

Resolution Capital Global Property Securities Fund – Series II

RESOLUTION CAPITAL

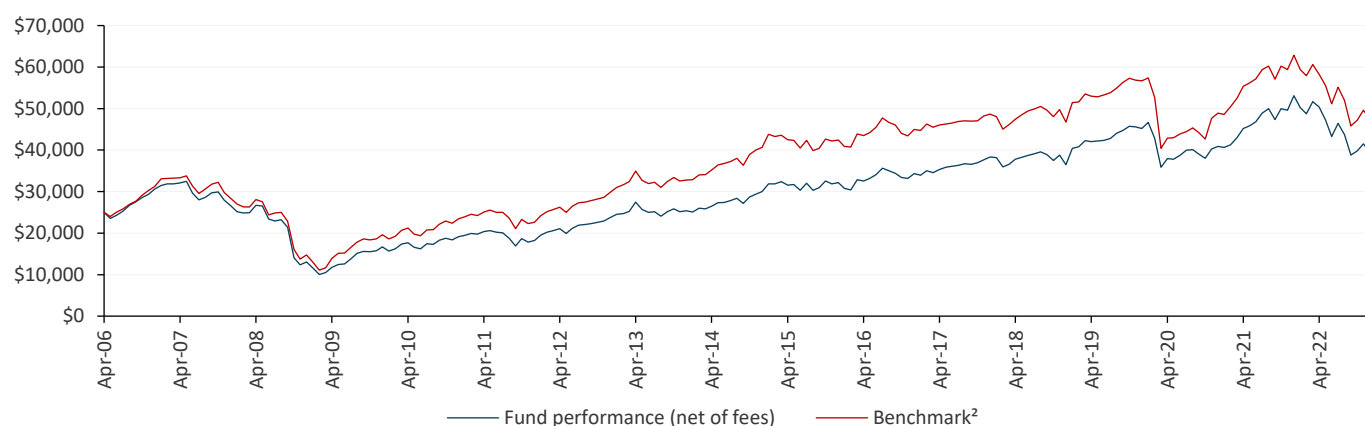
31 January 2023

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 | 7.72 | 7.11 | -15.04 | -2.95 | 2.25 | 5.69 | 3.24 |
| Benchmark ² return | 8.01 | 9.01 | -13.31 | -3.56 | 1.39 | 5.19 | 4.40 |
| Value Added (Net Performance) | -0.29 | -1.90 | -1.73 | 0.61 | 0.86 | 0.50 | -1.16 |

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 this Fund was previously known as the Perennial Hedged Global Property Wholesale Trust. Resolution Capital was appointed the investment manager of the Fund effective 1 November 2014. Past performance is no guarantee of future results.

²Benchmark 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 and prior to 1 November 2014 the FTSE EPRA/NAREIT Developed Index (AUD Hedged) Net TRI.

Source: Resolution Capital

Top 5 Weights

| Security Name | % |
|--------------------------|------|
| Prologis | 7.68 |
| Invitation Homes | 5.83 |
| Kimco Realty Corporation | 5.33 |
| Equity Residential | 4.60 |
| Public Storage | 4.11 |

Top 5 Contributors

| Security Name | % |
|-----------------------|------|
| Prologis | 0.76 |
| Welltower | 0.39 |
| Host Hotels & Resorts | 0.36 |
| Equinix | 0.32 |
| Invitation Homes | 0.31 |

Bottom 5 Contributors

| Security Name | % |
|---------------------------|-------|
| Mitsubishi Estate Company | -0.14 |
| Nippon Prologis REIT | -0.10 |
| Mitsui Fudosan | -0.05 |
| Sun Hung Kai Properties | -0.02 |
| Aedifica | -0.01 |

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

Fund Details

| | | | |
|--------------------|---|------------------------|---|
| APIR code | IOF0081AU | Management Fee | 1.05% p.a. |
| ARSN Code | 118 190 542 | Buy/Sell Spread | +0.20%/-0.20% |
| *Inception Date | 30 April 2006 | Distribution Frequency | Quarterly |
| Fund Size | \$476.9 Million | No. of Stocks | Generally 30 to 60 |
| NAV per Unit | \$1.11 | Risk/Return Profile | The Fund's risk band is 5 (medium to high) |
| Minimum Investment | \$25,000 | Platform Availability | https://rescap.com/globalfund/series-ii |
| Benchmark | FTSE EPRA/NAREIT Developed Index (AUD Hedged) Net TRI | Investment Timeframe | Medium to long term, being 5 or more years |

Market Commentary

The FTSE EPRA/NAREIT Developed Index (AUD Hedged) produced a total return of 8.0% for the month ended 31 January 2023. All regions apart from Japan posted positive returns in the month of January. Inflation is moderating from elevated levels, and there is increasing confidence that high-water marks for base interest rates may be on the near horizon.

Continental Europe outperformed the global index, returning 9.6% in local currency terms, driven primarily by strength in the German residential sector. Outperformance seems to stem from a sentiment shift towards a more benign interest rate outlook for 2023. Such an environment will alleviate pressure in highly levered capital structures such as German residential. UK stocks also performed well as the rate cycle appears to be turning more benign.

Hong Kong slightly underperformed the global index, returning 5.2% in local currency terms. After consecutive months of outperformance stemming from the anticipation of China lifting Covid lockdown restrictions, regional tailwinds from the expected strong economic rebound appear to have been accounted for by the public market.

Japan was the weakest region for the second consecutive month, returning -1.6% in local currency terms. The Bank of Japan surprised global markets by widening its yield curve control policy in December, but defied market expectations in January by opting to maintain its dovish negative target interest rates for now. Our underweight exposure to Japan contributed positively to performance.

The U.S. was the best performing region returning 10.6% in local currency terms. U.S. performance was supported by industrial, senior housing, lodging, and some select office companies. Industrial performance was driven by Prologis (PLD), which kicked off REIT earnings season with solid 4Q22 operating results that demonstrated continued strong occupancy and rate growth.

All property sectors posted positive returns in January.

Data centres was the strongest performing sector during January, returning +13.3% in local currency terms. After a record year of demand for data centres (~2,500 megawatts) in 2022, tenant demand for data centre space remained strong in the fourth quarter. Resilient demand, low vacancy rates, and moderate new supply expectations are encouraging. Our underweight exposure to the sector detracted from performance.

The diversified sector was the weakest performer during the month, returning +5.1% in local currency terms, largely due to exposure to Japan via Mitsui Fudosan (8801-JP). Our significant underweight position to the sector contributed positively to performance.

Healthcare was the second-best performing sector, returning +11.6% in local currency terms as occupancy continues to improve and expense growth concerns moderate. The NIC map, a leading senior housing data provider, showed that occupancy improved by 225 basis points in the fourth quarter to 85%. Our overweight exposure to healthcare contributed positively to performance, particularly positions in Welltower (WELL) and Ventas (VTR) in the U.S.

The U.S. unsecured debt market has reopened and appears accommodative for REITs with healthy balance sheets. Healthpeak (PEAK) and Realty Income (O) both announced unsecured debt issuances on January 9th. PEAK issued \$400m of 9-year unsecured notes with a 5.25% coupon. Meanwhile, O issued a dual-tranche of \$500m of three-year notes and \$600m of seven-year notes at a blended coupon rate of ~4.95%. We view this as an important step in normalising capital markets.

At the end of January, Invitation Homes (INVH) unexpectedly announced that CFO Ernie Freedman would be stepping down on June 1st, and that he would be succeeded by Jonathan Olsen, his long-time lieutenant. We do not envision a change in capital strategy stemming from this transition.

Emblematic of a challenging office leasing environment, Amazon elected to not renew its lease at Kilroy Realty's (KRC) West 8th asset in Seattle. Amazon leased 70% of the property (>500k sqft.) which will be difficult to backfill.

Alexandria Real Estate Equities (ARE) reported 4Q22 results that beat consensus estimates and reaffirmed the company's early-December guidance. Leasing volumes were strong (~1.4m sqft.) and cash rent spreads were a sizable 19%. ARE intends to fund \$3bn of construction spending in 2023 with \$1.9bn of equity/dispositions and the remainder with incremental debt.

Equity LifeStyle (ELS) reported 4Q22 results that showed healthy fundamentals for both Manufactured Housing and RV communities. The REIT has ample capacity for additional investment with a conservative balance sheet that has 20% leverage.

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