

# Resolution Capital Real Assets Fund - Class A

30 November 2022

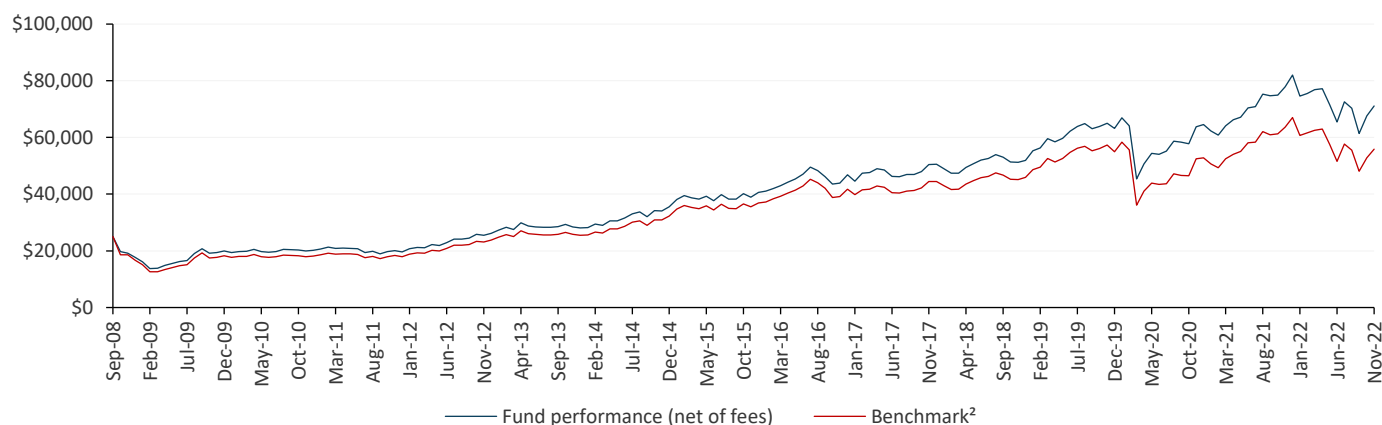


## Performance Summary

	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) <sup>1</sup>	5.19	1.03	-8.68	3.03	7.08	10.80	7.65
Benchmark <sup>2</sup> return	5.81	0.49	-12.32	-0.90	4.67	9.23	5.83
Value Added (Net Performance)	-0.62	0.54	3.64	3.93	2.41	1.57	1.82

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 the strategy of the Fund changed effective 1 October 2019. The Resolution Capital Real Assets Fund was previously known as the Resolution Capital Core Plus Property Securities Fund. 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	18.08
Scentre Group	13.98
Vicinity Centres	6.40
Charter Hall Group	5.08
Region Group	4.93

## Top 5 Contributors

Security Name	%
Goodman Group	2.07
Charter Hall Group	0.38
Mirvac Group	0.38
Scentre Group	0.34
Vicinity Centres	0.28

## Bottom 5 Contributors

Security Name	%
National Storage REIT	-0.29
Abacus Property Group	-0.05
Assura	-0.03
Capital & Counties Properties	-0.03
Chorus Limited	-0.03

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

## Fund Details

<b>APIR code</b>	WHT0014AU	<b>Management Fee</b>	0.65% p.a. plus 20% of outperformance above the benchmark net of the management fee and expenses
<b>ARSN Code</b>	131 850 363	<b>Buy/Sell Spread</b>	+0.20%/-0.20%
<b>*Inception Date</b>	30 September 2008	<b>Distribution Frequency</b>	Quarterly
<b>Fund Size</b>	\$56.0 Million	<b>No. of Stocks</b>	Generally 20 to 35
<b>NAV per Unit</b>	\$0.51	<b>Risk/Return Profile</b>	The Fund's risk band is 5 (medium to high)
<b>Minimum Investment</b>	\$25,000	<b>Platform Availability</b>	<a href="https://rescap.com/realassetsfund">https://rescap.com/realassetsfund</a>
<b>Benchmark</b>	S&P/ASX 300 AREIT Total Return Index	<b>Investment Timeframe</b>	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. Broadly, infrastructure outperformed real estate with toll roads and utilities outperforming whilst airports lagged.

In November there was limited infrastructure news and 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.

Infrastructure news relevant to portfolio holdings was limited. Cellnex (CLNX), a Spanish telecommunication tower company, announced a strategic pivot away from growing through M&A to focusing on organic growth and reducing leverage to obtain an investment-grade credit rating.

Spanish airport operator AENA (AENA) released its 2022-26 business plan. AENA expects earnings to recover to pre-pandemic levels between 2024-25, driven by higher traffic levels but offset by lower margins.

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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 Real Assets Fund (ARSN 131 850 363) ('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: [WHT0014AU](#), links to the Target Market Determination: [WHT0014AU](#). 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.