

Ironbark Global Property Securities Fund

BENCHMARK

FTSE EPRA/NAREIT Developed Index (hedged to \$A, total return, net of withholding tax)

OBJECTIVE

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

APIR

MGL0011AU

ARSN

110 908 506

INCEPTION DATE

20 October 2004

FUND SIZE

\$31.7m

MANAGEMENT FEE

1.0000% p.a.

EXIT PRICE

0.9514

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. ²
Fund	3.32	7.32	28.43	6.41	4.87	7.53	8.27	6.75
Benchmark ¹	3.92	7.27	29.66	6.41	3.63	6.56	7.97	6.74
Active	-0.60	0.05	-1.23	2.04	1.24	0.97	0.30	0.01

Top overweight stocks³

Stock	Country
Life Storage	United States
SL Green Realty	United States
Park Hotels & Resorts	United States
Extra Space Storage	United States
EastGroup Properties	United States

Top underweight stocks³

Stock	Country
Digital Realty Trust	United States
Public Storage	United States
Realty Income Corporation	United States
Alexandria Real Estate	United States
Invitation Homes	United States

Top 5 monthly contributors and detractors³

Contributing stock	Country
Unibail-Rodamco-Westfield	Netherlands
CapitaLand	Singapore
Daibiru Corporation	Japan
CK Asset Holding	Hong Kong
Mirvac Group	Australia

Detracting stock	Country
Park Hotels & Resorts	United States
Essential Properties Realty	United States
Sun Communities	United States
SL Green Realty	United States
Invitation Homes	United States

Top 5 quarterly contributors and detractors³

Contributing stock	Country
Park Hotels & Resorts	United States
Simon Property Group	United States
Digital Realty Trust	United States
Kimco Realty Corporation	United States
Realty Income Corporation	United States

Detracting stock	Country
Sun Communities	United States
VICI Properties	United States
CoreSite Realty Corporation	United States
STORE Capital Corporation	United States
Rexford Industrail Realty	United States

Past performance is not indicative of future performance. 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.

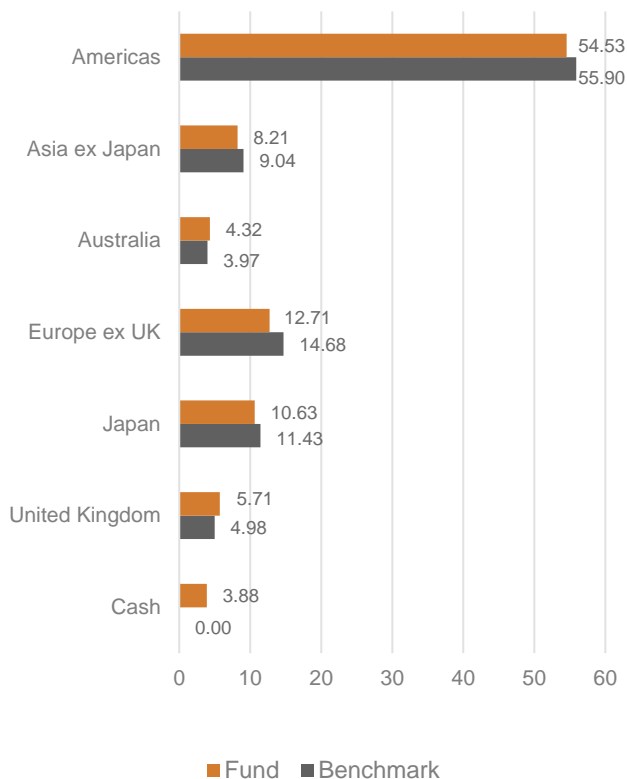
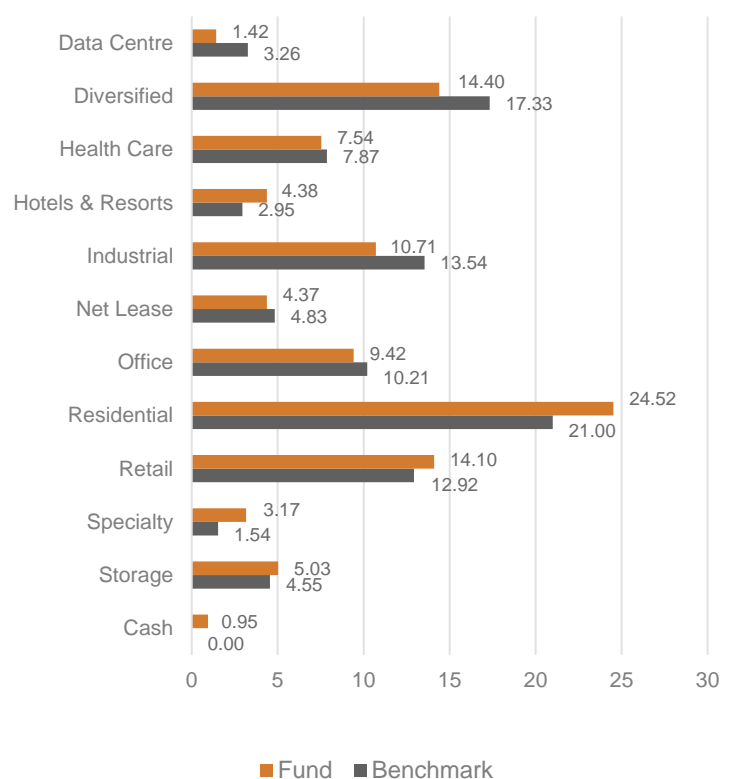
¹The Fund changed its benchmark from the UBS Global Real Estate Investors Index (TR, Net of WHT Hedged to AUD) to the FTSE EPRA/NAREIT Developed Index (TR, Net of WHT Hedged to AUD) on 1 February 2015.

²This figure represents the annualised performance of the Fund from inception.

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

CONTACT DETAILS

T. 1800 034 402 | E. Client.Services@ironbarkam.com | W. www.ironbarkam.com

Regional asset allocation (%)¹

Sector asset allocation (%)¹

Market review

Global property stocks closed higher with the FTSE EPRA/NAREIT Developed Index returning up 7.3%, outperforming the broader equity market as measured by the MSCI World which returned 6.1%. The upward trajectory in global stocks continued, supported by the roll-out of COVID 19 vaccines, better than expected corporate earnings and further stimulus.

It was chaotic start to the year, punctuated by the unprecedented events at the US Capitol on 6 January and an abnormal and targeted retail trading frenzy on Wall Street. However, stocks resumed their advance through the middle of the quarter amid better than expected corporate earnings, improving economic data, and further fiscal stimulus. Bond yields climbed sharply during the period on mounting expectations of stronger economic growth and price pressure, before consolidating toward quarter end. As the quarter wore on, investors remained focused on economic developments, attempting to balance optimism over vaccine distribution and stimulus impact with concerns over rising infections and renewed lockdown measures in certain countries.

Against this backdrop, global property stocks posted healthy gains, outperforming the broader market. At the sub-sector level, despite a late trend reversal, there was clear outperformance from deflation and re-opening sectors/stocks during the period, as optimism for large-scale stimulus plans combined with vaccine distributions remain at the forefront. Japan (up 15.4%) was the top performer owing to double digit gains from the developers. Americas (up 9.1%) outperformed with gains led by sub-sectors that are most sensitive to the economic cycle including hotels, malls and retail. Asia ex Japan (up 7.9%) rose on the back of strength in Hong Kong SAR. The UK (up 3.0%) was boosted by strength within large caps. Australia (up 1.3%) underperformed as reporting season was overshadowed by bond yield expansion. Continental Europe (down 3.0%) was weak as defensives in the region struggled.

Performance review

The Ironbark Global Property Securities Fund (the 'Fund') returned 7.32% (net) for the quarter, outperforming the FTSE EPRA/NAREIT Developed Index return of 7.27% by 0.05%.

Overall, allocation contributed, and stock selection detracted from relative performance over the quarter. From an allocation perspective, the leading contributor was the underweight to underperforming Continental Europe. Positive bucket allocation in the Americas was another strong contributor over the period, the overweight to reopening plays in malls and hotels, and the underweight to data centres.

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

Performance review (continued)

This was partially offset by the overweight to underperforming UK and underweight to outperforming Japan which had a minor negative impact. At the stock level, selection was particularly strong in the Japan and Asia ex Japan, while selection was negative in the Americas, Continental Europe, Australia, and the UK.

Americas performance review

The Americas portion of the Fund returned 9.3%, outperforming the local benchmark return of 9.1% (in local currency terms).

In the US, bucket allocation was particularly strong. The leading contributors were the overweight positions to hotels and malls which were both beneficiaries of the broader rotation into reopening and reflation plays during the period. Meanwhile, the underweight to the more defensively orientated data centres bucket also had a positive impact. At the stock level, selection was positive within hotels with the overweight to park hotels & resorts a standout as it rallied on the back of expectations for demand recovery. Elsewhere, within office the overweight to Manhattan office landlord SL Green Realty also contributed. SL Green posted a double digit gain with signs funds-from-operations is likely to bottom in the first quarter of 2021, and then accelerate thereafter. On the flipside, selection within data centres and specialty was weak.

Europe performance review

The UK portion of the Fund returned 2.0%, underperforming the local benchmark return of 3.0% (in local currency terms), whilst the Continental Europe portion of the Fund returned -3.9%, underperforming the local benchmark of -3.0% (in local currency terms).

In the UK, selection amongst the large caps detracted. The underweight to mall landlord, Hammerson PLC was the leading detractor as it benefitted from demand for reopening plays amid strong vaccine rollout progress. Additionally, Hammerson surged late in the quarter following the release of plans to turn a former Debenhams store into homes for rent, with investors hoping the shift towards housing development could provide a new avenue of value for the retail landlord.

In Continental Europe, allocation and selection both had a negative impact. Selection within office was particularly weak, namely the overweight to underperforming Gecina SA. Paris focused Gecina struggled amid new COVID 19 waves while results were mixed with financial year 2020 stronger than expected, but guidance for financial year 2021 below expectation driven by lower indexation, redevelopments, and disposals.

Asia performance review

The Asia ex Japan portion of the Fund returned 10.6%, outperforming the local benchmark return of 7.9% (in local currency terms), whilst the Japan portion of the Fund returned 17.1%, outperforming the local benchmark return of 15.4% (in local currency terms).

In Asia ex Japan, stock selection was particularly strong within the Hong Kong SAR developers, namely the overweight to Cheung Kong Asset Holdings. CK Asset surged on the back of corporate activity (acquisition announcement), demand for reopening plays, and dividend hike which surprised on the upside. Elsewhere, selection within Singapore developers was also positive, led by the overweight to CapitaLand which surged after announcing a restructuring of its business.

In Japan, selection amongst the REITs was very strong. The overweight to Mori Trust Hotel REIT was a standout as REITs with hotel assets were well bid amid expectations for post-pandemic earnings improvement. Additionally, select exposure to residential was also supportive, as residential REITs surged late in the quarter after reporting higher occupancy.

Australia performance review

The Australia portion of the Fund returned -0.9%, underperforming the local benchmark of 1.3%.

In Australia, negative selection within growth was the leading detractor from relative performance over the period. The overweight to underperforming Goodman Group was a negative contributor. Goodman lagged despite a strong earnings update, as rising bond yields and rotation away from growth and quality weighed on the share price. The underweight to outperforming diversified-residential company Stockland also detracted, as it was buoyed by signs of a strengthening housing market.

Market outlook

Looking ahead there will be clear winners and losers as the global economy regains its footing. Across the real estate landscape, the investment manager is focused on current valuations and the likelihood of cash flows to recover to pre COVID 19 levels as a framework to assess potential opportunities. From a positioning perspective, the investment manager expects the economic environment to continue to recover from the pandemic and government induced shutdowns as COVID 19 vaccines get disseminated. Accordingly, in late 2020 and early 2021 the investment manager has increased exposure to sub-sectors that they think have better chances of recovery after a vaccine.

Market outlook (continued)

On the flipside, the investment manager reduced their positioning in data centres, industrial and towers, sectors that outperformed significantly during the COVID 19 shutdowns. The investment manager also anticipates broader volatility to offer tactical opportunities for stable companies at attractive valuations.

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 global REITs with high-quality assets and sustainable business models should provide the most favourable risk and return profile.

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