain balance in the industrial property sector.

Overall, the investment outlook for commercial property has improved significantly through 2025. Buoyed by recent interest rate cuts, investor sentiment towards commercial property allocations appears to have notably improved. Early signs of positive valuation growth across some sectors is beginning to emerge. Strong population growth continues driving demand across various real estate sectors, coupled with a limited supply response, a favourable environment looks to be developing for commercial property investors.

For the quarter ending 30 September 2025, the Australian listed property sector, as measured by the S&P/ASX 300 A-REIT Accumulation Index (A-REIT Index), returned positive 4.8% marginally underperforming the broader equities market as measured by the S&P/ASX 300 Accumulation Index which returned positive 5.0%. Performance was driven by strong August reporting season for the listed property sector as encouraging commentary around asset value stabilisation, improving earnings outlooks and supportive macroeconomic indicators resonating with investors, albeit volatility and sensitivity to such indicators remain.

Over the quarter, positive performance within the listed property sector was widespread with only three securities within the A-REIT Index reflecting negative returns for the period. Strong returns were notable for office focused Cromwell Property Group (CMW) and fund manager Centuria Capital (CNI), which returned 36.0% and 31.2% respectively for the September quarter while retail property sector focused securities also performed well with Scentre Group (SCG) returning 17.3% for the period. The laggards for the period included the Index's largest contributor, Goodman Group (GMG), returning -4.3%, Abacus Storage King (ASK) which returned -8.8% and Digico Infrastructure REIT (DGT) which returned -21.1% for the period as it was weighed down by uncertainty over future earnings levels.

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August 2025 witnessed A-REIT reporting season with most of the sector providing full year performance updates. The key themes to emerge include:

- Asset valuation movements: Following the emergence of green shoots earlier in the financial year, the August 2025 reporting season witnessed improving valuation metrics for most underlying property sectors supported by annual rental escalations as capitalisation rates flattened or in some cases, marginally compressed. Retail, Industrial and several alternative property sectors continue to lead the valuation recovery as the office sector remains the laggard with capitalisation rates (i.e. property yields) marginally expanding from the prior half. Despite this, operational fundamentals within the office property sector appear to be stabilising helping to reduce the rate of valuation decline significantly, with asset values broadly holding compared to the prior period. As the benefit of recent interest rate cuts continue to assist pricing stability, transaction volumes have remained in line with 2024 and well above 2023 lows. While improving property values have assisted several large cap property stocks in particular to close the gap between stock price and property book values, a large part of the A-REIT market continues to trade at discounts to Net Tangible Asset Values (NTA), potentially presenting growth opportunities for both investors as well as the potential for future corporate activity in the short term.
- Operational Performance & Earnings: The August 2025 reporting season saw strong headline operating property metrics recorded across the A-REIT sector, with high occupancy levels and improving net operating income levels. Rental growth was most notable within Industrial and Retail property sectors where like for like growth for retail landlords of between 2.6% to 5.6% was recorded while Industrial REITs achieved an average annual uplift of over 4%. Industrial re-leasing spreads continue to demonstrate strong results, averaging 33% rental increases for newly executed leases compared to expiring rents. Face rental growth was also reported within the office sector, albeit high incentive levels continue to limit the net effective growth. Coupled with a decline in cost of debt levels, the robust fundamentals for the sector culminated in year-on-year earnings per unit growth for most of the listed property sector. As cost of debt pressures continue to alleviate, the potential for continued earnings growth remains a distinct possibility.
- Capital Management: Following a challenging period for the A-REIT sector, diligent balance sheet management combined with an improved interest rate environment has resulted in a robust debt position for much of the listed property sector. Gearing remains very manageable and below the long-term average with most individual stocks operating within target ranges and well below bank lending covenants. With property valuations now appearing to have stabilised and the heavy lifting in capital management largely complete, A-REIT management teams can now look towards an expansionary outlook and actively return to transactional markets for growth.

Overall, the A-REIT sector recorded a solid reporting season, outperforming the broader equities market (S&P/ASX 300 Index) during August. However, the ongoing sensitivity to macro-economic news flow remains.

As of 30 September 2025, the A-REIT sector (A-REIT Index) is trading at a c.3.3% FY26 estimated dividend per share yield and a c.4.3% premium to last stated Net Tangible Assets (NTA) which excludes Charter Hall Group, Centuria Capital Group 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, listed property participants continue to point towards an improving interest rate backdrop having seen declines from the peak while property yield stabilistion appears underway. 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 5 A-REIT holdings

Stock	Portfolio %
Scentre Group Limited (ASX: SCG)	11.79
Stockland Group (ASX: SGP)	8.37
Vicinity Centres (ASX: VCX)	6.95
Goodman Group (ASX: GMG)	6.40
Dexus (ASX: DXS)	6.02

Asset Allocation

Asset class	Portfolio %
Listed Property	97.72
Cash	2.28

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