

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

\$309.2m

MANAGEMENT FEE

0.7500% p.a.

EXIT PRICE

\$1.0364

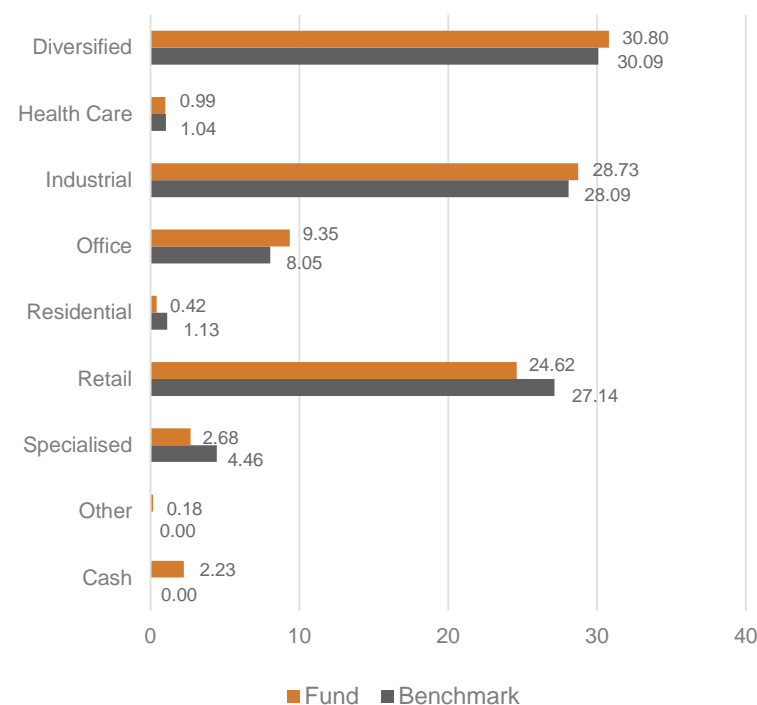
BUY / SELL SPREAD

+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.
Fund	-7.11	0.03	-16.35	13.03	5.48	5.15	8.13	7.26
Benchmark	-6.84	0.32	-14.02	14.20	5.19	4.58	7.96	7.49
Active	-0.27	-0.29	-2.33	-1.17	0.29	0.57	0.17	-0.23

Sector asset allocation (%)



Top 5 holdings (%)

Stock	Fund (%)	Benchmark (%)
Goodman Group	28.73	26.31
Scentre Group	13.33	11.68
Stockland	11.60	7.77
Dexus	9.35	6.61
GPT Group	7.63	6.65
Other	27.13	40.98
Cash	2.23	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.

CONTACT DETAILS

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

Market review

The S&P/ASX 300 Property Accumulation Index returned 0.3% for the quarter, underperforming the broader equity market (as measured by the S&P/ASX 300 Index which returned 3.9%).

Broadly speaking, stocks in Australia advanced due to strong gains logged early in the quarter. Slowing rate hikes and stabilising recessionary expectations sent stocks sharply higher in January, however, continued rate hikes, offshore volatility, and slowing earnings momentum saw stocks cede ground over the balance of the period.

Conversely, REITs fell and underperformed the broader equity market. A sharp pullback in March eroded gains built up early in the quarter as concerns over tighter lending conditions and commercial real estate valuations took their toll on the sector. This was despite the 0.75% fall in the Australian 10-year bond yield during the quarter which is typically a positive for REITs. At the sub-sector level, self-storage led the way spurred by strong first half of FY23 results from National Storage REIT. Fund managers were mixed with Goodman's advance balanced by weakness in Charter Hall Group. Within retail, the malls were supported by generally solid earnings updates, although the outlook is less certain, while convenience retail underperformed. Office was hit by asset valuation uncertainty with the sector viewed most at risk of valuation declines. The worst performers were select specialised REITs including social infrastructure, farms and retirement.

Performance review

The Ironbark Paladin Property Securities Fund (the 'Fund') returned 0.03% net for the quarter, an underperformance of -0.29% when compared to the S&P/ASX 300 Property Accumulation Index's return of 0.32%.

Holdings that were major contributors to performance included the average overweight to outperforming Stockland, the exposure to Abacus Property group, along with the average underweight to underperforming Vicinity Centres. The major detractors from performance were the average overweights to underperforming Charter Hall Group and Region Group, along with the average underweight to outperforming National Storage REIT.

Key contributors over the quarter (%)

Stock	ASX code	Index return	Average Fund position	Attribution impact	Explanation
Stockland	SGP	9.64	7.11	0.18	SGP outperformed over the quarter, delivering a total return of 9.6%. There are improving rates of change across a number of businesses including strong commercial property NOI growth, growing land lease income, higher fee income and a new capital partnership.
Vicinity Centres	VCX	-0.02	0.18	0.18	VCX underperformed over the quarter, delivering a total return of -0.02%. VCX upgraded its FFO guidance for FY23 at its recent first half of FY23 result, aided by a \$25 million reduction in expected credit losses. However, guidance for the second half of FY23 suggests a decline in earnings of \$25-50 million.
Abacus Property Group	ABP	-1.14	3.15	0.15	ABP underperformed over the quarter, delivering a total return of -1.1%. During the quarter, ABP announced a proposed de-stapling of their storage assets (Storage King) which could materially close the discount to NTA. Management is targeting the third quarter of this year.
Mirvac Group	MGR	-2.35	4.45	0.14	MGR underperformed during the quarter, delivering a total return of -2.4%. MGR sold 845 dwellings in the first half of FY23, which annualizes to ~1,700 which is materially below FY22 and FY23 settlements of ~2,500.
Growthpoint Properties Australia	GOZ	2.01	2.2	0.13	GOZ outperformed over the quarter, delivering a total return of 2%. First half of FY23 earnings were well above consensus expectations. Lease surrender payments may have been in part responsible as well as a tax benefit.

Key detractors over the quarter (%)

Stock	Code	Index return	Average weight	Attribution impact	Explanation
Region Group	RGN	-13.28	5.23	-0.28	RGN underperformed over the quarter, delivering a total return of -13%. The business continues to perform well, with strong leasing spreads and tenant sales. However, the market is focused on the FY24 drag on earnings from a roll-off of cheap interest rate hedges to more expensive hedges.
National Storage REIT	NSR	8.19	--	-0.27	NSR outperformed over the quarter, delivering a total return of 8.2%. NSR upgraded FY23 underlying EPS guidance by ~4% to at least 11.5cps. A key driver of this was the group increasing its annual RevPAM growth expectations to no less than 6.4% (prior: no less than 4.0%).
Charter Hall Group	CHC	-8.18	6.61	-0.2	CHC underperformed over the quarter, delivering a total return of -8.2%. First half of FY23 operating earnings was 6% ahead of expectations. There were three key areas of the beat, including: i) development income; ii) leasing fees; and iii) lower corporate expenses.
Dexus	DXS	-3.1	9.32	-0.15	DXS underperformed over the quarter, delivering a total return of -3.1%. FY23 DPS (AFFO) guidance was refined to 51.0-51.5cps (prior: 50.0-51.5cps). The upgrade was driven by greater certainty in line items such as interest costs and trading profits. Office metrics were no worse than expected, with some signs of incentives moderating in prime assets.
Scentre Group	SCG	-1.86	14.54	-0.14	SCG underperformed over the quarter, delivering a total return of -1.9%. At their FY22 result, SCG provided FY23 FFOps guidance of 20.75-21.25cps which was 2% ahead of expectations. SCG's leasing spreads continue to improve (now -3%), while occupancy increased to 98.9% and holdovers were down to 3% (historically ~4%).

Market outlook

Higher asset yields in Australia are likely to continue to attract capital that is willing to look through the current period of uncertainty. However, the investment manager expects transaction markets to slow materially until there is greater confidence that rate increases are nearing an end.

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 Fund 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, versus secondary).

Issued by Ironbark Asset Management (Fund Services) Limited ABN 63 116 232 154 AFSL 298626 ('Ironbark'). Ironbark is the responsible entity for the Fund(s) referred to in this document. The relevant target market determination (TMD) and offer document for the Fund(s) is available from www.ironbarkam.com/our-funds/ or by calling Ironbark on 1800 034 402. This document contains general information only and is not intended to represent specific investment or professional advice. The information does not take into account an individual's personal financial circumstances, objectives or needs. Before making an investment decision, you should consider obtaining professional investment advice that takes into account your personal circumstances and should read the current TMD and offer document before making an investment decision to acquire or to continue to hold units in the Fund. Ironbark and its representatives believe that the information in this document is correct at the time of compilation, but no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors or omissions (including responsibility to any person due to negligence) is accepted by Ironbark. To the extent permitted by law, Ironbark, its employees, consultants, advisers, officers and representatives are not liable for any loss or damage arising as a result of reliance placed on the contents of this document. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and operations may differ materially from the forecasts, estimates and opinions set out in this material. No guarantee as to the repayment of capital or the performance of any product or rate of return referred to in this material is made by Ironbark. Past performance is not a reliable indicator of future performance. All currency references are shown in Australian dollars unless stated otherwise. All indices are copyrighted by and proprietary to the issuer of the index. Any investment is subject to investment risk, including delays on the payment of withdrawal proceeds and the loss of income or the principal invested. This document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. No part of this material may be reproduced or distributed in any manner without the prior written permission of Ironbark. © Copyright 2023 Ironbark Asset Management Pty Ltd (Ironbark) (ABN 53 136 679 420).

CONTACT DETAILS

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