

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

\$24.3m

MANAGEMENT FEE

1.0000% p.a.

EXIT PRICE

\$0.8460

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	-3.37	4.70	-27.73	-4.87	0.62	2.26	5.23	5.43
Benchmark ²	-3.84	4.32	-25.46	-6.14	-0.77	1.41	4.66	5.42
Active	0.47	0.38	-2.27	1.27	1.39	0.85	0.57	0.01

Top overweight stocks³

Stock	Country
AvalonBay Communities	United States
Agree Realty Corporation	United States
Mid-America Apartment Communities	United States
Ventas	United States
Equinix	United States

Top underweight stocks³

Stock	Country
Welltower	United States
Digital Realty Trust	United States
Equity Residential	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
Digital Realty Trust	United States
Host Hotels & Resorts	United States
W. P. Carey	United States
Welltower	United States

Detracting stock	Country
Ryman Hospitality Properties	United States
Vonovia SE	Germany
AvalonBay Communities	United States
Granite Real Estate Investment Trust	Canada
Mapletree Pan Asia Commercial Trust	Singapore

Top 5 quarterly contributors and detractors³

Contributing stock	Country
Extra Space Storage	United States
Equity Residential	United States
Invitation Homes	United States
Kite Realty Group Trust	United States
Essex Property Trust	United States

Detracting stock	Country
AvalonBay Communities	United States
Life Storage	United States
American Homes 4 Rent	United States
Apartment Income REIT Corp	United States
Public Storage	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.

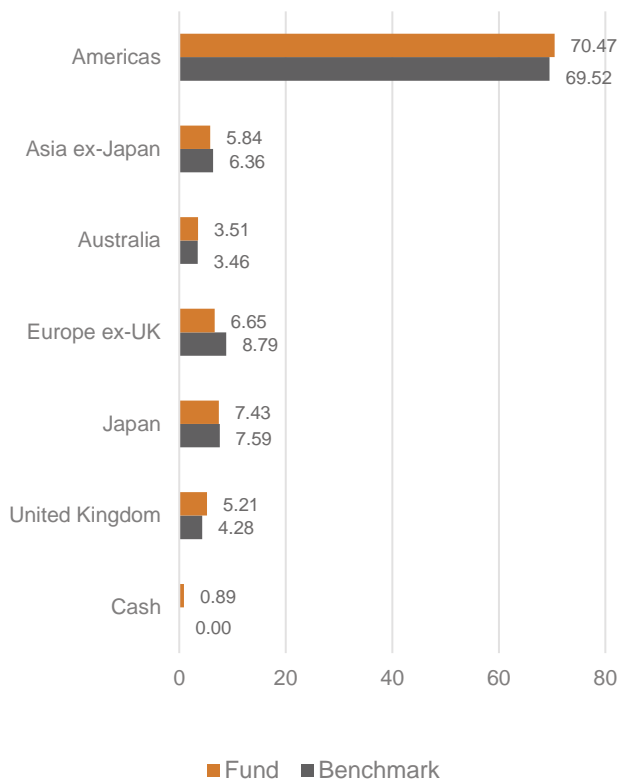
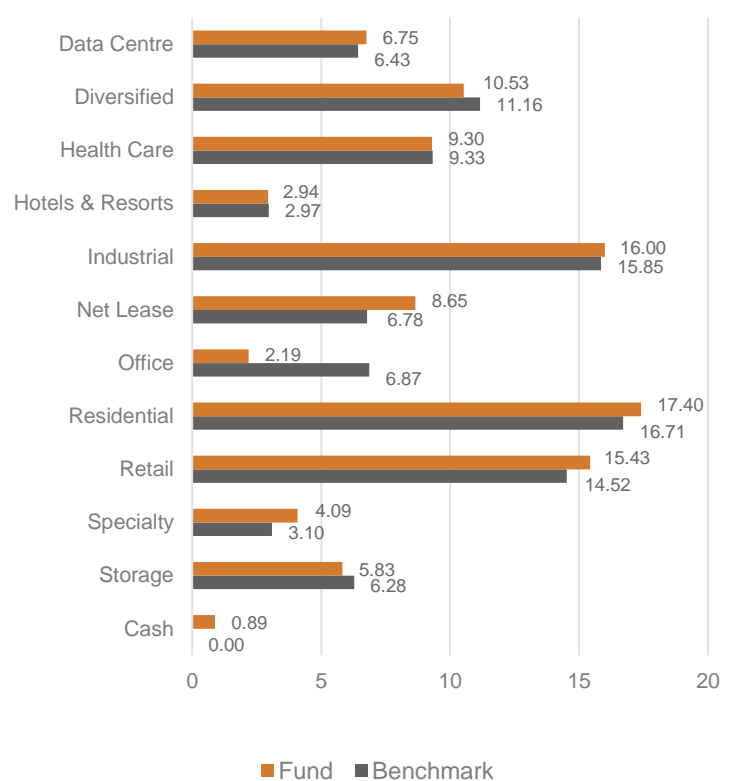
¹The return since inception represents the annualised performance from the first full month of operation.

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 advanced with the FTSE EPRA/NAREIT Developed Rental Index returning 4.6% (in local currency terms), underperforming the broader equity market as measured by the MSCI World which returned 7.5%. Risk assets rose off mid-October lows as inflation expectations moderated and US dollar strength finally relented. Fourth-quarter gains were further supported by congressional gridlock following US midterm elections (a historically favourable outcome for equity markets) and improved investor sentiment surrounding the relaxation of China's controversial "zero-COVID" policy. However, markets traded sideways into year-end after the Fed delivered its 7th jumbo hike of the year, taking its expectation for the terminal Fed Funds rate above 5% (its highest level in 15 years).

Property stocks followed the broader market higher in Q4 2022, albeit to a lesser extent. Australia was the top performer amidst optimism around peaking rates. After sharp falls year-to-date, property stocks in Continental Europe caught a bid led by the Nordics. Asia ex-Japan also performed well, spurred by China softening its stance on "zero-COVID". Property stocks in the UK also advanced as the newly installed administration seemingly injected some confidence into local markets. In the Americas there was a wide dispersion of returns at the sub-sector level with malls and retail the standouts while office, residential and self-storage underperformed.

Performance review

The Ironbark Global Property Securities Fund (the 'Fund') returned 4.70% (net) for the quarter, outperforming the FTSE EPRA/NAREIT Developed Rental Index (hedged to \$A, net) return of 4.32% by 0.38%.

Overall, stock selection contributed to relative performance while allocation had a minor negative impact. From an allocation perspective, the underweight to underperforming Japan was the leading contributor. However, this was more than offset by the underweight to outperforming Continental Europe and bucket allocation in the Americas which detracted. At the stock level, selection was particularly strong in the Americas, Asia ex-Japan and the UK. Selection was also positive in Australia and Continental Europe while Japan had a minor negative impact.

Americas performance review

The Americas portion of the portfolio returned 5.2%, outperforming the local benchmark return of 4.8% (in local currency terms). Positive stock selection helped to more than offset negative bucket allocation. From an allocation perspective, the underweight to underperforming office was the leading contributor. Office faces a tough economy and demand drivers flashing warning signals (i.e., business confidence). The sector also remains under pressure from the impact of COVID; leasing volumes are muted and, thus far, employers remain flexible and accommodative towards work-from-home trends in a tight labour market. Conversely, the underweight to outperforming malls was the leading negative contributor. Malls were up strongly given resilient consumer demand trends. The exposure to US towers also detracted. Higher rates and FX were a headwind early in the quarter, while forward guidance from one of the major tower companies came in below expectations, weighing on the group overall. At the stock level, selection was particularly strong within data centers, residential and healthcare. This was partially balanced by negative selection within office and industrial.

Europe performance review

The UK portion of the portfolio returned 7.5%, outperforming the local benchmark return of 4.1% (in local currency terms), whilst the Continental Europe portion of the portfolio returned 6.0%, performing in-line with the local benchmark of 6.0% (in local currency terms).

In the UK, selection within the smaller, niche orientated property stocks was very strong. The standout was the overweight to outperforming Grainger PLC. 'Build-to-rent' focused Grainger delivered a strong result, delivering on its private rental pipeline and benefitting from strong rent growth which is correlated to wage inflation. Looking ahead, Grainger expects rising mortgage costs to drive rental demand. Meanwhile, in Continental Europe positive selection within retail was balanced by negative selection amongst the Nordic property stocks.

Asia performance review

The Asia ex-Japan portion of the portfolio returned 5.1%, outperforming the local benchmark return of 4.9%. Selection was particularly strong amongst the Singapore REITs, namely the overweight to outperforming CapitaLand Integrated Commercial Trust, given the removal of an overhang when they discontinued the purchase of the Mercatus retail portfolio available on the market. Meanwhile, in Japan selection was mixed. The overweight to outperforming Mori Trust Hotel REIT was a leading contributor with the share price likely spurred by reopening momentum. Elsewhere, the overweight to office-exposed REIT Mori Sogo REIT was another bright spot while the overweight to underperforming Industrial & Infrastructure Fund Investment Corporation detracted.

Australia performance review

The Australia portion of the portfolio returned 11.4%, outperforming the local benchmark return of 9.6% (in local currency terms). In Australia, selection within the rental bucket was particularly strong. Top performers included overweight positions to outperforming Region Group and mall landlord, Scentre Group. Quarterly updates highlighted that retail sales in the September 2022 quarter displayed healthy annual comparable sales growth while retail leasing spreads also improved.

Market outlook

The macro-economic backdrop is likely to remain choppy, exacerbated by the war in Ukraine and central banks tightening policies, especially considering slowing economic growth. The market narrative has shifted from worrying about stubbornly high inflation in 2022 to assessing recession risk in 2023 and whether the US Fed can engineer a soft landing for the economy. Inflation has begun to recede from its highs, and peak interest rate expectation is likely to become more predictable, however, recession risks are also rising and may fuel additional volatility in the new year.

Looking ahead, positive fundamentals across select real estate sectors are being balanced by rising rates and prospects for slowing global growth. Given the uncertain macro backdrop, the investment manager believes a more balanced allocation is appropriate in the immediate term. In terms of the strategy, the investment manager also favours sectors with strong balance sheets and low exposure to floating rate debt. Overall, the largest positive active positions are net lease, industrial, specialty and manufactured housing whilst the largest negative active positions are office, self-storage, and core apartments/single family rentals.

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