Resolution Capital Global Property Securities Fund – Series II

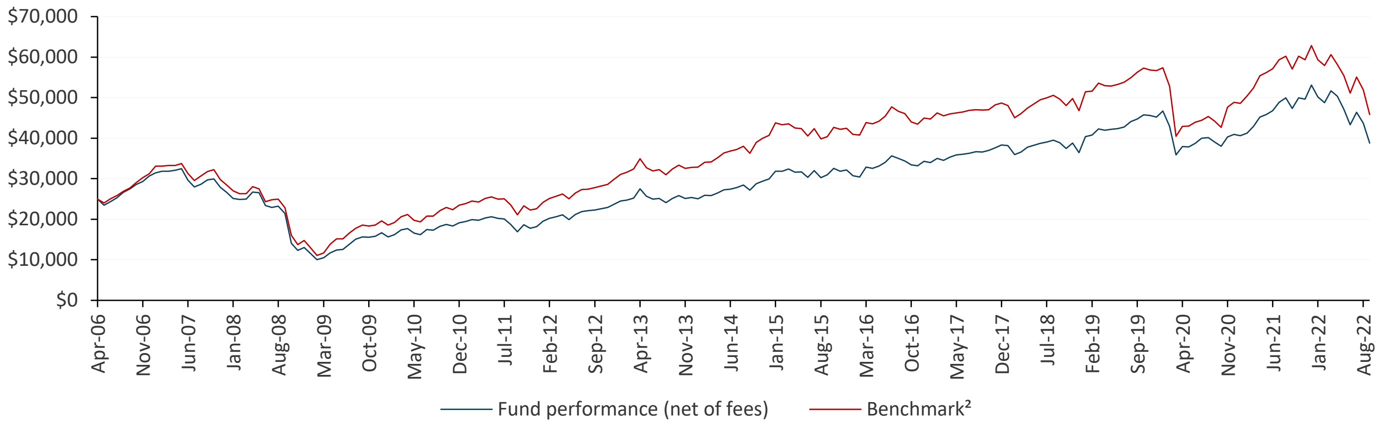
30 September 2022

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]	-11.24	-10.39	-18.01	-4.61	1.19	5.71	2.71
Benchmark[2] return	-11.84	-10.46	-19.70	-6.64	-0.50	5.11	3.76
Value Added (Net Performance)	0.60	0.07	1.69	2.03	1.69	0.60	-1.05

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*



[1]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.
[2]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	%
Equity Residential	6.60
Invitation Homes	6.58
Prologis	6.38
Public Storage	5.71
Kimco Realty Corporation	5.58

Top 5 Contributors

Security Name	%
Mitsubishi Estate Company	0.15
Equity Commonwealth	0.01
Gecina	-0.01
Mitsui Fudosan	-0.01
Sun Hung Kai Properties	-0.02

Bottom 5 Contributors

Security Name	%
Prologis	-0.81
Welltower	-0.58
Scentre Group	-0.35
Rexford Industrial Realty	-0.35
Kimco Realty Corporation	-0.31

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	$346.1 Million	**No. of Stocks**	Generally 30 to 60
NAV per Unit	$1.02	**Investment Manager**	Resolution Capital
Minimum Investment	$25,000	**Platform Availability**	https://rescap.com/globalfund/seriesii
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 -11.8% for the month ended 30 September 2022. All regions and sectors posted negative returns for the month. The macro environment – namely elevated inflation spurred higher by the energy crisis, and (mostly) upward revisions to interest rate expectations – has influenced downgrades to REIT earnings and values.

Our elevated cash position was a key contributor to relative performance.

The UK was the weakest region returning -17.6% in local currency terms, partly attributable to the UK Government's "mini-budget" blunder, triggering a sharp spike in gilt yields and a depreciation of the Pound. The BoE was forced to implement a temporary bond-buying program to stabilise the market. Our modest overweight exposure to the UK detracted from relative performance.

Continental Europe returned -15.3% in local currency terms, with the ECB announcing a +75bps interest rate hike and acknowledging inflation had been "more persistent and of a magnitude that nobody expected". Our underweight exposure to Continental Europe contributed positively to performance.

The U.S. returned -12.2% in local currency terms as accelerating inflation prompted the Fed to increase interest rates by a further +75bps and warn of elevated rates for an extended period in order to bring inflation back to the 2% target level.

Our overweight exposure to the U.S., particularly residential names such as Invitation Homes (INVH) and Equity Residential (EQR) contributed positively to performance.

Japan was the best performing region returning -3.1% in local currency terms. Japan benefited from comparably low inflation, and the BoJ continued to hold interest rates negative (the only major central bank in the world to do so). However, loose monetary policy has driven a meaningful decline in the JPY/USD exchange rate, prompting the BoJ to intervene to support the local currency for the first time since 1998. Our underweight exposure to Japan detracted from performance.

All property sectors posted negative returns in September. "Value" sectors' returns were less negative, i.e., sectors with lower earnings multiples and slower growth expectations including office and retail. "Growth" sectors, such as Industrial, were among the worst performers as their higher earnings multiples and loftier growth expectations compressed.

The Healthcare sector was also weak as elevated expenses (labour and interest costs) offset solid revenue growth in U.S. seniors housing. Our exposure to U.S.-listed Welltower (WELL) detracted from performance.

Following a pause in REIT M&A activity due to public market turmoil in recent months, STORE Capital (STOR), a U.S. net lease REIT announced that it would be acquired by GIC and Oak Street in September. The all-cash deal for $32.25 per share reflects a 20% premium to the unaffected price and implies a 6.4% acquisition cap rate The Portfolio has no exposure to STORE.

However, for most REITs and many other investors, the rapidly rising cost of capital has eroded the ability to invest accretively, and property transaction volumes reduced in September signalling a widening gap between buyer and seller price expectations.

During the month, UK net lease REIT LXI REIT (LXI) pulled a £500m deal to acquire a portfolio of Sainsbury's supermarkets and associated equity capital raising, citing stock market volatility. Nevertheless U.S. net lease REIT Agree Realty (ADC) enjoyed the luxury of trading at a NAV premium, enabling a $933m equity raise to fund ADC's peer-group leading external growth ambitions.

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