

Resolution Capital Real Assets Fund - Class A

31 May 2023

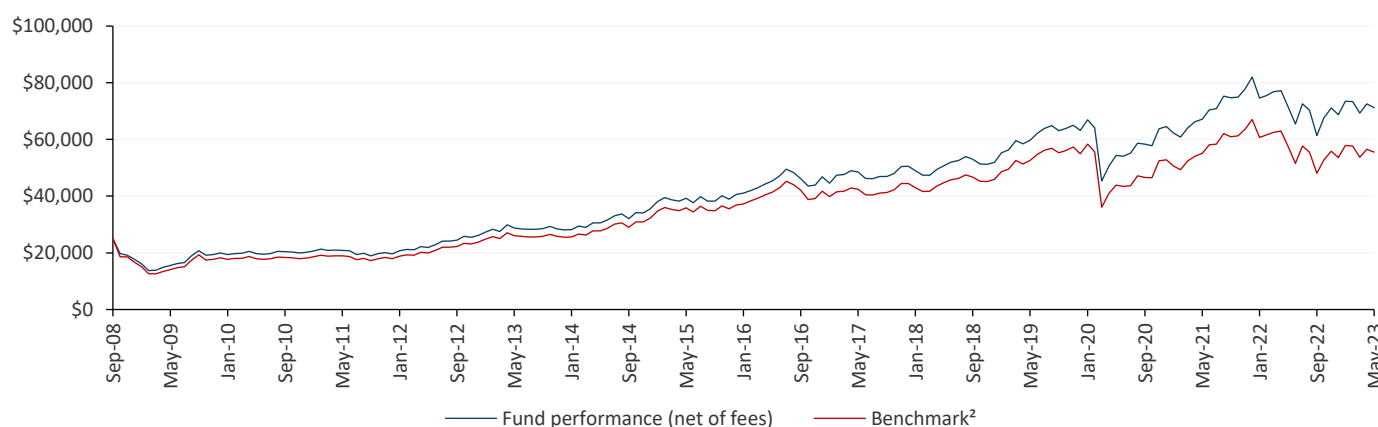
RESOLUTION CAPITAL

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	-1.91	-2.93	-0.56	9.42	6.97	9.49	7.39
Benchmark ² return	-1.81	-3.81	-3.59	8.11	4.37	7.85	5.58
Value Added (Net Performance)	-0.10	0.88	3.03	1.31	2.60	1.64	1.81

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	18.94
Scentre Group	12.77
Vicinity Centres	6.47
Mirvac Group	5.09
Charter Hall Group	4.31

Top 5 Contributors

Security Name	%
Goodman Group	0.30
Dexus	0.13
Invitation Homes	0.09
Region Group	0.09
SSE	0.04

Bottom 5 Contributors

Security Name	%
Vicinity Centres	-0.84
Scentre Group	-0.77
Mirvac Group	-0.22
Stockland	-0.17
Abacus Property Group	-0.09

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	\$54.3 Million	No. of Stocks	Generally 20 to 40
NAV per Unit	\$0.51	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 -1.8% for the month ended 31 May 2023, outperforming the Australian equities market (S&P/ASX 300 Total Return Index). The portfolio underperformed the index.

After pausing in April, the Reserve Bank of Australia (RBA) unexpectedly hiked interest rates in May by 0.25% to 3.85%. Later in the month the unemployment rate rose from 3.5% to 3.7% but the monthly inflation indicator came in above expectations.

Within A-REITs, office and industrial outperformed while the diversified and retail sectors underperformed. Whilst house prices rose for a third consecutive month, residential developers generally underperformed after recent strong performance amid the renewed prospect of higher interest rates. Broadly, infrastructure outperformed real estate.

Outperforming A-REITs included fund manager Home Consortium (HMC), which announced progress in capital raising efforts for new healthcare and retail funds, and office landlord Dexus (DXS) which provided a quarterly update in which office occupancy increased by 0.1% to 95.4% and tenant incentives moderated. The Portfolio's underweight positioning in both stocks detracted from relative performance.

Underperforming A-REITs included retail landlords Vicinity Centres (VCX) and Scentre Group (SCG). VCX upgraded FY23 earnings guidance to the top end of the prior range, which represents 11% growth, aided by recovering ancillary income. For the first time since 2018 leasing spreads turned positive. VCX also announced the sale of a 50% stake in its Broadmeadows regional mall at a ~4% premium to book value. Proceeds will fund developments.

Weighing on retail sentiment was likely several discretionary retailers (i.e. tenants) reporting slowing sales. The portfolio's overweight positioning in both stocks detracted from relative performance.

Operating conditions remain favourable for industrial landlords with market rental growth buoyed by low current vacancy and tenant demand exceeding supply. Rent growth is offsetting capitalisation rate expansion, supporting valuations.

Goodman Group (GMG) upgraded FY23 earnings growth guidance from 13.5% to 15%. Although development work in progress fell 7% the \$7bn p.a. production rate remained stable. Development margins are attractive and GMG is doing more development on balance sheet. Higher returning data centres now constitute 30% of the pipeline. Other landlords including GPT (GPT) and Centuria Industrial REIT (CIP) also reported accelerating double digit industrial re-leasing spreads. Underweight positioning in GMG, predicated on relative valuation, detracted from relative performance, whilst underweight positioning in GPT contributed.

Self-storage and office landlord Abacus (ABP) announced revaluations ahead of its proposed creation of an externally managed storage A-REIT. Self-storage values rose 2.6% whilst office/retail fell 5%.

Toll road operator Transurban (TCL) held an investor day at which it messaged that its capital-intensive greenfield projects are being progressively completed. As such the model is moving more towards dividend growth, as road traffic matures, and brownfield projects such as road widenings. TCL did signal interest in bidding for a stake in Victoria's Eastlink road and lifted dividend guidance by 1.8%.

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