

# Ironbark Global Property Securities Fund

## BENCHMARK

FTSE EPRA NAREIT Developed Rental 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

\$27.7m

## MANAGEMENT FEE

1.0000% p.a.

## EXIT PRICE

\$0.9113

## 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. <sup>1</sup> |
|------------------------|--------------|---------------|---------------|--------------|--------------|--------------|---------------|-----------------------------------|
| <b>Fund</b>            | <b>-8.54</b> | <b>-18.10</b> | <b>-12.56</b> | <b>-0.11</b> | <b>3.12</b>  | <b>4.16</b>  | <b>6.95</b>   | <b>6.02</b>                       |
| Benchmark <sup>2</sup> | -8.54        | -16.96        | -11.95        | -1.89        | 1.59         | 3.14         | 6.37          | 6.01                              |
| Active                 | 0.00         | -1.14         | -0.61         | 1.78         | 1.53         | 1.02         | 0.58          | 0.01                              |

## Top overweight stocks<sup>3</sup>

| 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 stocks<sup>3</sup>

| 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 detractors<sup>3</sup>

| 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 detractors<sup>3</sup>

| 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 |
| American Campus Communities | 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.

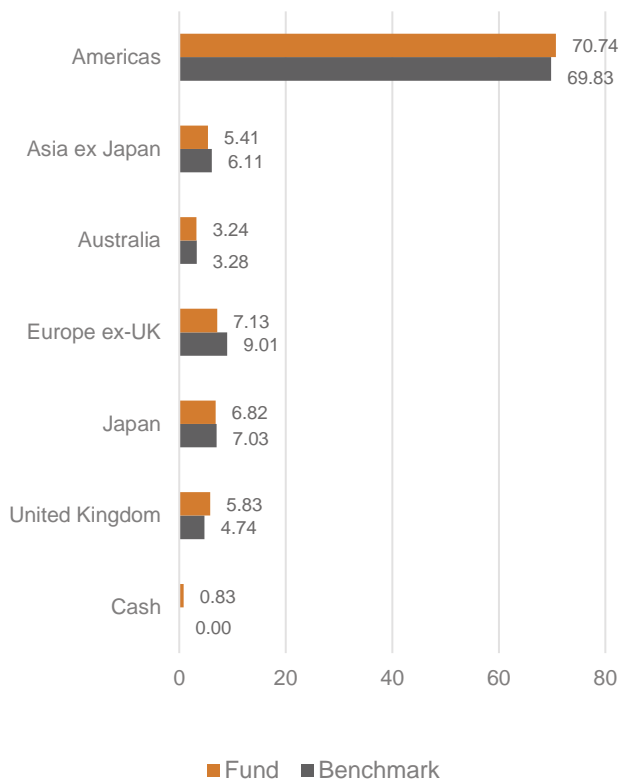
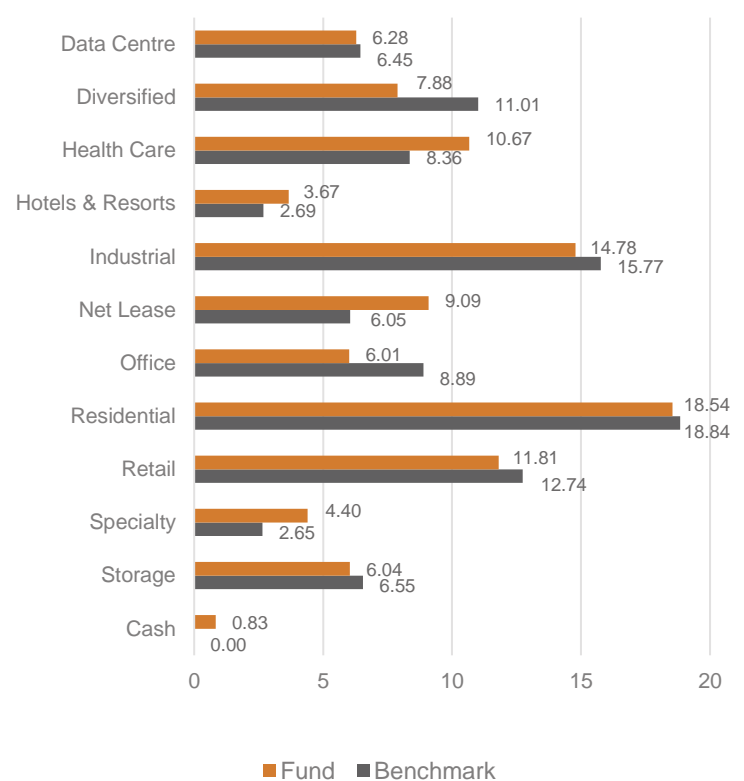
<sup>1</sup>The return since inception represents the annualised performance from the first full month of operation.

<sup>2</sup>The FTSE EPRA NAREIT Developed Rental 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 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 Index (TR, Net of WHT Hedged to AUD).

<sup>3</sup>Regional and country allocation is based on country of listing.

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**Regional asset allocation (%)<sup>1</sup>**

**Sector asset allocation (%)<sup>1</sup>**


<sup>1</sup>Regional 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. Australia (-14.1%) fell sharply as central bank policies weighed on performance. 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 Property Securities Fund (the 'Fund') returned -18.10% (net) for the quarter, underperforming the FTSE EPRA/NAREIT Developed Rental Index Net Hedged to \$A return of -16.96% by -1.14%.

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 UK, however, selection in the Americas, Continental Europe, Australia, 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.

## Australia performance review

The Australia portion of the portfolio returned -15.1%, underperforming the local benchmark return of -14.1% (in local currency terms). In Australia, selection within the growth bucket contributed, however this was more than offset by negative selection within the rental bucket. Amongst the rental stocks the overweight to Shopping Centres Australasia had a positive impact as its shopping centre assets remain in demand given the exposure to non-discretionary shopping and inflation linked returns over time. Conversely, the overweight to underperforming GPT Group and underweight to outperforming Vicinity Centres had a negative impact.

## 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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