

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: \$200 million (October 2023)

Management cost: 0.96%

Total management costs: 1.01%

Application/Exit fee: Nil

Inception Date: March 1997

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

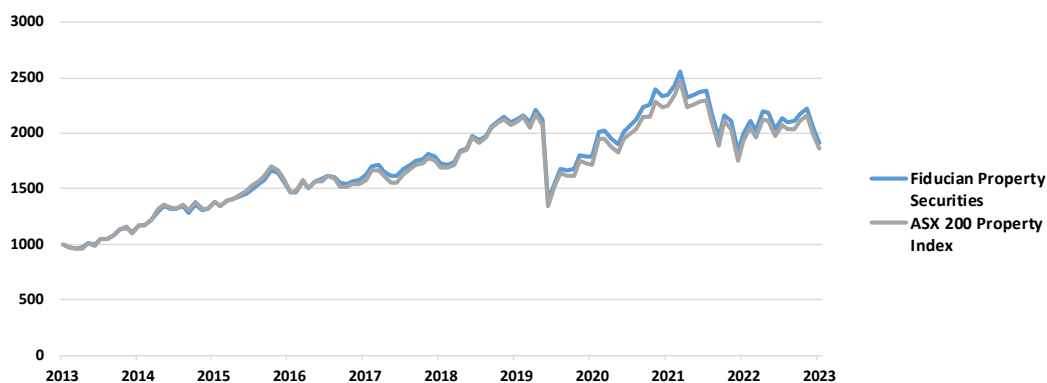
Performance and Risk

After fee returns as at 31 October 2023

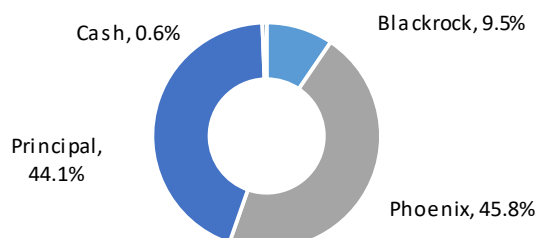
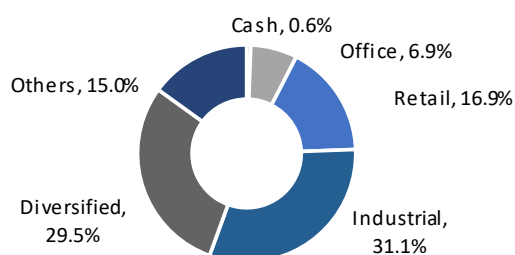
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	-5.8%	-11.7%	-10.1%	-4.1%	2.3%	2.1%	3.9%	6.7%
Index	-5.8%	-12.0%	-10.2%	-3.6%	2.7%	1.9%	3.5%	6.4%
Excess	0.1%	0.2%	0.1%	-0.5%	-0.5%	0.2%	0.4%	0.3%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	17.1%	20.2%	23.8%	18.5%
Benchmark (Std Dev %)	17.9%	21.6%	25.1%	19.7%
Beta	0.88	0.91	0.93	0.92
Tracking Error (% pa)	1.1%	2.1%	2.2%	2.1%



Sector exposures and current manager weights



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 rates could see interest rates stay high for an extended period. At the beginning of November, the Reserve Bank of Australia increased its cash rate by 0.25% to 4.35%, after being on pause since July.

In a repeat of last month, concerns that inflation rates remain too high saw an increase in bond yields. This had negative flow-on effects for most asset classes. The broad US market (S&P 500 index) declined by 2.2%, and the Australian stock market (ASX 200 index) declined by 3.8%. Interest rate sensitive sectors experienced falls, but some commodity prices, including iron ore and gold, 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 5.8% in October, which was in line with the listed property index return of -5.8%. Over the 12 months to the end of October, the Fund declined by 4.1% compared to the index return of -3.6%.

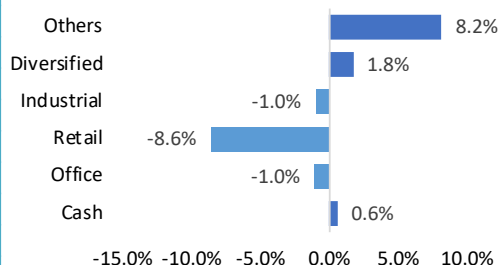
The majority of listed companies have recently conducted portfolio revaluations as a part of their annual reporting disclosures. So far, this has resulted in only modest declines in reported net asset values. In contrast, the listed market appears to have priced in significant declines in property values, 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. 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, 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	30.6%
Stockland	REITS - Diversified	8.9%
Scentre Group	REITS - Shopping Centers	8.9%
Gpt Group	REITS - Diversified	7.4%
Mirvac Group	REITS - Diversified	5.5%
Charter Hall Limited	REITS - Diversified	4.8%
Dexus	REITS - Office Property	4.1%
Vicinity Centres	REITS - Shopping Centers	3.2%
Centuria Industrial	REITS - Warehouse/Industrial	2.6%
National Storage	REITS - Storage	2.5%



Fiducian Investment Management Services Limited

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The information has been compiled from sources considered reliable, but is not guaranteed. Past performance is not indicative of future performance and we do not guarantee the performance of the Fund or any specific rate of return. Potential investors should also obtain and consider the relevant Target Market Determination (TMD) and Product Disclosure Statement (PDS) (available from your financial adviser and via fiducian.com.au) before making a decision about whether to acquire or continue to hold any financial product.