

Ironbark Global (ex-Australia) Property Securities Fund

BENCHMARK

FTSE EPRA NAREIT Developed Rental ex-Australia Index (hedged to \$A, total return, net of withholding tax)

OBJECTIVE

Seeks to outperform its benchmark, after fees, over rolling three-year periods.

APIR

MGL0010AU

ARSN

110 908 793

INCEPTION DATE

20 October 2004

FUND SIZE

\$84.9m

MANAGEMENT FEE

1.0000% p.a.

EXIT PRICE

\$1.0192

BUY / SELL SPREAD

+0.30% / -0.30%

Net performance (%)

	1 month	3 months	1 year	3 years p.a.	5 years p.a.	7 years p.a.	10 years p.a.	Since inception p.a. ¹
Fund	-8.55	-18.23	-12.66	-0.01	2.92	3.93	6.72	6.30
Benchmark ²	-8.51	-17.05	-12.03	-1.66	1.56	3.12	6.29	6.43
Active	-0.04	-1.18	-0.63	1.65	1.36	0.81	0.43	-0.13

Top overweight stocks³

Stock	Country
Agree Realty Corporation	United States
American Homes 4 Rent	United States
Ventas	United States
Boston Properties	United States
Mid-America Apartment Communities	United States

Top underweight stocks³

Stock	Country
Simon Property Group	United States
Equity Residential	United States
Alexandria Real Estate Equities	United States
Extra Space Storage	United States
Invitation Homes	United States

Top 5 monthly contributors and detractors³

Contributing stock	Country
Agree Realty Corporation	United States
Simon Property Group	United States
Host Hotels & Resorts	United States
Alexandria Real Estate Equities	United States
American Homes 4 Rent	United States

Detracting stock	Country
Boston Properties	United States
Kimco Realty Corporation	United States
Kite Realty Group	United States
Ryman Hospitality Properties	United States
Americold Realty	United States

Top 5 quarterly contributors and detractors³

Contributing stock	Country
Agree Realty Corporation	United States
Alexandria Real Estate Equities	United States
Simon Property Group	United States
Grainger	United Kingdom
Vornado Realty	United States

Detracting stock	Country
Boston Properties	United States
Fastighets AB Balder	Sweden
Omega Healthcare Investors	United States
Realty Income Corporation	United States
AvalonBay Communities	United States

Past performance is not indicative of future results. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distribution. Returns are rounded to two decimal places. Slight variations to actual calculations may occur.

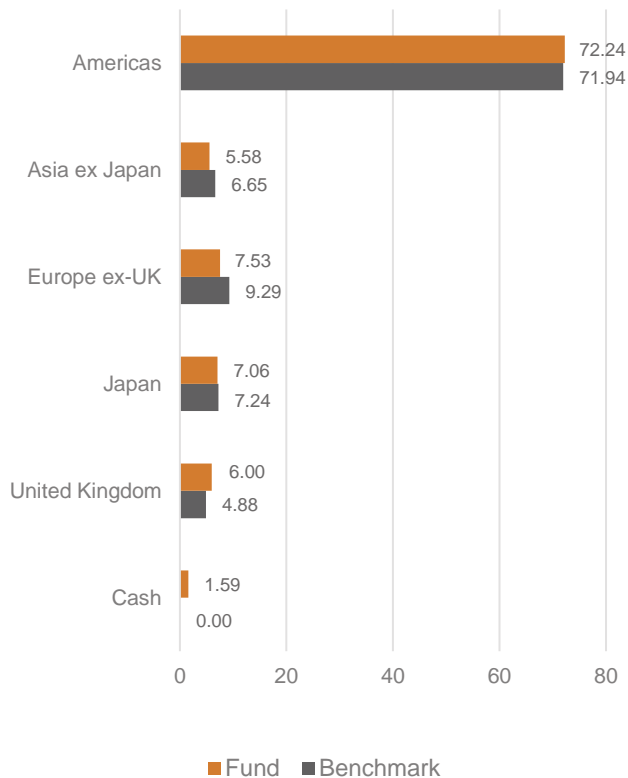
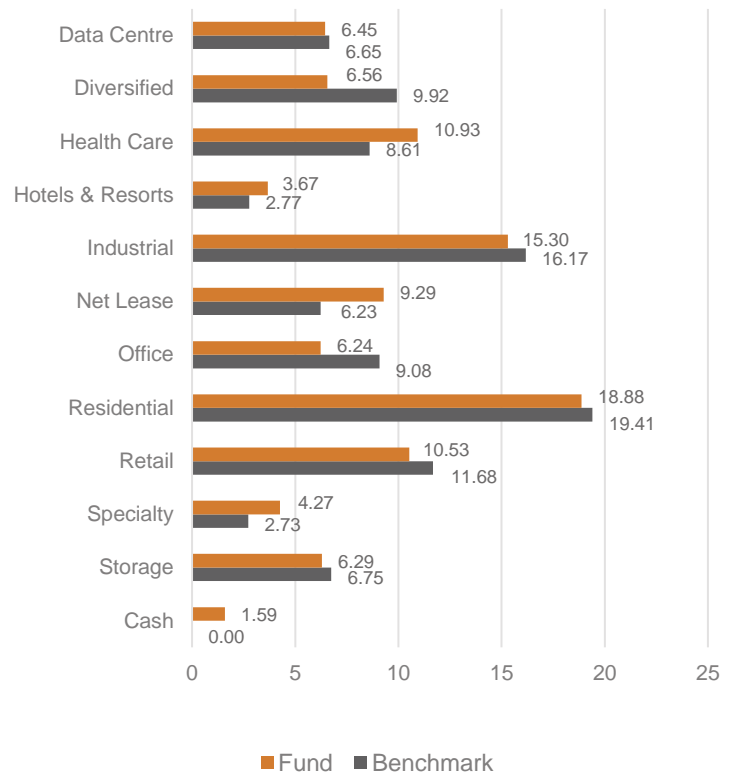
¹The return since inception represents the annualised performance from the first full month of operation.

²The FTSE EPRA NAREIT Developed Rental ex-Australia Index (TR, Net of WHT Hedged to AUD) was adopted as the Fund's benchmark on 1 February 2022. Benchmark calculations from 20 October 2004 to 31 January 2015 are based on the UBS Global ex Australia Real Estate Investors Index (TR, Net of WHT Hedged to AUD) and benchmark calculations from 1 February 2015 to 31 January 2022 are based on the FTSE EPRA/NAREIT Developed ex Australia Index (TR, Net of WHT Hedged to AUD).

³Regional and country allocation is based on country of listing.

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Regional asset allocation (%)¹

Sector asset allocation (%)¹


¹Regional and country allocation is based on country of listing.

Market review

Stocks tumbled over the quarter as central banks struggle to get on top of inflation that has proven more persistent and widespread than officials anticipated. Fears that inflation was causing consumers to pull back on discretionary spending sent stocks sharply lower in late April/early May. There was a brief reprieve in late May amid signs that inflation may be peaking. However, a hot US inflation reading in mid-June rattled investors and set off another bout of selling on renewed recession fears. Yields surged to multi year highs in mid-June and volatility (as measured by the VIX) periodically spiked above 30. Markets were also buffeted by a series of interest rate increases, including the US Federal Reserve which lifted rates by 0.75% in June, the biggest increase since 1994.

Property stocks saw a wide dispersion in performance at the regional and sector level over the period. Japan (-1.2%) and Asia ex-Japan (-4.5%) were the top performers as China and Japan continued monetary easing in juxtaposition to most other developed economies, which have begun policy tightening. Reopening momentum in Asia also lent support to property stocks in the region. In the UK (-17.6%), both the smaller cap niche names and the large caps were pressured. In the Americas (-17.4%), the weakness was broad based. Net lease, specialty and data centers held up the best amidst the broader market slide while the largest losses were driven by the more economically sensitive hotels, malls, and office. Continental Europe (-25.7%) languished given broader market turbulence, proximity to the conflict in Ukraine and interest rate jitters, as the ECB pointed to a more aggressive rate path than anticipated.

Performance review

The Ironbark Global (ex-Australia) Property Securities Fund (the 'Fund') returned -18.23% (net) for the quarter, underperforming the FTSE EPRA/NAREIT Developed Rental ex-Australia Index Net Hedged to \$A return of -17.05% by -1.18%.

Overall, allocation contributed to relative performance and stock selection detracted. From an allocation perspective, the underweight to underperforming Continental Europe had a positive impact, along with bucket allocation in the Americas. This was partially offset by the underweight to outperforming Japan and Asia ex-Japan, and bucket allocation in Continental Europe which detracted. At the stock level, selection was positive in the United Kingdom, however, selection in the Americas, Continental Europe, Japan and Asia ex Japan was negative.

Americas performance review

The Americas portion of the portfolio returned -18.3%, underperforming the local benchmark return of -17.4% (in local currency terms). Bucket allocation was positive, however this was more than offset by negative stock selection. From an allocation perspective the underweight to the more economically sensitive malls and office sectors contributed, along with the overweight to outperforming net lease which has shown resilience despite rising bond yields as peak inflation approaches. Meanwhile, selection was particularly weak within industrial, healthcare, and residential. A leading negative contributor was the underweight to industrial REIT, Duke Realty after peer Prologis announced that it was acquiring Duke Realty in an all-stock transaction that valued Duke at \$26 billion (in local currency terms). Meanwhile, amongst the healthcare stocks the underweight to outperforming Omega Healthcare Investors was the leading detractor. Omega surged following its first quarter earnings update as the resolution of rent collection issues with a key tenant, no additional tenant rent payment issues, and ongoing dividend support were viewed positively.

Europe performance review

The UK portion of the portfolio returned -15.1%, outperforming the local benchmark return of -17.6% (in local currency terms), whilst the Continental Europe portion of the portfolio returned -30.5%, underperforming the local benchmark of -25.7% (in local currency terms).

In the UK, selection was particularly strong amongst the small-niche orientated property stocks, including the overweight to outperforming Grainger PLC and underweight to underperforming Tritax Big Box REIT PLC. Tritax fell sharply after Amazon's comments that its rapid expansion had left it with excess warehouse capacity. Meanwhile, on the Continent selection and bucket allocation had a negative impact. Select exposure to the Nordics was the leading negative contributor, as rising interest rates sent property stocks in the region sharply lower. Elsewhere, the underweight to Swiss property stocks also detracted. Swiss property stocks proved resilient owing to flight to safety and positive supply/demand dynamics in the office market.

Asia performance review

The Asia ex-Japan portion of the portfolio returned -5.3%, underperforming the local benchmark return of -4.5% (in local currency terms), whilst the Japan portion of the portfolio returned -2.1%, underperforming the local benchmark return of -1.2% (in local currency terms).

In Asia ex-Japan, selection amongst the Singapore REITs was the leading negative contributor, namely the overweight to underperforming Daiwa House Logistics Trust which came under pressure owing to rising long bond yields and Amazon's growth warning which weighed on shares of warehouse owners globally. Meanwhile in Japan, selection amongst the REITs was the leading negative contributor to relative performance, namely the overweight to underperforming Global One Real Estate Investment Corporation and underweight to outperforming Nomura Real Estate Master Fund.

Market outlook

Across global property markets, the investment manager has not yet observed any major deterioration in property fundamentals as a direct result of higher rates and the ongoing war in Ukraine, though the shifting macro backdrop warrants caution near-term. Looking over the real estate landscape, stable businesses have exhibited solid performance while positive re-opening trends and solid fundamentals across select real estate sectors are being balanced by prospects of slowing global growth and higher costs of capital. Given increased odds of a significant economic slowdown, the investment manager maintains a preference for exposure to stable businesses with pricing power and that are likely to deliver positive earnings revisions over more economically sensitive segments. From a long-term perspective, the investment manager believes performance for public (listed) real estate to ultimately be driven by the pricing and fundamentals of their underlying assets. Lastly, while broader sector level themes may influence regional property market performance, the investment manager believes stock selection will be the key driver going forward in this market. A focus on real estate securities with high-quality assets and sustainable business models should provide the most favourable risk/return profile.

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