Fiducian Property Securities Fund

Monthly Report - December 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: $248 million (December 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		●			●	

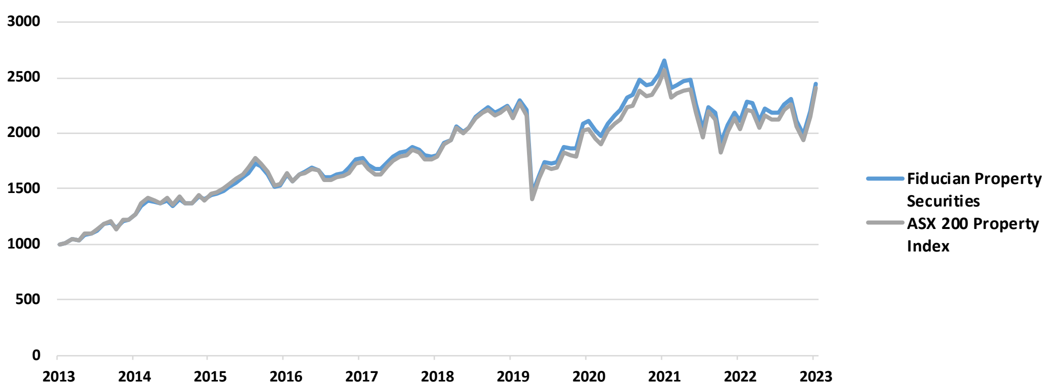
Performance and Risk

After fee returns as at 31 December 2023

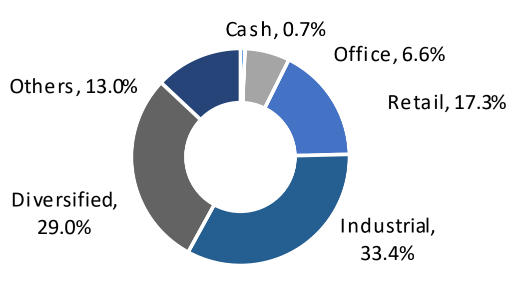
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	**10.9%**	**15.4%**	**11.6%**	**15.8%**	**5.0%**	**6.2%**	**6.0%**	**9.3%**
Index	11.5%	16.6%	13.1%	17.6%	5.7%	6.1%	5.6%	9.2%
Excess	-0.6%	-1.2%	-1.5%	-1.8%	-0.7%	0.1%	0.4%	0.2%

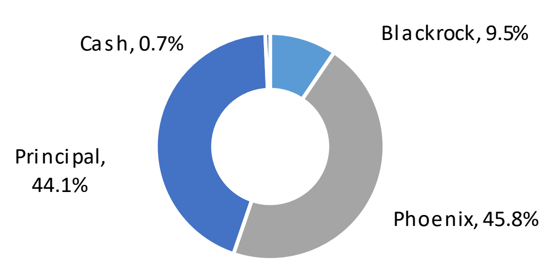
Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	21.4%	20.8%	24.6%	19.0%
Benchmark (Std Dev %)	22.2%	22.1%	26.0%	20.3%
Beta	0.88	0.91	0.93	0.93
Tracking Error (% pa)	1.1%	2.1%	2.2%	2.1%



Sector exposures and current manager weights





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Market Commentary and Outlook

Global monetary policy tightening, which commenced in early 2022, slowed the levels of economic growth across most of the world in 2023. In recent months too, it appears that this policy has been proving effective in achieving its aim of lowering inflation, with rates of inflation returning towards the target levels of most central banks. This has increased the likelihood that interest rates will remain on hold in the near term, and may be cut in the later part of 2024 if current trends persist.

Global markets enjoyed a strong finish for the year. The broad US market (S&P 500 index) gained 4.4% in December, and the Australian stock market (ASX 200 index) gained 7.3%. Listed property had another strong month, and falling yields produced positive returns for bonds. For calendar year 2023, all major global equity markets, with the exception of China, generated positive returns.

Looking ahead, less restrictive monetary policy could be positive for markets. However, geopolitical risks, alongside slower economic growth in the coming year represent potential headwinds. The International Monetary Fund (IMF) is forecasting global growth to be 2.9% in 2024, which is below the long-term trend rate of growth. In broad terms, share markets continue to appear more attractive than most other investment opportunities.

Fund Commentary

The Fiducian Property Securities Fund gained 10.9% in December, which was below the listed property index return of 11.5%. Over the 12 months to the end of December, the Fund rose by 15.8% compared to the index return of 17.6%.

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. High interest rates remain a headwind for the sector, but property trust share prices appear to have already factored this in to a considerable degree, and valuations for the listed sector appear relatively attractive.

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	REITS - Warehouse/Industrial	29.6%
Stockland	REITS - Diversified	9.4%
Scentre Group	REITS - Shopping Centers	9.2%
Gpt Group	REITS - Diversified	7.6%
Charter Hall Limited	REITS - Diversified	5.8%
Mirvac Group	REITS - Diversified	5.1%
Dexus	REITS - Office Property	3.9%
Vicinity Centres	REITS - Shopping Centers	3.1%
Centuria Industrial	REITS - Warehouse/Industrial	2.4%
National Storage	REITS - Storage	2.2%