Ironbark Paladin Property Securities Fund

BENCHMARK
S&P/ASX 300 A-REIT Accumulation Index

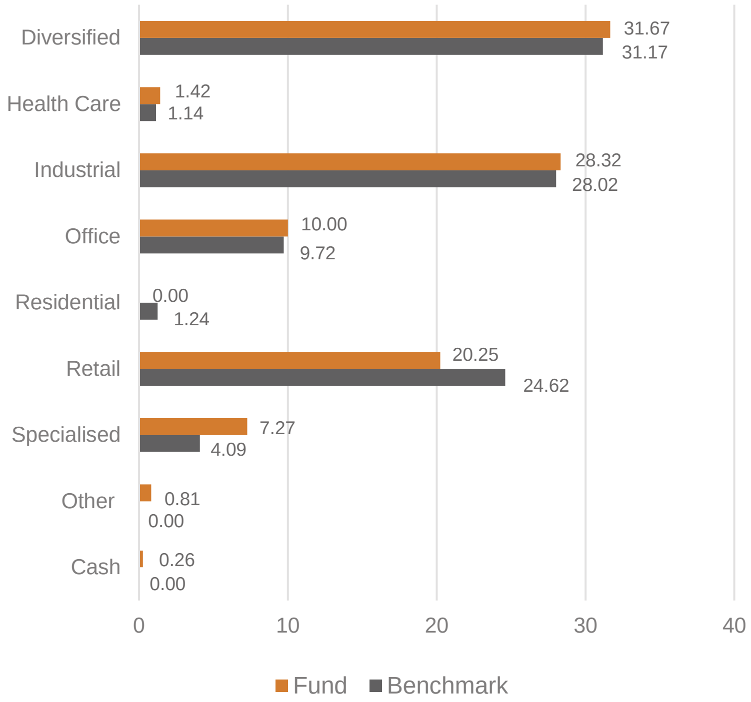
OBJECTIVE
Seeks to outperform its benchmark, after fees, over rolling three-year periods.

APIR	PAL0002AU	**ARSN**	087 897 667
INCEPTION DATE	28 February 1995	**FUND SIZE**	$376.0m
MANAGEMENT FEE	0.7500% p.a.	**EXIT PRICE**	$1.2749
BUY / SELL SPREAD	+0.25% / -0.25%		

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	**1.68**	**-6.94**	**19.00**	**8.09**	**9.70**	**9.51**	**13.08**	**8.25**
Benchmark	1.44	-6.72	19.16	5.96	8.40	8.52	12.56	8.38
Active	*0.24*	*-0.22*	*-0.16*	*2.13*	*1.30*	*0.99*	*0.52*	*-0.13*

Sector asset allocation (%)



Top 5 holdings (%)

Stock	Fund	Benchmark
Goodman Group	28.32	26.13
Scentre Group	11.89	10.63
Dexus	8.72	7.91
GPT Group	8.57	6.66
Mirvac Group	7.20	6.59
Other	35.04	42.08
Cash	0.26	0.00

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]This figure represents the annualised performance of the Fund since inception.

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Market review

The S&P/ASX 300 Property Accumulation Index returned -6.7% for the quarter, underperforming the broader equity market (as measured by the S&P ASX 300 Index which returned 2.6%).

A 'value to growth' trade largely continued in the March quarter, with the best performing sub-sectors over-the-quarter being industrial (+12.2% total return), retail (+7.9%), office (+6.3%), significantly outperforming fund managers (-9%).

Over the quarter the investment manager notes the following key themes / results:

- Improving rate of change in retail asset fundamentals, with retail leasing spreads generally improving from -12% to -6.5%, steadily improving customer visits, high cash collection for the environment (~88%) and marginally higher occupancies.
- In office, vacancy and incentives remain high, but like-for-like earnings growth holds up at around +2%.
- Tenant demand for industrial remains high, and companies are responding by lifting the development pipeline outlook once again. Asset yields compressed a further 0.45%, driving another 10% upside to asset values, with the average valuation yield on assets across the sector now 4.2%.
- Residential lot pre-sales were 19% higher, despite cycling HomeBuilder stimulus in the prior period. However, settlements were 15-20% weaker with weather and supply chain issues being noted.
- Acquisition activity to slow and development to (gradually) pick up. Despite a low embedded cost of debt, companies acknowledged competitive pricing in direct markets and focussed investors on their growing development pipelines as the next opportunity to boost earnings and tangible asset values. Tenant pre-commitments in office and retail malls will be more difficult given weak demand or existing vacancy, but childcare, industrial and convenience retail are well-placed. Construction costs have risen around 15-20% over the past 12 months, and likely to remain elevated for some time.

The investment manager sees around 8% compound annual growth rate in earnings over the next three years, with little additional transactional activity incorporated in their forecast earnings. The investment manager expects the threat of merger and acquisition activity will underpin some REITs that present good relative value versus their direct markets.

Performance review

The Ironbark Paladin Property Securities Fund (the 'Fund') returned -6.94% net for the quarter underperforming the index which returned -6.72% by 0.22%.

Holdings that were major contributors to performance include the average underweights to underperforming Charter Hall Group and Ingenia Communities Group and the average overweight to outperforming Scentre Group. The major detractors from performance were the average underweights to outperforming Vicinity Centres, Charter Hall Long WALE REIT and Stockland.

Fund strategy

Whilst macro drivers and sector preferences are a part of the Fund's positioning, the investment manager is mainly driven by stock level relative value and upside opportunities. The investment manager is positioned in REITs with high quality balance sheets, experienced management teams and high-quality assets. In this period of uncertainty, the investment manager expects vacancies to rise quickly, rents to pull back and a 'flight to quality' by tenants (invest in prime assets verus. secondary).

Key contributors over the quarter (%)

Stock	ASX code	Index return	Average Fund position	Attribution impact	Explanation
Charter Hall Group	CHC	-19.78	4.38	0.21	Charter Hall Group underperformed over the quarter, driven by greater caution on higher multiple / higher growth names like Charter Hall Group versus 'value' stocks and the market questioned strategy and the growth outlook after Charter Hall Group acquired a 50% stake in Paradice Investment Management (a listed fund manager).
Ingenia Communitie s Group	INA	-17.82	0.00	0.17	Ingenia Communities Group underperformed over the quarter, driven by several headwinds, including COVID-19 tourism closures, wet weather production delays and the near-term earnings dilution from a recent equity raise. Ingenia Communities Group will need to leverage more projects to keep volumes high within their development business to keep earnings momentum.
Scentre Group	SCG	-1.11	11.95	0.09	Scentre Group outperformed over the quarter, delivering a total return of -1.1%. Underlying property metrics within Scentre Group malls continues to recover at a faster pace than expected.

Key contributors over the quarter (%) (continued)

Stock	ASX code	Index return	Average Fund position	Attribution impact	Explanation
Lendlease Group*	LLC	-1.08	0.64	0.09	Lendlease Group outperformed over the quarter. Despite a weak first half of 2022 result, there's a sense that Lendlease Group's earnings have troughed. Management is forecasting $12 billion development starts in the next 18 months, which would move them to medium-term production targets.
Peet Limited*	PPC	11.87	0.51	0.08	Peet Limited outperformed over the quarter. Group residential lot sales of 1,522 were 50% above the prior corresponding period and about 3x higher than the second half of 2020. As a result of this momentum, Peet Limited now has 2,054 contracts on hand versus 1,786 contracts on hand at June 2020. This underlying demand is driving price growth.

* Portfolio return

Key detractors over the quarter (%)

Stock	Code	Index return	Average weight	Attribution impact	Explanation
Vicinity Centres	VCX	13.13	1.41	-0.59	Vicinity Centres outperformed over the quarter. At its first half of 2022 result, Vicinity Centres reintroduced guidance, which led to 11% upgrade to consensus earnings. However, 1.1 cents of the 1.2 cents of earnings surprise was driven by a writeback of a rent provision. Nevertheless, the performance of assets was better than expected, with lease spreads improving from -12.7% to -6.4% to December 2022 and occupancy remaining flat at 98.2%.
Charter Hall Long WALE REIT	CLW	6.87	0.00	-0.18	Charter Hall Long WALE REIT outperformed over the quarter. Whilst Charter Hall Long WALE REIT only reaffirmed guidance for no less than 30.5 cents per share for financial year 2022, a large trading discount to net tangible assets saw the name outperform during a 'value rally'.
Stockland	SGP	0.71	5.13	-0.14	Stockland outperformed over the quarter. At their first half of 2022 result, management refined guidance from 34.6-35.6 cents per share to 35.1-35.6 cents per share, despite a moderation in settlement guidance. There was also very strong execution on strategic initiatives, with Stockland announcing the sale of its retirement portfolio broadly in-line with book value, as well as the establishment of joint ventures in their land lease business and with M_Park.
Goodman Group	GMG	-13.62	27.96	-0.13	Goodman Group underperformed over the quarter. With Australian 10-year bonds rising from 1.6% to 2.8% over the quarter, the investment manager observed a 'value rally', versus 'growth' names. This was despite the group upgrading its financial year 2022 earnings guidance from 15% to 20%.
HomeCo Daily Needs REIT	HDN	-8.74	1.29	-0.07	HomeCo Daily Needs REIT underperformed over the quarter. The investment manager suspects this was driven by some questions around strategy and value after the takeover of Aventus Property Group, which diluted the book value per share twice what the earning per share rose.

Market outlook

The investment manager expects interest rates to remain relatively low for some time, despite some near-term inflation. Higher asset yields in Australia are likely to continue to attract capital that is willing to look through the current period of uncertainty.

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