

Resolution Capital Core Plus Property Securities Fund - Series II

RESOLUTION CAPITAL

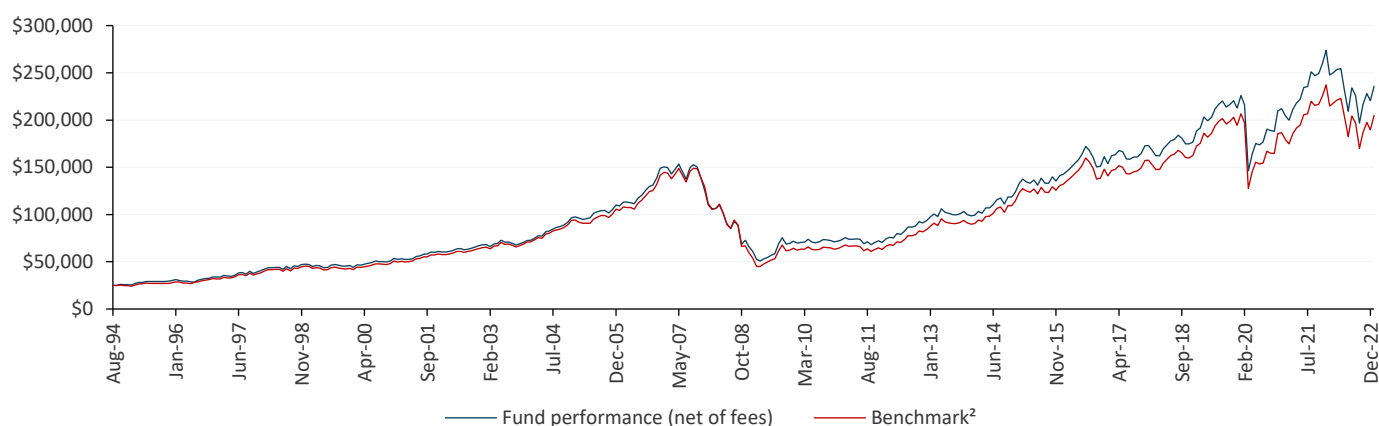
31 January 2023

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 (Net Performance) ¹	6.97	8.92	-4.71	1.45	7.08	9.23	8.21
Benchmark ² return	8.07	9.73	-4.59	-0.28	6.11	8.86	7.68
Value Added (Net Performance)	-1.10	-0.81	-0.12	1.73	0.97	0.37	0.53

Performance numbers less than one year are cumulative while numbers greater than one year are annualised. Past performance is no guarantee of future results.

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. Past performance is no guarantee of future results.

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

Source: Resolution Capital

Top 5 Weights

Security Name	%
Goodman Group	24.37
Scentre Group	14.28
Vicinity Centres	6.71
Mirvac Group	5.10
Charter Hall Group	4.92

Top 5 Contributors

Security Name	%
Goodman Group	3.36
Scentre Group	0.87
Charter Hall Group	0.68
GPT Group	0.39
Mirvac Group	0.38

Bottom 5 Contributors

Security Name	%
Arena REIT	-0.08
Aspen Group	-0.08
Hotel Property Investments	-0.03
Region Group	-0.02
National Storage REIT	-0.02

These are illustrative only and not a recommendation to buy, sell or hold any security.

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	\$25.2 Million	No. of Stocks	Generally 20 to 40
NAV per Unit	\$1.54	Risk/Return Profile	The Fund's risk band is 5 (medium to high)
Minimum Investment	\$25,000	Platform Availability	https://rescap.com/coreplusfund/seriesii
Benchmark	S&P/ASX 300 AREIT Total Return 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 8.1% for the month ended 31 January 2023, outperforming the Australian equities market by 180 basis points (S&P/ASX 300 Total Return Index). The Portfolio underperformed the index (before fees).

Rising confidence that inflationary pressures have peaked led bond yields lower over the month. This buoyed the more interest rate sensitive and higher growth REITs such as fund managers. Within A-REITs industrial, fund managers and diversified were the strongest performing sectors whilst office, retail and self-storage underperformed.

Newsflow was light in January in the lead up to profit result announcements in February.

Office landlord Dexus (DXS) provided an update on its acquisition of Collimate Capital's (formerly AMP Capital) real estate and domestic infrastructure equity business. A delay in conditions being met on AMP's side has resulted in the parties agreeing that the amount Dexus will need to pay will reduce by ~10% to \$225m and the earn out fee potential to AMP will be forfeited. The Portfolio's underweight position in Dexus contributed to relative performance.

Property fund manager Charter Hall (CHC) saw ~20% redemptions for one of its smaller office funds which had a 5 year liquidity event. Funds will be returned to investors progressively over 2023 as assets are sold. There have been increasing signs of equity flows into unlisted real estate funds pausing or reversing as interest rates have risen and listed REITs trade at deep discounts to private market real estate valuations. The Portfolio has a neutral position in CHC.

U.S. industrial REIT and portfolio holding Prologis (PLD) released a decent result with a conservative 2023 earnings growth guidance of 5.6%. Prologis suggested fundamentals remain healthy and expects 8-9% comparable rent growth, though occupancy is assumed to dip owing to rising supply deliveries. Of particular relevance to Australian industrial peer Goodman Group (GMG) which has significant development funds management earnings, Prologis highlighted that 2023 development starts will be 40% lower compared to last year with lower margins, as industrial values in the U.S. and Europe have fallen 7-16%. Interestingly, PLD reported that fund redemption requests have been modest to date. The Portfolio's underweight position in Goodman Group detracted from relative performance whilst the Prologis position contributed marginally.

With respect to management changes, retail landlord Vicinity Centres (VCX) appointed its former Chief Operating Officer Peter Huddle as CEO. Mr Huddle is well-credentialed and this move was expected.

Moving to transactions, childcare and social infrastructure landlord Charter Hall Social Infrastructure REIT (CQE) divested its ~3.5% stake in listed childcare landlord Arena REIT (ARF). CQE recycled the proceeds into a half stake in a Sydney office building located in a healthcare and medical research precinct and therefore tenanted by such tenants. The stake was acquired at a 4.8% cap rate and equates to ~\$11,300/sqm.

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