

Resolution Capital Core Plus Property Securities Fund - Series II

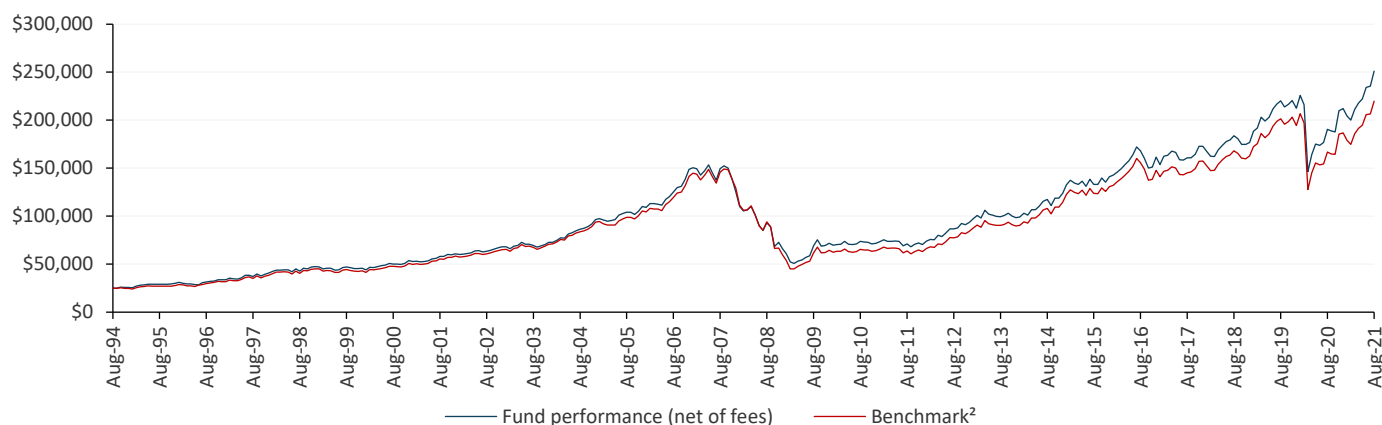


31 August 2021

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	6.64	13.08	31.93	10.93	8.37	13.41	8.91
Benchmark ² return	6.38	12.81	31.75	9.35	7.13	13.17	8.38
Value Added (After Fees)	0.26	0.27	0.18	1.58	1.24	0.24	0.53

Growth of \$25,000 invested Since Inception*



¹Please note this Fund was previously known as the Perennial Australian Property Wholesale Trust. Resolution Capital was appointed the investment manager of the Fund, effective 1 November 2014.

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

Top 5 Weights

Security Name	%
Goodman Group	25.03
Scentre Group	11.13
Mirvac Group	9.21
Charter Hall Group	6.35
Stockland	6.03

Top 5 Contributors

Security Name	%
Scentre Group	1.31
Mirvac Group	0.81
Arena REIT	0.73
Charter Hall Group	0.58
Goodman Group	0.54

Bottom 5 Contributors

Security Name	%
Canadian Apartment Prop.	-0.02
Cedar Woods Properties	-0.01
Invitation Homes	-0.01
APN Convenience Retail REIT	0.00
APN Industria REIT	0.00

Fund Details

APIR code	IOF0044AU	Management Fee	0.80% p.a.
ARSN Code	087 719 917	Buy/Sell Spread	+0.20%/-0.20%
*Inception Date	31 August 1994	Distribution Frequency	Quarterly
Fund Size	\$29.7 Million	No. of Stocks	Generally 20 to 30
NAV per Unit	\$1.69	Investment Manager	Resolution Capital
Minimum Investment	\$25,000	Platform Availability	https://rescap.com/coreplusfund/seriesii
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%.

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.

Contact Us

Investor Contact Details

Pinnacle Investment Management

Email: service@pinnacleinvestment.com

Phone: 1300 010 311

Adviser Contact Details

Pinnacle Investment Management

Email: distribution@pinnacleinvestment.com

Phone: 1300 010 311

www.rescap.com

Disclaimer: Interests in the Resolution Capital Core Plus Property Securities Fund – Series II ('Fund') (ARSN 087 719 917) are issued by Pinnacle Fund Services Limited, ABN 29 082 494 362, AFSL 238371, as responsible entity of the Fund. Pinnacle Fund Services Limited is not licensed to provide financial product advice. You should consider the Product Disclosure Statement of the Fund available at www.rescap.com/funds in its entirety before making an investment decision. Resolution Capital Limited ('Resolution Capital') (ABN 50 108 584 167 AFSL 274491) is the investment manager of the Fund. Pinnacle Fund Services Limited and Resolution Capital believe the information contained in this communication is reliable, however its accuracy, reliability or completeness is not guaranteed. Any opinions or forecasts reflect the judgment and assumptions of Resolution Capital and its representatives on the basis of information at the date of publication and may later change without notice. The information in this communication is not intended as a securities recommendation or statement of opinion intended to influence a person or persons in making a decision in relation to investment. This communication is for general information only. It has been prepared without taking account of any person's objectives, financial situation or needs. Any persons relying on this information should obtain professional advice before doing so. Past performance is not a reliable indicator of future performance.