

Resolution Capital Real Assets Fund - Class A

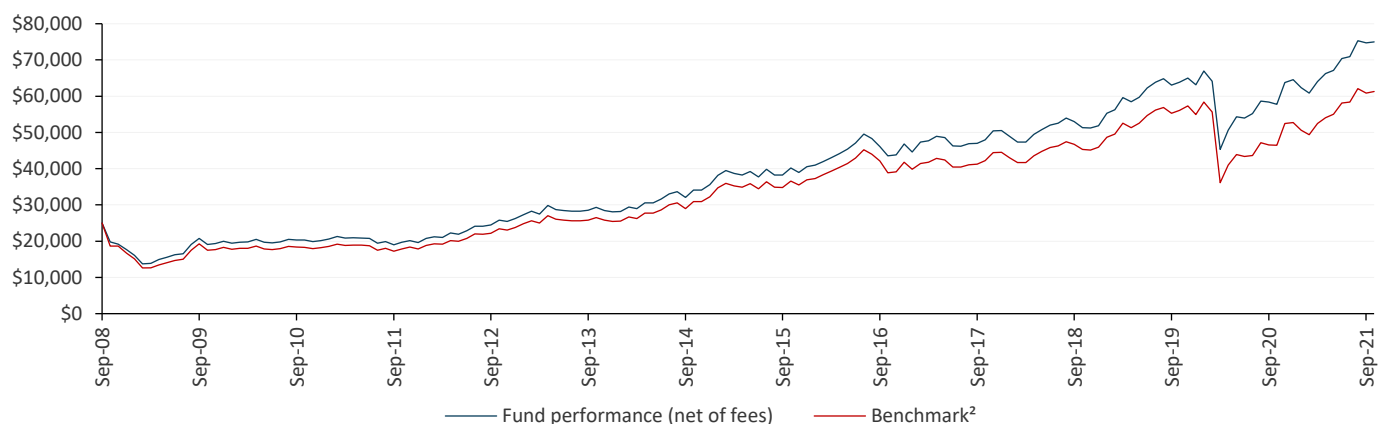
31 October 2021



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	0.32	5.70	29.75	13.46	11.46	14.29	8.75
Benchmark ² return	0.60	4.94	31.85	10.58	9.52	13.10	7.08
Value Added (After Fees)	-0.28	0.76	-2.10	2.88	1.94	1.19	1.67

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	19.77
Scentre Group	11.47
Mirvac Group	7.67
Charter Hall Group	5.51
Transurban Group	4.82

Top 5 Contributors

Security Name	%
Prologis	0.22
Arena REIT	0.19
Goodman Group	0.17
Union Pacific	0.15
National Storage REIT	0.12

Bottom 5 Contributors

Security Name	%
Mirvac Group	-0.47
Transurban Group	-0.27
Atlas Arteria	-0.11
AusNet Services	-0.09
Cellnex Telecom	-0.07

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	\$30.9 Million	No. of Stocks	Generally 20 to 35
NAV per Unit	\$0.57	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 0.6% for the month ended 31 October 2021, outperforming the Australian equities market by 0.5% (S&P/ASX 300 Total Return Index). This was despite a sharp rise in bond yields due to building inflationary pressures.

Broadly speaking, infrastructure and utilities underperformed real estate. Retail and industrial REITs outperformed whilst office and diversified underperformed.

Starting with September quarterly updates, most A-REITs re-affirmed earnings guidance, while grocery-anchored retail landlords displayed resilience and issued maiden guidance given greater clarity on the resumption of trading subsequent to lockdowns in VIC and NSW.

Key quarterly takeaways included residential sales momentum remaining positive, retail rent collection falling due to lockdowns, office occupancy was flat to down whilst self-storage occupancy rose.

Notably, property fund manager Charter Hall (CHC) upgraded FY22 earnings growth guidance by 11% to 36%. Key drivers included transactional activity, growth in funds under management and positive revaluations crystallising performance fees.

Industrial landlord Goodman (GMG) upgraded earnings growth guidance from 10% to 15% and messaged strong tenant demand, rent growth and an expanding development pipeline.

Toll road operator Transurban (TCL) provided a September quarterly update in which traffic declined 37% vs. 2019. Geographically, Sydney and Melbourne were badly impacted by lockdowns whilst Brisbane and North America were better but still slightly below 2019.

Toll road peer Atlas Arteria (ALX) reported a solid quarter with French traffic 6% above 2019 levels, buoyed by summer leisure travel. Traffic in the U.S. lagged due to a COVID resurgence delaying return to office plans in Virginia.

Utility M&A continued. Brookfield's consortium increased its cash bid for utility AusNet Services (AST) by 6%. This bid is higher than the rival bid put forward by gas pipeline owner APA and represents a 34% premium to the undisturbed share price in September. The Board has recommended this offer and AST's largest shareholder Singapore Power is supportive.

With respect to A-REIT M&A activity, HomeCo Daily Needs REIT (HDN), a listed retail property vehicle managed by fund manager Home Consortium (HMC), plans to merge with large format retail landlord Aventus (AVN). The combined group will own a \$4.1bn portfolio. The deal is largely in HDN shares but with a small component of HMC shares or cash. AVN's Board has recommended the merger.

Interestingly, a number of stakes in large shopping malls have transacted recently, following several years of no activity. Pricing is roughly in line with current book values, which are around 15-20% below pre-COVID levels.

- Most notable was the combined \$2.2bn acquisition by Australian superannuation funds of a 50% stake in Macquarie Centre (4.5% cap rate) and an 80% stake in Pacific Fair (4.75%).
- Diversified REIT GPT's wholesale fund sold Wollongong Central in line with its ~\$400m book value.
- Retail landlord Vicinity Centres (VCX) acquired a 50% stake in Harbour Town Outlet on the Gold Coast for \$358m (5.0% cap rate).

In other acquisition news, GPT acquired a \$682m portfolio of 23 industrial and one office asset on a yield of 4.3%, increasing its industrial exposure to 26% of assets.

Land lease communities developer Ingenia Communities Group (INA) issued \$475m of equity, constituting 24% of issued capital, to acquire \$552m of lifestyle communities, development sites and holiday parks. The transaction is mid to high single digit earnings accretive in FY22.

Of particular relevance to diversified landlords and residential developers Mirvac (MGR) and Stockland (SGP), APRA introduced macro-prudential measures in the form of higher home loan interest rate serviceability buffers for banks in order to reduce borrowing capacity and slow house price growth.

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