

Resolution Capital Global Property Securities Fund – Series II

RESOLUTION CAPITAL

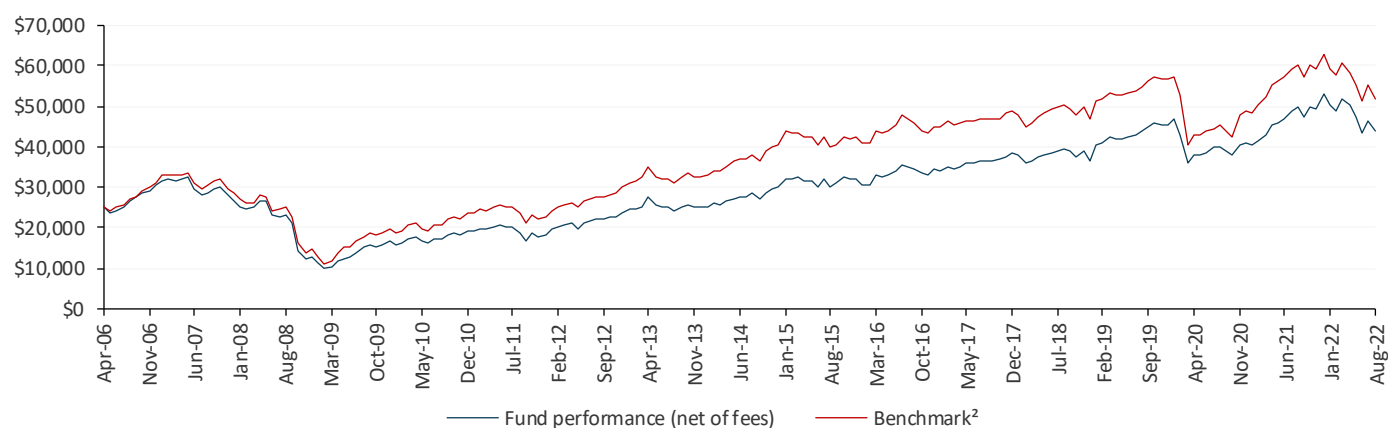
31 August 2022

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	-5.78	-7.37	-12.54	-0.26	3.57	7.06	3.48
Benchmark ² return	-5.71	-6.37	-13.75	-1.81	2.02	6.59	4.58
Value Added (Net Performance)	-0.07	-1.00	1.21	1.55	1.55	0.47	-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	7.15
Prologis	6.84
Equity Residential	6.23
Welltower	5.84
Kimco Realty Corporation	5.53

Top 5 Contributors

Security Name	%
Public Storage	0.13
Scentre Group	0.08
Host Hotels & Resorts	0.04
CubeSmart	0.04
Sun Hung Kai Properties	0.00

Bottom 5 Contributors

Security Name	%
Welltower	-0.55
Invitation Homes	-0.36
Prologis	-0.31
Equity Residential	-0.30
Mitsubishi Estate Company	-0.29

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	\$379.7 Million	No. of Stocks	Generally 30 to 60
NAV per Unit	\$1.15	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 -5.7% for the month ended 31 August 2022. Renewed energy uncertainty in Europe and global inflation weighed on markets. The UK reported 10.1% inflation for the month of July, the first double-digit report in nearly three decades. In the U.S. markets continued to reconcile a strong labour market against rising rates and predictions of a looming recession. Unlike other central banks, China's PBoC cut interest rates to stimulate a sluggish economy still feeling the effects of Covid lockdowns.

All property sectors in the Index, apart from self-storage, posted negative returns in August. Residential and healthcare were the two worst performing sectors with total returns of -7.9% and -7.4% in local currency terms, respectively.

Self-storage was the strongest performer with a total return of +1.2% in local currency terms, reflecting robust results with occupancy and pricing power holding up better than expected. Exposure to the U.S. largest sector specialist, Public Storage (PSA) contributed positively to performance.

August headlines focused on earnings results. In healthcare, U.S. seniors housing guidance slightly tempered as July's performance missed expectations due to a Covid spike in the U.S. that impacted move-ins and labour costs. Activity has since rebounded, suggesting the occupancy recovery is still underway but may be more variable than expected. Our exposure to Welltower (WELL), an owner of senior housing and medical office buildings, detracted from relative returns.

Return-to-office (RTO) visibility remains limited as some companies call workers back to the office, while other companies plan to reduce their footprint. Apple Inc announced it expects employees to be in the office at least three days per week from early September and Goldman Sachs removed all Covid flexibility, requiring employees to be in the office five days per week. KPMG, on the other hand, intends to reduce its New York City office footprint by 40% in 2025 as it moves to a new HQ in Hudson Yards. In London, office availability is the highest it has been in 15 years. Our exposure to west end London office specialist Derwent London (DLN) underperformed.

U.S. Multifamily REITs reported a strong leasing season, with rents peaking in July. Portfolio holding Equity Residential (EQR) published an operational update noting leasing spreads have started to decelerate in 2H22, which is in line with historical seasonality. Meanwhile, U.S. residential rents reached new record highs, with over 50% of cities showing double digit year-over-year rent growth.

Blackstone's Home Partners of America, a single-family landlord which offers a rent-to-own program, announced it will pause buying homes in 38 of the 80+ U.S. cities it operates in as the U.S. housing market cools.

According to local agency Centaline, Hong Kong secondary home prices fell 1.5% in August and are down 5% year to date. Meanwhile Singapore house prices remain resilient and rents have surged by 8.5% in the first half of the year.

Notable transactions in the quarter include:

- Unibail-Rodamco-Westfield (URW) sold its 49% stake in Westfield Santa Anita, a 1.48m square feet mall in Arcadia, California, for US\$537.5m to an undisclosed buyer. This is the largest U.S. mall transaction since 2018. Deal terms represent a sub-6% initial yield, and a 10.7% discount to the latest unaffected appraisal.
- American Tower (AMT) announced the sale of 29% of its U.S. data centre business to Stonepeak for US\$2.5bn. The portfolio includes 27 data centres in 10 major U.S. markets.
- Safehold (SAFE) announced it will merge with iStar (STAR), creating the largest ground lease REIT in the U.S. The deal valued iStar's portfolio at US\$1.6bn.
- Belgian healthcare REIT, Aedifica (AED), acquired a portfolio of four care facilities in Dublin for €161m, reflecting a 5% yield and €261,000 per unit.
- Blackstone (BX) revealed it owns a ~4% stake in Sunstone Hotel (SHO), while having recently reduced its holdings in other U.S. REITs.

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