

Resolution Capital Core Plus Property Securities Fund - Series II

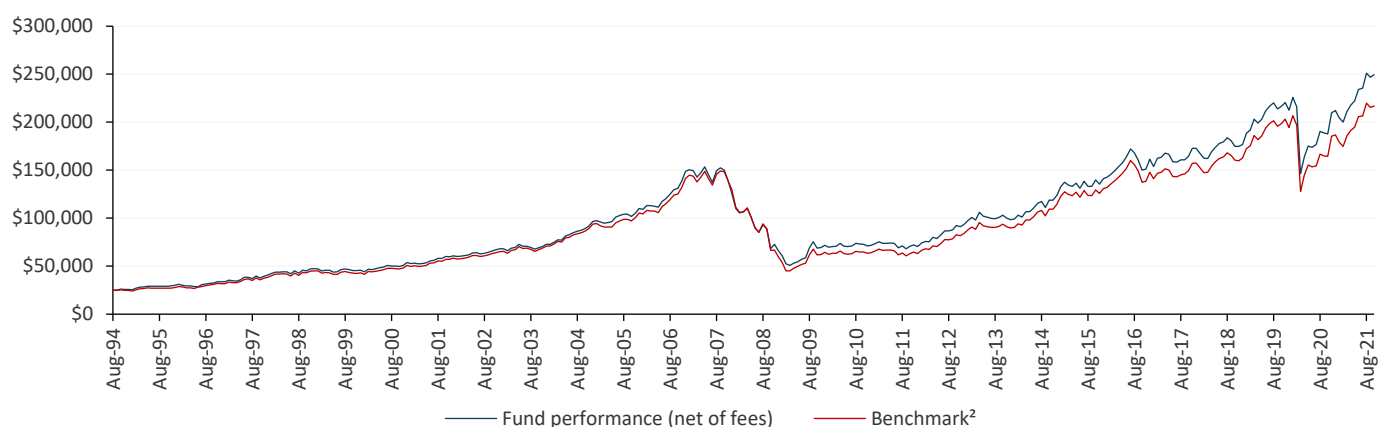


31 October 2021

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	1.07	5.94	32.72	12.56	10.66	13.44	8.83
Benchmark ² return	0.60	4.94	31.85	10.58	9.52	13.11	8.27
Value Added (After Fees)	0.47	1.00	0.87	1.98	1.14	0.33	0.56

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	24.41
Scentre Group	12.15
Mirvac Group	8.88
Charter Hall Group	6.35
Stockland	6.32

Top 5 Contributors

Security Name	%
Arena REIT	0.24
Goodman Group	0.23
Prologis	0.20
Aventus Group	0.15
National Storage REIT	0.12

Bottom 5 Contributors

Security Name	%
Mirvac Group	-0.54
Ingenia Communities Group	-0.06
Dexus Industria REIT	-0.03
Cedar Woods Properties	-0.02
Brandywine Realty Trust	-0.01

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	\$28.9 Million	No. of Stocks	Generally 20 to 30
NAV per Unit	\$1.68	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 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.

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.

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.

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 (PDS) and Target Market Determination (TMD) 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.