

Resolution Capital Global Property Securities Fund (Managed Fund)

TICKER: RCAP

CERTIFIED BY RIAA

Monthly Report - 31 March 2023

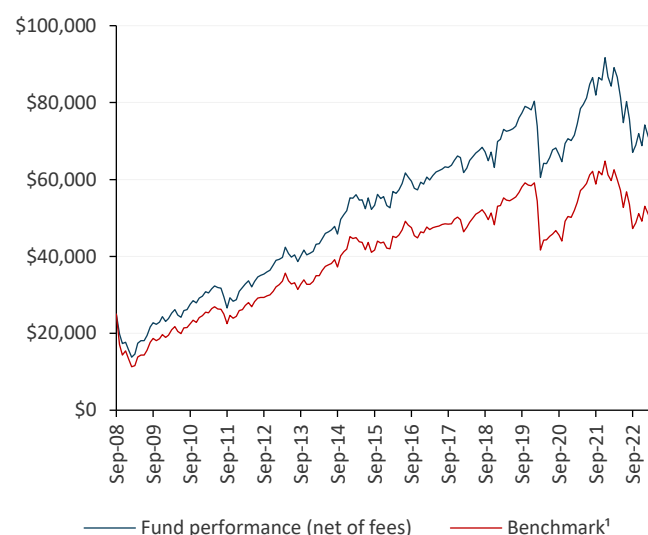
Performance Summary

	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)	-3.21	0.42	-22.52	4.50	1.86	5.68	7.26
Benchmark ¹ return	-3.86	0.10	-21.31	5.67	0.69	3.89	4.78
Value Added (Net Performance)	0.65	0.32	-1.21	-1.17	1.17	1.79	2.48

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 Benchmark is FTSE EPRA/NAREIT Developed Index (AUD Hedged) Net TRI. Prior to 1 April 2015 the benchmark was UBS Global Real Estate Investors Index (AUD Hedged) Net TRI. Past performance is no guarantee of future results. Source: Resolution Capital. Investors who apply for units directly with the Responsible Entity may pay a different price per unit to an investor who purchases those units on the ASX at the same time, and such differences may have a material impact on the performance of that investment. The above performance reflects the performance of the Fund where units are purchased and redeemed directly with the Responsible Entity only.

Investors can buy or sell units on the ASX

Ticker	RCAP
Exchange	ASX
Trading Currency	Australian Dollar
iNAV Provider	Solactive
Market Maker	Citigroup Global Markets Australia
Pricing	Intra-day

Fund Details

APIR	WHT0015AU
ARSN Code	128 122 118
Benchmark	FTSE EPRA/NAREIT Developed Index (AUD Hedged) Net TRI
*Inception Date	30 September 2008
RCAP Listing Date	22 February 2022
Fund Size	\$2,184.3 Million
NAV per Unit	\$1.50
Management Fee	0.80% p.a.
Performance Fee	20% of outperformance above the benchmark net of the management fee and expenses
Buy/Sell Spread²	+0.20%/-0.20%
Distribution Frequency	Quarterly
No. of Stocks	Generally 30 to 60
Risk/Return Profile	The Fund's risk band is 5 (medium to high)
Platform Availability	https://rescap.com/globalfund
Minimum Investment	\$25,000

²only applicable for investors who apply for units directly with the Responsible Entity

Marketing pricing information on RCAP

	Ticker	iNAV Ticker
Bloomberg	RCAP AU Equity	RCAPAUIV
Reuters/Refinitiv	RCAP.AX	RCAPAUDINAV=SOLA
IRESS	RCAP.AXW	RCAPAUDINAV

The name of the Fund was changed from Resolution Capital Global Property Securities Fund to Resolution Capital Global Property Securities Fund (Managed Fund) on 22 February 2022 to facilitate quotation of the Fund on the ASX

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Market Commentary

The FTSE EPRA/NAREIT Developed Index (AUD Hedged) produced a total return of -3.9% for the month ended 31 March 2023. All regions posted negative returns in the month except Hong Kong as the collateral damage of central bank interest rate hikes extended to the banking sector causing heightened liquidity and solvency concerns. Echoing the 1980s Savings & Loans crisis, the failure of Silicon Valley Bank and Signature Bank in the U.S., and the bail-out of Credit Suisse by UBS in Europe, highlighted the fragility of banks with weak capital structures and concentrated asset exposures. The consequences for REITs will take time to comprehend but we anticipate tighter lending conditions and reduced credit availability for those property sectors with weak operating fundamentals, notably U.S. office.

Hong Kong was the strongest region, returning 0.6% in local currency terms. REIT earnings recovery expectations are supported by economic and behavioural trends, which highlighted a sharp rebound in travel and consumption and improving residential sales. Our overweight exposure to Hong Kong contributed positively to performance.

The U.S. modestly outperformed the global index, returning -2.8% in local currency terms. The Portfolio's overweight position benefitted relative returns. The Fed delivered another 25bps rate hike, as U.S. policymakers balanced taming inflation with calming concerns regarding instability in the banking sector. In light of the banking turmoil, relative strength was broadly observed across U.S. REITs which satisfied three key characteristics: (a) defensive income streams, (b) low leverage, and (c) low exposure to technology/life-science oriented markets such as San Francisco. In turn, our exposure to single-family residential, manufactured housing, seniors housing and net lease sectors contributed positively to performance.

Continental Europe was the weakest region, returning -12.4% in local currency terms. Troubles in the banking sector added to the challenges facing highly levered European REITs. Remedies to cure elevated leverage and refinancing risk via common pathways (e.g., asset sale or equity raise) are hindered by the higher cost of capital environment. The wave of dividend reductions or suspensions and utilisation of script dividends continued in March. Announcements included German residential REITs Vonovia (VNA) and LEG Immobilien (LEG), and diversified REITs Aroundtown (AT1) and Immofinanz (IIA). Our underweight exposure to Europe contributed positively to performance.

Most property sectors posted negative returns in March with the exception of data centres, self-storage and industrial.

Data centres was the strongest performing sector returning 2.2% in local currency terms. Solid tenant demand, supply constraints and low vacancy support landlord pricing power. Stock selection, namely our exposure to Equinix (EQIX) and nil exposure to Digital Realty (DLR), contributed positively to performance.

Office was the weakest performing sector, returning -9.3% in local currency terms. As valuations remain under pressure and occupier demand remains uncertain, office loan defaults continued to make headlines. Major tech firms including Amazon, Meta and Microsoft announced a fresh round of layoffs. Amazon's decision to pause construction of the second phase of its second U.S. headquarters at National Landing in Northern Virginia magnified the impact of the retrenchments. Our underweight exposure to the sector contributed positively to performance.

There were several notable REIT announcements during the month.

U.S. listed net lease REIT, Realty Income (O) acquired a portfolio of 415 convenience stores located in the U.S. via a sale-and-leaseback (SLB) with EG Group for US\$1.5bn equating to a 2.7% portfolio expansion. The deal reflects a 6.9% cap rate, which is a healthy spread to O's implied cost of capital of 5.9%. Higher interest rates, particularly for non-investment grade corporates, has led owner-operators burdened with debt refinancings to pursue SLBs as an alternative source of capital.

U.S. diversified healthcare REIT Ventas (VTR) announced its intent to take ownership of the collateral pool comprising medical offices, senior housing and skilled nursing facilities supporting its US\$486m Santerre mezzanine loan. The "loan-to-own" structure converts the loan to equity, with no additional consideration paid. VTR will assume US\$1bn of floating rate debt maturing June '24 (assuming option exercised). Management believes the value of the collateral approximates the value of the loans, implying the deal is neutral to net asset value (NAV). Displeasingly, it dilutes VTR's portfolio quality and increases leverage.

Australian storage REIT, National Storage (NSR) completed a A\$325m equity raise representing ~11% of shares on issue. The raise priced at a 4.0% discount to unaffected close and 1.2% discount to last reported NAV. NSR will use the proceeds to fund acquisitions and its development pipeline.

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Top 5 Weights

Security Name	%
Prologis	8.45
Invitation Homes	6.59
Equity Residential	5.24
Realty Income	4.76
Public Storage	4.66

Top 5 Contributors

Security Name	%
Prologis	0.20
Equinix	0.19
Sun Hung Kai Properties	0.15
Public Storage	0.12
American Tower Corp	0.04

Bottom 5 Contributors

Security Name	%
Healthpeak Properties	-0.29
Federal Realty Investment	-0.24
Scentre Group	-0.24
Kimco Realty Corporation	-0.19
Essex Property Trust	-0.17

These are illustrative only and not a recommendation to buy, sell or hold any security.

Signatory of:



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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: [WHT0015AU](#)

Links to the Target Market Determination: [WHT0015AU](#)

For historic TMD's please contact Pinnacle client service Phone 1300 010 311 or Email service@pinnacleinvestment.com

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