

Resolution Capital Real Assets Fund - Class A

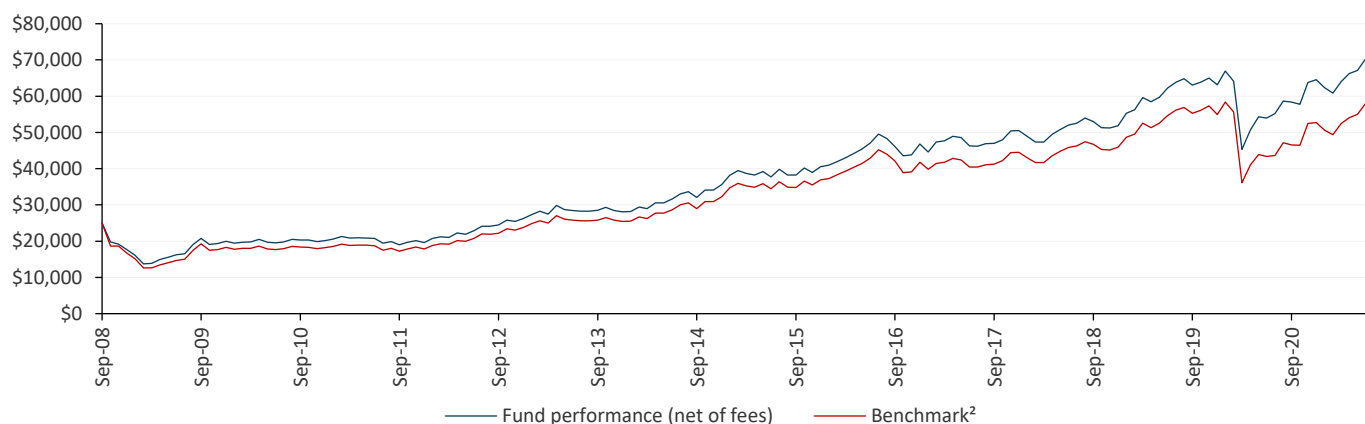
31 July 2021



Performance Summary

	1 Month %	3 Months %	1 Year %	3 Years p.a. %	5 Years p.a. %	10 Years p.a. %	Since Inception* p.a. %
Fund Return (After Fees) ¹	0.67	7.08	28.42	10.46	7.42	13.82	8.46
Benchmark ² return	0.47	7.94	33.70	8.04	5.24	12.77	6.83
Value Added (After Fees)	0.20	-0.86	-5.28	2.42	2.18	1.05	1.63

Growth of \$25,000 invested Since Inception*



¹Please note the strategy of the Fund changed effective 1 October 2019. The Resolution Capital Real Assets Fund was previously known as the Resolution Capital Core Plus Property Securities Fund.

²Benchmark is S&P/ASX 300 AREIT Accumulation Index.

Top 5 Weights

Security Name	%
Goodman Group	18.87
Scentre Group	9.71
Mirvac Group	8.15
Transurban Group	5.55
Stockland	5.11

Top 5 Contributors

Security Name	%
Goodman Group	1.19
Sydney Airport	0.53
Charter Hall Group	0.22
National Storage REIT	0.19
AusNet Services	0.12

Bottom 5 Contributors

Security Name	%
Scentre Group	-0.54
Hainan Meilan Airport	-0.34
Stockland	-0.31
Mirvac Group	-0.18
Ingenia Communities Group	-0.15

Fund Details

APIR code	WHT0014AU	Management Fee	0.65% p.a. plus 20% of outperformance above the benchmark
ARSN Code	131 850 363	Buy/Sell Spread	+0.20%/-0.20%
*Inception Date	30 September 2008	Distribution Frequency	Quarterly
Fund Size	\$25.3 Million	No. of Stocks	Generally 20 to 35
NAV per Unit	\$0.54	Investment Manager	Resolution Capital
Minimum Investment	\$25,000	Platform Availability	https://rescap.com/realassetsfund
Benchmark	S&P/ASX 300 AREIT Accumulation Index	Investment Timeframe	Medium to long term, being 5 or more years

Market Commentary

The S&P/ASX 300 A-REIT Accumulation Index produced a total return of 0.5% for the month ended 31 July 2021, underperforming the Australian equities market (S&P/ASX 300 Accumulation Index) by 0.6%.

Infrastructure outperformed, mainly due to two companies receiving take-over offers. Toll roads underperformed.

Take-over offers dominated infrastructure this month. COVID ravaged Sydney Airport (SYD) received a bid of \$8.25/share from a consortium comprised of IFM, QSuper and Global Infrastructure Partners, representing a 42% premium to last close. This represents an equity value of \$22.3bn and ~26x FY19 EBITDA. SYD is an excellent asset with a long-term concession and favourable light-handed regulatory regime, despite the uncertainty pertaining to the passenger recovery trajectory. The board has rejected the bid on the grounds of undervaluing the company and no due diligence was granted.

Electricity utility Spark Infrastructure (SKI) received three bids from a consortium comprised of KKR and Ontario Teachers Pension Plan. SKI owns minority non-controlling stakes in electricity distribution and transmission networks, as well as a solar farm. The initial bid was \$2.70 per share, the second \$2.80 and the third \$2.95, all of which would be reduced by the interim dividend of \$0.0625. The final bid values the equity at \$5.2bn and represents a greater than 25% premium to undisturbed stock price and ~50% premium to the 2021 regulated and contracted asset base. SKI expects the asset base to grow ~7% p.a. to 2025, largely driven by transmission infrastructure investment connecting renewables into the grid. The consortium was granted non-exclusive due diligence.

A-REIT sub-sector performance saw storage, industrial and fund managers outperform whilst diversified, retail and office landlords underperformed in the midst of renewed lockdowns. Monthly A-REIT news spanned transactions, revaluations, equity issuance, management changes and both guidance upgrades and withdrawals due to extended COVID restrictions.

Starting with the latter, diversified landlord GPT withdrew FFO and dividend guidance given uncertainty stemming from extended lockdowns. GPT previously guided to 8% FY21 FFO per share growth for calendar year 2021. Positively, land lease community developer and owner Ingenia (INA) upgraded FY21 EBIT growth guidance to 30% from 15-20% and underlying EPS to 5% from being negative. The upgrade was driven by strong operational performance with more development settlements and expanding margins. The land lease sector continues to be institutionalised with diversified developer Stockland (SGP) effectively doubling its land lease portfolio by acquiring QLD-focused Halcyon Group for \$620m enterprise value. One third of the value relates to the established portfolio, reflecting a 4.5% cap rate, whilst the residual value relates to the ~2,500 lot development pipeline.

Moving to office transactions, Dexis (DXS) announced two deals. The first was for a stake in Atlassian's new Sydney headquarters development due to complete in 2026. This new low carbon hybrid timber building is leased to Atlassian for 15 years. DXS will fund the \$1.4bn construction cost and own at least 50% on completion. DXS also acquired a 49% interest in premium-grade office tower leased to Woodside in Perth for \$475m, reflecting a 5.1% initial yield and ~\$16,000/sqm.

Diversified landlord Mirvac (MGR) together with M&G acquired a 50% stake in 200 George St, Sydney for \$575m, reflecting a 4.1% cap rate, 11% premium to book value and ~\$29,500/sqm. Meanwhile, service station landlord Waypoint (WPR) divested 31 assets (~4% of portfolio) at a 10% premium to book value. The broader portfolio was revalued up 6% over 6 months. With the sale proceeds WPR intends to conduct a buy-back and/or a capital return. Strong property revaluations continue, with diversified landlord Abacus (ABP) reporting storage values +10% over six months whilst commercial was flat. Similarly, pub landlord ALE Group (LEP) reported values +7%.

Moving to equity issuance, retail landlord HomeCo Daily Needs REIT (HDN) partially funded a \$160m acquisition via a \$70m placement. Its manager, HomeCo (HMC), also announced a \$650m equity raising for the IPO of its HealthCo REIT. This A-REIT owns \$555m of healthcare assets spanning life sciences, hospitals, aged care, childcare and primary care. The REIT offers a 4.5% dividend yield and HMC will own a ~20% stake post IPO.

On management changes, SGP's CFO has resigned whilst Cromwell (CMW) has appointed former Investa head Jonathan Callaghan as its CEO.

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