

Resolution Capital Global Property Securities Fund (Unhedged) Series II – Class A



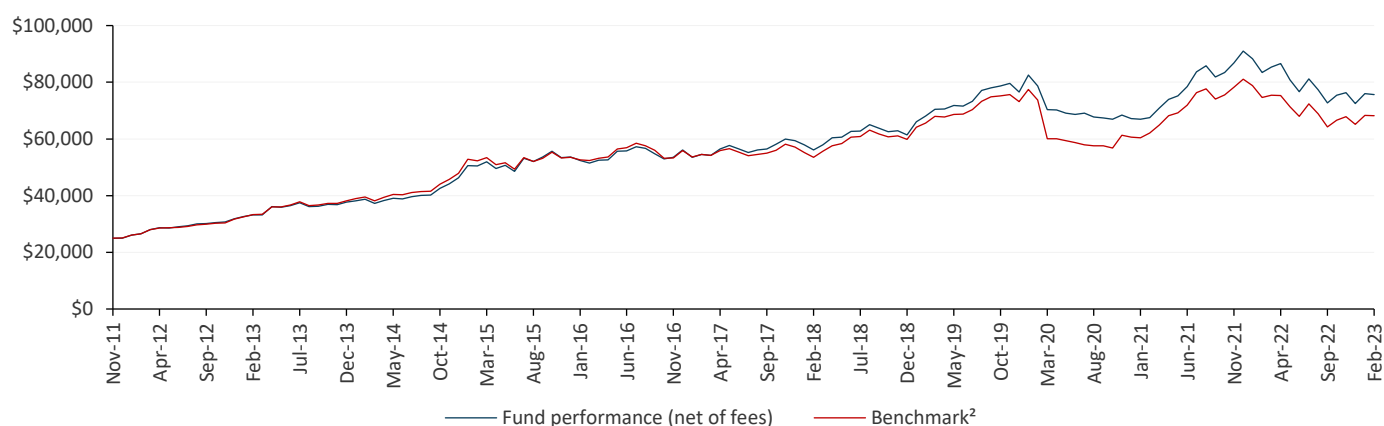
28 February 2023

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	-0.47	-0.91	-9.35	-1.32	6.15	8.59	10.33
Benchmark ² return	-0.12	0.57	-8.65	-2.57	4.98	7.41	9.33
Value Added (Net Performance)	-0.35	-1.48	-0.70	1.25	1.17	1.18	1.00

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 Unhedged Global Property 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 FTSE EPRA/NAREIT Developed Index (AUD) Net TRI.

Source: Resolution Capital

Top 5 Weights

Security Name	%
Prologis	7.83
Invitation Homes	6.17
Equity Residential	5.17
Kimco Realty Corporation	4.58
Federal Realty Investment	3.87

Top 5 Contributors

Security Name	%
Mitsui Fudosan	0.15
Welltower	0.12
Shurgard Self Storage	0.12
Public Storage	0.11
Equity Residential	0.11

Bottom 5 Contributors

Security Name	%
Link REIT	-0.29
Healthpeak Properties	-0.28
Host Hotels & Resorts	-0.23
Kimco Realty Corporation	-0.21
Assura	-0.09

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

Fund Details

APIR code	IOF0184AU	Management Fee	1.05% p.a.
ARSN Code	118 076 529	Buy/Sell Spread	+0.20%/-0.20%
*Inception Date	30 November 2011	Distribution Frequency	Quarterly
Fund Size	\$505.0 Million	No. of Stocks	Generally 30 to 60
NAV per Unit	\$1.18	Risk/Return Profile	The Fund's risk band is 5 (medium to high)
Minimum Investment	\$25,000	Platform Availability	https://rescap.com/globalfundunhedged/seriesii
Benchmark	FTSE EPRA/NAREIT Developed Index (AUD) Net TRI	Investment Timeframe	Medium to long term, being 5 or more years

Market Commentary

The FTSE EPRA/NAREIT Developed Index (AUD) produced a total return of -0.1% for the month ended 28 February 2023. All regions apart from Japan posted negative returns in the month of February. REITs have delivered mixed earnings results with positive Q422 results preceded by 2023 guidance that suggests an expected slowdown in the latter half of the year, with rising operating expenses and interest costs posing a challenge to earnings in 2023.

Japan was the strongest region, returning 2.3% in local currency terms. Japanese stocks rallied late into February after Bank of Japan Governor nominee Kazuo Ueda expressed support for the current ultra-loose monetary setting, signalling interest rates are unlikely to rise in the short to mid-term. Our underweight exposure to Japan detracted from performance.

The U.S. underperformed the global index, returning -4.8% in local currency terms. Positive economic and employment data released in February suggests that the Fed's efforts to control inflation have been inadequate, leading to a greater likelihood of interest rates staying higher for longer. Sticky inflation concerns and decelerating growth from earnings combined for downward pressure on the U.S. Our overweight exposure to the U.S. detracted from performance.

Hong Kong was the weakest region, returning -6.1% in local currency terms. Geopolitical concerns and uncertainty surrounding Chinese business recovery led to a consolidation in Hong Kong equities throughout February after a strong post-Covid reopening rally since November of last year. Our overweight exposure to Hong Kong detracted from performance.

All property sectors apart from self storage posted negative returns in February.

Self storage was the strongest performing sector during February, returning +1.7% in local currency terms after optimistic growth guidance was delivered by the sector. However, earnings results were overshadowed by Public Storage's (PSA) rejected informal \$11b takeout offer to acquire Life Storage (LSI) at a 17% premium to LSI's unaffected share price, with indications that PSA may improve the offer. Our overweight exposure to the sector added to performance.

The data centre sector was the weakest performer during the month, returning -7.4% in local currency terms. Despite strong bookings with record backlogs, the sector underperformed due to flat earnings guidance delivered by Digital Realty (DLR) which was negatively impacted by rising financing costs, while Equinix Inc's (EQIX) margins declined because of increasing electricity costs. Our nil exposure to DLR and underweight exposure to the sector contributed positively to performance.

A number of REITs have been active in raising capital to reduce leverage and fund future acquisitions.

Hong Kong based portfolio holding Link REIT (823-HK) announced a highly dilutive one for five rights issue at HK\$44.2 per unit, equivalent to 20% of shares outstanding, aiming to raise US\$2.4b at a 30% discount to last unaffected close. Link indicated the proceeds will be used to reduce debt and fund future investment opportunities.

Swedish developer Castellum AB (CAST) revealed a SEK\$10b (c.US\$950m) rights issue to be completed in Q223 with the purpose of reducing leverage. In Singapore, ESR-Logos REIT (J91U) launched a private placement and preferential offering to raise \$300m of equity to fund 'future acquisitions, redevelopments and asset enhancement initiatives', with the private placement three times oversubscribed in February.

Furthermore, ASX listed Centuria Industrial REIT (CIP) issued A\$300m of exchangeable notes maturing in 2028, paying a 3.45%-3.95% p.a. coupon and 25% exchange premium.

As rising interest rates start to impact REIT earnings, capital restructuring will become a focus for those with leverage concerns this year. This is highlighted by the default of PIMCO's Columbia Property Trust on \$1.7bn of mortgage notes secured over seven office buildings in the U.S.

Other notable news over February included the Competition and Markets Authority in the UK unconditionally clearing an all-share merger of Capital & Counties Properties (CAPCO) and Shaftesbury (SHB), the merger is expected to be completed in early March 2023. SHB is a portfolio holding.

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