Resolution Capital Core Plus Property Securities Fund - Series II

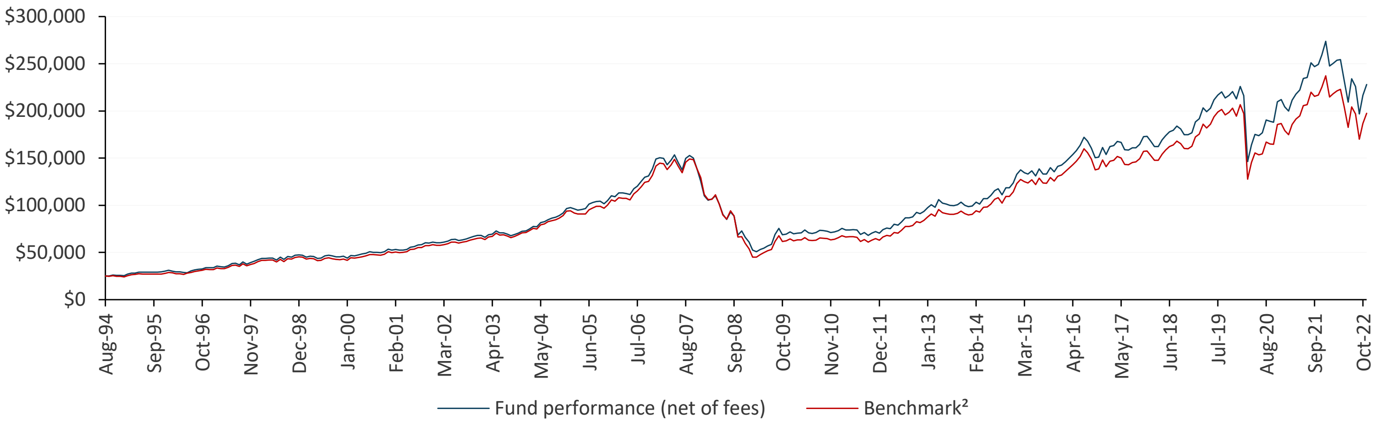
30 November 2022

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]	5.21	0.79	-12.17	1.08	5.68	9.58	8.13
Benchmark[2] return	5.81	0.49	-12.32	-0.90	4.67	9.24	7.59
Value Added (Net Performance)	-0.60	0.30	0.15	1.98	1.01	0.34	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*



[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	23.07
Scentre Group	14.02
Vicinity Centres	6.81
Mirvac Group	5.77
GPT Group	5.21

Top 5 Contributors

Security Name	%
Goodman Group	2.61
Mirvac Group	0.46
Charter Hall Group	0.39
Scentre Group	0.35
Vicinity Centres	0.31

Bottom 5 Contributors

Security Name	%
National Storage REIT	-0.32
Abacus Property Group	-0.05
Capital & Counties Properties	-0.02
Charter Hall Social Infra REIT	-0.02
Arena 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	$24.4 Million	**No. of Stocks**	Generally 20 to 30
NAV per Unit	$1.49	**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 5.8% for the month ended 30 November 2022, underperforming the Australian equities market by 70bps (S&P/ASX 300 Total Return Index). The Portfolio underperformed the index (before fees).

The Reserve Bank of Australia raised the cash rate for the seventh consecutive month, this time by 0.25% to 2.85%, with further hikes expected. Positively, Australian headline inflation slowed to 6.9%, below expectations. The labour market remains strong with the unemployment rate ticking down to 3.4%, the lowest level in almost 50 years.

Within A-REITs, lower bond yields supported fund managers and residential developers to outperform, whilst retail, office and self-storage underperformed.

In November there was a continuation of A-REITs reporting quarterly updates. Key themes include:

- Earnings guidance was re-affirmed.
- Retail metrics impressed with high occupancy, improved, albeit negative, leasing spreads and retailer sales above pre-pandemic levels.
- Industrial market rent growth remains strong owing to robust tenant demand and low vacancy.
- Office remains challenging with pressure on occupancy eroding landlord pricing power.

Goodman Group re-affirmed FY23 earnings growth guidance of 11% and reported strong operating fundamentals as tenant demand outstrips supply with a focus on supply chain resiliency and productivity. This dynamic underpins high occupancy and exceptionally strong market rent growth of 15-30% in Goodman's Australian, New Zealand, European and U.S. markets. Asian market rent growth remains in the low single digits. Capitalisation rates have expanded up to 40 basis points but offsetting rent growth was underpinning valuations. That said, land values are falling, presenting Goodman with opportunities given its low financial leverage. Importantly, development volumes and margins remain elevated. The Portfolio's underweight position, predicated on relative valuation, detracted from relative performance.

Retail landlord Scentre Group (SCG) re-affirmed its CY22 earnings growth guidance of at least 14%. Operating metrics remain robust with high 98.8% occupancy, tenant retailer sales above 2019 levels though footfall remains slightly below. The Portfolio's overweight position detracted from relative performance.

Grocery-anchored retail landlord Shopping Centres Australasia (SCP) re-affirmed earnings growth guidance of -2% due to higher debt costs and announced a re-branding to "Region Centres".

Diversified landlord GPT re-affirmed CY22 earnings growth guidance of 12.4% but reported an operationally mixed quarterly update. Retail metrics improved, office occupancy dropped whilst industrial metrics are robust.

Residential land lease community developer Ingenia Communities (INA) downgraded its FY23 earnings growth guidance to the lower end of its 5-10% range due to supply chain disruptions and wet weather delaying new home settlements. Demand and prices remain resilient relative to the broader residential market.

Fund manager Charter Hall (CHC) re-affirmed FY23 earnings growth guidance of -22% given a large non-repeatable performance fee in FY22. Funds under management grew 8% but in general equity inflows have slowed. The Portfolio position remains neutral. Notably, in the U.S. Blackstone's open-ended unlisted property fund "BREIT" will limit redemption requests which exceeded the 2% monthly and 5% quarterly threshold, highlighting that the tide has shifted from inflows to outflows.

Office and storage landlord Abacus (ABP) re-affirmed FY23 2% dividend growth guidance. Operationally, storage metrics including growth in revenue per available metre are decelerating from a high base, whilst office occupancy fell further and tenant incentives remain elevated at 30%.

Office landlord Dexus (DXS), who has a large development pipeline requiring funding, issued a $500m 5-year convertible note reflecting that alternative sources of equity or debt capital are prohibitively expensive. The Portfolio's underweight position contributed to relative performance.

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