RESOLUTION CAPITAL

QUARTERLY INVESTMENT REPORT

RESOLUTION CAPITAL GLOBAL PROPERTY SECURITIES PIE FUND

MARCH 2025

Global Property Securities

Fund Investment Performance

The Resolution Capital Global Property Securities PIE Fund (the ‘Fund’) underperformed the FTSE EPRA/NAREIT Developed Index Net TRI (100% Hedged to NZ dollars) by 64 basis points for the quarter ending 31 March 2025.

Period Ending 31 March 2025* - Net Returns		
	Quarter %	**Since Inception# % p.a.**
Fund Return*	-0.01	-3.69
Benchmark+	0.63	-4.07
Difference	*-0.64*	*0.38*

* Returns are expressed after deducting investment management costs.
# Inception Date: 26 August 2024.
+ Benchmark: FTSE EPRA/NAREIT Developed Index Net TRI (NZD Hedged).
Performance numbers less than one year are cumulative while numbers greater than one year are annualised. Past performance is no guarantee of future results.

Fund Performance Drivers

Relative performance was negatively impacted by:

- ✗ Over benchmark weight in US data centre REIT Digital Realty Trust (DLR)
- ✗ Over benchmark weight in US retail REIT Federal Realty Investment Trust (FRT)
- ✗ Over benchmark weight in US retail REIT Kimco Realty Corporation (KIM)
- ✗ Over benchmark weight in US data centre REIT Equinix (EQIX)
- ✗ Over benchmark weight in US office REIT Kilroy Realty Corporation (KRC)

Relative performance was positively impacted by:

- ✓ Over benchmark weight in US healthcare REIT Welltower (WELL)
- ✓ Over benchmark weight in US healthcare REIT Ventas (VTR)
- ✓ Nil exposure to Australian industrial REIT Goodman Group (GMG)
- ✓ Nil exposure to US self-storage REIT Iron Mountain (IRM)
- ✓ Nil exposure to European residential company Vonovia (VNA)

Market Performance

Market Overview

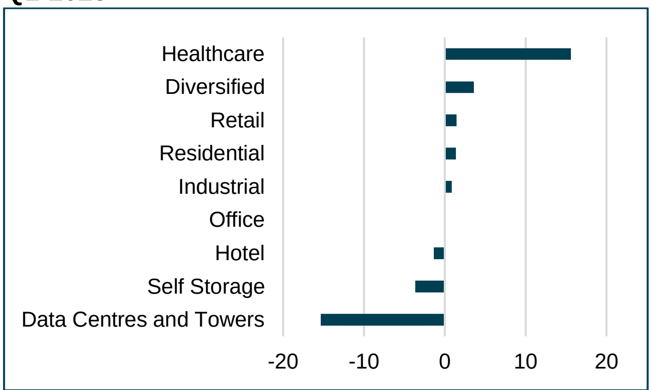
	31-Mar-25	31-Dec-24	Quarterly Total Returns
FTSE EPRA/NAREIT Developed Index Net (unhedged in NZD)	4,658	4,635	0.5%
FTSE EPRA/NAREIT Developed Index Net (hedged in NZD)	1,233	1,225	0.6%
S&P/ASX 300 Property (Accum)	72,689	77,784	-6.6%
S&P/ASX 300 Index (Accum)	102,136	105,135	-2.9%
US 10 yr bonds	4.21%	4.57%	
NZ 10 yr bonds	4.59%	4.42%	
NZD/USD	0.57	0.56	1.1%

Source: FactSet

Global Commentary

The FTSE EPRA/NAREIT Developed Real Estate Index (NZD) Net TRI produced a total return of 0.6% for the quarter ending 31 March 2025. The Portfolio marginally underperformed the index for the period with exposures to retail, data centres and office REITs detracting. Positive contribution to performance was largely attributable to an overweight exposure to U.S. healthcare and an underweight to industrial REITs.

Global REIT index sector % returns (local currency) Q1-2025

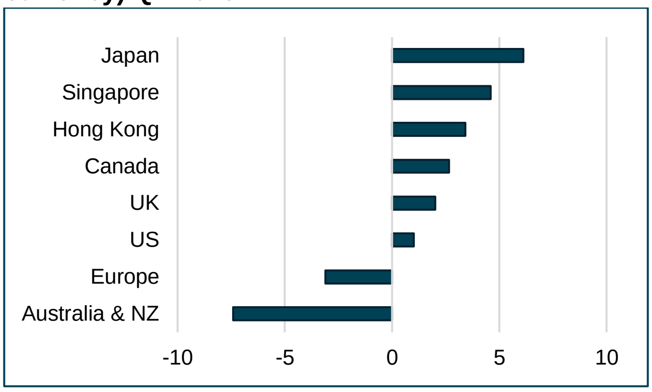


Source: Factset, FTSE EPRA/NAREIT Developed index

Global investment markets were unsettled by a flurry of policy announcements by the new Trump administration including on-and-off again tariffs, federal worker lay-offs, and the re-ordering of long-standing geo-political alliances to name a few. Initial optimism surrounding a growth-oriented Trump 2.0 presidency quickly faded, and sentiment was not helped when the new administration acknowledged that there would likely be a period of economic adjustment and appeared unfazed by the market weakness. In March, U.S. public markets saw rotation into defensives, driving bond yields lower and helping REITs outperform equities, while also contributing to a reversal of U.S. *exceptionalism* that had prevailed until then.

Bond yields diverged globally, with the U.S. 10 yr yield falling 36 basis points to end the quarter at 4.2%. Conversely, the German Bund yield increased sharply ending the period at 2.7% after the newly elected government announced plans to dramatically increase military spending and infrastructure investment. Elsewhere, Japan's 10 year bond yield hit a 16 year high, surging 50 basis points to 1.5% in response to stronger wage increases and higher than expected economic growth and inflation.

Global REIT index regional % returns (local currency) Q1-2025



Source: Factset, FTSE EPRA/NAREIT Developed index

Within the listed real estate benchmark, Japan was the standout performer from a regional perspective delivering a total return of 6.1% for the quarter in local currency terms, led by the property companies ('developers') over the JREITs. Portfolio holding Sumitomo Realty & Development's (8830) share price increased on reports that U.S. based activist investor Elliott Investment Management had acquired a stake and had engaged with company on measures to improve shareholder value.

We re-introduced Sumitomo into the portfolio earlier in the quarter, predicated on improving office market dynamics in Tokyo where rent growth has accelerated to mid-single digits due to low vacancy rates and improving demand. Sumitomo also has several points of difference versus local peers, including less reliance on capital gains, a sector-low dividend payout ratio, and elevated levels of cross-shareholdings – the latter two aspects have previously stimulated interest from activists in other Japanese companies. Sumitomo delivered a total return of 13.9% over the quarter, while the Portfolio's other Japanese holding, Mitsui Fudosan (8801) returned 5.9%, contributing positively to relative performance - although our overall under-weight exposure to Japan detracted.

Singapore (+4.6%) and Hong Kong (+3.4%) index returns were also positive, with lower U.S. interest rates and a weaker US$ helping from a macro perspective. While Hong Kong property fundamentals remain challenging, Singapore is better placed, with low vacancy rates and positive rent growth. We introduced two Singaporean REITs into the Portfolio during the quarter which we profile later in this report.

The UK eked out a total return of 2% over the quarter, a minor reprieve from an extended period of relative underperformance. Four separate M&A deals in the small-cap segment of the UK REIT market signalled that investors are beginning to recognise the attractiveness of the sector. Unfortunately, the Portfolio's exposure to underperformers Derwent London (DLN) and LandSec (LAND) more than offset positive contributions from other LSE listed holdings Sirius (SRE), British Land (BLND) and Unite Group (UTG). We continue to view the UK market as attractively priced and added to exposure during the quarter as we explore later in this report.

U.S. index returns were muted, with strongly positive returns from healthcare stocks largely offset by weakness in data centres. Portfolio overweights to each of these sectors largely offset each other, while exposure to retail names detracted as concerns around the impact of policy uncertainty negatively impacted sentiment.

Australia was the weakest market in the index, weighed down by the -20% total return recorded by heavyweight Goodman Group (GMG) after the company raised A$4bn of new equity to fund its data centre expansion plans. The Portfolio holds no exposure to GMG, which contributed positively to relative performance. Overweight exposure to Mirvac (MGR) also contributed positively as Australia's Reserve Bank cut interest rates for the first time this cycle.

European real estate vehicles also were relatively weak, with broader equities rotation into growth and the aforementioned spike in European bond yields negatively impacting more highly levered German residential companies. Stock selection within Europe contributed positively to relative performance, attributable to overweight exposures to retail names Unibail Rodamco (URW) and Klepierre (LI), together with industrial REIT Warehouses de Pauw (WDP).

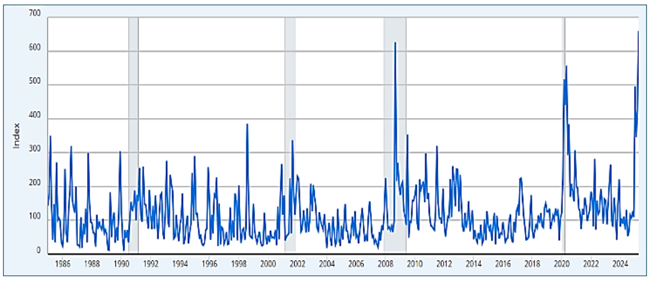
Earnings season prognostications likely already stale

In February, many REITs provided guidance for calendar year 2025 earnings as part of the year-end reporting season. On average the listed sector expects to deliver approximately 3-4% earnings growth in 2025, ranging from -10% for office REITs and Hong Kong residential developers to over 10% for U.S. healthcare REITs. Several managers, particularly office, sunbelt residential and industrial, forecast an inflection point for leasing conditions at least partly on the basis of Trump's hitherto regulation light, pro-growth rhetoric combined with low or falling levels of new construction supply.

That said, overall, REIT property portfolios continue to enjoy elevated occupancy levels, often above overall industry levels. Development economics remain challenged and most report only modest levels of new supply impacting leasing conditions. Debt markets remain wide open for core real estate investment, and private-label CMBS issuance in the U.S. was the third highest quarterly amount in the past 15 years.

Subsequent meetings with management and industry conferences were overshadowed by erratic U.S. government policy and geopolitical events – as demonstrated by the following chart. While this has yet to translate into slowing operating conditions or revisions to earlier guidance, most acknowledged that business decision making and consumer spending is likely to pause until there is more policy clarity. Notably, this was before the added surprise surrounding the scale and extent of tariffs announced by the U.S. President on April 2nd and subsequently deferred on the 9th of April.

Economic Policy Uncertainty Index US – ending 31 March 2025



Source: Baker, Scott R; Bloom, Nick; Davis, Stephen J. via FRED, April 2025
Shaded areas indicate US recessions

In light of the increased uncertainty, we reduced Portfolio exposure to economically sensitive sectors including industrial, office and hotels, and trimmed higher-multiple stocks including data centres. In doing so, we reduced exposure to the U.S. – a market which has delivered strong returns and has attracted a disproportionate share of global capital for an extended period of time.

Additions were made to areas with valuation support and/or sound operating conditions – including diversifieds in Japan and the UK, U.S. residential and healthcare, and self-storage in Australia and the UK.

Data Centres – power interrupted

Data Centres were the worst performing sector during the March quarter, reversing their recent strength as investors questioned the trajectory of AI investment and the associated data centre build-out. In late January the tech-world was rattled by the release of DeepSeek R1, a Chinese-developed AI large-language-model that is claimed to deliver performance comparable to U.S. developed AI models, such as ChatGPT, but at a fraction of the cost and with much less physical computing power. In the initial aftermath, stocks ranging from chip manufacturers, utilities, data centre equipment manufacturers and data centre landlords experienced significant share price declines.

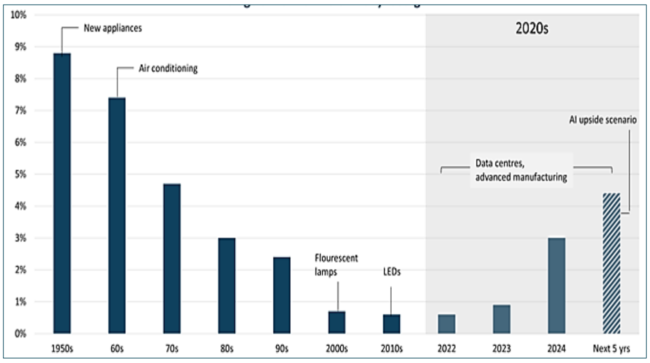
Further weakness ensued for data centres on news that Microsoft (MSFT) cancelled commitments to new data centres equivalent to 2 gigawatts of power across the U.S. and Europe. The market appeared to downplay that Google and Meta had stepped in to take much of the space MSFT had shed and that Oracle (via its participation in the Stargate venture) was fulfilling much of the OpenAI workload as Microsoft stepped back. Not helping matters, in late March AliBaba's chair warned of a potential bubble in data centre construction, and the much-anticipated IPO of AI service provider CoreWeave disappointed.

Our channel checks earlier in the quarter indicated that some private developers in the U.S. had lowered rents to secure hyper-scale lease pre-commitments on new developments. Given these cross-winds, combined with relatively elevated valuation multiples, we reduced exposure to the sector but remain overweight which detracted from performance, with Equinix (EQIX) and Digital Realty (DLR) delivering total returns of -13% and -18% respectively in the quarter.

Nevertheless we continue to maintain an overweight position to the pure-play data centre sector – albeit there are a number of index constituents outside of the specialist sector that we do not own, which have varying levels of exposure to the AI thematic due to their ambitious plans to develop hyperscale data centres such as Goodman (GMG) Iron Mountain (IRM) and Merlin (MRL). These laterals also performed poorly over the quarter, but none as poorly as the recent (non-benchmark) Australian IPO of DigiCo REIT (DGT) which closed the quarter 38% below its mid-December IPO price. We did not participate in this IPO for reasons outlined in our prior quarterly report.

We continue to invest in data centres with the view that the expansion of the digital economy across a broad range of use-cases, not just AI, is an on-going trend supporting demand. Additionally, there continues to be significant supply constraints to new data centre delivery, not least of which is the procurement of power. In fact, electricity demand growth continues to surge in response to a range of emerging and durable uses, including data centres, electric vehicle charging, on-shoring of energy intensive industries such as chip manufacturing plants, as well as electrification related to the energy transition from fossil fuels.

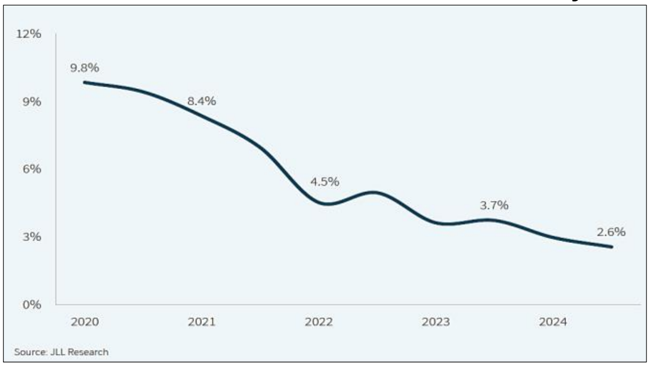
Average Annual U.S. Electricity Load Growth since the invention of air-conditioning



Sources: Grid Strategies, December 2024, U.S. Department of Energy, December 2024, Resolution Capital

We take some comfort that supply bottlenecks in securing power and equipment will elongate the delivery cycle and modulate supply growth. In the meantime, the data centre pipeline currently under construction in North America is >70% pre-leased, and vacancy rates are at record lows. The set up for data centres remains good over multiple time horizons.

North America data centre colocation vacancy



Source: JLL Research Feb 2025

Our preference remains in favour of established data centre operators with footprints in major metropolitan markets within key cloud availability zones, which affords them advantages of a deeper pool of potential customers, better network connectivity, lower-latency and alternate use-cases.

We believe our key holdings also benefit from well-credentialed platforms, with experience operating complex data centres where up-time performance and power efficiency are critical, deep customer relationships and long-term track-records in developing data centres including well-established supply chains.

The Portfolio's largest data centre exposure remains Equinix (EQIX), which is not materially exposed to the AI-training thematic and the data centre supply underway to support it. Rather, Equinix is the global leader in internet connectivity - where its multi-tenant customers interconnect with telcos, cloud service providers and each other, thus creating an ecosystem which is difficult to replicate. For this reason, Equinix has displayed more consistent pricing power over the past decade compared with wholesale data centres.

Meanwhile the Portfolio's other exposure, Digital Realty (DLR), has a portfolio located in core data centre markets catering to a broad variety of technology use-cases. We believe that if AI demand were to atrophy, DLR's sites could pivot to other important and growing technology functions including cloud deployment. This stands in contrast to many private developers who have committed to large-scale landbanks of future data centre development sites that are primarily suited to AI training and are located in more remote locations with inferior connectivity to cloud on-ramps and end users.

Industrial – Good(man) time to raise equity

After a period of underperformance due to deteriorating operating conditions, the industrial sector started the quarter with optimism stemming from management commentary that leasing activity had accelerated post the U.S. presidential election in November 2024 – raising hopes that a late 2025 inflection in pricing power was on-track.

Such optimism was quickly snuffed out by tariff policy announcements and broader market volatility. By late March, third-party-logistics giant Fedex (FDX) downgraded its earnings guidance citing expectations that uncertainties surrounding global trade policies would weigh on its domestic U.S. business. Soon after Prologis's CEO cum Exec Chairman Hamid Moghadam noted a deterioration in customer sentiment and an expectation that tariffs would slow the U.S. economy and consequently soften demand for logistics space. The Portfolio benefited from an underweight exposure to Prologis in the quarter.

As noted in our prior quarterly commentary, industrial construction starts have declined sharply from the peaks of 2021-22 – however remain in line with the long-term average, and delivery of projects already under construction will continue to add inventory into a weaker demand environment, thus pressuring occupancy levels and landlord pricing power.

In Australia, it was noteworthy that Goodman Group (GMG) returned to the equity markets for additional capital for the first time in over 12 years, to help fund its ambitious data centre development program - highlighting the capital intensity of this new business initiative.

For more than a decade, Goodman's modus operandi has been the model of capital-light real estate develop-own-manage strategies. The company judiciously developed logistics facilities for its stable of institutional capital partners, mostly by originating developments on its own balance sheet and then selling the nascent projects into funds. The funds would participate in part of the development upside while GMG generated fee streams including project management, asset management and performance fees while only having to contribute circa 20% of the capital as a co-investor.

While reported EPS has grown in the mid-teens in each of the past five years, GMG has steadfastly maintained its dividend unchanged at 30cps – and retaining capital as it gradually de-levered its balance sheet.

Despite look-through loan-to-value of sub 25%, Goodman raised A$4bn of equity during the quarter, equivalent to 6% of outstanding securities, at $33.50 per share. The raising effectively put the balance sheet into a net neutral gearing position.

Notably the raising followed the decision of its long term strategic shareholder China Investment Corporation (CIC) to reduce its exposure, selling some A$1.9 bn at $37.55 per share in December 2024.

As we have highlighted in the past, GMG has astutely recognised that its properties often have a higher and better use than simple logistics warehouse – initially through conversion to high-rise residential developments in the period 2010-2020, and then 18 months ago announcing it had secured a significant power-bank to develop existing properties as data centres which GMG estimates could have an end value of over A$40bn.

Although GMG ultimately intends to fund a large proportion of these developments together with institutional partners, as it has done with its capital-light logistics development model, it is nevertheless clear that management recognised that a buffer may be required to self-fund some early projects as it builds out its platform – as well as providing certainty to potential hyper-scale tenant customers in order to secure pre-lease commitments.

The sheer scale of the potential data centre opportunity for GMG is enormous, although importantly, it is not without significant risks. Furthermore, GMG's intention to play an ongoing role as a developer-owner and manager of completed data centres is materially different to GMG's prior densification phase which harvested profits from selling land to developers without participating in the vertical development itself. We applaud GMG's prudent approach to funding, but watch from the sidelines as we believe the market is paying a full price for the upside. Our nil exposure contributed positively to performance over the quarter as Goodman delivered a total return of -20% and ended the quarter 13% below the equity issue price.

Healthcare – lease, buy, rinse, repeat

Healthcare REITs enjoyed strong performance in the March quarter, driven primarily by growth in their seniors housing segment. The Portfolio benefited from an overweight position through its holdings in Welltower (WELL), Ventas (VTR) and Chartwell (CSH).

Welltower (WELL), the largest holding in the Portfolio, was the strongest performer generating a 22% total return. In 2024, Welltower generated 19% earnings per share growth, largely due to its seniors housing exposure, where it is the largest owner of private pay seniors housing in the U.S., as well as having a significant presence in Canada and the UK. In the December quarter, seniors housing comprised 57% of Welltower's total Net Operating Income (NOI), and it grew 23.9% on a same store basis in the period.

Looking ahead, the growth trajectory in seniors housing remains robust. In our view, Welltower and Ventas stand to substantially improve the NOI from their existing seniors housing assets over the next several years by increasing occupancy into the low 90%'s, growing rents and controlling operating expenses. Faced with demographic driven demand and limited new competitive supply, we see seniors housing benefiting from a multiyear growth tailwind. We expect both Welltower and Ventas to generate EPS growth in excess of 10% over the next 3 years.

In March, Welltower announced the expansion of its Canadian footprint with the C$4.6bn acquisition of the 38 property Amica portfolio, a luxury segment seniors housing portfolio across affluent neighbourhoods in Toronto, Vancouver and Victoria. With this transaction, Welltower's Canadian exposure will increase to the mid-teens percent of seniors housing operating income, up from 11%.

Welltower has not disclosed the investment yields, although it noted that the purchase price represented a 10-15% discount to replacement costs. Welltower can fund the acquisition with cash on hand (US $3.7bn), which would increase leverage from mid-3x net debt-to-EBITDA to the low 4's. However, WELL will also probably seek to raise additional equity via its At-the-Market (ATM) program. While we are supportive of Welltower's investment activity, we took the opportunity to slightly pare back the exposure on strength in anticipation of additional equity issuance. Concurrently, we upweighted VTR during the quarter.

Funds management – catching on

In the quarter, Welltower announced the establishment of a funds management capability through the creation of a new fund with ADIA as the anchor investor. WELL is targeting to raise US$2bn in third party equity, with the fund set to focus on stabilised seniors housing assets. The fund's first investment is six senior housing facilities being acquired from Welltower for US$240 million.

The pursuit of funds management businesses is not new to REITs (Prologis, GMG, Charter Hall, Dexus, GPT, Acadia and others have long established platforms) but appears to be gathering momentum as REITs seek to improve ROE and utilise the capacity of their operating platforms. This may be to purchase assets they might consider non-core or due to the lower cost of capital of fund investors.

Welltower joins Realty Income (O) in recently announcing ambitions to launch a platform, while in New Zealand, smaller players such as Kiwi Property (KPG) and Precinct (PCT) are also growing their asset-light strategies. In Asia, Hong Kong Land (HKL) and Link REIT (823) also have expressed their intention to pursue third party capital funds management.

Curiously, Europe/UK is one region where listed REITs have largely eschewed funds management strategies (SEGRO and VGP being two exceptions).

Funds management strategies can be additive to value creation and can enhance return on equity as demonstrated by the success of Australian listed fund managers Goodman Group (GMG) and Charter Hall Group (CHC), whose total shareholder returns and earnings per share record over the past 15 years stand head and shoulders above local passive REITs.

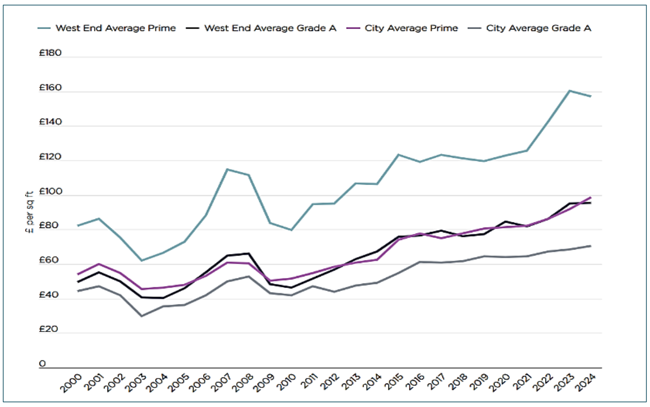
However, history also shows that introducing third-party capital can add complications and conflicts of interest that can derail the focus of management. The true value created is also open to debate: how secure are the revenue streams, and what is the realisable capital value.

There are a number of characteristics which appear to have differentiated successful listed property funds management platforms – but none more important than having a compelling investment proposition. Of course one could argue that if the investment proposition is compelling enough, why dilute exposure? Some of the best property companies focus their efforts on one set of shareholders - to their long-term benefit.

UK – Badwill

We believe select UK REITs are among the cheapest listed real estate platforms within our universe. Our travels to the market in late 2024 was marked by concerns about the policies of the new Labor Government. Compared with what has since taken place in other markets, notably the U.S., these policies seem positively benign. To date, economic data in Q1 2025 suggests the UK economy continues to grow, whilst UK bonds and the pound sterling exchange rate remains orderly. Furthermore, tenant demand remains positive and there is evidence of available space shortages sustaining ongoing rental growth across several sectors including office.

London Office Rents

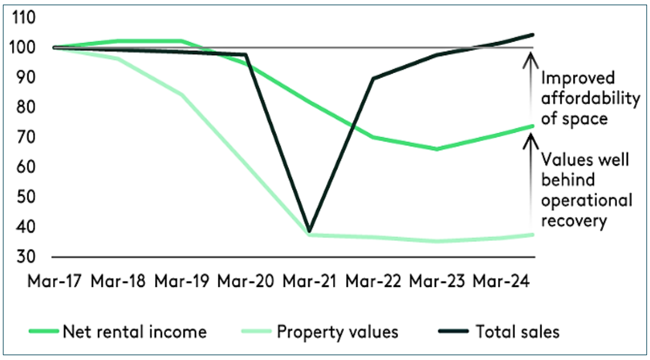


Source: Savills Research, Jan 2025

Whilst self-storage and student-housing appraisal valuations have remained stable, UK industrial, office and retail valuations have declined by over 25% from peak levels. What's more, values have fallen in an environment of increased replacement costs.

Although our discussion on property operating performance and valuations may be looking through the rear-view mirror, the listed market is performing as if it sees a major crash about to occur with REIT prices trading on average 25% discounts to underlying Net Tangible Assets. This discount exists even after income and property values have been materially reset lower following events such as COVID and particularly weak retail leasing conditions in the UK post Brexit.

Landsec Shopping Centre Rents, Values and Tenant Sales



Source: Landsec, Feb 2025

Given a spate of transaction activity at supportive prices (outlined below), this dynamic, which could be described as negative goodwill, is increasing the possibility of major corporate activity. The market is stirring with a number of smaller take-private and merger deals announced during the quarter, including takeover bids for NHS backed healthcare REIT Assura plc (AGR) and a number of smaller externally managed warehouse REITs.

Several significant real estate transactions also took place during the quarter, with a number of our holdings being on the sell side of the ledger, with transaction pricing at or above book values, including:

- British Land (BLND), with its JV partner GIC sold a 50% stake in the 2 Finsbury Avenue development project to a Middle East property investment company for a price believed to be in the region of £200m or some 10% above book value.
- Lendlease (LLC) (not a Portfolio holding) sold a stake in 21 Moorfields office tower in line with the current book value and only 5% below the peak appraisal value set in 2022.
- Landsec (LAND) sold its Thurrock Lakeside Retail Park for £102m, representing a 6% yield, to a private investor.
- Shaftesbury Capital (SHC) sold a 25% interest in Covent Gardens to Norges for £675m, representing a yield of 4.5%.

Separately, Japanese property investment company Mitsui Fudosan announced a £1.1bn commitment to a new office-driven development as part of a regeneration of a site associated with the British Library's St Pancras site. In another sign of confidence in the UK financial services sector, soon after 31 March U.S. asset manager State Street reportedly paid £333m to purchase an office building in the city of London. That said, it appears to be another blow for Canary Wharf where State Street currently leases its London premises.

The pricing of these deals highlights investor confidence in the London property market and the UK economy in general.

Against this backdrop, during the quarter, we added to our holdings in British Land (BLND) and our recently re-initiated position in Landsec (LAND). At its investor day held during the quarter, Landsec outlined a plan to grow earnings per share at over 3% compound p.a. over the next 5 years. Trading at a 35% discount to NTA and with a starting earnings yield of 9%, we believe this should deliver outsized returns.

We acknowledge that many UK REITs are enduring bloated overheads, partly because of active development (no income), and partly because of their relatively small scale (most UK REITs are less £10bn in assets). In a few cases it also reflects a lack of confidence in management's ability to protect if not enhance shareholder value over the long term. Hence being publicly listed may not be the right place for some of these vehicles in their current form.

To reiterate, UK REITs are trading at substantial discounts to underlying asset values which have already been written down – a situation which has persisted for some time. Boards and management should be compelled to find ways to narrow these discounts and create value for shareholders. The status quo is simply untenable.

As for the unfolding U.S. tariff situation, the UK seems relatively well placed to cope. Following Brexit, the UK reset trading agreements with many countries and does not rely disproportionately on exports to the U.S. Furthermore, the tariffs set on the UK after quarter end were among the lowest at 10%.

Residential – dodging DOGE

The impact of the Trump led government Department of Government Efficiency (DOGE) has been a closely watched program because of the potential impacts on some property markets, particularly Washington D.C.

With a few notable exceptions, U.S. REITs have very little direct leasing to the Federal government (known as the General Services Administration, or GSA), although there are legitimate concerns about the indirect impacts of a material reduction in government employees more broadly.

Whilst a large number of Government-owned buildings have been nominated for sale as a part of DOGE, many of the properties are functionally obsolete and will require substantial works to refurbish if not rebuild.

Perhaps more concerning is the spectre of federal government layoffs and policy uncertainty that could impact residential leasing demand, particularly in Washington D.C. and its dormitory suburbs in northern Virginia. Historically an economically resilient area, the Greater D.C./Northern Virginia region is a material exposure for a number of U.S. multi-family REITs, representing ~15% of income. To date conditions appear to be stable.

Portfolio exposure to Essex Property Trust (ESS) contributed positively to performance as several of its West Coast markets strengthened following return-to-office mandates implemented by Amazon and other tech firms. We also note that ESS has no exposure to Washington D.C.

We reduced exposure to Canadian Apartment REIT (CAR) as market rent growth declined due to lower immigration, and economic and policy uncertainty. CAR continued to refocus its business as a pure-play Canadian apartment owner, further reducing its exposure to Europe with the sale of the bulk of its assets in the Netherlands, winding up its JV at a price in-line with appraisal values.

Sun sets on the marina

Sun Communities (SUI) announced the sale of its Safe Harbor Marinas business to Blackstone Infrastructure for US$5.65bn in an all-cash transaction. The sale price represents a yield of 6% and realises a large capital gain, a substantial part of which will be released to shareholders as a special dividend. The sale represents a significant step in the simplification strategy of the company as it seeks to refocus on core manufactured housing and recreational vehicle segments, which are expected to account for approximately 90% of the company's NOI post-transaction.

While not helpful, concerns surrounding the U.S. manufactured housing industry posed by the potential decline in Canadian 'snowbird' tourists appear to be over-blown as these customers make up a relatively small proportion (sub 4%) of revenues.

The Portfolio reduced exposure to SUI as its valuation discount narrowed relative to industry peer Equity Lifestyle Properties (ELS).

Retail – contrasting fortunes

The Portfolio's positioning in the retail sector detracted from performance as the outlook for the U.S. consumer weakened. Comments from large retailer Walmart flagged that the strain on lower-income consumers was worsening, and broader retailer feedback indicated that consumer spending is coalescing around sales events.

Despite record high occupancy levels and solid rent growth, U.S. strip retail REITs were pressured as retailer bankruptcies in the power-centre oriented portfolios weighed on 2025 earnings guidance, including Portfolio holding Kimco (KIM).

Federal Realty (FRT) also detracted despite its portfolio being oriented towards higher income demographics. FRT's ~25% exposure to Washington D.C. acted as an overhang even though the company has reported no evidence yet of any deterioration as a result of federal government layoffs. In fact, FRT's overall operating fundamentals remain solid, with occupancy at record highs (96.2% leased), 11% rent increases on new/renewed leases and guidance of 3-4% same-store NOI growth for 2025.

The Portfolio's retail holdings outside the U.S. fared better over the quarter. In France, Klepierre (LI) delivered a total return of 14.6% in local currency terms while Unibail-Rodamco-Westfield (URW), was up 7.1% in the quarter as the company confirmed its troubled Hamburg mall development would finally open on 8 April – although the final cost of the project is yet to be confirmed.

Self-storage

Self-storage REITs posted modestly negative total returns in the March quarter.

Big Yellow (BYG), the largest self-storage holding, performed mostly in line with sector peers, producing a

-1% total return during the quarter. UK self-storage REITs have faced operational challenges in recent quarters, but Big Yellow released its third quarter trading update (March 31 year-end) in January which featured improving demand from domestic customers, moderating occupancy declines, and the return of positive EPS growth.

Safestore's (SAFE) first quarter trading update corroborated positive UK demand trends noted by Big Yellow. Despite positive operational news, UK macro concerns over economic growth and high real interest rates remain an overhang in the region.

Shurgard (SHUR), the second-largest self-storage holding in the Portfolio, underperformed peers during the quarter despite reporting stronger operating results, with >5% same-store revenue growth. Shurgard's share price has been pressured since late January, when news circulated that the company was amongst the bidders for Access Self Storage, with a rumored price tag of circa £1.2bn, Access Self Storage is a portfolio of nearly 60 assets in the UK with an impressive footprint inside of the M-25 in Greater London. The rumored price for Access Self Storage appears steep, and Shurgard would need to source additional capital, either on or off-balance sheet, in order to acquire Access.

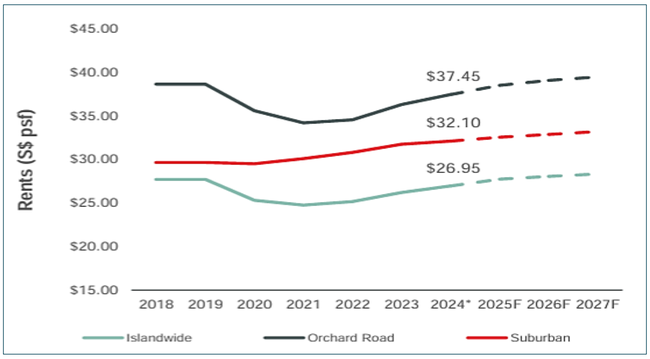
Australian-listed National Storage (NSR) produced a total return of -5.1% during the March quarter, underperforming sector peers. First-half operating results included RevPAM (Revenue per available metre) growth of +3.5%, driven primarily by rate growth of +8.5% that was partially offset by declining occupancy (-3.6%). Operating results were solid in a global storage context but disappointed loftier expectations of the market.

Singapore

We have long been sceptical of Singaporean REITs for a number of reasons, including their international exposure (45% of the underlying asset base in aggregate is outside of Singapore). It is no accident therefore that the two exposures added to the Portfolio this quarter, Frasers Centrepoint Trust (FCT) and CapitaLand Integrated Commercial Trust (CICT), are predominantly Singapore focused.

Property operating conditions in Singapore have been sound. Suburban shopping centres have been resilient, underpinned by low unemployment and positive population growth, while downtown retail is benefiting from the recovery in tourism.

Singapore Prime Retail Rent Growth by Sub-Market

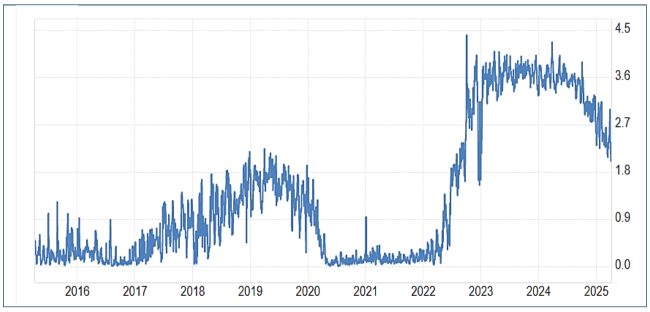


Source: Frasers Centrepoint, CBRE as at 31 Oct 2024

The Singapore office market has been a relative safe-haven within the Asia-Pacific region, benefiting from the shift of financial services from Hong Kong in recent years. Despite the recent completion of two large office developments, both of which achieved good levels of pre-leasing, Grade A office rents have remained stable and are above 2019 levels.

Notwithstanding these sound operating conditions, SREIT earnings over the past several years have been negatively impacted by rising interest rates – compounded by relatively high leverage, greater floating rate debt exposure and shorter-term maturity profiles compared with non-Asian REIT markets. However, with the recent decline in interest rates, many SREIT's now find themselves with in-place cost of debt higher than the market rate. As such, debt re-financing has turned from an earnings headwind to a tailwind.

Singapore Overnight Rate Average (SORA)



Source: Monetary Authority of Singapore, April 2025

By way of example, at the end of March, CICT issued S$150m of 7-year fixed rate notes at 3.09% - compared to its in-place average cost of debt at 3.6%.

CICT owns a high-quality portfolio of CBD office, and both CBD and suburban retail. Portfolio occupancy exceeds 96%, and new lease rents increased 10% in 2024 compared to expiring rents.

We also took the opportunity to add Frasers Centrepoint Trust (FCT) to the Portfolio when it came to market to raise S$400m of equity to acquire North Point City South Wing.

FCT is a pure-play Singapore mall owner, with a portfolio of 10 suburban malls which derive circa 50% of rent from more resilient trade categories including food and beverage, supermarkets, services and health/beauty. Portfolio occupancy is 99.5%, and tenant same-store sales in Q1-25 grew 2.5% year-over-year.

Recent transaction activity in Singapore has highlighted resilient asset values, supported by strong investor interest, limited new supply, and low vacancy rates. In another notable deal, the S$4bn (mostly retail) Paragon REIT was acquired by its sponsor, Cuscaden Peak (largely controlled by Mapletree Investments). The transaction took place at Price-to-Net Asset Value of 1.07x and at a 10% premium to last price, equating to a 4.5% property yield. The transaction also removed a perceived overhang on CICT which had been widely expected to acquire Paragon.

Office

Earnings results from U.S. office REITs were disappointing, with most names missing expectations, except Portfolio holding Cousins Properties (CUZ).

Fundamentally, office leasing net absorption across the U.S. turned positive late last year, the return-to-office outlook has improved, and sublease space is beginning to decline. However, REIT occupancy remains under pressure due to tenant move-outs. Also, the cessation of interest capitalisation on development projects also weighs on earnings outlooks.

New York office real estate is outperforming, with strong lease momentum (across multiple industries). Meanwhile, West Coast leasing activity has picked up due largely due to AI demand, but market vacancy is mid 30% and big tech leasing is still absent. Sunbelt portfolios are benefiting from a mixture of robust/diverse tenant demand, jobs growth, higher RTO and flight to quality.

Overall, the Portfolio's exposure to office detracted from returns. Exposure to U.S. West-Coast focused Kilroy Realty (KRC) was reduced, as the absence of large-tenant leasing from both tech and life science tenants portends material earnings headwinds – particularly from its recently completed US$1bn Kilroy Oyster Point Phase 2 development in South San Francisco which remains unleased. The company also flagged it would dial down interest capitalisation on some of its vacant landbank later in 2025 as it re-assesses the viability of these sites, including contemplating their disposal.

Meanwhile UK focused Derwent London's (DLN) 2024 results were positive, with portfolio vacancy improving to just 3.1% and market rents growing 4% in 2024. However, UK macro concerns continue to overwhelm, with DLN's -5.8% total return detracting from returns over the quarter.

Conclusion – REITs make sense in a world of chaos

In recent years rising interest rates and investor interest focused on the Mag-7 and elsewhere have made REITs feel overlooked, and the sector's returns have accordingly been underwhelming for an extended period.

The increasingly erratic economic policies of the world's largest economy suggest growth is going to be more challenging, at least versus previous expectations. This has the potential for investors to reassess the merits of the REIT sector. Based on the sector's relative outperformance in Q1 2025, we hope this reassessment is just starting.

Crucially, the relative underperformance of REITs in recent years was not a result of poor fundamentals or self-inflicted strategic errors. In fact, REIT operating conditions remain sound, with low vacancy rates, and speculative development remains largely uneconomic courtesy of elevated construction costs and higher interest rates.

REIT balance sheets are solid, with leverage at multi-decade lows and debt maturities well laddered. Indeed, REIT capital structures are arguably stronger today than in any period entering into an economic slowdown over the past 30 years.

Un-loved and under-owned, REIT valuation multiples are relatively un-demanding and investor expectations are low. On our estimate, REITs are trading at or below replacement cost – underpinning values and rents.

Importantly, REIT earnings are not directly impacted by tariffs. Real estate operating costs largely relate to property taxes, repairs and maintenance, property management and insurance which are, by and large, unaffected by tariffs. More directly, tariffs on building materials (steel, lumber, glass and mechanical equipment) will likely further inflate already elevated construction costs, which could, in fact, benefit existing landlords by making development economics even more challenging, thus deferring competitive new construction unless rents rise.

Of course real estate will not be immune from the broader consequences if a sharp increase in tariffs leads to slowing economic growth or recession. Pleasingly, central banks have room to cut interest rates should there be clear evidence of a rapidly deteriorating economy without an outbreak in inflation. We see the biggest threat to our constructive thesis on REITs would be the onset of stagflation.

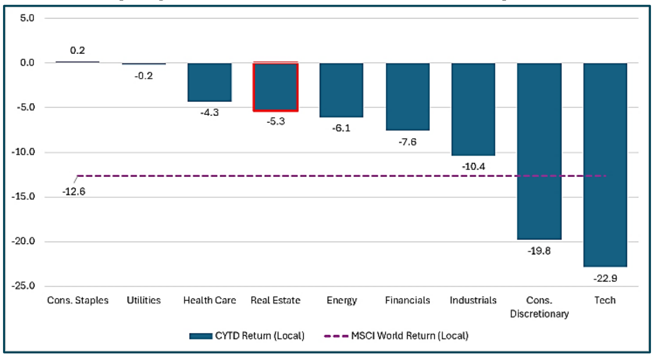
In many underlying real estate categories, REIT revenue (rental) streams are relatively secure, with medium to long-term lease contracts, often 3 to 10 years in duration, which provide cashflow security, subject to tenant credit. Where these lease structures are common, industrial and office property are perhaps the most susceptible to a prolonged economic slowdown. The Portfolio is significantly underweight REITs in these sectors.

In other segments such as residential, self-storage, and hotels, income is often derived from shorter duration leases. In some of these instances, occupier demand is needs-based and income tends to be relatively resilient. Clearly hotels are the most economically sensitive, to which the Portfolio has de minimis exposure.

The policy environment surrounding tariffs and broader international relations remains fluid. In a world of increased uncertainty and volatility we believe REITs remain well positioned to provide portfolio diversification, transparency and liquidity.

Thus far in 2025, REITs have provided some downside protection versus other equity sectors, as real estate once again is seen as a relatively secure investment, generating meaningful distributions backed by recurring cash earnings.

Global Equity Sector Returns CYTD 7 April 2025



Source: MSCI, Factset,

The Portfolio is weighted towards real estate enjoying landlord pricing power underpinned by low supply and resilient and/or growing cashflows. We have reduced exposure to more economically sensitive sectors and development activity. Supported by capital strength and undemanding valuations, we believe the Portfolio is well positioned to deliver competitive risk-adjusted returns.

Insurance

After L.A. wildfires commercial real estate insurance stabilises, but residential insurance still challenging

In January we wrote about the impact on the Portfolio of the wildfires in the Los Angeles counties of Pacific Palisades and Eaton. These wildfires caused widespread destruction and displacement, damaging or destroying approximately 15,000 structures, including approximately 10,000 homes. While still to be finalised, current estimates of total *insured* property losses are estimated to be between US$30bn and US$55bn. This leaves a significant amount of damage that is uninsured, with actual losses estimated to be more than twice the insured sums. The vast majority of these losses are from residential properties.

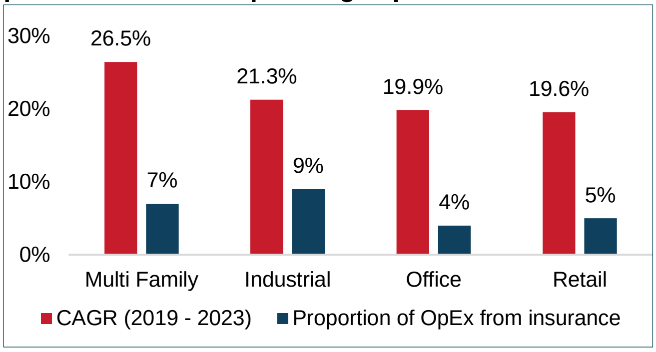
Despite this widespread and significant damage, only one company in the Portfolio, healthcare REIT Ventas (VTR), reported damage to one of its assets – a seniors housing facility which was evacuated during the wildfires and suffered smoke damage.

Catastrophic climate events have the potential to impact the cost and ability to insure property assets. In particular, California and Florida have been significantly affected by regulatory changes and market dynamics, as well as damage caused by climate events. Recent regulatory changes in California aim to increase competition in residential property insurance markets. These changes include allowing forward looking climate risk analysis to form part of the risk management framework that informs premium pricing, and increasing the amount by which insurers are allowed to increase annual premiums. While this is intended to improve competition, residential property owners are likely to experience an increase in insurance costs in the short and medium term as wildfire associated risks are factored into pricing.

In terms of the impact on REITs, we had seen a dramatic increase in premiums over the period from 2019-2023, as shown by the chart below, with multi-family REITs experiencing the highest increases. These premium increases were driven in part by reinsurers attempting to rebuild capital pools after several years of damaging large-scale climate events during 2020-2023. There were also significant construction cost increases during that period as Covid-era supply chain issues influenced access to, and costs of, materials and labour.

During 2024, our discussions with investee companies suggested that insurance premiums were likely to be stable. Wider discussions held with a number of industry stakeholders, including recent engagement with reinsurance specialists, confirmed that reinsurance capital pools were adequate for recent events and construction cost inflation had moderated, therefore premiums were not expected to be impacted by the L.A. fires nor the late-2024 hurricane in Florida.

Annual growth (CAGR) in insurance premiums for US REITs compared to contribution of insurance premiums to total operating expenses



Source: Operating expenses rising, Rubin and Firenze, 2024

Meanwhile, the residential homeowners' insurance market is likely to continue seeing significant premium increases due to the heightened risk and frequency of climate events in high-risk zones. The impact for REITs is expected be muted as they are able to spread risk across multiple properties and locations.

Increasing costs and a lack of competition in the residential insurance markets have led to over reliance on state-backed insurers of last resort. These policies are not necessarily cheaper than market-based insurance, but they offer coverage to homeowners who cannot otherwise get it, especially for higher risk climate events, like wildfires or flooding. Additionally, state backed insurers are increasingly forced to take on policy exposure that is potentially beyond their ability to cover in the event of a significant climate event.

In California, the state-backed Fair Access to Insurance Requirements (FAIR) Plan has become particularly oversubscribed in regions affected by wildfires. For example, between 2020 and 2025 there was a quadrupling of residential FAIR Plan policies in the Pacific Palisades area and in total, the FAIR Plan has approximately US$4.8bn of exposure to the areas affected by the wildfires. However, due to its high rate of growth, it may not have sufficient coverage from reinsurance or cash reserves to cover all these claims.

An additional aspect of the recent L.A. wildfires is that the value of the properties damaged by the fires meaningfully exceeds the maximum coverage of a FAIR Plan policy. The average home in Pacific Palisades was valued at US$10m while the FAIR Plan only covers up to US$3m. Combined with likely increases in the cost of construction materials due to tariffs and reductions in the labour pool due to the U.S. Administration's tough immigration policies, there is likely to be significant underinsurance and difficulties in rebuilding like-for-like homes.

Fund Changes

- Divested exposure to:
  - US self-storage REIT CubeSmart (CUBE)
  - European residential company LEG Immobilien (LEG)
  - US industrial REIT Rexford Industrial Realty (REXR)
  - US office REIT Boston Properties (BXP)
  - US diversified REIT Essential Properties Realty Trust (EPRT)
- Introduced exposure to:
  - US REIT American Tower Corporation (AMT)
  - US residential REIT Camden Property Trust (CPT)
  - Singaporean retail REIT CapitaLand Mall Trust (CT)
  - Singaporean retail company Frasers Centrepoint Trust (J69U)
  - Japanese diversified company Sumitomo Realty & Development (8830)
- Reduced over benchmark weight in US data centre REIT Digital Realty Trust (DLR)
- Reduced over benchmark weight in US office REIT Kilroy Realty Corporation (KRC)
- Increased over benchmark weight in Japanese diversified company Mitsui Fudosan (8801)

Fund Top 10 Holdings

Top 10 Portfolio Holdings – 31 March 2025

Stock	Sector	Listing	Portfolio Weight
Welltower Inc.	Health Care REITs	United States	9.0%
Ventas, Inc.	Health Care REITs	United States	6.6%
Equinix, Inc.	Data Center REITs	United States	5.5%
Mitsui Fudosan Co., Ltd.	Diversified Real Estate Activities	Japan	4.5%
Equity Residential	Multi-Family Residential REITs	United States	4.4%
Kimco Realty Corporation	Retail REITs	United States	4.1%
Digital Realty Trust, Inc.	Data Center REITs	United States	4.1%
Scentre Group	Retail REITs	Australia	3.9%
Simon Property Group, Inc.	Retail REITs	United States	3.6%
Federal Realty Investment Trust	Retail REITs	United States	3.5%

Illustrative only and not a recommendation to buy or sell any security.

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