Fiducian Property Securities Fund

Monthly Report - September 2023

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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: $215 million (September 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		●			●	

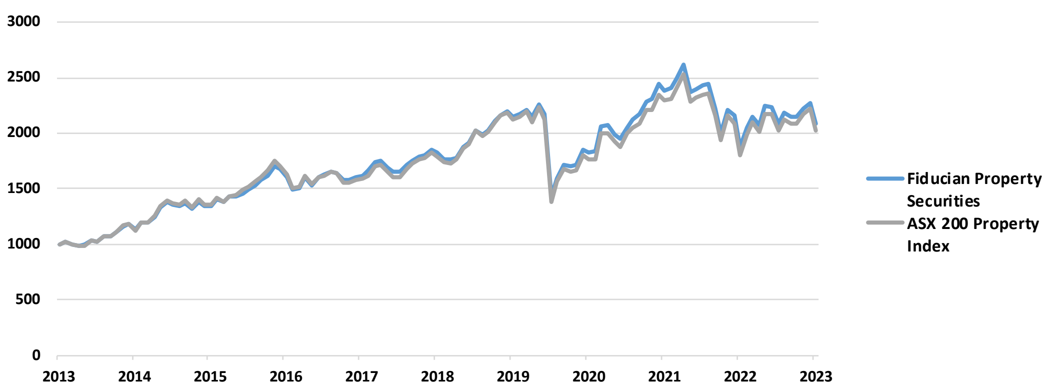
Performance and Risk

After fee returns as at 30 September 2023

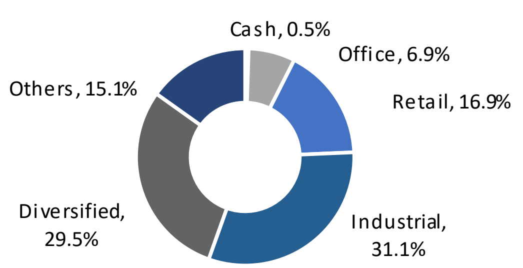
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	**-8.2%**	**-3.3%**	**-0.1%**	**10.7%**	**4.4%**	**2.7%**	**3.7%**	**7.6%**
Index	-8.6%	-2.9%	0.4%	12.5%	4.7%	2.5%	3.2%	7.3%
Excess	0.4%	-0.3%	-0.5%	-1.8%	-0.3%	0.2%	0.6%	0.3%

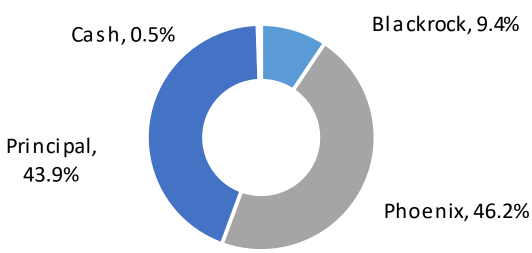
Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	18.0%	19.9%	23.7%	18.4%
Benchmark (Std Dev %)	19.2%	21.3%	25.0%	19.6%
Beta	0.86	0.90	0.93	0.92
Tracking Error (% pa)	1.6%	2.2%	2.2%	2.1%



Sector exposures and current manager weights





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Market Commentary and Outlook

The global economy remains sluggish due to severe measures taken by monetary authorities to reduce inflation. While inflation is slowing, manufacturing and service industry activity levels and retail sales point to a general slowdown in activity. However, employment levels remain high and need to come down further and this, along with an uptick in inflation during September could see interest rates rise further and stay higher for longer.

This realisation that inflation has not yet been tamed saw bond yields jump up during the month, with both US and Australian 10-year government bond yields increasing by approximately 0.5%. This had negative flow-on effects on most asset classes. The broad US market (S&P 500 index) declined by 4.9%, and the Australian stock market (ASX 200 index) declined by 2.8%. Interest rate sensitive sectors had the largest falls. Commodity prices, including oil, coal and iron ore rose during the month.

Looking ahead, geopolitical risks, alongside elevated interest rates and slower economic growth this year, represent potential headwinds for markets. The International Monetary Fund (IMF) is forecasting global growth to be 3.0% in 2023 and 2.9% 2024, which is below the long-term trend rate of growth. 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 8.2% in September, which was above the listed property index return of -8.6%. Over the 12 months to the end of September, the Fund gained 10.7% compared to the index return of 12.5%.

An increase in long-term bond yields during the month weighed on the performance of interest rate sensitive sectors such as property. The majority of listed companies have recently conducted portfolio revaluations as a part of their annual reporting disclosures. So far, this has resulted in only modest declines in reported net asset values. In contrast, the listed market appears to have priced in significant declines in property values, offering large discounts to unlisted property valuations.

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 appears 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.

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	28.3%
Stockland	Diversified REITs	9.2%
Scentre Group	Retail REITs	8.6%
Gpt Group	Diversified REITs	7.4%
Mirvac Group	Diversified REITs	6.5%
Charter Hall Limited	Diversified REITs	5.1%
Dexus	Office REITs	4.2%
Vicinity Centres	Retail REITs	3.0%
Centuria Industrial	Industrial REITs	2.5%
National Storage	Specialized REITs	2.4%