Ironbark

QUARTERLY REPORT
AS AT 30 JUNE 2023

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**	$23.0m
MANAGEMENT FEE	1.0000% p.a.	**EXIT PRICE**	$0.8663
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.
Fund	**3.00**	**1.56**	**-4.69**	**3.32**	**0.81**	**1.72**	**4.95**	**5.42**
Benchmark[1]	2.85	0.61	-6.43	2.37	-0.99	0.50	4.10	5.30
Active	*0.15*	*0.95*	*1.74*	*0.95*	*1.80*	*1.22*	*0.85*	*0.12*

Top overweight stocks[2]

Stock	Country
AvalonBay Communities	United States
Welltower	United States
Agree Realty Corporation	United States
Iron Mountain	United States
Kite Realty Group Trust	United States

Top underweight stocks[2]

Stock	Country
Realty Income Corporation	United States
Equity Residential	United States
Invitation Homes	United States
Alexandria Real Estate Equities	United States
Ventas	United States

Top 5 monthly contributors and detractors[2]

Contributing stock	Country
Castellum AB	Sweden
Kenedix Retail REIT Corp	Japan
AvalonBay Communities	United States
Americold Realty Trust	United States
EastGroup Properties	United States

Detracting stock	Country
Castellum AB TEMP	Sweden
Equity Residential	United States
Ventas	United States
Industrial & Infrastructure Fund Investment Corporation	Japan
Mid-America Apartment Communities	United States

Top 5 quarterly contributors and detractors[2]

Contributing stock	Country
Welltower	United States
Iron Mountain	United States
AvalonBay Communities	United States
Castellum AB	Sweden
Sun Communities	United States

Detracting stock	Country
Castellum AB TEMP	Sweden
Equity LifeStyle Properties	United States
Mid-America Apartment Communities	United States
British Land Company	United Kingdom
W. P. Carey	United States

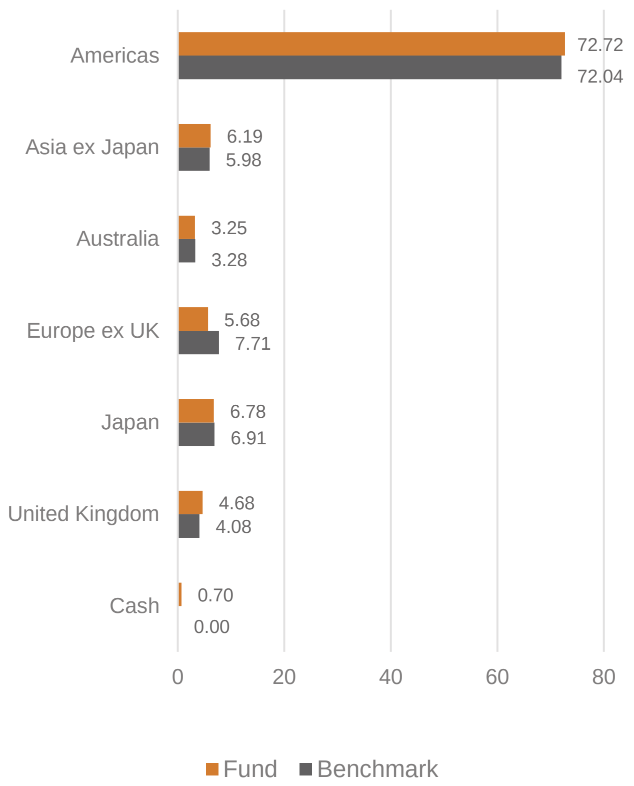
Past performance is not indicative of future performance. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distribution. Returns are rounded to two decimal places. Slight variations to actual calculations may occur.

[1]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).

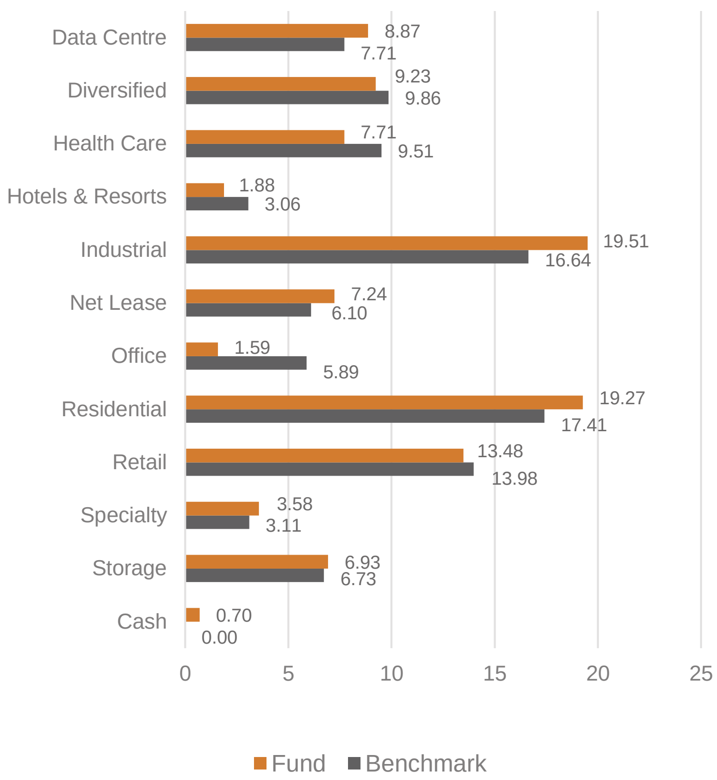
[2]Regional and country allocation is based on country of listing.

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

Regional asset allocation (%)[1]



Sector asset allocation (%)[1]



[1]Regional and country allocation is based on country of listing. Totals may not equal due to rounding.

Market review

Global property stocks eked out a modest gain for the quarter with the FTSE EPRA/NAREIT Developed Rental Index returning 0.9% (in local currency terms), underperforming the broader equity market as measured by the MSCI World which returned 7.2%. Following an impressive late Q1 rally, momentum petered out and broader markets meandered throughout much of April and into May with market participants in “wait and see” mode. Investors shook off concerns over the health of the US banking sector, drawing confidence from corporate earnings. The debt ceiling standoff in the US drove a brief decline in late May before the US Federal Reserve's decision to hit the pause button on its hiking agenda sparked a risk-on shift. Risk assets rallied in June as investors were heartened by strong consumer confidence and incrementally positive inflation data in the US.

Global property stocks closed higher but lagged broader equities. Regionally, strength was most pronounced in Japan. Index heavyweight the US was next where the data centers were the standouts on improving fundamentals, followed by residential names. Retail, healthcare, and office sectors also rode the wave of investor optimism, outperforming year-to-date winners such as Industrial and self-storage, which lagged in Q2. Elsewhere, returns were generally weaker as a faltering recovery in China weighed broadly on Asia ex-Japan while property stocks in Europe (and especially the UK) were pressured by a challenging rate outlook as the region reckoned with sky-high inflation levels.

Performance review

The Ironbark Global Property Securities Fund (the ‘Fund’) returned 1.56% (net) for the quarter, outperforming the FTSE EPRA/NAREIT Developed Rental Index (hedged to $A, net) return of 0.61% by 0.95%.

Overall, outperformance was driven by positive stock selection while allocation was a modest detractor from relative performance. Allocation wise, the underweight to underperforming Continental Europe contributed, however, this was more than offset by the overweight to underperforming UK, and bucket allocation in the Americas which had a negative impact. At the stock level, selection was particularly strong in the Americas, Japan, Continental Europe, and Australia. Asia ex-Japan also made a modest contribution while the UK detracted.

Americas performance review

The Americas portion of the portfolio returned 3.1%, outperforming the local benchmark return of 2.0% (in local currency terms). In the Americas, positive selection more than offset negative allocation. From an allocation perspective, the overweight to outperforming data centers was the leading contributor. Some of this outperformance could be attributed to artificial intelligence euphoria fueling the next growth cycle, but there are also some emerging trends in fundamentals and new construction. Data centers owners are gaining the upper hand in lease negotiations and are able to ask for more rent for space needs while also pushing through higher costs for power. Certain markets, such as Loudon County in Virginia (aka Data Center Alley), have seen a drop in new supplies. Meanwhile, selection was broadly positive led by healthcare, industrial, specialty, residential and self-storage. The only exception was net lease which had a minor negative impact on relative performance during the period.

Europe performance review

The UK portion of the portfolio returned -8.6%, underperforming the local benchmark return of -7.3% (in local currency terms), whilst the Continental Europe portion of the portfolio returned 2.0%, outperforming the local benchmark return of -2.5% (in local currency terms).

In the UK, positive selection within the smaller, niche orientated property stocks were more than offset by negative selection amongst the large caps. Amongst the smaller, niche orientated property stocks the overweight to outperforming Life Science REIT PLC was the leading contributor while amongst the large caps British Land Company PLC detracted as large caps with office and retail exposure bore the brunt of the selling. On the continent, selection was particularly strong in the Nordics. The underweight to Samhallsbyggnadsbolaget I Norden AB was a top contributor as the highly indebted Swedish commercial landlord halted dividend payments and canceled a rights issue after S&P cut the firm's credit rating.

Asia performance review

The Asia ex-Japan portion of the portfolio returned -6.5%, underperforming the local benchmark return of -6.2% (in local currency terms), whilst the Japan portion of the portfolio returned 9.6%, outperforming the local benchmark return of 5.0% (in local currency terms).

In Asia ex-Japan, overweight positions to Developers and REITs in Hong Kong had a negative impact as concerns over China's cooling economy and higher rates weighed. This was partially balanced by positive selection amongst the Singapore REITs, namely the overweight to outperforming data center REIT, Keppel DC REIT. Meanwhile, in Japan, selection was strong amongst the REITs with the standout being the overweight to outperforming Kenedix retail REIT which spiked on merger news.

Australia performance review

The Australia portion of the portfolio returned 1.0%, outperforming the local benchmark return of -0.6% (in local currency terms). In Australia, selection within the rental bucket had a positive impact. The overweight to outperforming Dexus was the leading contributor as its Q3 trading update reflected stable office occupancy. The underweight to Mall landlord Vicinity Centres also contributed as it came under pressure due to profit taking and a weakening consumer outlook after successive interest rate increases.

Market outlook

Higher real rates have proven a formidable headwind this cycle, and listed property markets have not been immune to broader market pressures. Looking ahead, terminal interest rates from global central banks appear closer, and an imminent end to US tightening should provide support for listed property markets, along with moderating yet healthy fundamentals across select sectors. Importantly, public REITs retain healthy access to capital markets, with unsecured debt markets proving to be a competitive advantage. Furthermore, the investment manager has seen an increase in public-to-public M&A.

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