

# Resolution Capital Core Plus Property Securities Fund - Series II

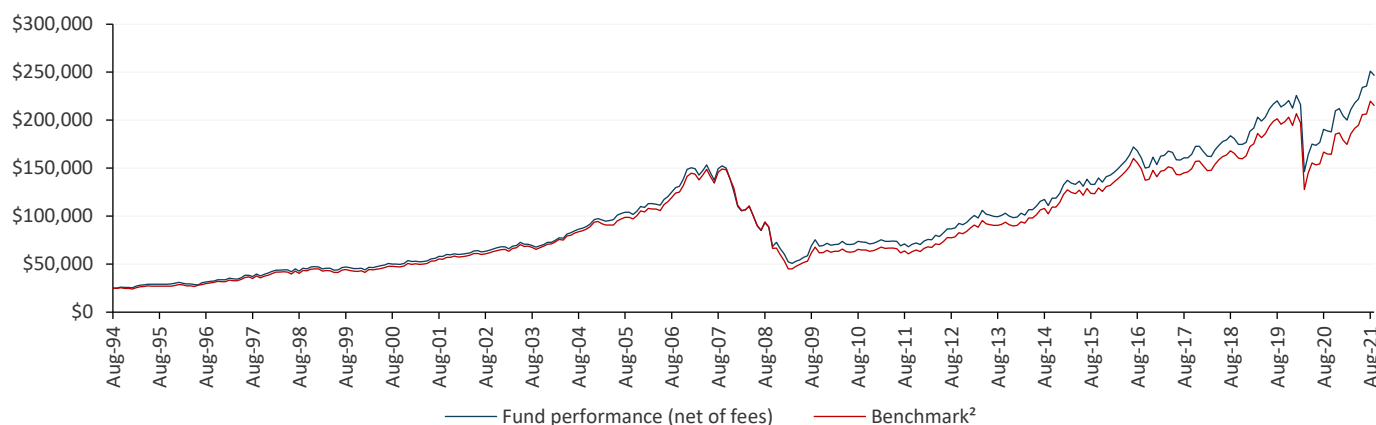


30 September 2021

## 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 (After Fees) <sup>1</sup> | -1.71     | 5.34       | 30.65    | 10.91          | 8.99           | 13.74           | 8.82                    |
| Benchmark <sup>2</sup> return         | -1.94     | 4.80       | 30.69    | 9.20           | 7.65           | 13.47           | 8.27                    |
| Value Added (After Fees)              | 0.23      | 0.54       | -0.04    | 1.71           | 1.34           | 0.27            | 0.55                    |

## Growth of \$25,000 invested Since Inception\*



<sup>1</sup>Please note this Fund was previously known as the Perennial Australian Property Wholesale Trust. Resolution Capital was appointed the investment manager of the Fund, effective 1 November 2014.

<sup>2</sup>Benchmark is S&P/ASX 300 AREIT Accumulation Index.

## Top 5 Weights

| Security Name      | %     |
|--------------------|-------|
| Goodman Group      | 24.05 |
| Scentre Group      | 12.12 |
| Mirvac Group       | 9.49  |
| Charter Hall Group | 6.33  |
| Stockland          | 6.27  |

## Top 5 Contributors

| Security Name             | %    |
|---------------------------|------|
| Scentre Group             | 0.56 |
| GPT Group                 | 0.15 |
| ALE Property Group        | 0.12 |
| Ingenia Communities Group | 0.09 |
| Arena REIT                | 0.07 |

## Bottom 5 Contributors

| Security Name      | %     |
|--------------------|-------|
| Goodman Group      | -1.54 |
| Mirvac Group       | -0.39 |
| Charter Hall Group | -0.27 |
| Vicinity Centres   | -0.10 |
| Prologis           | -0.09 |

## Fund Details

|                    |                                      |                        |   |
|--------------------|--------------------------------------|------------------------|---|
| APIR code          | IOF0044AU                            | Management Fee         | 0.80% p.a.  |
| ARSN Code          | 087 719 917                          | Buy/Sell Spread        | +0.20%/-0.20%   |
| *Inception Date    | 31 August 1994                       | Distribution Frequency | Quarterly   |
| Fund Size          | \$28.6 Million                       | No. of Stocks          | Generally 20 to 30  |
| NAV per Unit       | \$1.66                               | Investment Manager     | Resolution Capital  |
| Minimum Investment | \$25,000                             | Platform Availability  | <a href="https://rescap.com/coreplusfund/seriesii">https://rescap.com/coreplusfund/seriesii</a> |
| Benchmark          | S&P/ASX 300 AREIT Accumulation Index | Investment Timeframe   | Medium to long term, being 5 or more years  |

## Market Commentary

The S&P/ASX 300 A-REIT Total Return Index produced a total return of -1.9% for the month ended 30 September 2021, performing in line with the Australian equities market (S&P/ASX 300 Total Return Index).

Rising bond yields and a rotation out of “growth” stocks into “value” names saw retail and office REITs outperform diversified and industrial during the month.

This month was dominated by M&A activity, equity raisings and Initial Public Offerings (IPO). Rebalancing of the globally relevant FTSE EPRA NAREIT real estate index saw eleven smaller A-REITs being added to the index. This led to some A-REITs capitalising on share price strength and raising equity to fund acquisitions.

Starting with M&A, pub landlord ALE Property Group (LEP) received a joint takeover bid from Charter Hall Long WALE REIT (CLW) and another Charter Hall (CHC) managed fund valuing the enterprise value at \$1.68bn. The deal implied a price of \$5.88 per share comprised of cash and CLW scrip. The price represented a 25% premium to last close, 43% premium to Net Tangible Assets, a 3.5% initial yield and 4.8% reversionary yield given the portfolio is 37% under-rented. The under-renting can only be crystallised in 2028 via an open market rent review.

Shifting to equity raisings, over \$1bn was issued by five A-REITs, the bulk of which was for industrial acquisitions but also office, non-discretionary retail, and pubs.

Industrial and business park landlord APN Industria REIT (ADI) was involved in a significant transaction. It raised \$350m of equity, constituting 47% of issued capital, to jointly acquire stakes in \$1.5bn of industrial real estate with its new manager, Dexis (DXS). ADI's \$368m acquisition (exclusive of future development capex) on a 5.0% passing yield comprised a 33% stake in Perth's Jandakot Airport, 50% stake in a Kemps Creek fund-through development and 100% of a Truganina facility. The deal was FFO dilutive given the timing mismatch between the raising and development completions.

Centuria Industrial REIT (CIP) issued \$325m of equity to fund the \$351m acquisition of eight industrial assets on a 4.2% cap rate. CIP reaffirmed FFO guidance.

Centuria Office REIT (COF) issued \$201m of equity to fund the \$273m acquisition of two buildings in South Melbourne and Sydney on a 5.2% cap rate.

HomeCo Daily Needs REIT (HDN) issued \$88m of equity to fund the \$222m acquisition of six retail assets at a 5.8% cap rate. The assets comprised a neighbourhood shopping centre, three large format retail centres and two liquor/fast food outlets.

Lastly, pub landlord Hotel Property Investments (HPI) issued \$50m of equity to fund the \$68m acquisition of a pub and gaming entitlements on a 4.7% cap rate.

Two new IPOs raised ~\$1bn of equity in total. Both are externally managed and harness a healthcare tilt. The Home Consortium (HMC) managed HomeCo Healthcare & Wellness REIT (HCW) issued \$650m of equity and comprises a \$555m portfolio of assets in five sub-sectors: 1) Hospitals 2) Childcare 3) Aged Care 4) Primary Care 5) Government & Life Sciences. The portfolio is 96% occupied, has a 9.4 year WALE, and is valued on a 5.3% cap rate.

The second IPO is the RAM Essential Services Property Fund (REP), whose \$357m bookbuild closed this month and which will list in October. REP is managed by Real Asset Management and comprises a \$706m portfolio broadly evenly split between medical office buildings and grocery-anchored neighbourhood shopping centres. The portfolio is 99.1% occupied, has a 7.1 year WALE and is valued on a 5.85% cap rate.

## Contact Us

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