Resolution Capital Real Assets Fund - Class A

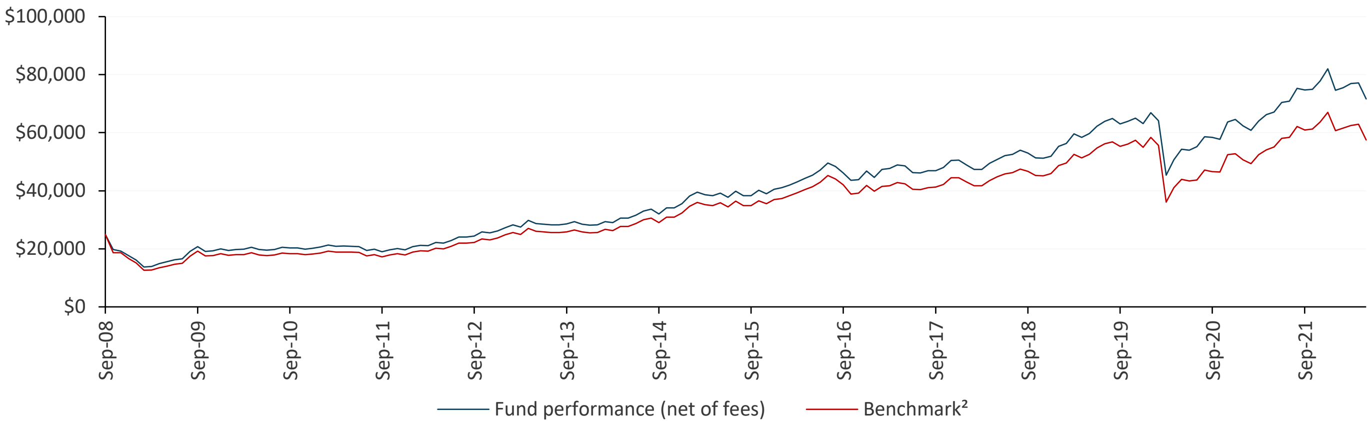
31 May 2022

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)[1]	-7.23	-5.11	6.62	6.26	8.07	12.55	8.00
Benchmark[2] return	-8.55	-6.59	4.58	3.09	6.30	11.18	6.29
Value Added (Net Performance)	1.32	1.48	2.04	3.17	1.77	1.37	1.71

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*



[1]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.
[2]Benchmark is S&P/ASX 300 AREIT Total Return Index.
Source: Resolution Capital

Top 5 Weights

Security Name	%
Goodman Group	20.24
Scentre Group	11.35
Mirvac Group	7.35
Charter Hall Group	6.00
Transurban Group	5.39

Top 5 Contributors

Security Name	%
Switch	0.16
Terna - Trasmissione Elettrici	0.07
Atlas Arteria	0.06
Aena SME	0.05
Vicinity Centres	0.03

Bottom 5 Contributors

Security Name	%
Goodman Group	-2.98
Charter Hall Group	-1.00
Mirvac Group	-0.42
Scentre Group	-0.41
Dexus	-0.30

Fund Details

APIR code	WHT0014AU	**Management Fee**	0.65% p.a. plus 20% of outperformance above the benchmark
ARSN Code	131 850 363	**Buy/Sell Spread**	+0.20%/-0.20%
***Inception Date**	30 September 2008	**Distribution Frequency**	Quarterly
Fund Size	$43.8 Million	**No. of Stocks**	Generally 20 to 35
NAV per Unit	$0.54	**Investment Manager**	Resolution Capital
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 -8.6% for the month ended 31 May 2022, underperforming the Australian equities market by 5.8% (S&P/ASX 300 Total Return Index).

In response to inflationary pressures the Reserve Bank of Australia raised the cash rate by 0.25% and for the first time since 2010, with further policy tightening expected over 2022. Similarly, the U.S. Federal Reserve continued its tightening with a 0.50% increase, the largest since 2000. The Australian Federal election resulted in a change of Government as the Labour party emerged victorious, though the implications for our sectors appear limited, with the exception of childcare which should benefit from a more generous policy.

Within A-REITs, retail and office outperformed, whilst diversified, property fund managers, residential and industrial lagged. Broadly, infrastructure outperformed real estate, in particular toll roads, electric utilities and airports.

Key news included quarterly updates and transactions.

Starting with quarterly updates, industrial developer and fund manager Goodman Group (GMG) upgraded FY22 earnings growth guidance to 23% from 20%. GMG highlighted strong operating fundamentals and continued growth in its development pipeline to $13.4bn at attractive margins.

Weighing on global industrial REIT sentiment was e-commerce giant, and GMG's largest tenant, Amazon flagging its intention to sublet excess U.S. warehouse capacity, after having doubled its footprint in recent years.

Retail landlords Scentre Group (SCG), Vicinity Centres (VCX) and GPT reported decent operating metrics with occupancy holding, sales above 2019 levels (SCG at 7%) and visitation improving, albeit still below pre-pandemic levels (SCG at 88%). Rents on new leases remain ~5% below previous levels, though positively the gap has narrowed from previous periods. All three landlords reaffirmed earnings and/or dividend growth guidance.

Office landlord Dexus (DXS) upgraded FY22 dividend growth guidance to 2.5% from 2.0%, with operating metrics largely unchanged from the prior quarter including stable tenant incentives at ~30%. Meanwhile GPT highlighted challenging conditions in office leasing markets with relatively muted enquiry, though vacancy is reducing as space offered for sub-lease falls.

Last month we discussed office landlord Dexus' acquisition of Collimate Capital's (formerly AMP Capital) $28bn domestic real estate and infrastructure funds management platform. This month GPT confirmed it had won management rights for $2.8bn of retail and office assets from Collimate Capital. Moreover, diversified REIT Mirvac (MGR) announced that investors in a Collimate office fund with ~$8bn of assets have requested to vote on the replacement of Collimate as fund trustee with Mirvac.

Moving to transactions, office landlord Australian Unity Office Fund (AOF) received a takeover bid from Aliro Group. The bid was at an 8% discount to Net Tangible Assets, but broadly in-line after accounting for expected asset devaluations. The bid is almost 20% below previous pre-pandemic bids.

Within infrastructure, toll road operator Transurban (TCL) held its investor day in which it reaffirmed guidance for dividends in line with cashflow. TCL highlighted strong Easter traffic above 2019 levels in all markets barring North America, airport roads recovering, minimal traffic correlation with fuel prices, continued preference for private car travel over public transport and reiterated its inflation protection characteristics.

Auckland Airport (AIA) reported improving monthly passenger volumes with April volumes at 42% of 2019 levels. Specifically, domestic volumes has improved to 61% of 2019 and whilst international travel remains low, there was notable improvement in Trans-Tasman travel.

Contact Us

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