

Resolution Capital Real Assets Fund - Class A

31 December 2022

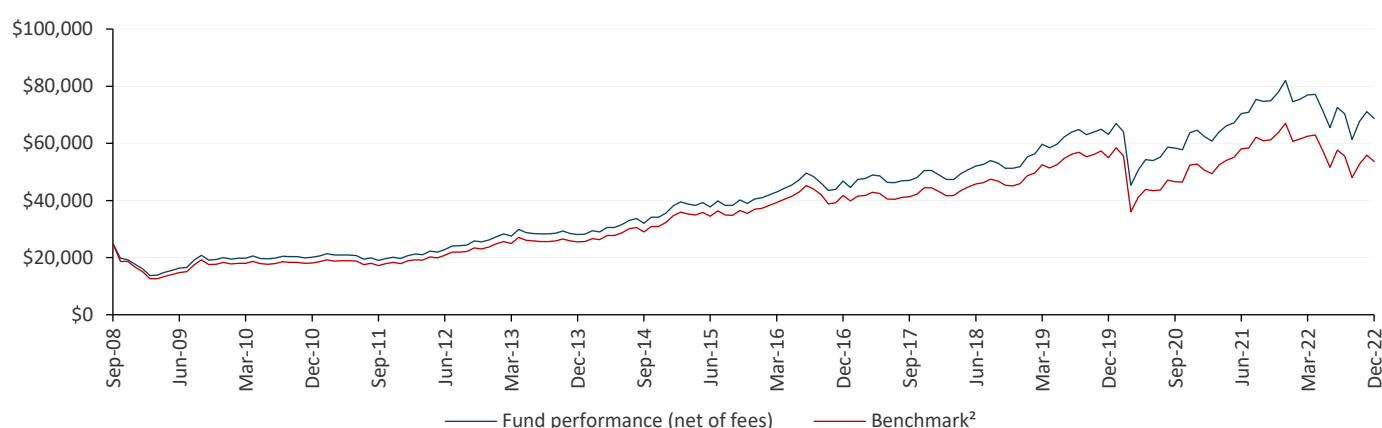
RESOLUTION CAPITAL

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	-3.32	12.03	-16.21	2.84	6.34	10.12	7.35
Benchmark ² return	-4.04	11.56	-20.06	-0.83	3.79	8.47	5.49
Value Added (Net Performance)	0.72	0.47	3.85	3.67	2.55	1.65	1.86

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 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.

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

Source: Resolution Capital

Top 5 Weights

Security Name	%
Goodman Group	16.99
Scentre Group	14.01
Vicinity Centres	6.51
Charter Hall Group	4.32
Region Group	4.31

Top 5 Contributors

Security Name	%
Hotel Property Investments	0.21
Aspen Group	0.16
Region Group	0.05
Ingenia Communities Group	0.04
Chorus Limited	0.03

Bottom 5 Contributors

Security Name	%
Goodman Group	-1.51
Charter Hall Group	-0.63
Scentre Group	-0.41
Transurban Group	-0.24
GPT Group	-0.11

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

Fund Details

APIR code	WHT0014AU	Management Fee	0.65% p.a. plus 20% of outperformance above the benchmark net of the management fee and expenses
ARSN Code	131 850 363	Buy/Sell Spread	+0.20%/-0.20%
*Inception Date	30 September 2008	Distribution Frequency	Quarterly
Fund Size	\$56.3 Million	No. of Stocks	Generally 20 to 35
NAV per Unit	\$0.49	Risk/Return Profile	The Fund's risk band is 5 (medium to high)
Minimum Investment	\$25,000	Platform Availability	https://rescap.com/realassetsfund
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 -4.0% for the month ended 31 December 2022, underperforming the Australian equities market by 0.70% (S&P/ASX 300 Total Return Index). The Portfolio outperformed the index (before fees).

The Reserve Bank of Australia (RBA) raised the cash rate for the eighth consecutive month, with a lift of 0.25% to 3.10%, the highest level since 2012. With inflation remaining elevated, the RBA signalled further hikes to come. Australian 3rd quarter GDP slowed by more than expected but the labour market remains resilient with unemployment holding at 3.4%, the equal lowest since 1974.

Within A-REITs, retail, self-storage, pubs and childcare were the strongest performing sectors whilst fund managers and industrial underperformed. Broadly, infrastructure outperformed real estate with utilities and airports outperforming, whilst toll roads lagged.

Several A-REITs released preliminary December 2022 independent appraisal property valuations. The devaluations reported were relatively modest and fell 1-2% on average. The steepest devaluations were reported by office and petrol station landlords. Some retail, industrial and childcare landlords reported positive property valuation uplifts.

Whilst appraisal capitalisation rates widened, pressured by higher interest rates, rent growth provided some offset to support valuations. Transactional activity has also slowed thereby limiting comparable evidence for valuers to utilise for benchmarking. It is likely that further property devaluations will eventuate in CY2023.

Moving to transactions, office landlord Dexus (DXS) progressed its targeted ~\$1bn divestment program with the sale of six assets for \$483m. Four of the six assets, which included both office and industrial, sold at an aggregated ~10% discount to book value which implies an estimated ~5.5% cap rate. The other two assets sold sit in DXS' trading business and will therefore contribute to FY23 trading profits. The Portfolio's underweight position to DXS detracted from relative performance.

Whilst most A-REITs re-affirmed FY23 earnings guidance in recent months, office and industrial landlord Growthpoint (GOZ) upgraded its previous earnings guidance to -6% from -8% due to some recent office leasing success. However, earnings continue to reduce due to higher debt costs.

Childcare landlord Arena (ARF) re-affirmed FY23 dividend growth guidance of +5%. ARF highlighted that childcare operator tenants were performing well with occupancy the highest in six years and daily fees growing. However, development margins remain under pressure due to higher construction costs. The Portfolio's overweight position contributed to relative performance.

Turning to merger and acquisition activity, residential and retirement landlord Aspen (APZ) acquired a 13.7% stake in retirement group Eureka (EGH) whilst 360 Capital built a 14% stake in pub landlord Hotel Property Investments (HPI). The Portfolio's overweight positions in APZ and HPI contributed to relative performance.

Negative offshore news weighed on the share prices of local A-REITs which contain substantial third-party property fund management platforms such as Charter Hall (CHC). During the month, in response to elevated investor redemptions, U.S. based private equity behemoth Blackstone restricted investor redemptions in its \$145bn U.S. open-ended unlisted property fund, which was soon similarly followed by a number of other U.S. unlisted funds including Starwood's unlisted property fund. The Portfolio's underweight position in property fund managers contributed to relative performance.

Turning to infrastructure, Auckland's mayor has proposed selling the council's ~18% shareholding in Auckland Airport (AIA). The proposal will require ratepayer consultation. A similar proposal was rejected more than a decade ago. The Portfolio's position contributed to relative performance.

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