

# Ironbark Global Property Securities Fund

**BENCHMARK**

FTSE EPRA/NAREIT Developed Index (hedged to \$A, total return, net of withholding tax)

**OBJECTIVE**

Seeks to outperform its benchmark, after fees, over rolling three-year periods.

|                          |                 |                   |             |
|--------------------------|-----------------|-------------------|-------------|
| <b>APIR</b>              | MGL0011AU       | <b>ARSN</b>       | 110 908 506 |
| <b>INCEPTION DATE</b>    | 20 October 2004 | <b>FUND SIZE</b>  | \$30.4m     |
| <b>MANAGEMENT FEE</b>    | 1.0000% p.a.    | <b>EXIT PRICE</b> | \$0.8865    |
| <b>BUY / SELL SPREAD</b> | +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. <sup>2</sup> |
|------------------------|-------------|-------------|---------------|--------------|--------------|--------------|---------------|-----------------------------------|
| <b>Fund</b>            | <b>2.34</b> | <b>9.93</b> | <b>-10.24</b> | <b>2.44</b>  | <b>4.05</b>  | <b>7.47</b>  | <b>8.12</b>   | <b>6.39</b>                       |
| Benchmark <sup>1</sup> | 2.50        | 10.63       | -13.74        | 0.12         | 2.85         | 6.51         | 7.78          | 6.38                              |
| Active                 | -0.16       | -0.70       | 3.50          | 2.32         | 1.20         | 0.96         | 0.34          | 0.01                              |

**Top overweight stocks<sup>3</sup>**

| Stock                             | Country       |
|-----------------------------------|---------------|
| Life Storage                      | United States |
| Park Hotels & Resorts             | United States |
| Extra Space Storage               | United States |
| EastGroup Properties              | United States |
| Essential Properties Realty Trust | United States |

**Top underweight stocks<sup>3</sup>**

| Stock                     | Country       |
|---------------------------|---------------|
| Digital Realty Trust      | United States |
| Public Storage            | United States |
| Realty Income Corporation | United States |
| Equity Residential        | United States |
| Healthpeak Properties     | United States |

**Top 5 monthly contributors and detractors<sup>3</sup>**

| Contributing stock               | Country       |
|----------------------------------|---------------|
| Life Storage                     | United States |
| CapitaLand Integrated Commercial | Singapore     |
| Sun Communities                  | United States |
| Boston Properties                | United States |
| Activia Properties               | Japan         |

| Detracting stock       | Country       |
|------------------------|---------------|
| Digital Realty Trust   | United States |
| AvalonBay Communities  | United States |
| Essex Property Trust   | United States |
| Apple Hospitality REIT | United States |
| Fabege                 | Sweden        |

**Top 5 quarterly contributors and detractors<sup>3</sup>**

| Contributing stock          | Country       |
|-----------------------------|---------------|
| Park Hotels & Resorts       | United States |
| Unibail-Rodamco-Westfield   | Netherlands   |
| Public Storage              | United States |
| Simon Property Group        | United States |
| SL Green Realty Corporation | United States |

| Detracting stock               | Country       |
|--------------------------------|---------------|
| Equinix                        | United States |
| SBA Communications Corporation | United States |
| Mapletree Industrial Trust     | Singapore     |
| Aroundtown                     | Germany       |
| Host Hotels & Resorts          | 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.

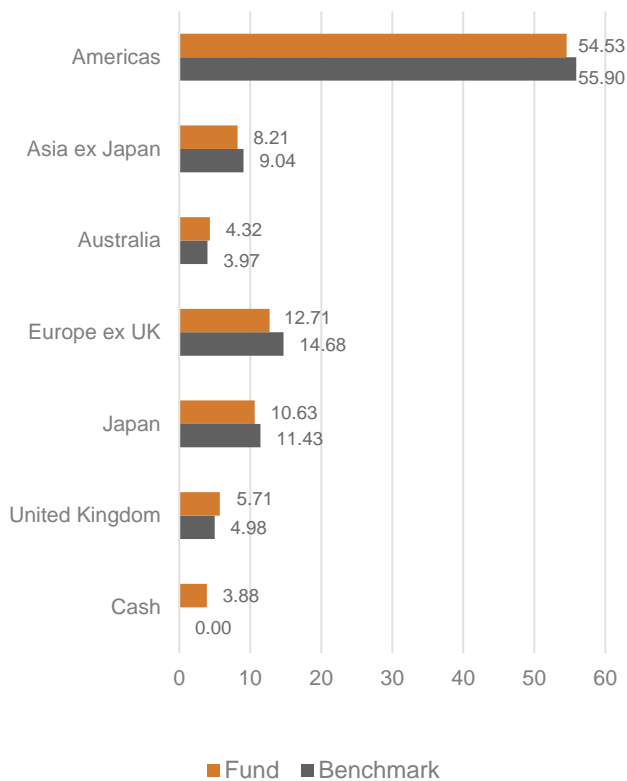
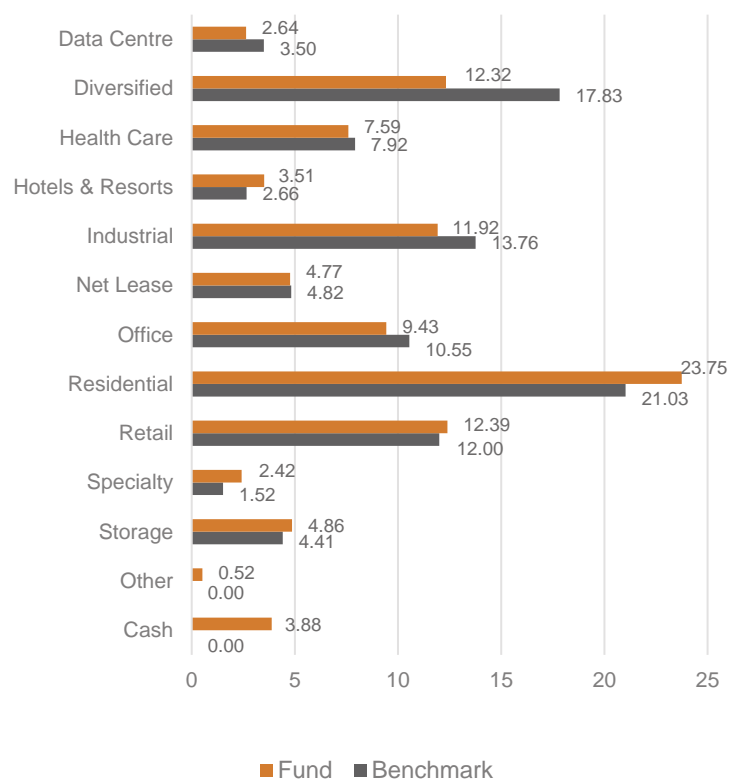
<sup>1</sup>The Fund changed its benchmark from the UBS Global Real Estate Investors Index (TR, Net of WHT Hedged to AUD) to the FTSE EPRA/NAREIT Developed Index (TR, Net of WHT Hedged to AUD) on 1 February 2015.

<sup>2</sup>This figure represents the annualised performance of the Fund from inception.

<sup>3</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>**

**Market review**

Global property stocks rose sharply with the FTSE EPRA/NAREIT Developed Index returning 11.3% (in local currency terms), however the asset class slightly underperformed the broader equity market as measured by the MSCI World which returned 12.4%. After a mixed start to the fourth quarter, stocks surged in November driven by the diminished uncertainty around the US election and positive developments on the vaccine front. The positive momentum carried into quarter end, as global stocks were buoyed by President Donald Trump's surprise approval of the combined \$2.3 trillion COVID 19 relief and government funding package.

Early in the quarter global stocks lacked direction as investors continued to balance optimism over economic recovery and vaccine hopes with ongoing stimulus concerns and a worrisome rise in COVID 19 cases across Europe and the US. On 3 November, the US went to the polls where Joe Biden became the projected winner of the US presidency. However, this news was eclipsed by a trifecta of positive vaccine news which propelled stocks sharply higher. Although rising COVID 19 cases globally warrant attention, positive vaccine developments has seemingly removed the tail risk of an elongated pandemic outcome. The market response was overwhelmingly positive, as investors rotated into economically-sensitive industries while year-to-date winners and work-from-home beneficiaries generally lagged. Following the strong rally in November, global stocks steadied before resuming their advance late in the quarter as investors cheered the surprise approval of the US aid package. The news restored some of the optimism that drive global stocks to fresh highs, even as the pandemic escalated. Elsewhere, the UK finally clinched a historic trade deal with the EU and begun a large-scale COVID 19 vaccination program in the second week of December.

Global property stocks followed the broader equity market higher, albeit to a lesser extent. The risk-on mood through the middle of the quarter fueled a rotation into value and cyclical sub-sectors such as retail, hotels and office. Conversely, investors rotated away from the "stay-at-home" trade. At the regional level, Australia (up 14.9%) was boosted by the broader uplift while declining COVID 19 cases added to the positive mood. The UK (up 13.7%) was lifted by strong gains amongst the large caps. The Americas (up 12.7%) was led by the cyclicals, namely the hotels, retail, malls and office sub-sectors. Continental Europe (up 10.4%) followed as the vaccine news saw retail and office stocks surge. Asia ex Japan (up 8.5%) rose sharply but underperformed due to rotation out of the logistics REITs in Singapore. Japan (up 6.1%) was the laggard as strength amongst the developers was balanced by more modest gains from the REITs.

**Performance review**

The Ironbark Global Property Securities Fund (the 'Fund') returned 9.93% (net) for the quarter, underperforming the FTSE EPRA/NAREIT Developed Index return of 10.63% by 0.70%.

## Performance review (continued)

Overall, allocation and stock selection both detracted from relative performance over the quarter. From an allocation perspective, the underweight to underperforming Japan was the leading contributor, however this was more than offset by negative bucket allocation in the Americas. At the stock level, selection was particularly strong in Japan. However, selection detracted in the Americas, Continental Europe and the UK.

### Americas Performance Review

The Americas portion of the Fund returned 11.1%, underperforming the local benchmark return of 12.7% (in local currency terms).

In the US, bucket allocation had a negative impact. This was driven by the underweight to outperforming retail and office as both surged on the back of positive vaccine news. Elsewhere, the overweight to underperforming data centers and towers also weighed on relative performance. Both are sectors that outperformed significantly during the COVID 19 shutdowns, however lagged in the fourth quarter amid rotation into value and cyclical plays. At the stock level, selection was particularly strong within health care and self-storage, however this was balanced by negative selection within apartments, and Canada.

### Europe performance review

The UK portion of the Fund returned 12.3%, underperforming the local benchmark return of 13.7% (in local currency terms), whilst the Continental Europe portion of the Fund returned 10.7%, outperforming the local benchmark of 10.4% (in local currency terms).

In the UK, selection amongst the smaller-niche property stocks contributed, namely the exposure to Urban & Civic which soared over 60% after receiving a buyout offer from charitable foundation, the Wellcome Trust. Elsewhere, the exposure to student accommodation provider, Unite Group was another top contributor as it rose sharply on the back of vaccine news. On the flipside, selection in large caps detracted with the overweight to underperforming Segro the main drag as investors rotated away from the "stay-at-home" trade.

In Continental Europe, bucket allocation had a positive impact, namely the underweight to underperforming Switzerland, and overweight to outperforming office. Switzerland struggled given its defensive orientation, while office was propelled higher on the back of the 'reopening' trade during the quarter which was spurred by positive developments on the vaccine front. At the stock level, the exposure to Unibail-Rodamco-Westfield was a standout as vaccine news eclipsed news of its failure to secure a two-thirds majority that was required to launch its €3.5 billion equity raise. Meanwhile, selection within office detracted, most notably the underweight to Aroundtown which surged on the back of vaccine news.

### Asia performance review

The Asia ex Japan portion of the Fund returned 8.0%, underperforming the local benchmark return of 8.5% (in local currency terms), whilst the Japan portion of the portfolio returned 8.8%, outperforming the local benchmark return of 6.1% (in local currency terms).

In Asia ex Japan, positive stock selection was offset by negative bucket allocation. Selection amongst the Hong Kong landlords was positive, led by the overweight to retail landlord Wharf Real Estate Investment Company which rose sharply on the back of vaccine news, and expected 2021 recovery. Selection was also strong within the Singapore developers, however this was balanced by negative selection within Hong Kong Developers.

In Japan, the bias toward developers over REITs had a positive impact, as the higher beta developers rose sharply on the back of vaccine news during the quarter. Selection was also very strong, most notably amongst the REITs. Favorable exposure to select hotel and retail REITs had a positive impact, as they rallied on the back of vaccine news and broader rotation into 'reopening' plays.

### Australia performance review

The Australia portion of the portfolio returned 15.0%, outperforming the local benchmark of +14.9%.

In Australia, positive selection within the growth bucket was balanced by negative selection within rental. Similar to global peers, the investment manager saw extremely divergent performance at the sub-sector level. The vaccine news boosted retail landlords, while the overweight to industrial REIT, Goodman Group detracted as investors rotated out of year-to-date winners and beneficiaries of the 'stay-at-home' trade.

## Market outlook

Looking ahead, there will be clear winners and losers as the economy regains its footing, however, in the interim the important question is to what degree (and duration) will rising COVID 19 cases have on equity markets and investor sentiment. Across the real estate landscape, the investment manager is focused on current valuations and the likelihood of cash flows to recover to pre-COVID 19 levels as a framework to assess potential opportunities.

From a positioning perspective, as markets move into 2021, the investment manager expects the economic environment to continue to recover from the pandemic and government induced shutdowns as COVID 19 vaccines get disseminated. Accordingly, at the margin, the investment manager has increased exposure to sub-sectors that the investment manager thinks has better chances of recovery after a vaccine.

### **Market outlook (continued)**

On the flipside, the investment manager has gradually reduced the Funds positioning in data centres, industrial and towers, sectors that outperformed significantly during the COVID 19 shutdowns. The investment manager also anticipates broader volatility to offer tactical opportunities for stable names at attractive valuations.

From a long-term perspective, the investment manager believe 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 global REITs with high-quality assets and sustainable business models should provide the most favourable risk and return profile.

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