

Resolution Capital Global Property Securities Fund – Series II

RESOLUTION CAPITAL

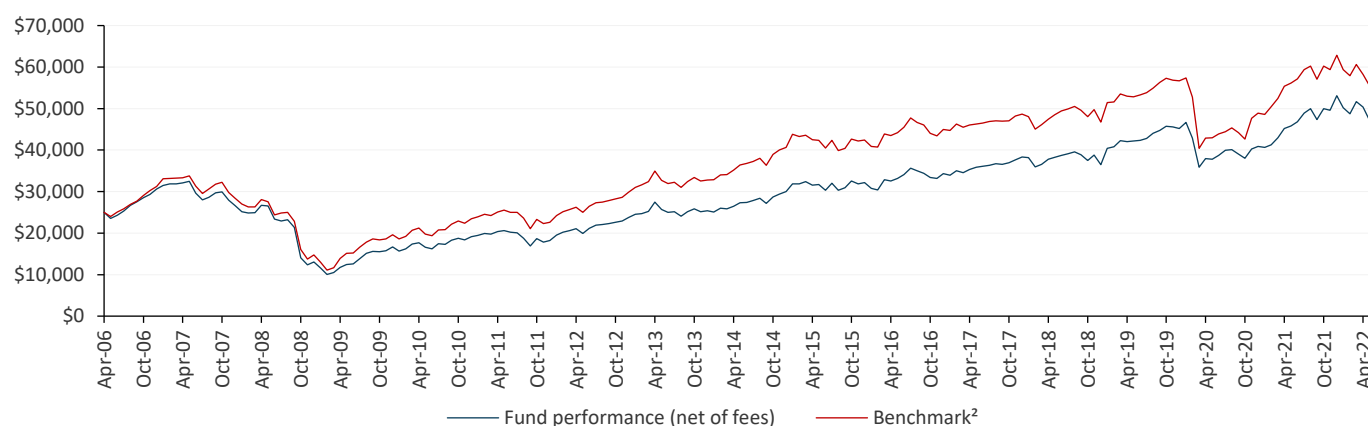
30 June 2022

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	-8.25	-16.21	-7.45	0.73	3.72	7.43	3.45
Benchmark ² return	-7.82	-15.62	-10.49	-1.35	1.93	6.82	4.53
Value Added (Net Performance)	-0.43	-0.59	3.04	2.08	1.79	0.61	-1.08

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	%
Welltower	6.80
Prologis	6.74
Invitation Homes	6.31
Kimco Realty Corporation	4.93
Equity Residential	4.84

Top 5 Contributors

Security Name	%
Mitsubishi Estate Company	0.08
W. P. Carey	0.03
American Campus	0.03
Equinix	0.02
CubeSmart	0.02

Bottom 5 Contributors

Security Name	%
Kimco Realty Corporation	-0.61
Host Hotels & Resorts	-0.52
Federal Realty Investment	-0.31
Derwent London	-0.25
Cofinimmo	-0.22

Fund Details

APIR code	I0F0081AU	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	\$350.1 Million	No. of Stocks	Generally 30 to 60
NAV per Unit	\$1.14	Investment Manager	Resolution Capital
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 -7.8% for the month ended 30 June 2022. Japan was the best performing region, with a total return of 0.0% in local currency terms. Continental Europe was the worst performer with a -18.3% total return in local currency terms.

Recession fears mounted in June, as many Central Banks increased interest rates to control elevated inflation, and GDP growth expectations were tempered. Continental Europe fared worst as the surge in energy prices and the implications of the ongoing Russia-Ukraine conflict compounded its relative weakness.

The sharp increase in interest rates has drastically narrowed the spread between borrowing costs and historically low property cap rates. In the public market, liquidity has expedited a broad-based implied cap rate expansion leading to negative returns across all sectors. Reflecting recessionary concerns, the worst performing sectors were those that have historically demonstrated greater sensitivity to changes in GDP – Hotel, Retail and Office.

Public market real estate merger and acquisition activity continued in June, following announcements in May:

- Leading logistics REIT Prologis (PLD) increased its unsolicited all-share offer to acquire smaller rival Duke Realty (DRE) after DRE rejected the initial offer made last month. The revised offer, which is circa 2% higher, was approved by DRE's board. It values DRE at ~US\$26bn reflecting a 31% premium to its unaffected stock price.
- Following discussions announced last month, Central London mixed-used REITs Capital & Counties (CAPC) and Shaftesbury (SHB) announced agreed terms for a recommended all-share merger. The implied offer price for SHB was circa -3.5% below its share price, and -18% below reported net tangible assets. The merger is strategically sound but does not adequately compensate SHB's shareholders for: (a) SHB's more favourable historical public-market valuation, (b) SHB's superior balance sheet, and (c) change of control debt refinancing risks. The merger will go to a vote in July / August 2022 and several of SHB's institutional shareholders have publicly questioned the merger economics.
- Activist investor Land & Buildings published its intention to vote against Healthcare Realty's (HR) proposed merger with Healthcare Trust of America (HTA), with a view that the merger is value destructive for HR. While the activist's 1% stake does not alone exert meaningful voting influence, it refocuses investor attention on the unappealing aspects of the deal and raises doubt regarding approval.

Notable real estate transactions in June include:

- U.S. healthcare REIT Welltower (WELL) announced the acquisition of a portfolio of senior housing assets located on the East Coast and Midwest for US\$502m or US\$172k per unit. The deal brings its "Wellness Housing" platform – age restricted housing – to nearly 10,000 units which it has quickly amassed since establishing the platform in 2019.
- U.S. West Coast infill logistics REIT Rexford Industrial (REXR) announced the acquisition of six industrial properties for US\$218m. The weighted average cap rate is around 3%, and the rental mark-to-market and densification opportunities are expected to drive meaningful returns.
- Singapore diversified REIT, CapitaLand Integrated Commercial Trust (C38U) announced the acquisition of a 50% interest in two office buildings in North Sydney, Australia for A\$422m or A\$1,690 per sq ft. The valuation reflects a 4.9% cap rate.
- European mall REIT, Unibail-Rodamco-Westfield (URW) announced the sale of Almere Centrum in the Netherlands for €155m or €166 per sq ft, in line with its reported value. Upon closing URW will have completed €2.7bn of its planned €4.0bn disposal program with proceeds being used to reduce debt.
- Canadian listed owner of U.S. grocery-anchored shopping centres Slate Grocery REIT (SGR), announced its acquisition of a Sunbelt portfolio for US\$425m or US\$174 per sq ft. The valuation reflects a 6.9% cap rate. The deal expands SGR's portfolio value by 22%.

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