Fiducian Property Securities Fund

Monthly Report - May 2023

Fund description

The Fund invests in a diversified group of specialist listed property managers. The Fund utilises the Fiducian "Manage the Manager" process, carefully selecting best of breed managers with different sector exposures with the aim of achieving superior returns with reduced risk.

Typically, property securities provide attractive levels of income plus a small amount of capital growth. Returns from property trusts are generally lower than shares, but typically exhibit lower variance in price during market declines.

The recommended holding period for this fund is at least 4 to 6 years.

Fund facts

Portfolio manager: Conrad Burge
ARSN: 093 544 079
APIR code: FPS0007AU
Benchmark: ASX 200 Property Accumulation Index
Current fund size: $216 million (May 2023)
Management cost: 0.96%
Total management costs: 1.01%
Application/Exit fee: Nil
Inception Date: March 1997

	Style			Size		
Manager	Value	Core	Growth	Large	Broad	Small
Principal			●		●	
Phoenix		●			●	
Blackrock		●			●	

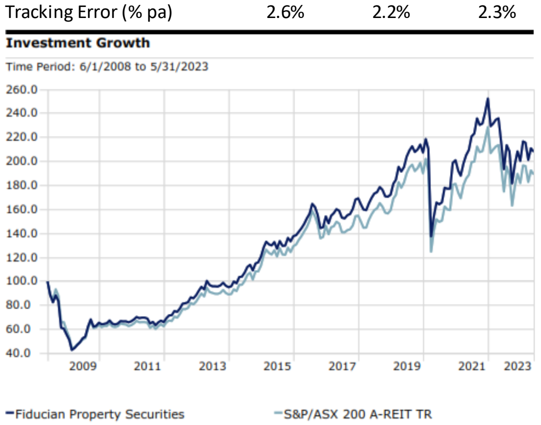
Performance and Risk

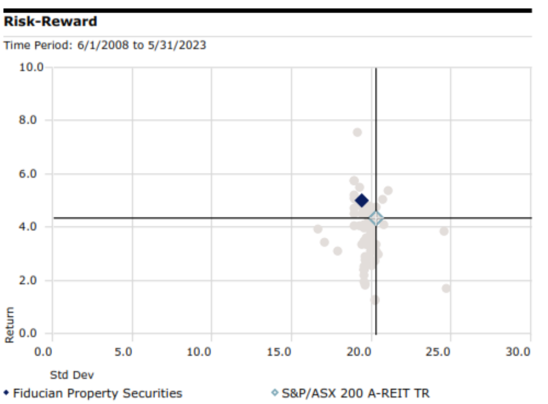
After fee returns as at 31 May 2023

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	**-1.5%**	**-3.8%**	**-0.3%**	**-3.4%**	**7.9%**	**4.1%**	**4.5%**	**7.9%**
Index	-1.8%	-3.6%	-0.3%	-3.0%	7.6%	3.9%	3.8%	7.6%
Excess	0.2%	-0.2%	-0.1%	-0.4%	0.2%	0.2%	0.7%	0.3%

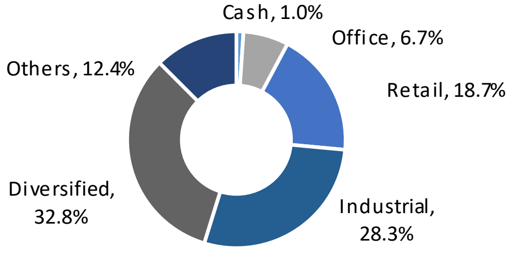
Risk Exposure

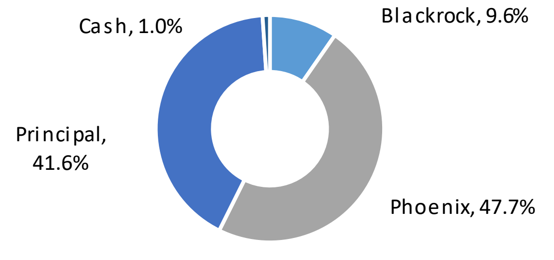
	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	26.3%	19.9%	23.6%	18.2%
Benchmark (Std Dev %)	28.4%	21.3%	24.9%	19.5%
Beta	0.95	0.96	0.96	0.95
Tracking Error (% pa)	2.6%	2.2%	2.3%	2.2%





Sector exposures and current manager weights





Fiducian Property Securities Fund
Monthly Report - May 2023

Market Commentary and Outlook

Economic data released during May continued to point to a slowing outlook for the global economy. Whilst measures of activity in service industries continued to improve, manufacturing across most of the world continued to contract. More positive is that headline rates of inflation have continued to decline, partly driven by falling energy and commodity prices. However, the core levels of inflation monitored by central banks have remained elevated. During the month, the Reserve Bank of Australia, along with the US Federal Reserve and European Central bank again increased interest rates.

Equity market performance was mixed in May. The US market (S&P 500 index) gained 0.2%, despite some uncertainty regarding US debt ceiling negotiations. The Australian market (ASX 200 index) declined by 2.5%, and most European stock markets had negative returns. Bonds and listed property were also weaker during the month, and some key commodity prices also recorded declines due to a moderating economic outlook.

Looking ahead, elevated geopolitical risks, alongside higher interest rates and slower economic growth this year, represent potential headwinds for markets. The International Monetary Fund (IMF) recently made a small downgrade to its economic forecasts, with global growth now expected to be 2.8% in 2023. The IMF expects growth rates to remain slightly below long-term trend levels for some time. However, in broad terms, share markets continue to appear more attractive than most other investment opportunities.

Fund Commentary

The Fiducian Property Securities Fund declined by 1.5% in May, which was above the listed property index return of -1.8%. Over the 12 months to the end of May, the Fund declined by 3.4%, compared to the index return of -3.0%.

The listed property sector declined by 1.8% in May which was above the broader market (ASX 200) return of -2.5%.

During the month, stocks with exposure to the retail sector generally underperformed, due to some negative trading updates from discretionary retail companies. Stocks exposed to the residential sector also underperformed following strong performance in recent months, as continuing interest rate increases by the RBA dampen the outlook for this sector.

Over the coming year, conditions in the Industrial property sector are expected to remain strong, and the operating conditions for Retail landlords have also improved. The outlook for residential developers has become more balanced, while the outlook for office occupancy remains uncertain. Higher interest rates remain a headwind for the sector, but property trust share prices appear to have already factored this in to a considerable degree, with prices well below net asset value in many cases.

Overall, the underlying sector exposures of the Fund are an overweight in the ‘Other’ category and an underweight to the Retail sector, with other sectors broadly in line with the index. The ‘Other’ category includes asset classes such as self storage facilities, data centers and residential development companies. This broad category has exhibited strong growth in recent years. The fund is underweight retail assets, reflecting the structural challenges as consumers continue to move their spending online.

Top stock holdings and sector tilts

Stock	Industry	Weight
Goodman Group	Industrial REITs	25.2%
Stockland	Diversified REITs	9.7%
Scentre Group	Retail REITs	8.6%
Gpt Group	Diversified REITs	7.9%
Mirvac Group	Diversified REITs	6.6%
Charter Hall Limited	Diversified REITs	5.8%
Dexus	Office REITs	4.8%
Vicinity Centres	Retail REITs	4.0%
Centuria Industrial	Industrial REITs	2.7%
National Storage	Specialized REITs	1.8%