

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

\$24.5m

MANAGEMENT FEE

1.0000% p.a.

EXIT PRICE

\$0.8091

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	-12.27	-11.22	-22.67	-6.00	0.55	2.40	5.33	5.24
Benchmark ²	-12.37	-10.78	-21.28	-7.26	-0.90	1.51	4.77	5.25
Active	0.10	-0.44	-1.39	1.26	1.45	0.89	0.56	-0.01

Top overweight stocks³

Stock	Country
AvalonBay Communities	United States
Agree Realty Corporation	United States
Mid-America Apartment Communities	United States
American Homes 4 Rent	United States
Public Storage	United States

Top underweight stocks³

Stock	Country
Welltower	United States
Equity Residential	United States
Extra Space Storage	United States
Alexandria Real Estate Equities	United States
Invitation Homes	United States

Top 5 monthly contributors and detractors³

Contributing stock	Country
Digital Realty Trust	United States
Mid-America Apartment Communities	United States
AvalonBay Communities	United States
Welltower	United States
American Homes 4 Rent	United States

Detracting stock	Country
STORE Capital Corporation	United States
Equity Residential	United States
Invitation Homes	United States
Iron Mountain	United States
Alexandria Real Estate Equities	United States

Top 5 quarterly contributors and detractors³

Contributing stock	Country
AvalonBay Communities	United States
Kite Realty Group Trust	United States
VICI Properties	United States
Agree Realty Corporation	United States
Ryman Hospitality Properties	United States

Detracting stock	Country
Ventas	United States
Extra Space Storage	United States
Vonovia SE	Germany
STORE Capital Corporation	United States
Boston Properties	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.

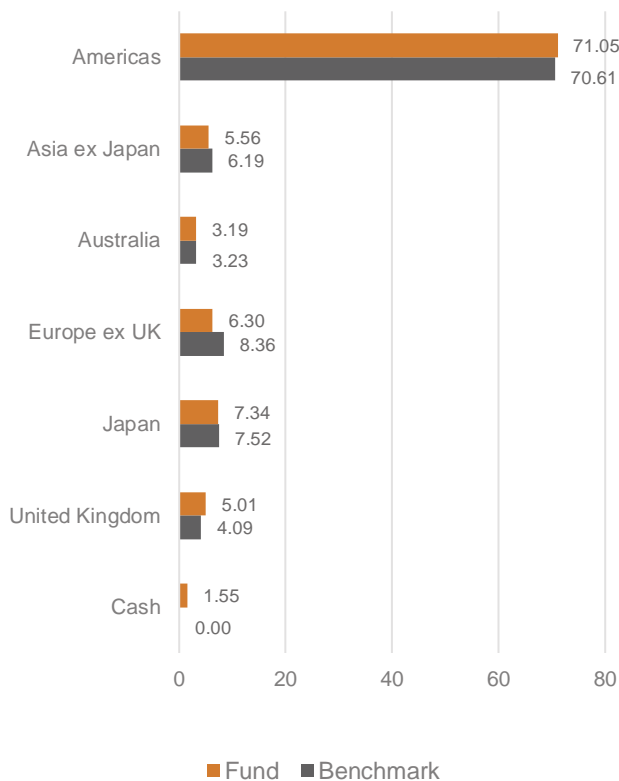
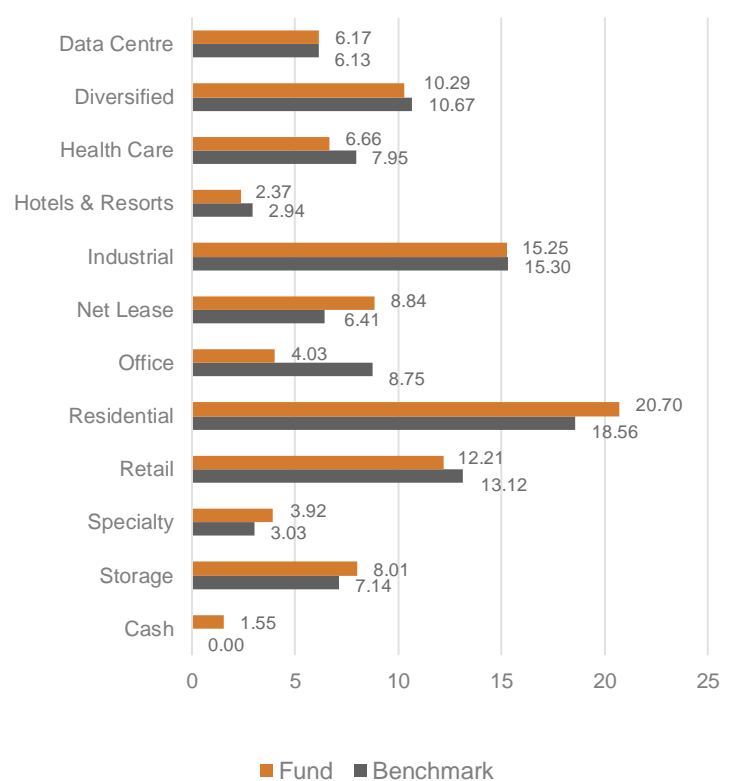
¹The return since inception represents the annualised performance from the first full month of operation.

²The 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).

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

Global property stocks fell with the FTSE EPRA/NAREIT Developed Rental Index returning -10.0% (in local currency terms), underperforming the broader equity market as measured by the MSCI World which returned -4.4%. After steep losses in the first half of 2022, global stocks rebounded at the beginning of the third quarter of 2022 amid better-than-expected corporate earnings. Investors drew further confidence from the July US CPI print which showed inflation slowing. However, as the quarter wore on, stocks succumbed to mounting pressure as the US Federal Reserve resolved to stay hawkish, quashing investor hopes for a dovish pivot. The downdraft accelerated into quarter end after the Federal Reserve announced an increase to the federal funds target rate of 0.75%, their third hike in a row of the same size. The Federal Reserve was not alone in raising rates. A parade of central banks aggressively hiked rates as they sought to combat stubbornly high inflation, despite the risk of economic pain. The yield on the 10-year Treasury briefly climbed above 4% for the first time since 2008 and the dollar strengthened to a decade long high against other major currencies.

Property stocks were broadly negative. Japan (-0.2%) was the top performer as it continued monetary easing in juxtaposition to most other developed economies, which have begun policy tightening. Reopening momentum and potential stabilisation in office vacancy rates may have also lent support. Australia (-5.7%) was next as rate volatility caused sector-wide whiplash. Asia ex-Japan (-9.0%) closed lower as both Singapore and Hong Kong SAR property stocks declined. The Americas (-10.2%) was next, with growth segments such as data centers and industrial amongst the worst performers. Office and the rate-sensitive healthcare and net lease sectors also underperformed. The UK (-19.5%) and Continental Europe (-13.4%) led losses with more liquid names being hit in the largely indiscriminate sell-off as macro uncertainty increased.

Performance review

The Ironbark Global Property Securities Fund (the 'Fund') returned -11.22% (net) for the quarter, underperforming the FTSE EPRA/NAREIT Developed Rental Index Net Hedged to \$A return of -10.78% by 0.44%.

Overall, allocation and stock selection slightly detracted from relative performance. From an allocation perspective, the underweight to underperforming Continental Europe was the leading contributor. However, this was more than offset by the overweight to underperforming UK and bucket allocation in the Americas and Continental Europe which detracted. At the stock level, selection was positive in Japan and Asia ex-Japan, however this was balanced by negative selection in the UK, Continental Europe, the Americas, and Australia.

Americas performance review

The Americas portion of the portfolio returned -10.6%, underperforming the local benchmark return of -10.2% (in local currency terms). Bucket allocation and selection were modest detractors over the quarter. The underweight to the more economically sensitive mall sector was the leading negative contributor. The recovery-oriented segments such as malls caught a bid early in the quarter as Federal Reserve expectations moderated, while recent macro retail sales trends along with mall foot traffic have held up better-than-expected. The average overweight position to the more interest rate sensitive healthcare sub-sector also detracted. Meanwhile, the allocation to residential contributed. With rents headed higher and a lack of affordable housing, residential held up better than most amidst the late quarter selloff.

Europe performance review

The UK portion of the portfolio returned -20.5%, underperforming the local benchmark return of -19.5% (in local currency terms), whilst the Continental Europe portion of the portfolio returned -16.3%, underperforming the local benchmark of -13.4% (in local currency terms).

In the UK, selection amongst the large capitalisation stocks was a minor contributor, however, this was more than offset by negative selection amongst the smaller, niche orientated property stocks. Meanwhile, in Continent Europe, bucket allocation and selection had a negative impact. The underweight to the traditionally defensive Swiss property stocks detracted, along with the exposure to the interest rate sensitive residential sub-sector. Selection amongst residential, the Nordics and retail also contributed negatively to relative performance.

Asia performance review

The Asia ex-Japan portion of the portfolio returned -9.1%, underperforming the local benchmark return of -9.0% (in local currency terms), whilst the Japan portion of the portfolio returned 1.3%, outperforming the local benchmark return of -0.2% (in local currency terms).

In Asia ex-Japan, selection was strong amongst the Hong Kong SAR landlords, however this was partially balanced by negative selection within the Singapore REITs. Hong Kong SAR landlord Wharf real estate Investment was a leading contributor. Wharf caught a bid after announcing a better-than-expected first half of 2022 result, driven by Hong Kong investment properties margin improvement while easing COVID-19 curbs lent support into quarter end. Meanwhile, in Japan, selection was particularly strong amongst the REITs, notably the overweight to outperforming Mori Trust Hotel REIT. Hotel-related stocks were well supported on the view that earnings would continue to recover despite concerns about lackluster travel demand in July and August owing to fresh COVID-19 outbreaks. The further easing of travel curbs late in the period also provided a boost. Elsewhere, the overweight to outperforming Activia Properties and Global One Real Estate Investment also contributed to relative performance.

Australia performance review

The Australia portion of the portfolio returned -7.0%, underperforming the local benchmark return of -5.7% (in local currency terms). In Australia, selection within the rental bucket was the leading negative contributor. The overweight to underperforming Shopping Centers Australasia led the detraction. Shopping Centers Australasia underperformed over the quarter, after strong performance in previous quarters. Rising interest expenses will put pressure on Shopping Centers Australasia's financial year 2024 earnings growth. This was partially balanced by the overweight to outperforming Mall landlord, Scentre Group. Positively, lease spreads continue to tighten from -8.7% to -3.9 (12 months) and Scentre Group is well-placed for earnings growth with 80% of leases CPI linked.

Market outlook

Across the real estate landscape, positive re-opening trends and robust fundamentals across select real estate sectors are being balanced by rising rates and prospects for slowing global growth. Given the increased odds of a significant growth slowdown, the investment manager maintains a preference for exposure to stable businesses with likely-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 in the investment manager's view will likely provide the most favourable risk/return profile.

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