Fiducian Property Securities Fund

Monthly Report - July 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 6 years.

Fund facts

Portfolio manager: Conrad Burge
ARSN: 093 544 079
APIR code: FPS0007AU
Benchmark: ASX 200 Property Accumulation Index
Current fund size: $226 million (July 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		●			●	

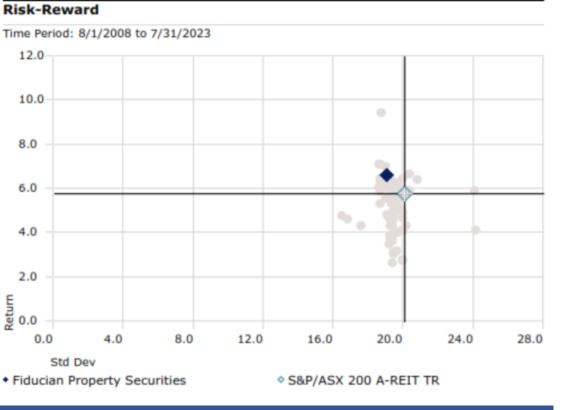
Performance and Risk

After fee returns as at 31 July 2023

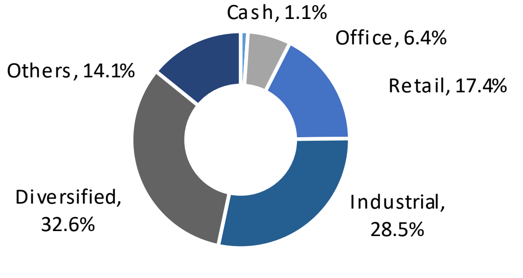
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	**3.3%**	**1.8%**	**-0.8%**	**0.6%**	**9.0%**	**4.3%**	**3.9%**	**8.4%**
Index	3.8%	2.0%	-0.2%	0.3%	9.2%	4.1%	3.1%	8.1%
Excess	-0.6%	-0.2%	-0.6%	0.3%	-0.2%	0.2%	0.8%	0.2%

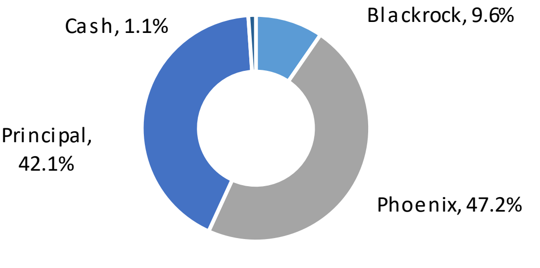
Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	21.8%	20.0%	23.7%	18.2%
Benchmark (Std Dev %)	23.4%	21.4%	24.9%	19.5%
Beta	0.95	0.95	0.96	0.95
Tracking Error (% pa)	2.1%	2.2%	2.3%	2.2%



Sector exposures and current manager weights





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Market Commentary and Outlook

Economic data was largely positive in July, as inflation measures in both the US and Australia showed larger than expected declines, although current inflation rates remain above central bank targets. Additionally, US economic growth over the June quarter was better than market expectations, raising hopes of a so-called 'soft landing' for the US economy.

However, the global economy continues to face challenges. Manufacturing activity is still contracting in most advanced economies, consumer confidence remains low and employment data has been too strong (adding upwards pressure on inflation).

Overall, this backdrop was positive for markets. The broad US market (S&P 500 index) gained 3.1% and the Australian market (ASX 200 index) rose 2.9% for the month. The listed property sector gained 3.8%, and bonds also recorded a small positive return. Most commodity prices increased during the month, with the oil price rising by 16%.

Looking ahead, geopolitical risks, alongside elevated interest rates and slower economic growth this year, represent potential headwinds for markets. The International Monetary Fund (IMF) recently made a minor upgrade to its economic forecasts, with global growth now expected to be 3.0% in both 2023 and 2024. 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 3.3% in July, which was below the listed property index return of 3.8%. Over the 12 months to the end of July, the Fund gained 0.6% compared to the index return of 0.3%.

The listed property sector gained 3.8% in July, which was above the broader market (ASX 200) return of 2.9%.

A 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.

Top stock holdings and sector tilts

Stock	Industry	Weight
Goodman Group	Industrial REITs	25.5%
Stockland	Diversified REITs	9.2%
Scentre Group	Retail REITs	8.6%
Gpt Group	Diversified REITs	7.9%
Mirvac Group	Diversified REITs	6.4%
Charter Hall Limited	Diversified REITs	5.4%
Dexus	Office REITs	4.6%
Vicinity Centres	Retail REITs	3.2%
Centuria Industrial	Industrial REITs	2.6%
National Storage	Specialized REITs	2.4%