

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

\$21.6m

MANAGEMENT FEE

1.0000% p.a.

EXIT PRICE

\$0.8228

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	-5.29	-5.02	1.96	0.89	-0.34	0.87	4.43	5.06
Benchmark ¹	-6.01	-5.84	-1.25	0.13	-2.23	-0.55	3.49	4.89
Active	0.72	0.82	3.21	0.76	1.89	1.42	0.94	0.17

Top overweight stocks²

Stock	Country
AvalonBay Communities	United States
Iron Mountain	United States
Kite Realty Group	United States
EastGroup Properties	United States
Agree Realty Corporation	United States

Top underweight stocks²

Stock	Country
Realty Income Corporation	United States
Extra Space Storage	United States
Equity Residential	United States
Invitation Homes	United States
Alexandria Real Estate Equities	United States

Top 5 monthly contributors and detractors²

Contributing stock	Country
Omega Healthcare Investors	United States
Alexandria Real Estate Equities	United States
Equity LifeStyle Properties	United States
Welltower	United States
Medical Properties Trust	United States

Detracting stock	Country
Sun Communities	United States
Frasers Logistics & Commercial Trust	Singapore
UDR	United States
Sabra Health Care REIT	United States
CubeSmart	United States

Top 5 quarterly contributors and detractors²

Contributing stock	Country
Iron Mountain	United States
Omega Healthcare Investors	United States
Welltower	United States
Extra Space Storage	United States
Ventas	United States

Detracting stock	Country
Life Storage	United States
Ryman Hospitality Properties	United States
UDR	United States
Frasers Logistics & Commercial Trust	Singapore
Industrial & Infrastructure Fund Investment Corporation	Japan

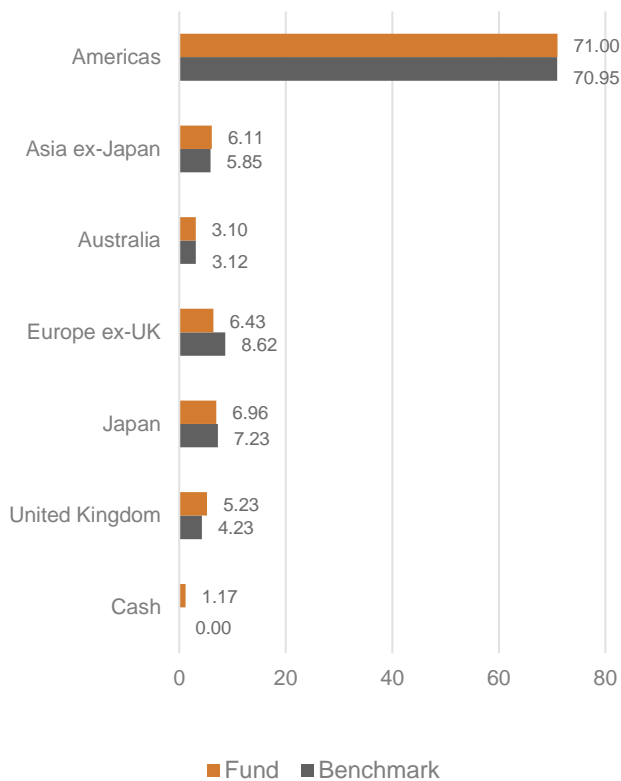
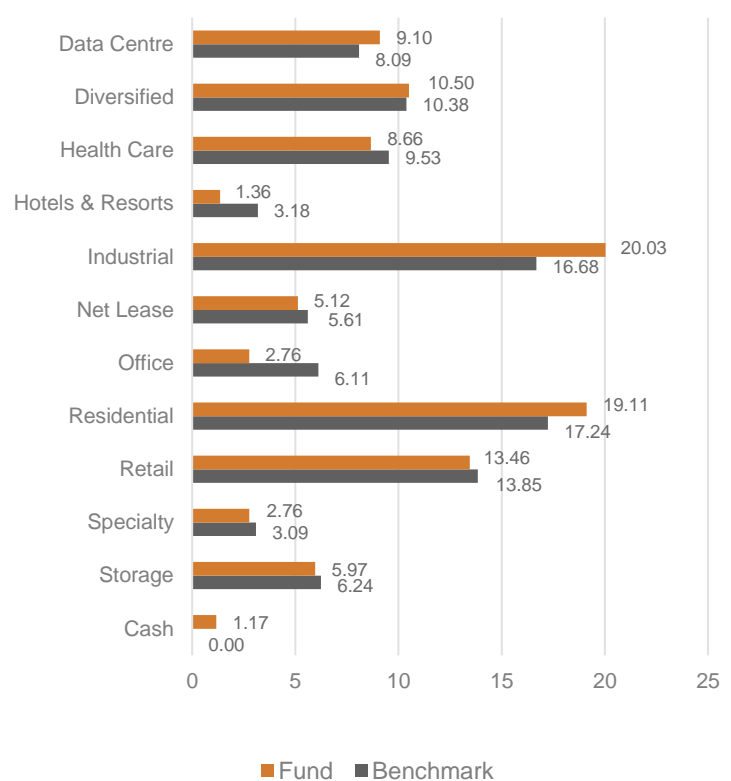
Past performance is not indicative of future performance. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distribution. Returns are rounded to two decimal places. Slight variations to actual calculations may occur.

¹The 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).

²Regional 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


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

Market review

Global property stocks fell with the FTSE EPRA/NAREIT Developed Rental Index returning -5.6% (in local currency terms), underperforming the broader equity market as measured by the MSCI World which returned -2.6%. The bullish sentiment that propelled stocks higher in the first half of 2023, and into July, faded over August and September as the prospect of a sustained period of higher rates sank in. Losses accelerated late in the quarter following the US Federal Reserve meeting, where rates were held steady but accompanied by hawkish messaging of “higher for longer” on policy rates, a recurring theme echoed by other central banks. The quarter was also punctuated with higher long-term interest rates, a stronger US dollar, and rising energy prices, all of which weighed heavily on many asset classes, while equity volatility started to pick up.

Property stocks struggled as rising rates pressured the sector. Regionally, weakness most notable in the Americas, Australia and Asia ex-Japan as macro forces weighed. On a more positive note, Continental Europe advanced on the back of strength in German Residential. The UK eked out a minor gain amid hopes rates might have peaked. Japan also demonstrated resilience, supported by prospects for improved office demand and continued low interest rates.

Performance review

The Ironbark Global Property Securities Fund (the ‘Fund’) returned -5.02% (net) for the quarter, outperforming the FTSE EPRA/NAREIT Developed Rental Index (hedged to \$A, net) return of -5.84% by 0.82%.

Overall, outperformance was driven by positive stock selection. Allocation wise, the overweight to outperforming UK and bucket allocation in Continental Europe contributed. 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, Japan, Continental Europe, Australia, and Asia ex-Japan while the UK had a minor negative impact.

Americas performance review

The Americas portion of the portfolio returned -6.7%, outperforming the local benchmark return of -7.5% (in local currency terms). In the Americas, positive selection more than offset negative bucket allocation. Allocation wise, the leading negative contributor was the average underweight to outperforming office.

Americas performance review (continued)

After being the worst performing sector year-to-date through May (and in 2022), Office stocks caught a bid. Elsewhere, the overweight to outperforming Data Centers contributed. Artificial intelligence euphoria is fueling the next growth cycle, and the pricing environment has continued to improve. Selection was broadly positive led by healthcare. Industrial, specialty, residential and net lease were also notable contributors during the quarter while self-storage was the leading detractor.

Europe performance review

The Continental Europe portion of the portfolio returned 12.9%, outperforming the local benchmark return of 5.5% (in local currency terms), whilst the UK portion of the portfolio returned 0.5%, underperforming the local benchmark return of 1.0% (in local currency terms).

On the Continent, bucket allocation and stock selection were both positive contributors. Selection was particularly strong in the Nordics and Residential, notably the overweight to outperforming German Residential play Vonovia SE. Vonovia has rallied almost 50% from its low in late March and is up double digits since its first half result in early August, after it gave an encouraging financing and operational update. Meanwhile, in UK, selection amongst the Large Caps and smaller-niche orientated property stocks detracted.

Asia performance review

The Asia ex-Japan portion of the portfolio returned -5.5%, outperforming the local benchmark return of -8.0% (in local currency terms), whilst the Japan portion of the portfolio returned 1.1%, outperforming the local benchmark return of 0.8% (in local currency terms).

In Asia ex-Japan, outperformance was driven by positive stock selection in Singapore, namely the bias toward industrial and data centers. Meanwhile, in Japan, selection was positive amongst the REITs led by the overweight to outperforming Japan hotel REIT Investment Corporation as domestic and inbound tourist demand continued to recover.

Australia performance review

The Australia portion of the portfolio returned -4.4%, outperforming the local benchmark return of -7.6% (in local currency terms). In Australia, selection within the rental and growth buckets had a positive impact. The overweight to outperforming Goodman Group was the standout contributor as its results beat FY23 consensus. Goodman also announced its enhanced push into Data Centers.

Market outlook

Global economic growth is slowing while inflation is not slowing fast enough, leaving central banks at an unfortunately familiar crossroads. Turn one way and additional rate hikes may impede already anaemic economic growth, particularly as debt-to-GDP ratios across developed markets have ballooned while debt servicing costs are becoming increasingly painful, limiting the potential for fiscal intervention in the event of a recession. In the other direction, a premature end to the tightening cycle risks reaccelerating inflation, particularly given tightening energy market dynamics, which are already driving fuel prices (and thus input costs) higher. Meanwhile, geopolitical risks loom, including an impending US government shutdown.

Positive but moderating fundamentals across real estate sectors combined with the challenging backdrop leads the investment manager to a moderately defensive tilt in the immediate term with the future path of interest rates and other economic data driving their risk appetite.

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