FINANCIAL FRIDAYS

Macroeconomic Outlook

International

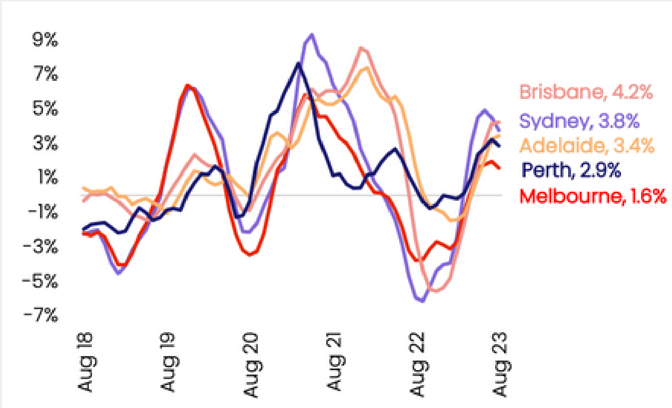
Residential Property Market Surges with Sixth Consecutive Monthly Price Increase

Australia's real estate sector is **firmly on a path to recovery**, driven by **consistent price hikes over the last six months**. According to Corelogic's National Home Value Index, property prices recorded an uptick of **0.8 percent in August** and **4.9 percent cumulatively since February**, adding nearly $35,000 to the median dwelling value. Factors such as a slowdown in inflation and the expectation of stabilized interest rates have played a part in this surge.

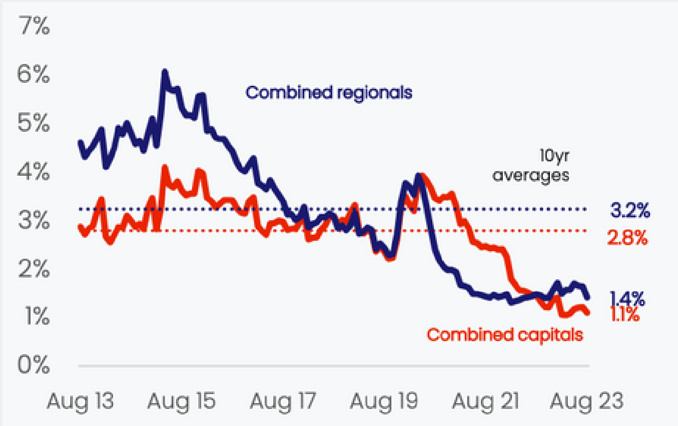
This development comes as a relief to property owners after prices had **plummeted over 9.1% between April 2022 and February 2023**, erasing an average of $70,000 in property value. With the consecutive price increases since February, **property prices have since recovered to just -4.6 percent from their peak in April 2022**. Leading this recovery is Sydney and Brisbane where house prices had increased 8.8 percent and 6.2 percent respectively since February. However, cities such as Hobart and ACT have not seen the same development with property prices being relatively unchanged since the trough in February. According to Corelogic's research director, these were the only two capitals where **supply was higher than the prior year** suggesting a rebalancing between buyers and sellers.

In parallel, the **national rental index also saw an uptick of 0.5 percent in August**, marking the 36th consecutive month of rental increases since November 2020. From the onset of the COVID-19 pandemic, capital city and regional rents have surged by over 25 percent and 29 percent respectively, adding over $125 per week and $116 per week to their respective median rent. Reports suggest that this is due to a **lower vacancy rate** and **tightening supply**, indicating that more properties are being occupied while total rental listings have decreased.

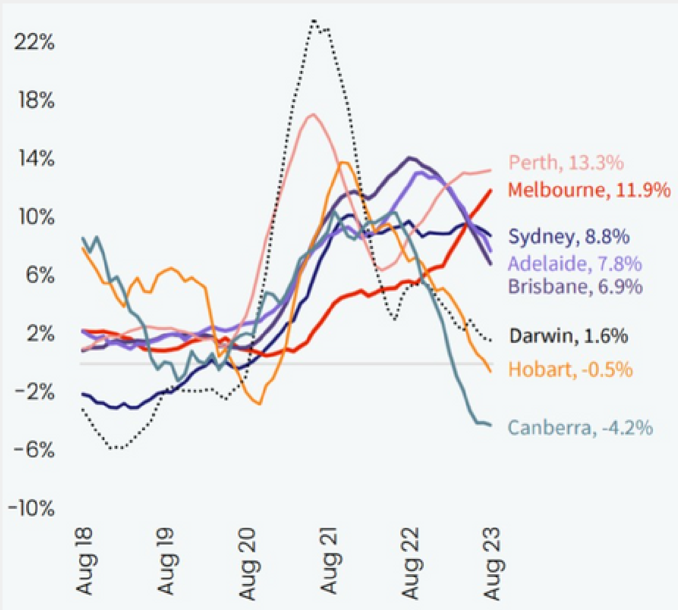
Nevertheless, Corelogic's report has also highlighted that there has been an **increase in the total number of properties listing in some regions**. This rise in stock levels for properties may potentially lead to a **deceleration in the growth of property prices in the near future.**



Rolling three-month change in dwelling values (%)



Rental vacancy rate (%)



Annual change in house rental prices (%)

Australian Equities

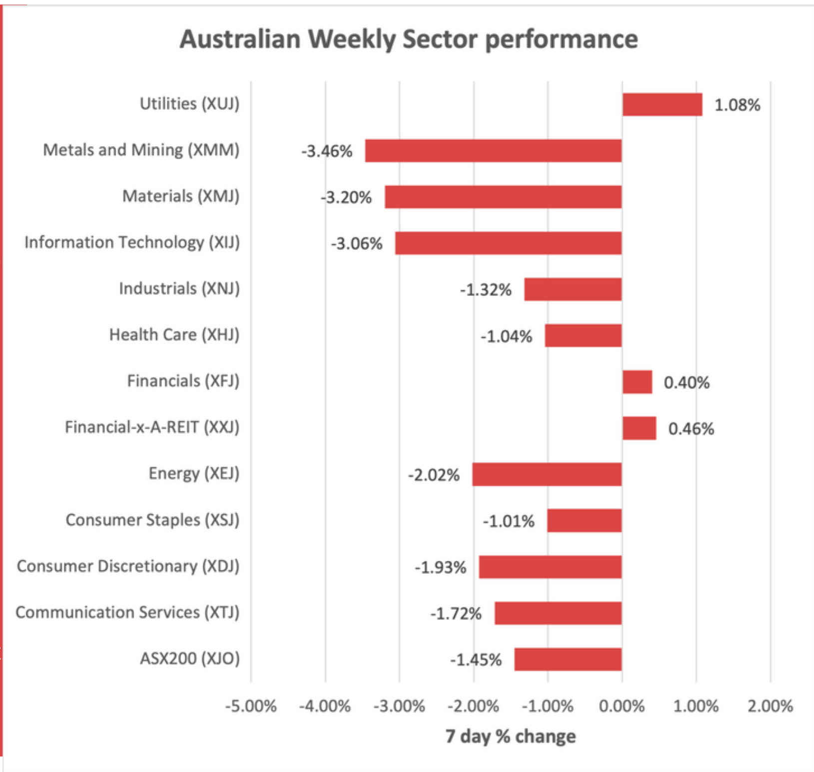
Weekly Market Update:
The ASX200 edged down 1.45%, led by drawdowns in Metals and Mining, Materials, and Information Technology.

Metals and Mining (XMM) was the worst-performing sector and declined by 3.46% amidst news of OPEC production cuts, concerns about the health of China's economy, and a decrease in the price of gold. The Information Technology (XIJ) sector was dragged down by the retreat from US tech stocks, stemming from China's '$300b bite' out of Apple (AAPL).

Utilities (XUJ) was the best-performing sector, recovering a portion of its prior week's 3.14% loss.

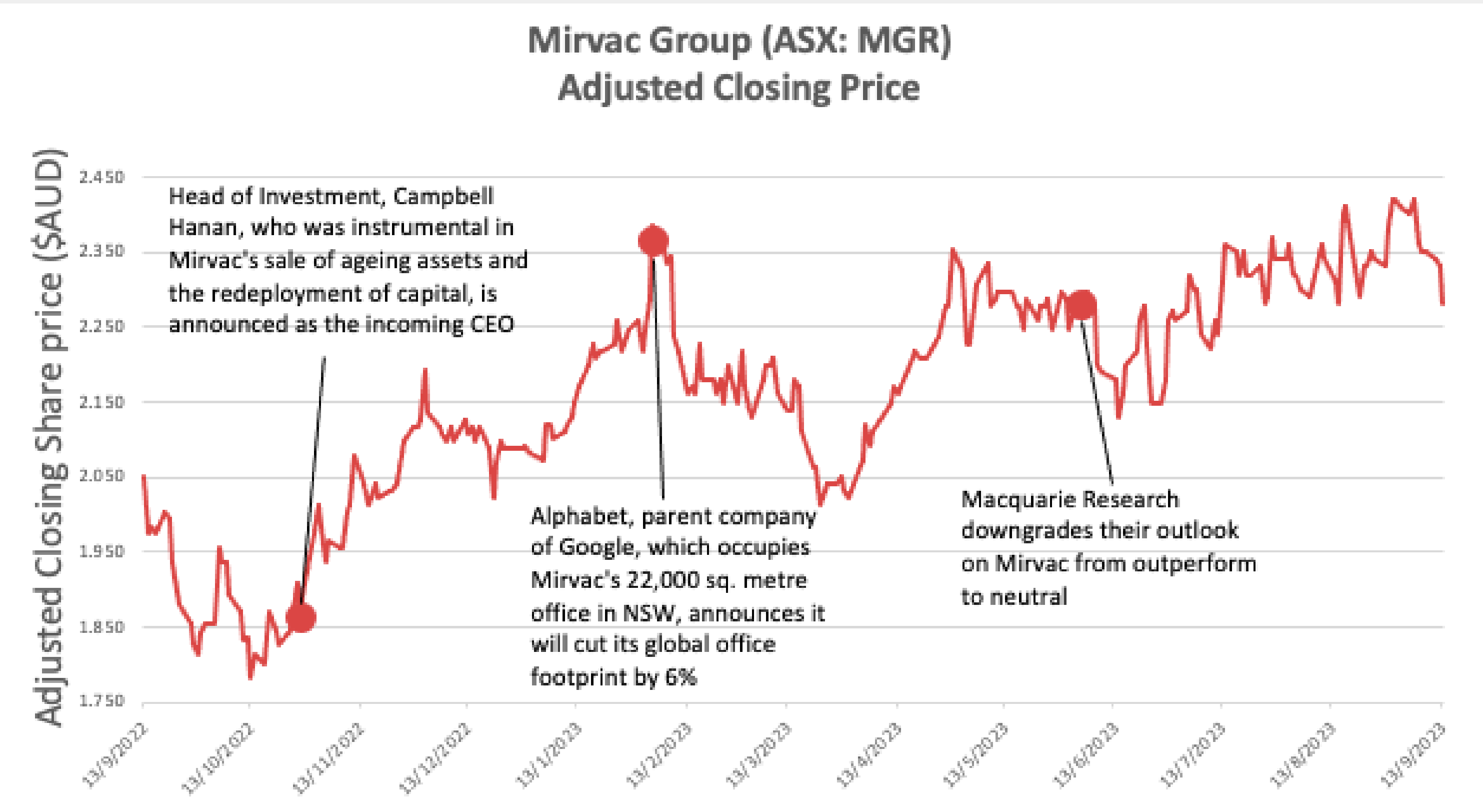
The US Federal Reserve is expected to report a 0.6% headline CPI, guided by rising energy prices. This figure would be the strongest since June 2022.

The incoming Governor of the RBA, Michelle Bullock, is set to commence her term on 18 September. She has been quoted saying it is "a challenging time to be coming into this role" amidst economic uncertainty and wholesale reforms to the RBA. The first female Governor of the RBA will face the media significantly more than her predecessors, holding 8 press conferences a year.



Stock Spotlight

Mirvac Group (ASX: MGR) is an Australian property group specialising in real estate investment and development. The firm, whose purpose is to 'reimagine urban life', owns a diversified portfolio of commercial, industrial, and residential properties. Institutional investors, including BlackRock and Vanguard, own a significant combined 53% stake in the property group which is up 7.31% YTD versus the Financial Real Estate Investment Trust (XXJ) sector's 1.83% YTD rise.



M&A

Domestic

M&A Domestic: Telstra Prepares Bid for Melbourne Technology Consultancy Company Versent:

Competing with other tech companies on a global scale, Telstra has confirmed it has been considering the acquisition of Melbourne-based tech consultancy company Versent at a value close to $AU400 million. Versent, offering cloud and cybersecurity products, had put itself up for sale earlier in the year after reaching a revenue milestone of $AU150 million and planned to reach $AU300 million of revenue within the next 3 years.

The acquisition would allow Telstra to not only gain access to Versent's ability in offering cybersecurity, identity, cloud and data services, but also its key asset in providing software for Amazon Web Services (AWS), known as "Stax'', projected to be supporting the AWS market which is expected to grow to $US100 billion by 2024. Synergies from the acquisition may also be achieved from the aspect of offering cloud related products and services, for which Telstra and Versent both offer to their customers.

While the sale of Versent to Telstra is not certain, and the prevalence of other bidders such as Japanese company NTT have also progressed through significant stages of the acquisition process, a degree of volatility remains regarding the deal. However, Versent's current clients of large ASX companies and government bodies, coupled with its participation with AWS provides good growth potential for a rapidly growing industry.

M&A

International

M&A International: US Company Summit Materials Announces Merger of Argos US Division for $US3.2bn:

Construction company Summit Materials has confirmed it will purchase Columbian company Cementos Argos' US operations at a cost of around $US3.2 billion using a combination of cash and stocks which will form the largest US cement producer and fourth largest in the world. The deal is expected to take place early 2024 and is expected to create synergy benefits beyond $US100 million.

The deal, expected to provide Cementos Argos with $US1.2 billion cash and a 31% stake in Summit, is justified by Summit as a strategy which can reduce seasonal volatility of earnings by diversifying operations across the US by adding cement plants in its possession and preparing the company for higher demand from builders and infrastructure companies. Cementos Argos accepted the deal on the basis of being able to gain exposure to the US market with its previous intention to list on the NYSE and entering markets of high growth potential.

The acquisition is expected to be financed through a bridging loan with Morgan Stanley followed by a joint arrangement between Morgan Stanley and BofA securities, a subsidiary of the Bank of America. The announcement made by Summit Materials also caused its share price to fall by around 8% on 7 September.