

# Resolution Capital Global Property Securities Fund – Series II

# RESOLUTION CAPITAL

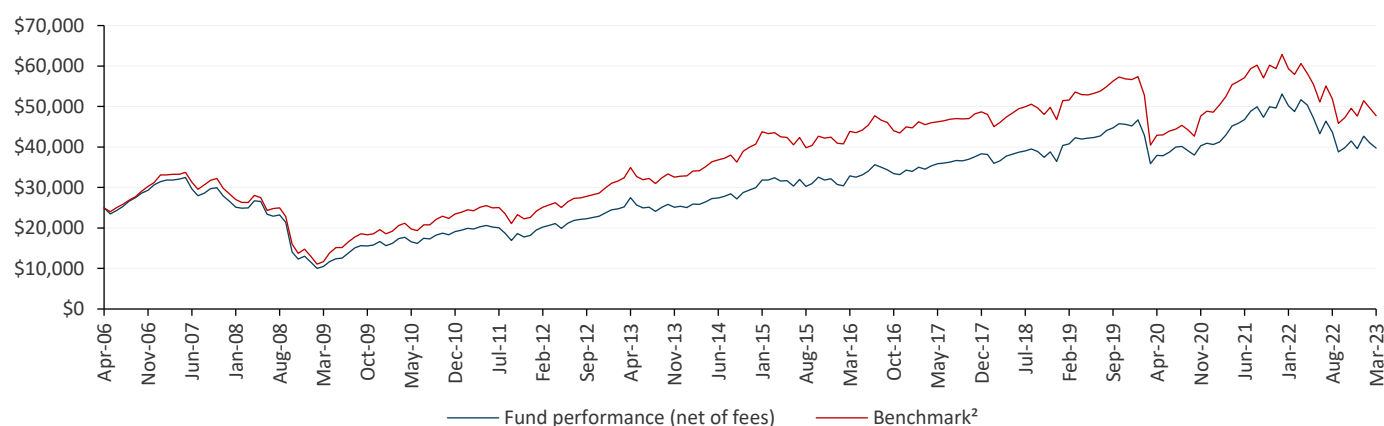
31 March 2023

## 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) <sup>1</sup> | -3.08     | 0.30       | -23.13   | 3.47           | 1.66           | 4.64            | 2.77                    |
| Benchmark <sup>2</sup> return              | -3.86     | 0.10       | -21.31   | 5.67           | 0.69           | 3.94            | 3.89                    |
| Value Added (Net Performance)              | 0.78      | 0.20       | -1.82    | -2.20          | 0.97           | 0.70            | -1.12                   |

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 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.

<sup>2</sup>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 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           | 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.

## 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          | \$457.1 Million                                       | No. of Stocks          | Generally 30 to 60  |
| NAV per Unit       | \$1.03  | Risk/Return Profile    | The Fund's risk band is 5 (medium to high)  |
| Minimum Investment | \$25,000  | Platform Availability  | <a href="https://rescap.com/globalfund/series-ii">https://rescap.com/globalfund/series-ii</a> |
| 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 -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.

## Contact Us

### Investor Contact Details

Pinnacle Investment Management

Email: [service@pinnacleinvestment.com](mailto:service@pinnacleinvestment.com)

Phone: 1300 010 311

### Adviser Contact Details

Pinnacle Investment Management

Email: [distribution@pinnacleinvestment.com](mailto:distribution@pinnacleinvestment.com)

Phone: 1300 010 311

---

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 Global Property Securities Fund – Series II (ARSN 118 190 542) ('the Funds'). 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: [IOF0081AU](#), Links to the Target Market Determination: [IOF0081AU](#). 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.