Fiducian Property Securities Fund

Monthly Report - June 2023

FIDUCIAN
INTEGRITY • TRUST • EXPERTISE

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 6 years.

Fund facts

Portfolio manager: Conrad Burge
ARSN: 093 544 079
APIR code: FPS0007AU
Benchmark: ASX 200 Property Accumulation Index
Current fund size: $219 million (June 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		●			●	

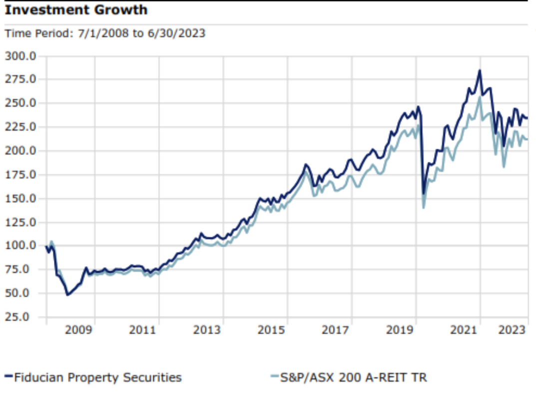
Performance and Risk

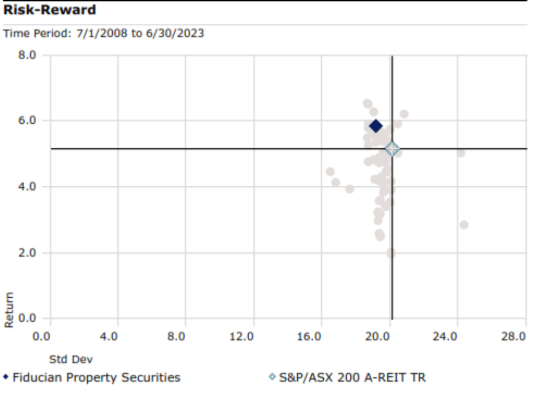
After fee returns as at 30 June 2023

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	**0.1%**	**3.3%**	**3.8%**	**7.7%**	**8.2%**	**3.7%**	**4.1%**	**8.0%**
Index	0.0%	3.4%	3.9%	8.1%	8.1%	3.5%	3.3%	7.7%
Excess	0.2%	-0.1%	-0.2%	-0.4%	0.1%	0.3%	0.8%	0.4%

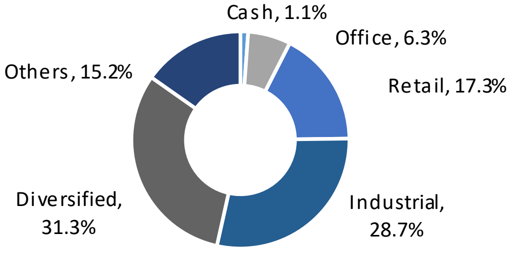
Risk Exposure

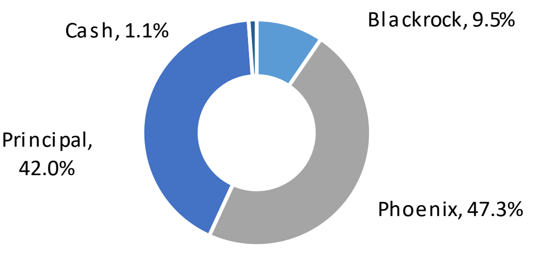
	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	24.0%	19.9%	23.6%	18.2%
Benchmark (Std Dev %)	26.0%	21.3%	24.9%	19.5%
Beta	0.94	0.96	0.96	0.95
Tracking Error (% pa)	2.6%	2.2%	2.3%	2.2%





Sector exposures and current manager weights





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Market Commentary and Outlook

Global economic growth slowed during the first half of 2023, as monetary tightening policies enacted by central banks to reduce high rates of inflation began to take effect. Manufacturing output has been contracting in most advanced economies, while retail sales have been week, as have consumer and business confidence levels. On the other hand, employment data has been too strong.

The Reserve Bank of Australia increased interest rates by a further 0.25% in June, bringing the 'cash rate' to 4.1% and the cumulative increase this year to 1.0%, in line with actions taken by the US Federal Reserve. In Australia, the rate of inflation has moderated from a peak of 8.4% in December 2022 to the most recent measure of 5.6% in May.

Global equity markets had a strong month in June. The broad US market (S&P 500 index) gained 6.5% amid optimism that interest rates may be approaching a peak. Economic data, whilst indicating a slowing economy, has also been slightly better than forecast. The Australian market (ASX 200 index) rose 1.8% for the month. Year to date, developed market equities have performed well, with a 15.9% gain for the US market, a 4.5% rise for the Australian market and strong gains across most of Europe as well as Japan. Property stocks rose by 3.9% for the first half of the year, and bonds have been relatively flat.

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 rose by 0.2% in June, which was above the listed property index return of 0.0%. Over the 12 months to the end of June, the Fund gained 7.7% compared to the index return of 8.1%.

The listed property sector was flat in June (0.0%), which was below the broader market (ASX 200) return of 1.8%.

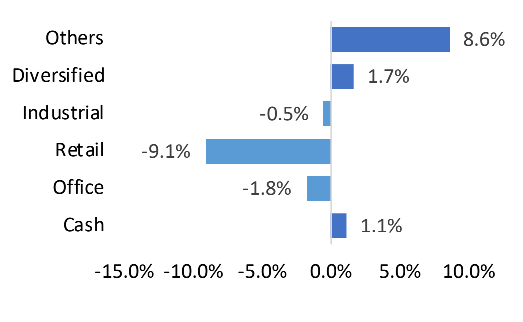
A small number of companies have recently conducted portfolio revaluations, which has so far resulted in only modest declines in reported net asset values. The market itself appears to have factored in significant declines in underlying property values.

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 remaining 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	25.7%
Stockland	Diversified REITs	8.9%
Scentre Group	Retail REITs	8.4%
Gpt Group	Diversified REITs	7.8%
Mirvac Group	Diversified REITs	6.4%
Charter Hall Limited	Diversified REITs	5.4%
Dexus	Office REITs	4.5%
Vicinity Centres	Retail REITs	4.0%
Centuria Industrial	Industrial REITs	2.6%
National Storage	Specialized REITs	1.9%



Fiducian Investment Management Services Limited