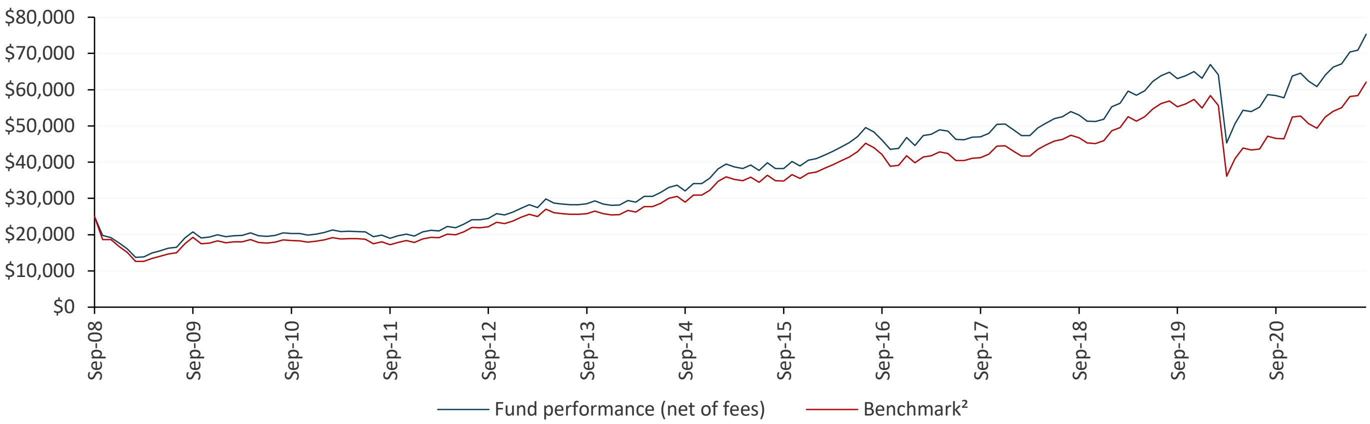
Resolution Capital Real Assets Fund - Class A

31 August 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]	6.21	12.14	28.41	11.76	9.28	14.23	8.91
Benchmark[2] return	6.38	12.81	31.75	9.35	7.13	13.14	7.29
Value Added (After Fees)	-0.17	-0.67	-3.34	2.41	2.15	1.09	1.62

Growth of $25,000 invested Since Inception*



[1]Please 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.
[2]Benchmark is S&P/ASX 300 AREIT Accumulation Index.

Top 5 Weights

Security Name	%
Goodman Group	20.28
Scentre Group	10.12
Mirvac Group	8.85
Charter Hall Group	6.02
Stockland	4.89

Top 5 Contributors

Security Name	%
Scentre Group	1.18
Mirvac Group	0.77
Arena REIT	0.60
Charter Hall Group	0.52
Goodman Group	0.43

Bottom 5 Contributors

Security Name	%
Transurban Group	-0.04
Canadian Apartment Prop.	-0.03
Rayonier	-0.01
Cedar Woods Properties	-0.01
Invitation Homes	-0.01

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	$27.8 Million	**No. of Stocks**	Generally 20 to 35
NAV per Unit	$0.58	**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 Total Return Index produced a total return of 6.4% for the month ended 31 August 2021, outperforming the Australian equities market (S&P/ASX 300 Accumulation Index) by 3.8%.

Broadly speaking, infrastructure and utilities underperformed real estate.

Retail and diversified REITs outperformed office and industrial during the month.

This month was dominated by earnings results. Overall earnings results were positive, contributing to the A-REIT index outperformance over the month. The majority of A-REITs provided FY22 earnings guidance, barring most retail exposed landlords for whom the near-term outlook is uncertain given lockdown-induced tenant rent relief.

General A-REIT sector result themes include:

- Several REITs signalled intent to build/increase funds management platforms to generate higher returns on equity, and;
- More development, particularly in industrial, office, residential and mixed-use.

Sub-sector takeaways include:

Property fund managers have the strongest outlook for earnings growth, driven by transactional activity, development completions and performance fees. Charter Hall (CHC) has grown assets under management ~30% p.a. over the last three years and is guiding to FY22 earnings growth of 23%.

Industrial operating fundamentals remain strong, particularly in in-fill markets, and many A-REITs are increasing industrial exposure. COVID-19 has accelerated secular tailwinds with strong e-commerce activity driving tenant demand. Goodman Group (GMG) reported FY21 EPS growth of 14%, boosted by development profits, and provided FY22 earnings growth guidance of 10%. The development workbook has expanded by ~60% y/y to $10.6bn.

Office operating metrics are deteriorating with lower occupancy and elevated incentives resulting in negative effective rental growth. Few tenants are taking more space and obsolescence risk is rising. Despite this, pricing in the capital markets remains strong. Whilst several A-REITs, such as Dexus (DXS), are marketing older assets for sale many A-REITs, including GPT, Mirvac (MGR) and Stockland (SGP), intend to increase development. DXS reported FY21 underlying FFO growth of -4.1% but is guiding to FY22 dividend growth of 2%.

Retail operating metrics improved in the June half as restrictions eased. Occupancy is holding and consumers are more purposeful shoppers with shorter dwell time but higher basket sizes resulting in tenant sales being above pre-COVID levels in several instances. Leasing activity was elevated with deals largely struck on pre-COVID terms with respect to duration and rent escalation. Whilst rent pricing power is still negative, it has improved from the 2020 lows. Positively, incentives are similar to pre-COVID levels. Consequently, the pace of devaluations has moderated.

Vicinity Centres (VCX) reported FY21 FFO growth of -10%, impacted by its equity raising, and withheld FY22 guidance. In contrast, Scentre Group (SCG) reported 1H21 FFO +28% and re-affirmed its FY21 dividend guidance.

Residential market momentum remains positive, despite the cessation of housing-related government stimulus. House and land continues to outperform apartments, but Mirvac intends to commence a number of new apartment projects set to complete in the coming years. Mirvac issued FY22 earnings guidance of 7%, whilst Stockland guided to ~6% at the range midpoint.

Infrastructure news was also dominated by earnings results.

Toll road operator Transurban (TCL) noted that comparable FY21 traffic was 7% below 2020 levels, reducing free cashflow by 14% y/y. The uncertain traffic outlook stemming from domestic restrictions resulted in no earnings guidance being provided. Focus was also on the significant cost overrun at the West Gate Tunnel project stemming from soil contamination issues and who was going to pay for this.

Meanwhile, Atlas Arteria (ALX) reported that European traffic continued to recover faster than in the U.S. ALX provided a positive dividend and traffic outlook with French July summer traffic ~5% above 2019. The EU health pass is facilitating a recovery in car traffic, whilst truck volumes were already back to pre-COVID levels due to trans-EU trading.

Moving to airports, as expected the earnings results of Sydney (SYD) and Auckland (AIA) airports were severely impacted by low passenger numbers and neither provided any earnings or passenger guidance. However, both did highlight the domestic travel recovery where for AIA passengers recovered to 78% of 2019 levels in 4Q21. The resumption of Trans-Tasman travel is particularly important for AIA.

Importantly, the balance sheets have been strengthened with ample liquidity to sustain the cash burn. Both airports highlighted the development opportunities in their vast landbanks, with AIA planning to develop a direct factory outlet. Interestingly, in a display of tenant confidence in the recovery, SYD confirmed that a dozen luxury retailers had signed leases in its international terminal. SYD provided no meaningful update on M&A with the Sydney Aviation Alliance consortium last bidding $8.45/share for the company.

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