

Resolution Capital Global Property Securities Fund – Series II

RESOLUTION CAPITAL

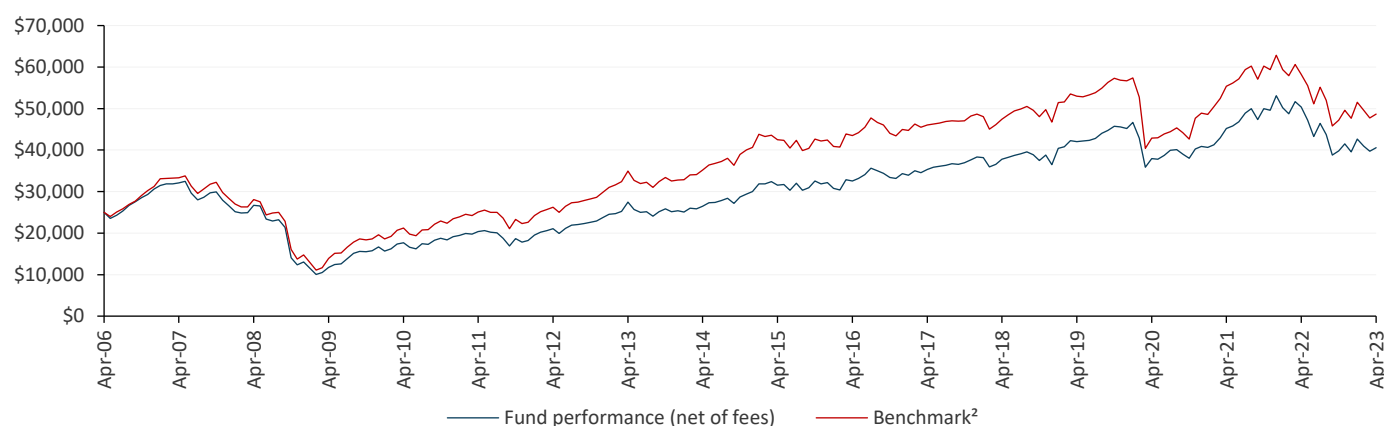
30 April 2023

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	2.09	-4.94	-19.49	2.25	1.44	3.97	2.88
Benchmark ² return	2.02	-5.46	-16.36	4.29	0.52	3.38	3.99
Value Added (Net Performance)	0.07	0.52	-3.13	-2.04	0.92	0.59	-1.11

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	8.31
Invitation Homes	7.00
Equity Residential	5.64
Realty Income	4.99
Welltower	4.31

Top 5 Contributors

Security Name	%
Invitation Homes	0.56
Welltower	0.48
Equity Residential	0.37
Vicinity Centres	0.25
Mitsui Fudosan	0.21

Bottom 5 Contributors

Security Name	%
Rexford Industrial Realty	-0.12
Kilroy Realty Corporation	-0.09
Public Storage	-0.05
Kimco Realty Corporation	-0.03
CubeSmart	-0.03

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	\$473.7 Million	No. of Stocks	Generally 30 to 60
NAV per Unit	\$1.05	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 2.0% for the month ended 30 April 2023. All regions posted positive returns in the month except for Hong Kong as there was increased clarity regarding the impact and reach of the recent banking crisis. The urgency with which the U.S. government and The Fed backstopped deposits and a proactive resolution from Swiss policymakers to contain the potential Credit Suisse turmoil appears to have mostly assuaged near-term liquidity and solvency concerns. Inflation appears to possibly be peaking across most global economies, and there has been increased confidence that rate hikes from central banks are nearing a pause.

The UK was the top performing market in the global index, returning 6.3% in local currency terms, and the Portfolio's overweight position benefitted relative returns. The region reversed course in April after underperforming the rest of the world by more than four percentage points in March. Clean balance sheets in the UK relative to Continental Europe are a tailwind for capital flows in a turbulent environment.

The U.S. had positive returns that modestly underperformed the global index, returning 0.8% in local currency terms. U.S. CPI for the month of March was reported at 5%, suggesting The Fed is nearing an end to its current hiking cycle. The operational outlook for U.S. REITs is solid with constructive commentary by management teams in the current REIT earnings season. Office has been a negative standout that has weighed on the broader U.S. region. Portfolio exposure to the U.S. contributed positively to relative returns due to stock selection.

Hong Kong was the weakest region, returning -0.1% in local currency terms, and the Portfolio's overweight position detracted slightly from relative returns. After outperforming other regions in March, Hong Kong slid on a relative basis in April on softness in office and luxury residential.

Most property sectors posted positive returns in April, except for self-storage.

Healthcare was the strongest performing sector returning 5.5% in local currency terms. Robust Seniors Housing operating fundamentals stood in stark contrast to the murky medium-term outlook of many other sectors. During April, Portfolio overweight position Welltower (WELL), the U.S. REIT with the largest exposure to seniors housing, outperformed the global index by nearly ten percentage points. The Portfolio's overweight position to healthcare benefitted relative returns.

Self-storage was the weakest performing sector, returning -2.3% in local currency terms. After a flurry of potential consolidation news in March, M&A headlines slowed in April after the announcement that Life Storage (LSI) agreed to merge with Extra Space Storage (EXR). Good stock selection in self-storage drove positive relative performance for the Portfolio in April.

There were several notable REIT announcements during the month.

U.S. listed net lease REIT, Realty Income (O) issued \$1bn of senior unsecured notes in early-April that suggest very little change in the REIT's cost of debt capital since early-January. Realty Income issued \$400m of 6-year notes at 4.7% and \$600m of 10-year notes at 5.15%. This weighted average coupon of 4.97% for 6 and 10-year notes is similar to the REIT's issuance of \$600m 7-year notes at 4.85% in early-January, suggesting that the unsecured debt market remains open and accommodative to REITs with strong balance sheets.

WP Carey (WPC), a U.S. diversified net lease REIT, announced a \$470m sale-leaseback transaction with Apotex Pharmaceutical for 11 life science assets. This deal provides further evidence that sale-leasebacks continue to be an attractive capital source for corporates given the elevated interest rate environment and strict lending terms from traditional capital providers.

U.S. listed hotel REIT Host Hotels (HST) sold The Camby Hotel in Phoenix for \$110m at a price of \$397K/key, which indicates that the transaction market appears open for select hotel assets.

U.S. office REIT Vornado Realty Trust (VNO) announced the suspension of its quarterly cash dividend until the end of 2023 while also announcing a \$200m share buyback program. VNO had previously announced a 30% cut to its dividend in January, following office sector peers such as Douglas-Emmett (DEI), SL Green Realty (SLG), and Hudson Pacific Properties (HPP). Other office REITs may follow VNO's move to improve its balance sheet health and to repurchase stock at depressed pricing.

Nordic social infrastructure and residential REIT Samhällsbyggnadsbolaget (SBB) announced its intention to raise ~SEK 2.6bn in additional equity via a rights issue of D-shares (preferred equity) at SEK 16.00/sh (~5% discount to previous close). The proceeds of the rights issue will be used to pay back debt, but the pro-forma Net Debt/EBITDA of SBB will remain elevated at ~16x. With a move that lacks true balance sheet repair, SBB's common shares have declined ~7% since the announcement, demonstrating the perils of dilutive equity rights issuances stemming from poor balance sheet health.

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