

Resolution Capital Global Property Securities Fund – Series II

RESOLUTION CAPITAL

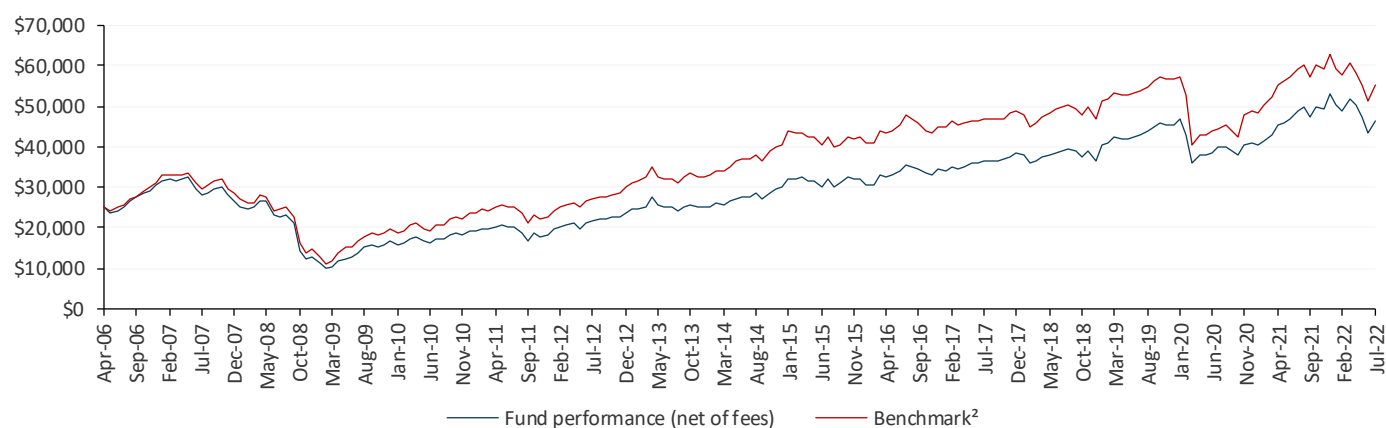
31 July 2022

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	7.15	-7.88	-5.07	2.74	5.02	7.80	3.88
Benchmark ² return	7.72	-5.29	-7.18	0.78	3.28	7.26	4.98
Value Added (Net Performance)	-0.57	-2.59	2.11	1.96	1.74	0.54	-1.10

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	%
Invitation Homes	7.00
Prologis	6.86
Welltower	6.31
Equity Residential	5.44
Kimco Realty Corporation	5.39

Top 5 Contributors

Security Name	%
Prologis	0.74
Invitation Homes	0.54
Kimco Realty Corporation	0.53
Rexford Industrial Realty	0.37
Equity Residential	0.35

Bottom 5 Contributors

Security Name	%
Shaftesbury	-0.08
Healthcare Realty Trust	-0.08
Rayonier	-0.03
Sun Hung Kai Properties	-0.01
Vonovia	-0.01

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	\$384.2 Million	No. of Stocks	Generally 30 to 60
NAV per Unit	\$1.22	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 7.7% for the month ended 31 July 2022. Globally, markets were encouraged by early signs of peak inflation, which could prompt the U.S. Federal Reserve to re-focus on supporting growth rather than curtailing inflationary pressure. Continental Europe was the best performing region, with a total return of 11.6% in local currency terms. Europe's outperformance was boosted by reports that Russia would allow gas supply to the region. Hong Kong was the worst performer with a flat return in local currency terms.

July news was dominated by U.S. REIT earnings season which kicked off late in the month. For the industrial REITs that have reported thus far, results generally surprised to the upside and FY22 earnings guidance was raised. Tenant demand remains strong and embedded rent spreads imply strong revenue growth over the next few years, even as conditions normalise. As a result, sentiment for the sector improved, causing relative outperformance over the month.

Office REIT results in aggregate were steady and generally met earnings expectations. However, earnings are yet to reflect the broader slowdown seen in economic growth given the longer lease tenure for office landlords. Return-to-office dynamics underwhelmed, and leasing demand remains subdued.

Residential results came in inline or ahead of expectations as the sector continues to benefit from strong pricing power due to moderate supply levels, low unemployment, and healthy consumer balance sheets. That said, expense pressures are starting to eat into the sectors' rosy revenue backdrop.

Healthcare Realty Trust (HR), a medical office REIT, announced that its shareholders approved the merger proposal with Healthcare Trust of America (HTA). Approximately 79% of outstanding HR shares voted in favour of the merger. The vote concludes what was a controversial transaction which will result in higher leverage and lower growth for the combined entity.

Otherwise, it was relatively quiet in the U.S. in terms of major property transactions or equity raising activity as public REITs respond to disadvantageous costs of capital by reducing external growth plans. Moreover, with cap rates in flux and uncertainty dominating the economic landscape, transactions initiated by private capital were also subdued over the month.

In Germany, TAG Immobilien AG (TEG), a €6bn residential landlord, announced a highly dilutive €200m equity rights issue that will result in an approximately 20% expansion of the company's share count. The funds are intended to partially refinance a bridge loan facility in connection to the company's previous acquisition of the Polish homebuilder, ROBYG. The rights issue came a couple of days after Moody's put TEG's credit rating under review for a downgrade.

In Australia, Mirvac (MGR) announced that it will replace Collimate Capital as manager of the A\$7.7bn AMP Capital Wholesale Office Fund (AWOF). This is a blow to Dexus (DXS), which hoped to take over the full A\$28bn of Collimate Capital's property and infrastructure AUM.

Lastly, transactions in Australia bucked global trends and continued unabated in July:

- Charter Hall Prime Office Fund (CPOF) announced the A\$1bn acquisition of a 50% stake in Melbourne's Southern Cross Towers precinct from Blackstone and Brookfield, representing a yield of approximately 4.5%.
- Lendlease (LLC) and Mitsubishi Estate Asia jointly acquired the One Circular Quay redevelopment in Sydney for A\$800m, with an additional A\$50m payment subject to certain project outcomes.
- Goodman Group (GMG) acquired a 50% stake in 15 manufacturing sites from Brickworks (BKW) for A\$208m, representing a yield of approximately 4.3%.

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