



## Listed Real Assets Strategy – Positioned for inflation

July 2022

*This communication is directed at persons having professional experience in matters relating to investments and that any investment or investment activity to which it relates is available only to such persons or will be engaged in only with such persons and such persons who do not have professional experience in matters relating to investments should not rely on it. A one-on-one presentation may involve more than one prospective client if the presentation is private in nature and the prospects have ample opportunity to ask questions and discuss fee arrangements*

Significant global experience and an established investment management platform

**\$15bn**

ASSETS UNDER MANAGEMENT

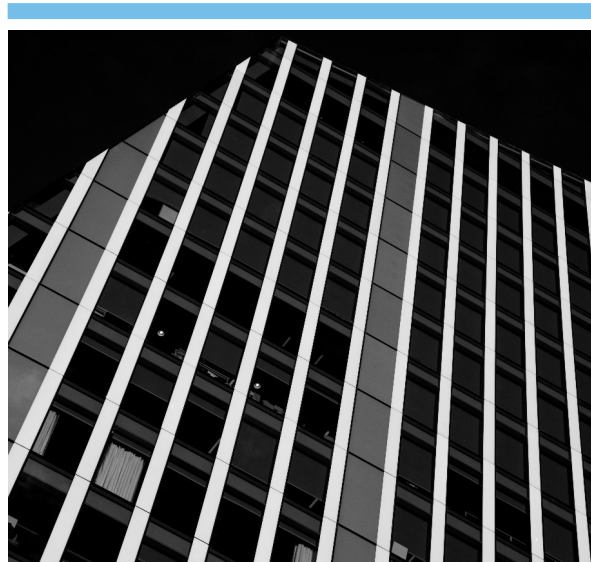
**27**

EMPLOYEES

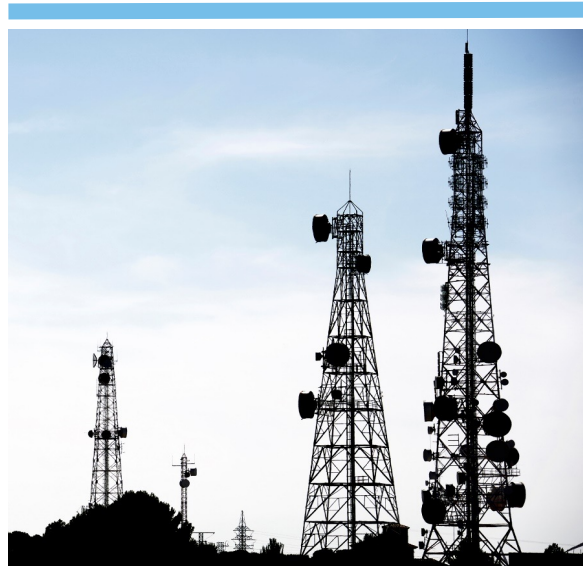
**>25 years**

TRACK RECORD

**Global REITS**



**A-REITS / Real Assets**

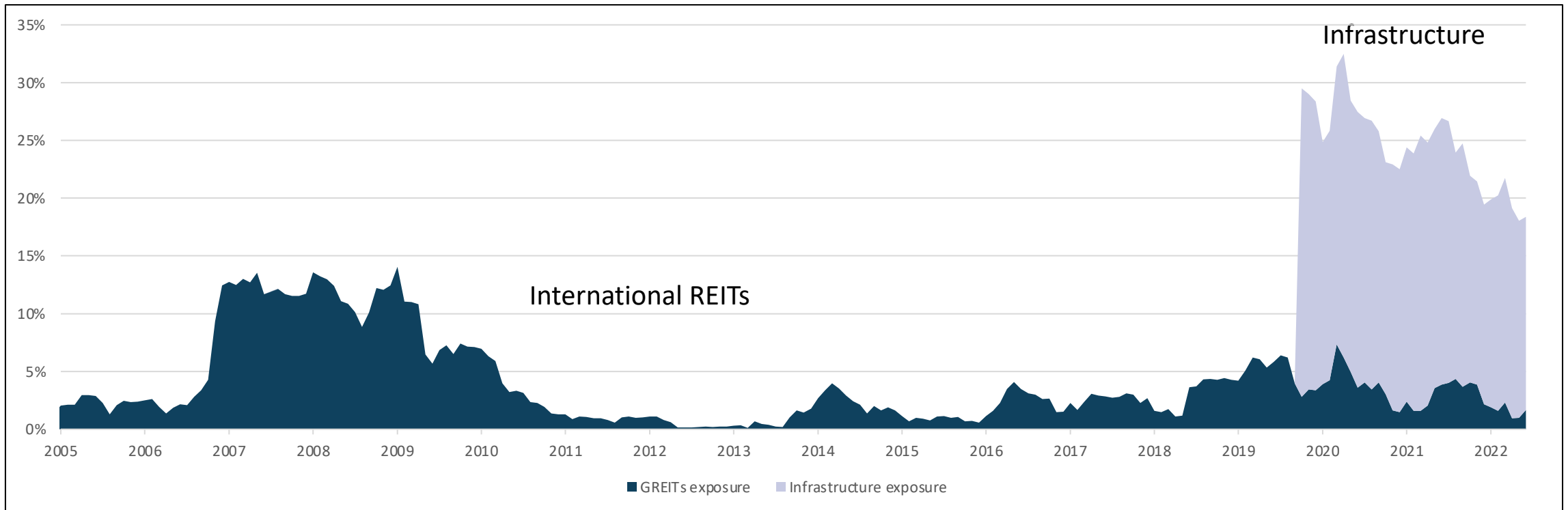


**Global Listed Infrastructure**





Portfolio Offshore REITs & Infrastructure allocation



Source: ResCap

Real Assets Strategy (post fees)	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	10 Years % p.a.	Since Inception# % p.a.
Portfolio <sup>^</sup>	-7.0	1.7	7.2	8.2	11.1	7.3
Benchmark <sup>*</sup>	-11.2	-1.9	5.0	5.9	9.5	5.4
<b>Excess Return</b>	<b>+4.2</b>	<b>+3.6</b>	<b>+2.2</b>	<b>+2.3</b>	<b>+1.6</b>	<b>+1.9</b>

Resolution Capital Core Plus Fund converted into the Real Assets Fund on 1st October 2019

#30 September 2008.

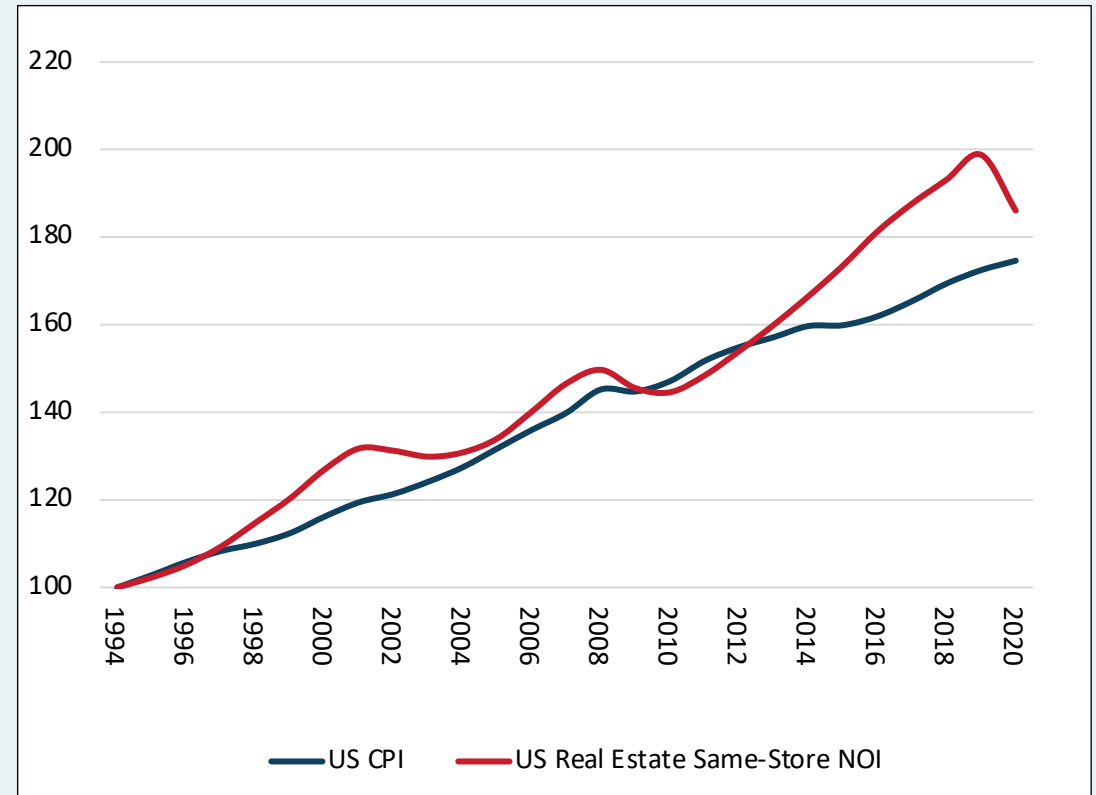
<sup>^</sup>Portfolio returns are expressed after deducting investment management fees.

<sup>\*</sup>S&P/ASX 300 A-REIT AREIT Accumulation Index

- Empirical data: inconclusive
- Increasing replacement costs
- 1970-1990: *Real estate a “hedge against inflation”*
- 1990-2020: *Real estate a “bond proxy/yield play”*
- >2020: ???

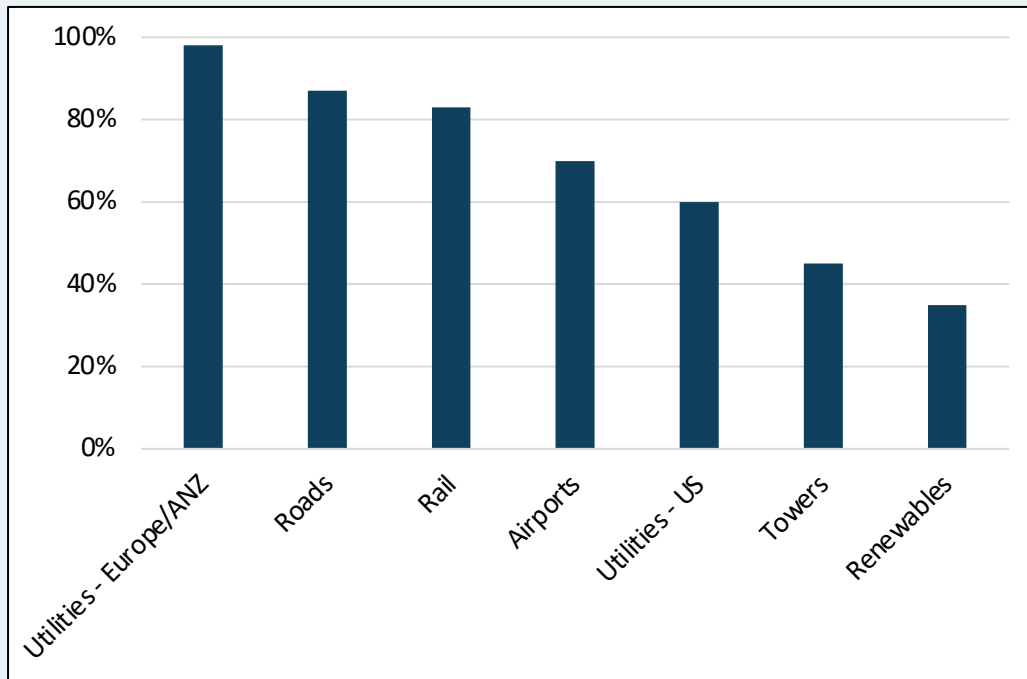
➔ Focus on: Pricing Power & Capital Management

### REIT income (~rent) outpaces inflation over Medium/Long Term



Source: Green Street, Bloomberg, ResCap

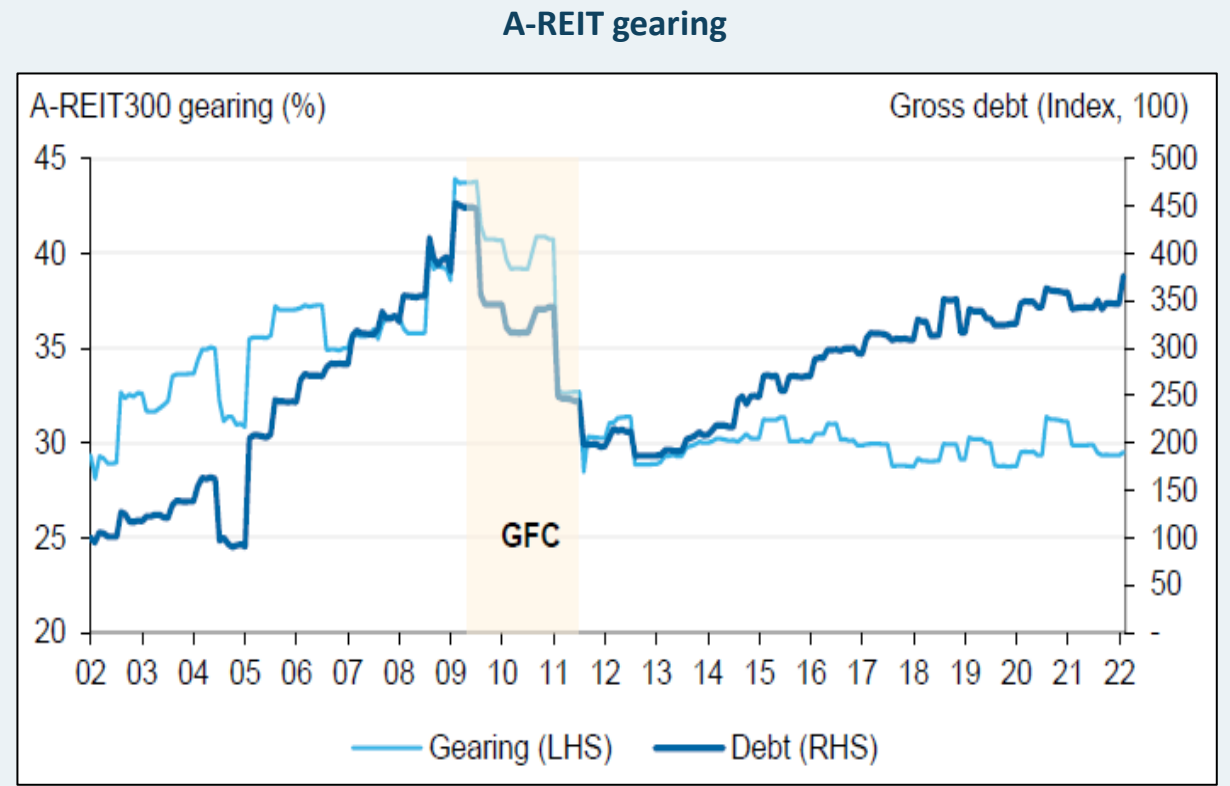
### Inflation protection by sector



Source: ResCap

➔ Focus on: Pricing Power & Capital Management

- Lessons learnt from GFC, moderate sector gearing
- A-REIT interest rate hedging ~65%
- Low interest cost (~3%) is earnings headwind
- Sustainable dividend pay-out ratios



Source: Macquarie



**Alternative property**

- Childcare, healthcare, necessity retail
- Lifestyle communities, pubs
- Self storage



**Mobility & decarbonisation**

- Airports, Toll roads
- Renewables
- Electricity transmission



**Digitisation**

- Logistics
- Data Centres
- Telco towers

**% Portfolio**

~18%

~12%

~22%

**Stock examples**



**Arena**



**Ingenia**



**Auckland Airport**



**Goodman**



**N E X T D C**

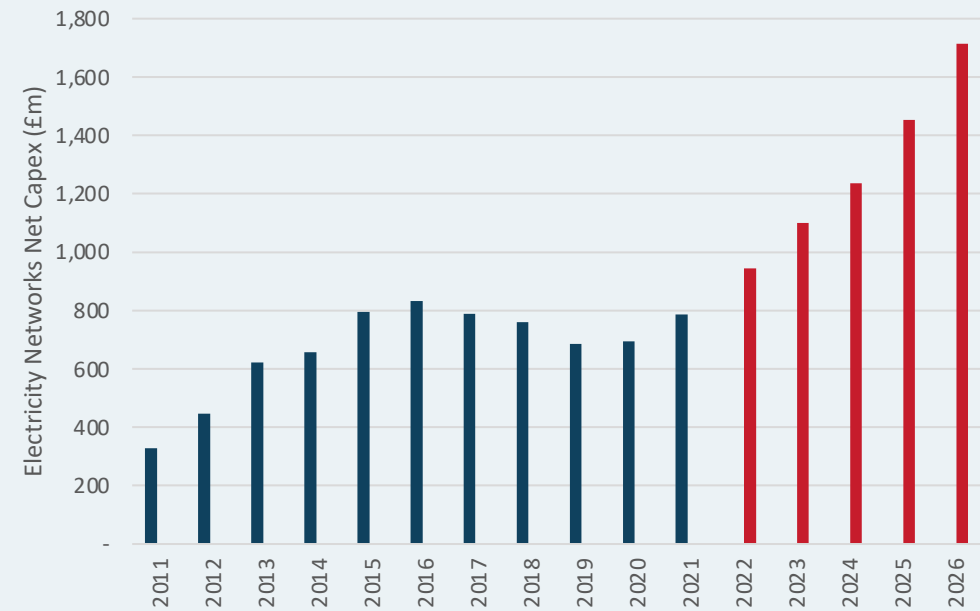






- UK utility - enterprise value £26 billion
- Transmission & distribution electricity networks, renewables
- UK world leader in net zero / SSE targets 2035
- Upgraded capex plans by 66% per annum to 2026
- Earnings protected from inflation

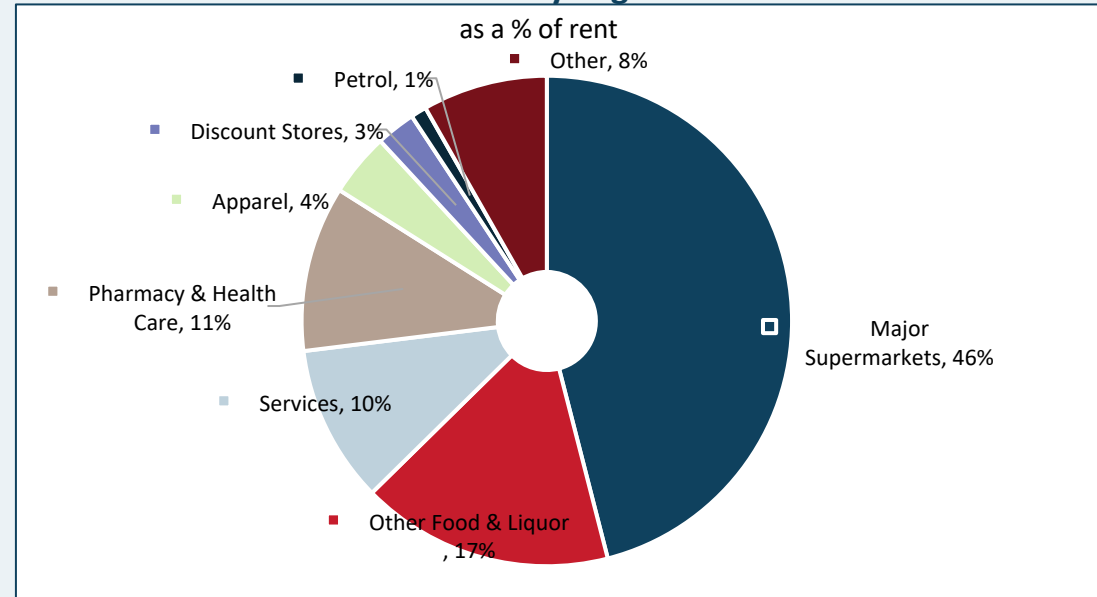
### SSE Electricity Networks Capital Expenditure 2011-to-2026



Source: Company reports, ResCap

- 91 Australian shopping centre portfolio (\$4.4bn)
- >85% rent from non-discretionary & service tenants
- Woolworths/Coles anchor tenants
- 2021 tenant sales +8.2% above pre-COVID levels
- Solid balance sheet: Net Debt / EBITDA 7.0x, LTV 32%

Tenant Mix by Segment



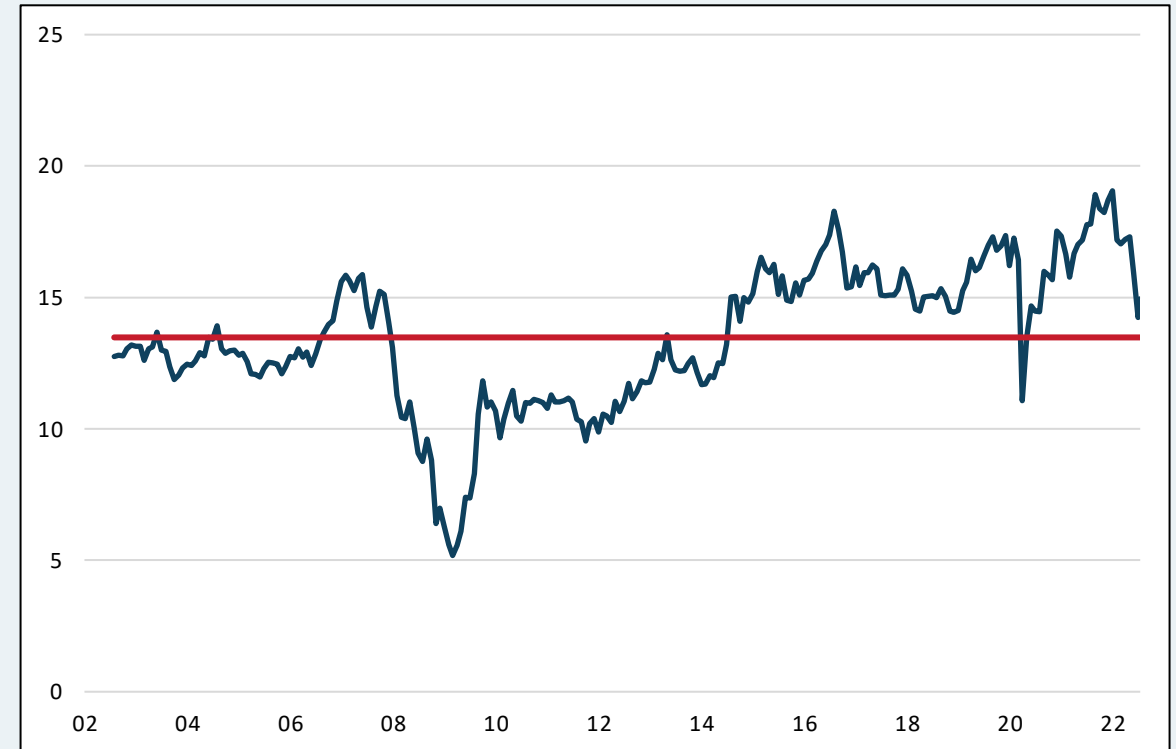
Source: ResCap and Company data (as of December 2021)



Brookwater Village, Brookwater QLD

- Complex macro picture
- Higher interest rate environment
- Inflation: CPI linkage beneficial
- Secular demand tailwinds, less economically sensitive assets
- Moderate leveraged balance sheets
- Listed trading at ~20% discount to unlisted markets

### A-REIT Price to Earnings Multiple



Source: FactSet, ResCap

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