



**Pinnacle**

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3 September 2019

## **Proposed changes to the Resolution Capital Core Plus Property Securities Fund – Series II**

Dear Unitholder,

The purpose of this letter is to notify you of changes to the Resolution Capital Core Plus Property Securities Fund – Series II ARSN 087 719 917 (the **Fund**), which will become effective from 1 October 2019.

This letter has been prepared jointly by Pinnacle Funds Services Limited (ACN 082 494 362) (**Pinnacle**) as the responsible entity of the Fund, and the current investment manager of the Fund, Resolution Capital Limited (ACN 108 584 167) (**Manager**).

### **1. Expansion of the existing investment strategy**

The Fund currently invests predominantly in Australian Securities Exchange (**ASX**) listed REITs (**A-REITs**) and real estate securities. The Fund currently has the ability to invest up to 20% of the portfolio in global REITs and real estate securities listed on overseas stock markets.

Pinnacle, in consultation with the Manager, intends to expand the investment strategy to allow up to 50% of the portfolio by gross asset value (**GAV**) to be invested in ASX listed Infrastructure (**ALI**) securities. In addition, Global Listed Infrastructure (**GLI**) securities will also be included in the global portion of the portfolio.

The Manager believes that many infrastructure securities are complementary to REITs, and in some cases the underlying assets have similar characteristics to those of REITs in that the primary source of income is from physical assets which generate sustainable, inflation-protected cash flows.

Based on the Manager's research and experience, the Manager has identified that expanding the investment universe to include ALI and GLI securities is likely to improve the diversification and the risk-adjusted return profile of the Fund.

The Manager has observed that the A-REIT sector exhibits considerable concentration, as the ten largest A-REIT issuers currently account for 86% of the S&P/ASX300 AREIT Accumulation Index market capitalisation. Additionally, the Manager had identified that almost half of the underlying assets of A-REITs are concentrated in the retail real estate sector, which is experiencing significant change caused by the growth of e-commerce and changes in consumer behaviour.

By adding ALI securities, the investable universe will be expanded by a further ten issuers with aggregate market cap of A\$97bn, thereby providing improved scope for diversification through the ability to invest in securities which own significant infrastructure assets ordinarily beyond the reach of most investors, such as airports, toll roads, pipelines and public utilities.

Environmental, social and governance (**ESG**) considerations are an integral part of the Manager's investment philosophy. The Fund also will have an ESG filter for infrastructure securities to exclude any company materially exposed to revenue or electricity generation from coal. This is based both on environmental concerns and the declining economics of coal versus renewables.

## 2. Change to the Fund's approved portfolio allocation

To reflect the changes to the Fund's investment strategy, the portfolio allocation parameters for the Fund will be revised as follows:

<b>Resolution Capital Real Assets Fund</b>		
<b>Asset allocation</b>	<b>Current</b>	<b>Prospective</b>
ASX listed real estate securities	65-100%	Min 50%
ASX listed infrastructure securities		Max 50%
Global listed REITs, real estate securities	0-20%	
Global listed REITs, real estate securities & GLI		0-20%
Cash and short-dated money market securities	0-15%	0-15%
Max stock exposure		Greater of 15% or Index +250bps

The stock exposure limit has been introduced to encourage diversification and ensure stock specific concentration risk in the Fund portfolio is reduced.

## 3. Change to the Fund Name

To reflect the change in investment strategy, the Fund will be renamed the 'Resolution Capital Real Assets Fund – Series II'.

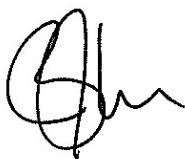
## 4. Change to Fund Fees

Pinnacle, in consultation with the Manager, will reduce the management fees for the Fund as follows:

	<b>Current</b>	<b>Prospective</b>
Resolution Capital Real Assets Fund – Series II	0.92% p.a.	0.80% p.a.

If you have any questions regarding the changes to the Fund, please do not hesitate to contact Resolution Capital Limited on 1300 737 240, or Pinnacle on 1300 010 311.

Yours faithfully,



Alex Ihlenfeldt  
Director  
Pinnacle Fund Services Limited