

# Resolution Capital Real Assets Fund - Class A

31 August 2022

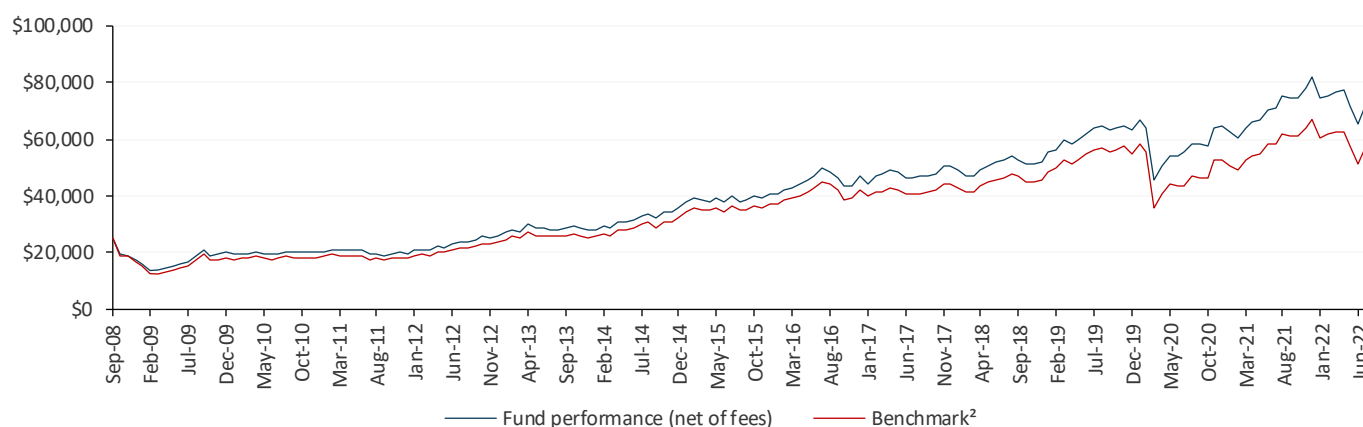
# RESOLUTION CAPITAL

## 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) <sup>1</sup>	-3.09	-1.73	-6.57	2.75	8.44	11.30	7.71
Benchmark <sup>2</sup> return	-3.63	-3.47	-10.52	-0.78	6.24	9.73	5.90
Value Added (Net Performance)	0.54	1.74	3.95	3.53	2.20	1.57	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\*



<sup>1</sup>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.

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

Source: Resolution Capital

## Top 5 Weights

Security Name	%
Goodman Group	20.11
Scentre Group	12.40
Mirvac Group	6.42
Charter Hall Group	5.33
Vicinity Centres	5.15

## Top 5 Contributors

Security Name	%
Scentre Group	0.49
Charter Hall Group	0.31
Atlas Arteria	0.05
Aspen Group	0.03
Centuria Industrial REIT	0.02

## Bottom 5 Contributors

Security Name	%
Goodman Group	-1.06
Arena REIT	-0.27
Shopping Centres Australasia	-0.26
Vicinity Centres	-0.20
Stockland	-0.19

## Fund Details

<b>APIR code</b>	WHT0014AU	<b>Management Fee</b>	0.65% p.a. plus 20% of outperformance above the benchmark
<b>ARSN Code</b>	131 850 363	<b>Buy/Sell Spread</b>	+0.20%/-0.20%
<b>*Inception Date</b>	30 September 2008	<b>Distribution Frequency</b>	Quarterly
<b>Fund Size</b>	\$49.2 Million	<b>No. of Stocks</b>	Generally 20 to 35
<b>NAV per Unit</b>	\$0.51	<b>Investment Manager</b>	Resolution Capital
<b>Minimum Investment</b>	\$25,000	<b>Platform Availability</b>	<a href="https://rescap.com/realassetsfund">https://rescap.com/realassetsfund</a>
<b>Benchmark</b>	S&P/ASX 300 AREIT Total Return Index	<b>Investment Timeframe</b>	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 -3.6% for the month ended 31 August 2022, underperforming the Australian equities market by 480bps (S&P/ASX 300 Total Return Index).

Globally, U.S. central bank commentary caused bond yields to rise. Locally, the Reserve Bank of Australia raised the cash rate again by 0.5% to 1.85%, the highest level since 2016, with further increases expected.

Within A-REITs, retail, diversified and self-storage outperformed whilst industrial and office underperformed. Broadly, infrastructure outperformed real estate. August was marked by financial results season.

Key A-REIT themes to emerge include:

### Earnings outlook negatively impacted by higher finance costs:

- 2023 earnings growth will be negative for several A-REITs largely as a consequence of higher debt finance costs associated with floating interest rate debt.
- Many A-REITs implemented a reactive plan to increase interest rate hedging for coming periods.

**Retail:** Grocery anchored retail remains resilient with high occupancy, positive leasing spreads and more supermarkets paying turnover rent. For malls, occupancy lifted and leasing spreads improved, albeit remain negative. Tenants reported retail sales/basket sizes are above pre-COVID levels. CBD retail trading continues to lag in light of absent office workers. Scentre Group (SCG) introduced maiden calendar year 2022 earnings growth guidance of 14%, whilst Vicinity Centres (VCX) is guiding to 10-15% underlying growth in FY23.

**Office:** Vacancy and tenant incentives remain elevated but are stabilising in some markets. Medium term tenant space requirements remain unclear with few large corporates making decisions, though there's limited evidence of downsizing to date. Higher quality buildings are outperforming and numerous A-REITs intend to develop new buildings to satisfy tenant demand for improved amenities and work environments. Dexus (DXS) is guiding to an FY23 dividend 4.6% lower than FY22.

**Industrial:** Operating conditions are strong with low vacancy and robust tenant demand leading to accelerating double-digit market rent growth. Numerous A-REITs have increased development pipelines. Goodman Group (GMG) delivered 24% earnings growth in FY22 and is guiding to 11% in FY23.

**Residential trading:** Rising interest rates are dampening home buyer enquiry and sales of apartments and land. Mirvac (MGR) and Stockland (SGP) acknowledged the increased risk of falling prices and purchaser defaults. Positively, embedded margins remain healthy given historic price growth. Land lease communities are proving more resilient and demand exceeds supply. Shortages of construction labour remains problematic for developers. Mirvac is guiding to at least 2.6% FY23 earnings growth whilst Stockland (SGP) is guiding to around -4%, dragged down by asset sales and higher taxes.

**Fund managers:** slowing transaction activity and equity inflows combined with potential devaluations present headwinds to earnings growth. Charter Hall (CHC) is guiding to FY23 earnings 22% below FY22 largely due to lower budgeted performance fees.

**Self-storage:** FY22 results exceeded expectations. However, from an elevated base, operating conditions for occupancy and rents are decelerating. Growth in revenue per available metre will likely slow to mid-single digits from ~15-20% in FY22. National Storage REIT (NSR) is guiding to FY23 earnings growth of 4.7%.

**Childcare, pubs and service stations:** Generally defensive characteristics were evident in results. Childcare tenants are financially healthy, pubs are trading well whilst service station REITs are strategically broadening their investment scope to include convenience retail assets or assets in various sectors with triple net leases.

**Toll roads:** mixed traffic recovery globally. Atlas Arteria's (ALX) French traffic is 2% above 2019, whilst Transurban's (TCL) Sydney roads are close but Melbourne remains ~8% below. Inflation-linked tolls will aid earnings growth. ALX continues to explore concession extension opportunities in exchange for road upgrades.

**Airports:** Auckland Airport (AIA) expects FY23 international passengers to be ~60% of 2019 and domestic ~80%. Operating costs are back to pre-pandemic levels and sizeable infrastructure projects are afoot including a new \$1bn domestic terminal.

A key contributor to relative performance was an overweight position to toll road operator Atlas Arteria whilst an overweight position to childcare REIT Arena detracted.

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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](mailto: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.