

Resolution Capital Core Plus Property Securities Fund - Series II

RESOLUTION CAPITAL

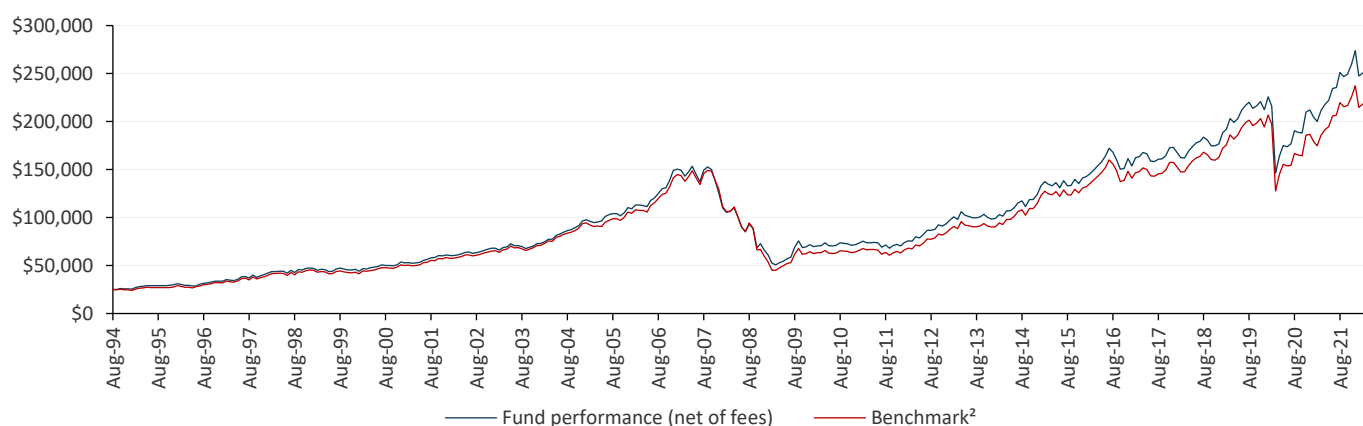
31 May 2022

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	-8.92	-7.53	4.30	4.48	6.81	11.37	8.35
Benchmark ² return	-8.55	-6.59	4.58	3.09	6.30	11.21	7.85
Value Added (Net Performance)	-0.37	-0.94	-0.28	1.39	0.51	0.16	0.50

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 Australian 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 S&P/ASX 300 AREIT Total Return Index.

Source: Resolution Capital

Top 5 Weights

Security Name	%
Goodman Group	24.58
Scentre Group	12.06
Mirvac Group	7.96
Dexus	6.58
Charter Hall Group	5.61

Top 5 Contributors

Security Name	%
Vicinity Centres	0.05
Carindale Property	0.00
BWP Trust	0.00
Capital & Counties Properties	-0.01
Equinix	-0.01

Bottom 5 Contributors

Security Name	%
Goodman Group	-3.75
Charter Hall Group	-0.93
Mirvac Group	-0.46
Scentre Group	-0.44
Dexus	-0.43

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	\$25.0 Million	No. of Stocks	Generally 20 to 30
NAV per Unit	\$1.55	Investment Manager	Resolution Capital
Minimum Investment	\$25,000	Platform Availability	https://rescap.com/coreplusfund/seriesii
Benchmark	S&P/ASX 300 AREIT Total Return 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 -8.6% for the month ended 31 May 2022, underperforming the Australian equities market by 5.8% (S&P/ASX 300 Total Return Index).

In response to inflationary pressures the Reserve Bank of Australia raised the cash rate by 0.25% and for the first time since 2010, with further policy tightening expected over 2022. Similarly, the U.S. Federal Reserve continued its tightening with a 0.50% increase, the largest since 2000. The Australian Federal election resulted in a change of Government as the Labour party emerged victorious, though the implications for our sector appear limited, with the exception of childcare which should benefit from a more generous policy.

Within A-REITs, retail and office outperformed, whilst diversified, property fund managers, residential and industrial lagged.

Key news included quarterly updates and transactions.

Starting with quarterly updates, industrial developer and fund manager Goodman Group (GMG) upgraded FY22 earnings growth guidance to 23% from 20%. GMG highlighted strong operating fundamentals and continued growth in its development pipeline to \$13.4bn at attractive margins.

Weighing on global industrial REIT sentiment was e-commerce giant, and GMG's largest tenant, Amazon flagging its intention to sublet excess U.S. warehouse capacity, after having doubled its footprint in recent years.

Retail landlords Scentre Group (SCG), Vicinity Centres (VCX) and GPT reported decent operating metrics with occupancy holding, sales above 2019 levels (SCG at 7%) and visitation improving, albeit still below pre-pandemic levels (SCG at 88%). Rents on new leases remain ~5% below previous levels, though positively the gap has narrowed from previous periods. All three landlords reaffirmed earnings and/or dividend growth guidance.

Office landlord Dexs (DXS) upgraded FY22 dividend growth guidance to 2.5% from 2.0%, with operating metrics largely unchanged from the prior quarter including stable tenant incentives at ~30%. Meanwhile GPT highlighted challenging conditions in office leasing markets with relatively muted enquiry, though vacancy is reducing as space offered for sub-lease falls.

Last month we discussed office landlord Dexs' acquisition of Collimate Capital's (formerly AMP Capital) \$28bn domestic real estate and infrastructure funds management platform. This month GPT confirmed it had won management rights for \$2.8bn of retail and office assets from Collimate Capital. Moreover, diversified REIT Mirvac (MGR) announced that investors in a Collimate office fund with ~\$8bn of assets have requested to vote on the replacement of Collimate as fund trustee with Mirvac.

Moving to transactions, office landlord Australian Unity Office Fund (AOF) received a takeover bid from Aliro Group. The bid was at an 8% discount to Net Tangible Assets, but broadly in-line after accounting for expected asset devaluations. The bid is almost 20% below previous pre-pandemic bids.

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