

# 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

\$23.5m

## MANAGEMENT FEE

1.0000% p.a.

## EXIT PRICE

\$0.8541

## 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.
<b>Fund</b>	<b>-3.38</b>	<b>0.96</b>	<b>-23.14</b>	<b>5.04</b>	<b>1.69</b>	<b>1.94</b>	<b>4.52</b>	<b>5.41</b>
Benchmark <sup>1</sup>	-4.09	-0.08	-22.77	5.00	0.30	0.93	3.80	5.34
Active	0.71	1.04	-0.37	0.04	1.39	1.01	0.72	0.07

## Top overweight stocks<sup>2</sup>

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

## Top underweight stocks<sup>2</sup>

Stock	Country
Realty Income Corporation	United States
Digital Realty Trust	United States
Equity Residential	United States
Invitation Homes.	United States
Sun Communities	United States

## Top 5 monthly contributors and detractors<sup>2</sup>

Contributing stock	Country
Equinix	United States
Boston Properties	United States
Life Storage	United States
Medical Properties Trust	United States
Digital Realty Trust	United States

Detracting stock	Country
Vonovia SE	Germany
MORI TRUST REIT	Japan
Alexandria Real Estate Equities	United States
Mid-America Apartment Communities	United States
Realty Income Corporation	United States

## Top 5 quarterly contributors and detractors<sup>2</sup>

Contributing stock	Country
Boston Properties	United States
Equinix	United States
EastGroup Properties	United States
Medical Properties Trust	United States
Life Storage	United States

Detracting stock	Country
Welltower	United States
Vonovia SE	Germany
Mid-America Apartment Communities	United States
Agree Realty Corporation	United States
Sabra Health Care REIT.	United States

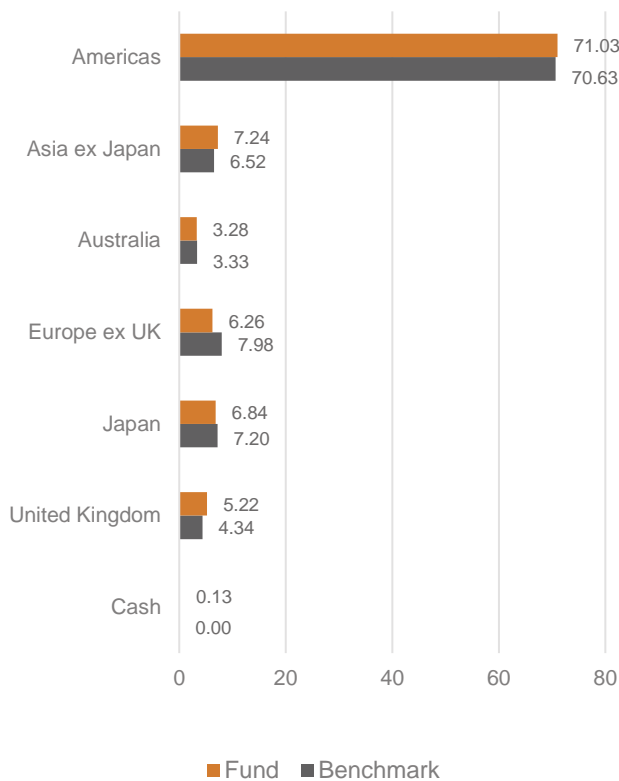
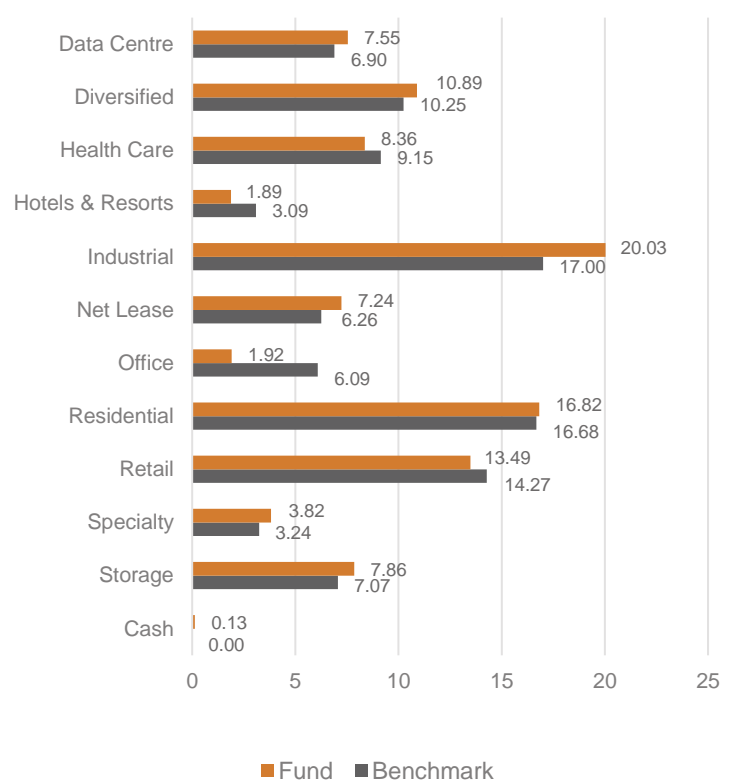
Past performance is not indicative of future performance. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distribution. Returns are rounded to two decimal places. Slight variations to actual calculations may occur.

<sup>1</sup>The 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>2</sup>Regional 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 (%)<sup>1</sup>**

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


<sup>1</sup>Regional and country allocation is based on country of listing.

**Market review**

Global property stocks registered a minor gain with the FTSE EPRA/NAREIT Developed Rental Index returning 0.6% (in local currency terms), underperforming the broader equity market as measured by MSCI World which returned 7.7%. Stocks were buffeted by rival forces over the quarter. Gains came despite stresses in the financial sector which culminated in a handful of bank failures.

After a poor showing in 2022, stocks began the new year on a positive note spurred by signs of cooling inflation, the rapid reopening in China, and an improving macro-outlook for Europe. After hitting year-to-date highs on the 2<sup>nd</sup> of February, confidence faltered in the face of stubbornly elevated inflation and upwardly revised terminal rate expectations, as hopes for a swift winddown in the US Federal Reserve's rate hiking agenda were quashed. As the calendar ticked over to March, investors were largely fixated on the latest rhetoric from the Federal Reserve. But things turned out differently, as global central bank's fight against inflation via the sharp rate-hike cycle claimed its first prominent victims - a handful of bank failures in the US and a forced merger between Credit Suisse and UBS in Europe. Swift actions from regulators and reassurances from central banks helped to calm market jitters surrounding systemic risks and the issues now appear to be isolated incidents. Accordingly, stocks reversed course and finished the quarter higher following a late quarter rally.

Property stocks underperformed as the sector was whipsawed by rate volatility and ructions in the banking sector. Regional and sector performance was divergent. The Americas (2.4%) outperformed due to strength in growth segments such as self-storage, industrial and data centers. Asia ex-Japan (0.5%) followed, led by the Singapore REITs. The UK (-1.3%) was mixed with macro-sensitive large caps outperforming, while the smaller-niche orientated property stocks lagged. Australia (-2.4%) was next as weakness in March eroded gains built up earlier in the period. Japan (-4.8%) was hampered by concerns over higher domestic long-term interest rates, while in Continental Europe (-6.9%), property stocks with higher leverage were the worst performers.

## Performance review

The Ironbark Global Property Securities Fund (the 'Fund') returned 0.96% (net) for the quarter, outperforming the FTSE EPRA/NAREIT Developed Rental Index (hedged to \$A, net) return of -0.08 by 1.04%.

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 also 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-19; 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. '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 Federal Reserve can engineer a soft landing for the economy. Inflation has begun to recede from its highs, and peak interest rate expectations are 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 investment manager's strategy, they also favour 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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## CONTACT DETAILS

T. 1800 034 402 | E. [Client.Services@ironbarkam.com](mailto:Client.Services@ironbarkam.com) | W. [www.ironbarkam.com](http://www.ironbarkam.com)