# Resolution Capital Core Plus Property Securities Fund - Series II

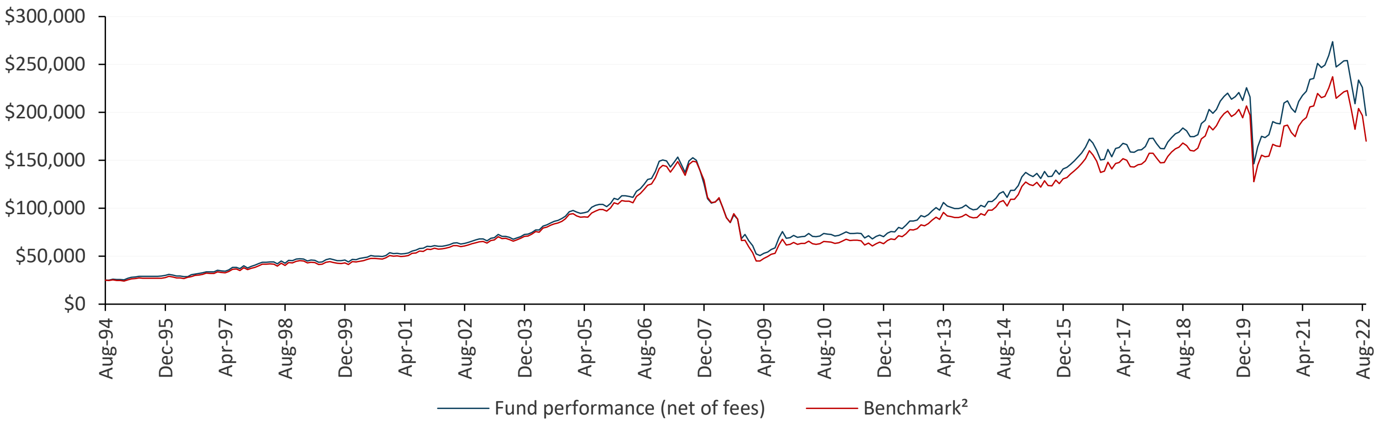
## 30 September 2022

### 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] | -12.95 | -5.93 | -20.27 | -2.72 | 4.10 | 8.41 | 7.62 |
| Benchmark[2] return | -13.56 | -6.89 | -21.13 | -4.61 | 3.07 | 8.02 | 7.06 |
| Value Added (Net Performance) | 0.61 | 0.96 | 0.86 | 1.89 | 1.03 | 0.39 | 0.56 |

*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*




[1]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.
[2]Benchmark is S&P/ASX 300 AREIT Total Return Index.
Source: Resolution Capital

### Top 5 Weights

| Security Name | % |
|---|---|
| Goodman Group | 20.67 |
| Scentre Group | 13.62 |
| Vicinity Centres | 6.76 |
| Mirvac Group | 6.62 |
| GPT Group | 5.53 |

### Top 5 Contributors

| Security Name | % |
|---|---|
| Invitation Homes | 0.07 |
| Vital Healthcare | 0.00 |
| Carindale Property | -0.01 |
| Federal Realty Investment | -0.02 |
| Equinix | -0.02 |

### Bottom 5 Contributors

| Security Name | % |
|---|---|
| Goodman Group | -4.67 |
| Scentre Group | -1.81 |
| Charter Hall Group | -0.80 |
| Vicinity Centres | -0.60 |
| Arena REIT | -0.59 |

### 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** | $20.9 Million | **No. of Stocks** | Generally 20 to 30 |
| **NAV per Unit** | $1.29 | **Investment Manager** | Resolution Capital |
| **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 -13.6% for the month ended 30 September 2022, underperforming the Australian equities market by 730bps (S&P/ASX 300 Total Return Index).

Globally, inflationary pressures persisted and bond yields rose as the U.S. Federal Reserve raised interest rates by 0.75% and its projections implied a higher terminal rate. Locally, the Reserve Bank of Australia raised the cash rate by 0.5% for the fourth month in a row to 2.35%, the highest level since 2015, with further increases expected.

Within A-REITs, diversified, self-storage, office and retail outperformed whilst industrial, fund managers and childcare underperformed. In general terms, A-REITs with lower leverage and stronger inflation protection characteristics outperformed whilst growth-oriented A-REITs trading on higher valuation multiples underperformed.

After a busy financial results season in August there was limited stock specific news in September.

We have previously written about office landlord Dexus' (DXS) acquisition of Collimate Capital's (formerly AMP Capital) domestic real estate and infrastructure funds management platform. In a further blow to DXS, this month the investors in the $2.7bn AMP Retail Trust (ACRT) voted to transfer management of the fund to diversified landlord GPT. This is the third mandate the platform has lost in recent months with Collimate's funds under management down from ~$28bn to ~$18bn. This loss reduces the price DXS will ultimately pay. Underweight positions in Dexus and GPT detracted from relative performance.

Industrial developer and fund manager Goodman Group (GMG) underperformed this month. This may have partially stemmed from global transport behemoth FedEx reporting declining volumes due to worsening macroeconomic conditions and withdrawing 2023 earnings guidance. This bodes negatively for demand for industrial warehouses. The portfolio's underweight position in GMG contributed to relative performance.

Rising interest rates in recent months has caused real estate transactional activity to fall. Diversified A-REIT Mirvac (MGR) had flagged more than $1bn planned divestments in FY23. This month MGR sold a Perth office building for $223m, equating to ~$7,800/sqm and representing a ~8% premium to headline book value. However, the effective price may be below book value given MGR is providing rental guarantees over vacant space and the 7.25% capitalisation rate is 0.5% wider than the appraisal cap rate. The portfolio's overweight position contributed to relative performance.

Given the equity market volatility, there have been few A-REIT equity raisings in 2022. One exception this month was diversified A-REIT Aspen Group (APZ) which owns a portfolio of residential, holiday park and retirement assets. APZ raised $36m of equity constituting ~15% of issued capital. The proceeds will initially be used to reduce debt and better position APZ to take advantage of acquisition opportunities. The portfolio's overweight position contributed to relative performance.

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