

# Resolution Capital Core Plus Property Securities Fund - Series II



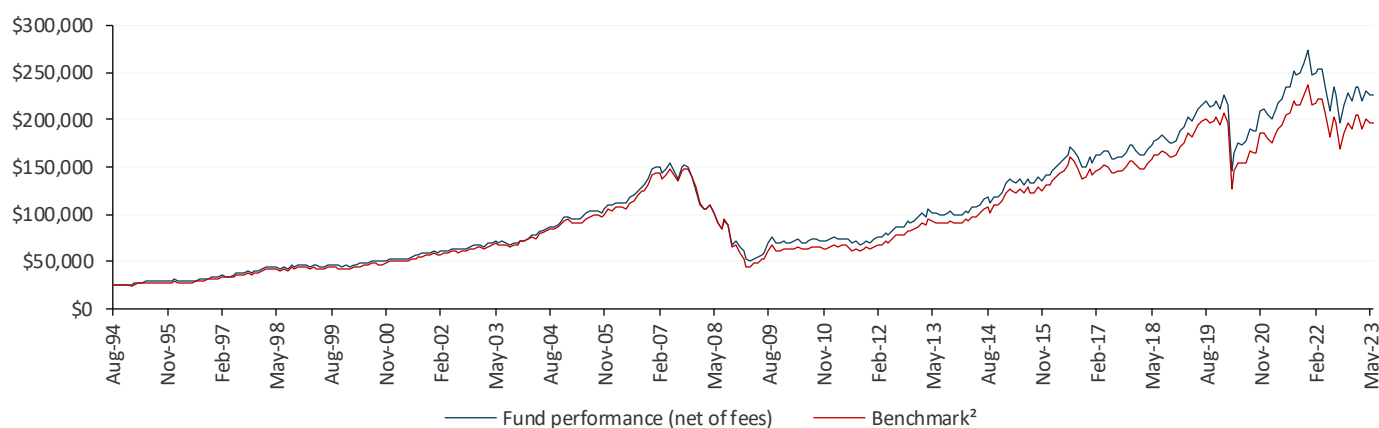
30 June 2023

## 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) <sup>1</sup>	-0.27	2.53	8.28	9.22	4.95	8.39	7.94
Benchmark <sup>2</sup> return	-0.09	3.15	7.49	8.52	3.88	7.95	7.40
Value Added (Net Performance)	-0.18	-0.62	0.79	0.70	1.07	0.44	0.54

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\*



<sup>1</sup>Please 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.

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

Source: Resolution Capital

## Top 5 Weights

Security Name	%
Goodman Group	24.96
Scentre Group	12.43
Mirvac Group	7.72
Vicinity Centres	6.63
Stockland	6.10

## Top 5 Contributors

Security Name	%
Goodman Group	0.75
Abacus Property Group	0.18
GPT Group	0.11
Arena REIT	0.07
Mirvac Group	0.04

## Bottom 5 Contributors

Security Name	%
Scentre Group	-0.28
Region Group	-0.26
Ingenia Communities Group	-0.14
Hotel Property Investments	-0.14
National Storage REIT	-0.14

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	\$22.5 Million	No. of Stocks	Generally 20 to 40
NAV per Unit	\$1.46	Risk/Return Profile	The Fund's risk band is 5 (medium to high)
Minimum Investment	\$25,000	Platform Availability	<a href="https://rescap.com/coreplusfund/seriesii">https://rescap.com/coreplusfund/seriesii</a>
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 -0.1% for the month ended 30 June 2023, underperforming the Australian equities market (S&P/ASX 300 Total Return Index).

To curb elevated inflation the Reserve Bank of Australia (RBA) hiked interest rates in June by 0.25% to 4.1%. The RBA has increased rates at 12 of 13 meetings since May 2022 to the highest level since 2012.

Within A-REITs, industrial and diversified sectors outperformed whilst the retail and office sectors underperformed.

Outperforming A-REITs included fund manager Home Consortium (HMC) and office/self-storage landlord Abacus (ABP). HMC announced it had raised \$350m in institutional capital for a new unlisted retail property fund. The Portfolio's underweight position detracted from relative performance. ABP raised \$225m of equity for its proposed new externally managed self-storage REIT tentatively named Abacus Storage King (ASK). Pricing of the new REIT reflected a 10% discount to Net Tangible Assets and the Portfolio participated in the raising. The Portfolio's overweight position in ABP contributed to relative performance.

Underperforming A-REITs included retail landlord Region Group (RGN) and diversified landlord Charter Hall Long WALE REIT (CLW). RGN and CLW were amongst several A-REITs to announce preliminary June 2023 appraisal property valuations. RGN's book value was marked down 1.7% whilst CLW's was down 5.8%. The Portfolio's overweight position in RGN detracted from relative performance whilst the underweight position in CLW contributed positively.

Broadly, appraised based property values have started to fall reflecting the pressure of higher interest rates and most importantly actual transactional evidence after a period limited activity. However, in aggregate A-REIT property values only fell ~3% over the six month period as capitalisation rates expanded by ~25 basis points, partially offset by higher income growth.

Appraised devaluations were most pronounced in office (down 4-8%) whilst non-discretionary retail was down 1.5-4.0%. Industrial, self-storage and childcare values were flat with rent growth offsetting cap rate expansion. Mall landlords have yet to report.

Some notable transactions took place this month. Office landlord Dexs (DXS) sold an A-grade office building at 44 Market St, Sydney for \$393m reflecting a 17% discount to book value, 6.6% cap rate and ~\$12,800/sqm. The asset has a short 3-year lease expiry and is only 85% occupied. DXS also sold a business park asset in Victoria for \$306m at a 7% premium to book value, bringing total FY23 divestments to ~\$1.5bn. DXS has a large development pipeline to fund. The Portfolio's underweight position contributed to relative performance.

We expect further devaluations will eventuate with more transactional evidence over 2023 as the market has had time to absorb and adjust to higher interest rates and more challenging economic conditions. A-REIT stock prices already reflect significant devaluations suggesting ~15%.

Several A-REITs released trading updates:

- Manufactured housing developer Ingenia Communities (INA) guided to the bottom end of its previous development settlement range, highlighting more home buyer caution.
- Residential-oriented landlord/developer Aspen (APZ) guided to the top end of its previous earnings range, reflecting ~39% growth aided by low residential vacancy and strong rent growth.
- National Storage REIT (NSR) softened earnings growth guidance to 8.5% from "at least" 8.5% and highlighted a deceleration in operational momentum with unit revenue growth slowing from 4.7% at Dec-22 to 3.5% in May-23.

### Investor Contact Details

Pinnacle Investment Management

Email: [service@pinnacleinvestment.com](mailto:service@pinnacleinvestment.com)

Phone: 1300 010 311

### Adviser Contact Details

Pinnacle Investment Management

Email: [distribution@pinnacleinvestment.com](mailto:distribution@pinnacleinvestment.com)

Phone: 1300 010 311

---

Disclaimer: This communication is prepared by Resolution Capital Limited ('Resolution Capital') (ABN 50 108 584 167, AFSL 274491) as the investment manager of the Resolution Capital Core Plus Property Securities Fund - Series II (ARSN 087 719 917) ('the Fund'). Pinnacle Fund Services Limited ('PFSL') (ABN 29 082 494 362, AFSL 238371) is the product issuer of the Funds. PFSL is not licensed to provide financial product advice. PFSL is a wholly-owned subsidiary of the Pinnacle Investment Management Group Limited ('Pinnacle') (ABN 22 100 325 184). The Product Disclosure Statement ('PDS') and Target Market Determination ('TMD') of the Fund are available via the links below. Any potential investor should consider the PDS and TMD before deciding whether to acquire, or continue to hold units in, the Fund.

Links to the Product Disclosure Statement: [IOF0044AU](#), Links to the Target Market Determination: [IOF0044AU](#). For historic TMD's please contact Pinnacle client service Phone 1300 010 311 or Email [service@pinnacleinvestment.com](mailto:service@pinnacleinvestment.com). This communication is for general information only. It 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. 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 for illustrative purposes only and is not indicative of future performance. Whilst Resolution Capital, PFSL and Pinnacle believe the information contained in this communication is reliable, no warranty is given as to its accuracy, reliability or completeness and persons relying on this information do so at their own risk. Subject to any liability which cannot be excluded under the relevant laws, Resolution Capital, PFSL and Pinnacle disclaim all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage), however caused, which may be suffered or arise directly or indirectly in respect of such information. This disclaimer extends to any entity that may distribute this communication. Any opinions and forecasts reflect the judgment and assumptions of Resolution Capital and its representatives on the basis of information available as at the date of publication and may later change without notice. Any projections contained in this presentation are estimates only and may not be realised in the future. Unauthorised use, copying, distribution, replication, posting, transmitting, publication, display, or reproduction in whole or in part of the information contained in this communication is prohibited without obtaining prior written permission from Resolution Capital. Pinnacle and its associates may have interests in financial products and may receive fees from companies referred to during this communication.