

Resolution Capital Real Assets Fund - Class A

31 August 2023

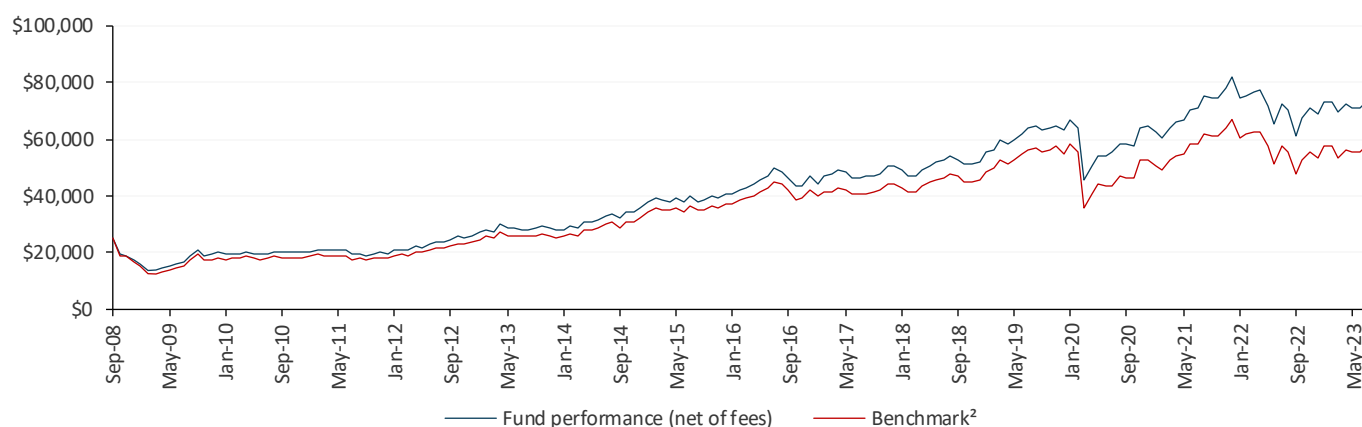


Performance Summary

	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	1.26	3.83	5.06	8.02	6.51	10.09	7.53
Benchmark ² return	2.18	6.05	5.93	7.69	4.39	8.68	5.90
Value Added (Net Performance)	-0.92	-2.22	-0.87	0.33	2.12	1.41	1.63

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	24.25
Scentre Group	12.51
Vicinity Centres	5.85
Arena REIT	3.95
Mirvac Group	3.53

Top 5 Contributors

Security Name	%
Goodman Group	2.92
Mirvac Group	0.13
Scentre Group	0.11
Ingenia Communities Group	0.11
Aspen Group	0.07

Bottom 5 Contributors

Security Name	%
Region Group	-0.45
Charter Hall Group	-0.24
Transurban Group	-0.20
Vicinity Centres	-0.17
Abacus Storage King	-0.15

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	\$23.1 Million	No. of Stocks	Generally 20 to 40
NAV per Unit	\$0.52	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 2.2% for the month ended 31 August 2023, outperforming the Australian equities market (S&P/ASX 300 Total Return Index). Australian listed Infrastructure underperformed property.

The relative strong A-REIT sector performance was largely driven by industrial landlord and developer Goodman Group (GMG). Consequently, within A-REITs the industrial sector outperformed, specialist and retail sectors trailed slightly whilst the office and diversified sectors underperformed. Broadly, the Portfolio's infrastructure exposure detracted from relative performance.

August was filled with FY23 earnings results and maiden FY24 earnings guidance. Outperforming A-REITs included industrial REIT Goodman Group. Goodman reported strong operating fundamentals, guided to a near sector-leading 9% FY24 earnings growth and disclosed a large data centre pipeline underpinning future development earnings.

The Portfolio's underweight position in GMG detracted from relative performance.

Underperforming A-REITs included office and industrial landlord Growthpoint (GOZ) and diversified Charter Hall Long WALE REIT (CLW). Both companies have above sector average financial leverage. Higher debt costs are a key drag as GOZ guided to -15% FY24 earnings growth and CLW -7% for FY24 after -8% in FY23.

The Portfolio's underweight positions in GOZ and CLW contributed to relative performance.

Key A-REIT reporting season themes include:

- Few A-REITs will grow earnings in FY24 owing to higher debt costs overwhelming revenue growth.
- More FY24 earnings guidance misses than beats, generally due to new interest rate hedging crystallising higher FY24 debt costs.
- Office remains challenging. Occupancy was broadly stable though some reported declines. Tenant incentives remain elevated and the tone softened on proposed developments. Several A-REITs are trying to sell assets though buyers remain cautious. Dexus (DXS) sold 1 Margaret St, Sydney for 21% below Jun-22 book value and retained an equity holding given the acquirer could not raise all of the required capital.
- Retail metrics were encouraging. Occupancy is high (>98.5%), leasing spreads improved to flat/positive and retailers are generally in good financial shape heading into a tougher environment. Supply of new centres is low. Sales growth is decelerating into FY24, particularly for discretionary categories, likely impacting occupancy and leasing spreads. Rising property expenses including insurance/utilities/taxes are pressuring net rent growth.
- Industrial conditions remain favourable though there are some signs of demand softening from a high base. Occupancy is high (~99%), supply is delayed due to planning and new deal rents accelerated in 2H23 to >20% above in-place rents. Mirvac (MGR), Stockland (SGP) and GPT continue to prioritise growing industrial exposure, generally via development.
- Residential sentiment is subdued near-term with more optimism into CY24 if interest rates stabilise. Affordability is constraining demand and first home buyers are absent, hit by lower borrowing capacity. Sales are at historically low levels though sequentially improving from the 2022 trough. Enquiry has lifted but conversion is slow. Buyer defaults are above cyclical averages. Positively, A-REIT residential developers are winning market share, production constraints are easing and construction cost inflation is moderating. Medium-term support from undersupply and migration remains intact.
- Headwinds for fund managers persist. Transaction volumes are subdued, downward valuation pressure remains and equity inflows have slowed with some funds needing to satisfy redemptions.
- Self-storage FY24 revenue growth is slowing to long-run ~4-5% from elevated levels during the pandemic years. In FY23 occupancy loss was offset by rate growth. For both National Storage REIT (NSR) and Abacus Storage King (ASK) development is a key growth driver with attractive returns.

Auckland Airport (AIA) resumed paying dividends as FY23 passenger volumes recovered to 75% of 2019, aided by international back to 86% in Jun-23 but domestic plateauing at 84% due to airline capacity constraints. AIA guided to higher profitability in FY24, albeit less than expected, due to a continued recovery in passengers and retail income, property developments and higher aeronautical tariffs associated with its monumental \$6.6bn 10-yr capex plan which includes a new domestic terminal.

Toll road operator Transurban (TCL) reported an FY23 result which slightly missed expectations due to higher costs and weaker traffic in the fourth quarter, with Sydney and Melbourne still below 2019. Future earnings growth is underpinned by new road development completions and TCL remains interested in acquiring a stake in Eastlink. The new CEO will likely maintain the existing strategic focus on growing a sustainable dividend as traffic stabilises on new road developments, rather than pursuing new capital intensive projects.

Investor Contact Details

Pinnacle Investment Management

Email: service@pinnacleinvestment.com

Phone: 1300 010 311

Adviser Contact Details

Pinnacle Investment Management

Email: distribution@pinnacleinvestment.com

Phone: 1300 010 311

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. 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.