

Resolution Capital Core Plus Property Securities Fund - Series II

RESOLUTION CAPITAL

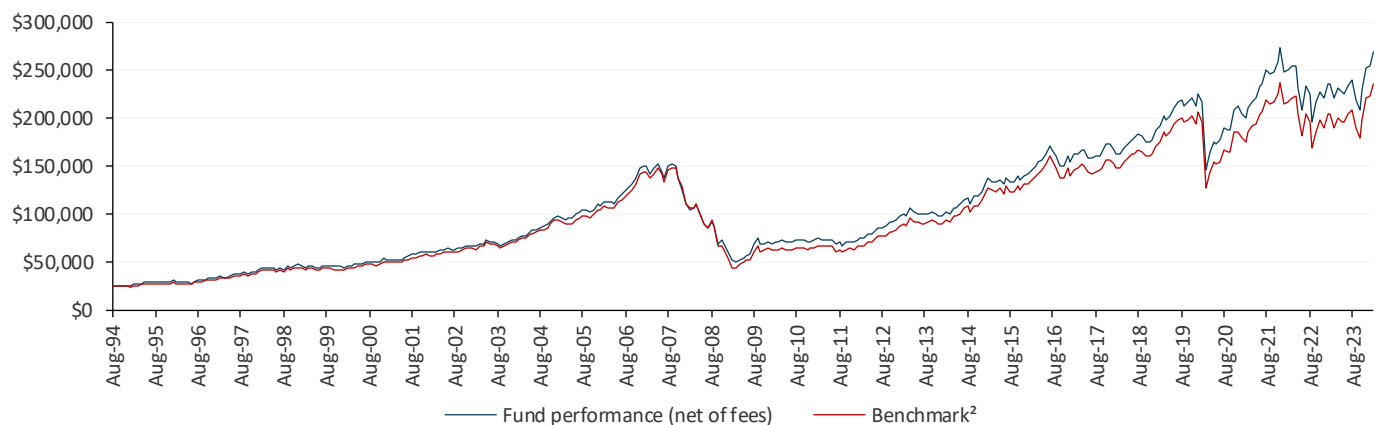
29 February 2024

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	5.33	17.58	14.50	10.42	7.03	10.06	8.39
Benchmark ² return	4.75	18.11	15.10	10.39	6.02	9.56	7.89
Value Added (Net Performance)	0.58	-0.53	-0.60	0.03	1.01	0.50	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	33.61
Scentre Group	13.43
Mirvac Group	7.14
Stockland	5.80
Dexus	4.30

Top 5 Contributors

Security Name	%
Goodman Group	5.04
Scentre Group	0.55
Ingenia Communities Group	0.20
Charter Hall Group	0.13
Abacus Storage King	0.08

Bottom 5 Contributors

Security Name	%
Dexus	-0.28
GPT Group	-0.20
Vicinity Centres	-0.10
Charter Hall Social Infra REIT	-0.07
Region Group	-0.07

These are illustrative only and not a recommendation to buy, sell or hold any security.

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	\$10.8 Million	No. of Stocks	Generally 20 to 40
NAV per Unit	\$1.72	Risk/Return Profile	The Fund's risk band is 6-7 (High - Very high)
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 4.8% for the month ended 29 February 2024, outperforming the Australian equities market (S&P/ASX 300 Total Return Index).

Economic data released during the month showed monthly inflation slowed more than expected to 3.4% while the unemployment rate lifted to 4.1%.

The strong A-REIT sector performance was largely driven by the dominant index constituent, industrial landlord and developer Goodman Group (GMG). Goodman delivered a strong half year result, upgraded FY2024 earnings growth guidance from +9% to +11% and provided positive commentary about its enlarged \$50bn+ data centre pipeline. Consequently, within A-REITs the industrial sector outperformed, as did residential land lease communities, whilst other sectors lagged.

Positive contributors to relative performance included underweight positions in diversified landlord GPT (GPT) on disappointing FY2024 guidance, Charter Hall Retail REIT (CQR), and office landlord Dexus (DXS) which pointed to lower office occupancy in the next six months. Performance detractors included overweight positions in pub landlord Hotel Property Investments (HPI) which announced the unfortunate passing of its CEO, and residential and park communities owner Aspen Group (APZ).

February was filled with earnings results. Key A-REIT sector themes include:

- Most A-REITs delivered results in line with expectations and maintained FY2024 earnings guidance, with a handful upgrading on stronger operating conditions.
- Few A-REITs will grow earnings in FY2024 owing to higher debt costs overwhelming revenue growth. No FY2025 guidance has been provided but the sector should return to earnings growth as debt cost headwinds recede.
- Appraised property valuations continued to fall with income growth unable to offset capitalisation rates expanding 0.30% on average to ~5.5%. In the six month period to December 2023, office valuations fell most (-6%), retail and industrial (-2%) and self-storage and childcare near flat. A-REIT stock prices imply further devaluations to come.
- Balance sheet leverage is moderate, with most groups remaining net sellers to de-lever and/or fund development.
- Retail: robust operating fundamentals with high/improved occupancy (~99%), strong leasing spreads (+3% vs. in place rents) and sustainable rents. Supply of new centres is low. Retailer sales growth is slowing as expected.
- Office: challenging market conditions remain with elevated vacancy and tenant incentives. A-REIT occupancy remains at ~94% with some declines from a higher base (Dexus and Charter Hall) and some improvement from a lower base (GPT). Dexus and GPT expect occupancy to fall in the first half of CY2024. Leasing demand is strongest in the best quality and located assets.
- Industrial: fundamentals appear to be slowing from a high base. Occupancy dipped but remains high (~99%), leasing spreads accelerated and comparable income growth improved to >4%. Tenant incentives have increased. New supply is being delayed by planning constraints.
- Residential: apartment, land and land lease lot sales improved in the six months but remain low relative to history. Buyers remain cautious with high interest rates and affordability constraints. Mirvac (MGR) and Stockland (SGP) have an elevated number of settlements in the second half of FY2024 needed to meet guidance. Margins are lower, largely driven by product mix.
- Fund managers: subdued conditions persist with low property transaction volumes and related fees, weak equity inflows and ongoing property devaluations pressuring funds under management. Redemptions queues are manageable and will be satisfied via progressive asset sales.
- Self-storage: fundamentals improved into the end of CY2023. Over the six months to December unit revenue growth slowed, with rate growth offsetting occupancy loss. Rent increases for in place tenants remains at or above inflation. National Storage REIT (NSR) and Abacus Storage King (ASK) are focused on developments which offer attractive returns.

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