

Resolution Capital Real Assets Fund - Class A

30 June 2022

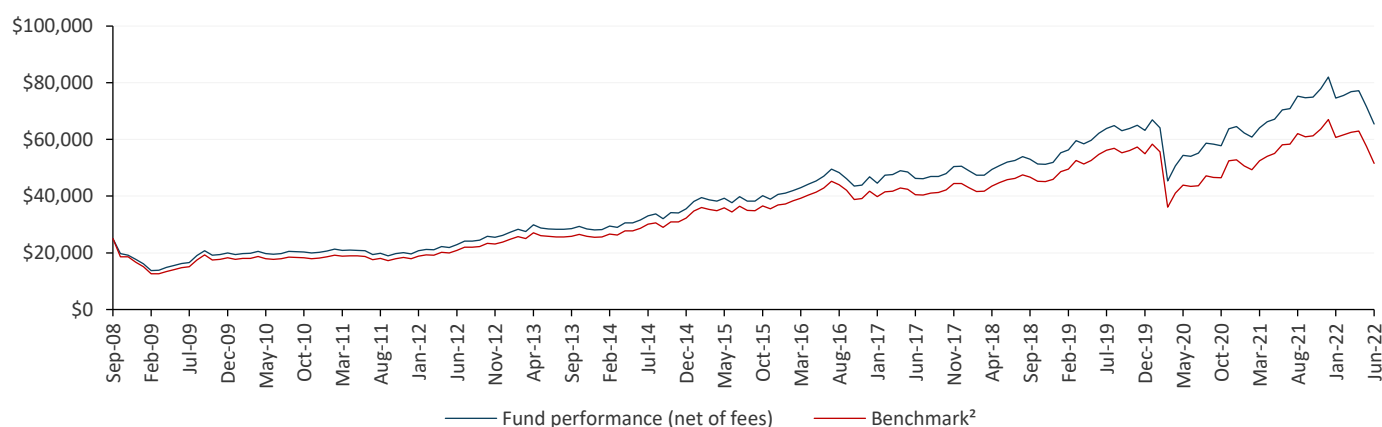


Performance Summary

	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	-8.54	-14.86	-7.02	1.71	7.17	11.09	7.25
Benchmark ² return	-10.39	-17.49	-11.22	-1.95	4.96	9.50	5.41
Value Added (Net Performance)	1.85	2.63	4.20	3.66	2.21	1.59	1.84

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	18.54
Scentre Group	11.61
Mirvac Group	6.86
Transurban Group	5.17
Charter Hall Group	5.17

Top 5 Contributors

Security Name	%
Atlas Arteria	0.28
Transurban Group	0.08
Invitation Homes	0.04
Arena REIT	0.03
Ferrovial	0.02

Bottom 5 Contributors

Security Name	%
Goodman Group	-2.51
Scentre Group	-1.14
Charter Hall Group	-1.04
Mirvac Group	-0.73
Dexus	-0.56

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	\$39.8 Million	No. of Stocks	Generally 20 to 35
NAV per Unit	\$0.48	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 -10.4% for the month ended 30 June 2022, underperforming the Australian equities market by 1.4% (S&P/ASX 300 Total Return Index).

In response to expectations of wages growth lifting amidst a tight labour market, the Reserve Bank of Australia raised the cash rate by 0.50%, sooner and higher than market expectations (and the first 0.50% rise since 2000).

Within A-REITs, retail outperformed whilst diversified, office, industrial and property fund managers lagged.

Broadly, infrastructure outperformed real estate, in particular toll roads where potential takeover activity may unfold.

Key news included property revaluations, earnings guidance updates and transactions.

Starting with A-REIT property valuations, appraisal book values continued to rise over the period to June 2022. Childcare landlords reported the strongest valuation growth of ~5-8%, followed by industrial property valuations appreciating ~4-7%, non-discretionary retail ~1.0-4.5%, office 0-2% and malls +2%. Interestingly, diversified landlord Growthpoint (GOZ) noted capitalisation rate expansion across its entire office portfolio, albeit a minor move, the first sign of this dynamic in the office sector for many years.

With respect to earnings updates, retail landlord Vicinity Centres (VCX) upgraded FY22 earnings guidance to ~2%, being the top end of its previous target range. The improved outlook was driven by better than expected rent collections and operating conditions including retailer sales. Shopping centre visitation in May was 85% of 2019 levels. Separately, Vicinity hosted a development showcase in which it presented on its ~\$3bn mixed-use pipeline. The projects will encompass office and residential built-to-rent apartments on existing retail mall properties, with expected returns between 7.5%-10.0%.

Given the rising interest rate environment, key focus areas for the A-REIT sector are balance sheet leverage, debt maturities and interest rate hedging. With respect to debt restructuring, diversified landlord Abacus (ABP) increased hedging for 2023 to 76% from 33% and to 50% in 2024 from 16%. ABP's debt maturity has been extended to 4.5 years from 2.3 years.

Moving to transactions, grocery-anchored retail landlord Shopping Centres Australasia (SCP) acquired a \$180m portfolio of five assets in South Australia, Western Australia and Queensland.

Regarding management changes, retail landlord Scentre Group (SCG) announced the internal promotion to CFO of Finance Director Andrew Clarke. This follows the former CFO being appointed as the new CEO.

Within infrastructure there was more potential M&A activity. Australian infrastructure investor IFM acquired a 15% stake in toll road operator Atlas Arteria (ALX). For a 7% stake the price paid of \$8.10 per share represents a 14% premium to the last share price. ALX's Board decided not to provide IFM with the access to non-public information it requested. IFM had requested this information to potentially submit a non-binding bid to acquire the company.

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

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