Ironbark Global (ex-Australia) Property Securities Fund

Quarterly Investment Report as at 30 September 2018

Asset Class

Property Securities

Investment Objective

Seeks to outperform its benchmark, after fees, over rolling three year periods

APIR Code

MGL0010AU

ARSN

110 908 793

Fund Inception Date

20 October 2004

Benchmark

FTSE EPRA/NAREIT Developed ex-Australia Index Hedged AUD[1]

Distribution Frequency

Quarterly

Minimum Investment

$20,000

Fund Size

$139.6m

Exit Price

$0.9527

Number of Stocks

92

Global Market Review

Global property stocks posted modest gains over the quarter with the FTSE EPRA/NAREIT Developed (ex-Australia) Index returning 0.2%, underperforming the broader equity market (as measured by the MSCI World which returned 5.3%).

Over the course of the quarter, global equity markets seemingly brushed off geopolitical risks and other potential headwinds to deliver solid nominal returns. Strength in broader global equities stemmed from investor optimism from healthy earnings and economic data, which helped support the current long-running bull market. Overall, equity performance in the quarter was a function of consistent positive returns from the US, whereas non-US markets were notably weak and specifically weighed down by a poor month of August. To begin the quarter, "risk-on" sentiment in July propelled most equity markets higher on the back of healthy corporate earnings and economic data, which offset fears surrounding trade tensions and uncertain geopolitical woes throughout Europe. Turning to August, US equities posted another solid month from a stellar second quarter gross domestic product print and benign inflation readings, while non-US markets were shaken up from US sanctions against Iran, economic tensions in Turkey, and uneasy trade talks between the US and China. Lastly, the final month of the quarter was more mixed as trade tensions and Brexit uncertainty resulted in generally flat returns for global equities.

Against this backdrop, real estate stocks struggled to maintain any sustained support. At the regional level, index heavyweight, the US REITs (up 0.8%) led the way, with all property types positive with the exception of self-storage and office. Japan (up 0.7%) eked out a minor gain, thanks to positive returns from the REITs. Continental Europe (up 0.1%) was flat as gains in Nordics and German residential was offset by weakness from retail. Asia ex Japan (down 1.2%) was dragged down by poor returns from the developers. The laggard was UK (down 5.0%) which fell sharply amid ongoing Brexit uncertainty and weak returns from the shopping center REITs.

Fund Performance Review

The Ironbark Global (ex-Australia) Property Securities Fund (the 'Fund') returned 0.55% (net) for the September quarter, outperforming the benchmark's return of 0.20% by 0.35%.

For the quarter, regional allocation had a minor negative impact whilst stock selection contributed. From a regional allocation perspective, the overweight position to underperforming UK had a minor negative impact, along with the underweight to outperforming Americas. Selection was particularly strong in Japan, whilst the Americas, Asia ex Japan, Continental Europe and the UK also contributed.

Performance

	Net Fund Return (%)	Benchmark[1] Return (%)	Active Return (%)
1 month	-1.54	-1.83	0.29
3 months	0.55	0.20	0.35
1 year	6.11	5.22	0.89
3 years (p.a.)	6.68	6.97	-0.29
5 years (p.a.)	9.17	9.45	-0.28
7 years (p.a.)	12.05	12.53	-0.48
10 years (p.a.)	6.30	7.89	-1.59
Since inception[2] (p.a.)	7.46	8.10	-0.64

Past performance is not an indicator of future results. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distribution. Returns are rounded to two decimal places. Slight variations to actual calculations may occur.

[1] Benchmark FTSE EPRA/NAREIT Developed ex Australia Index (TR, Net of WHT, Hedged to AUD). The Fund changed its benchmark from the UBS Global ex Australia Real Estate Investors Index (TR, Net of WHT Hedged to AUD) to the FTSE EPRA/NAREIT Developed ex Australia Index (TR, Net of WHT, and Hedged to AUD) on 1 February 2015.

[2] This figure represents the annualised performance of the Fund from the first full month of operation.

Contact Details

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Americas Performance Review

The Americas portion of the Fund returned 0.9%, outperforming the local benchmark return of 0.8% (in local currency terms).

Bucket allocation had a negative impact, driven mainly by the overweight to self-storage which underperformed. Storage has come under pressure due to supply concerns, and will face tough comparisons on same-store revenue and net operating income growth in the second half as hurricane driven occupancy wanes. At the stock level, selection was particularly strong amongst the Canadian property stocks, namely Canadian Apartment Properties REIT ('CAPREIT', up 12.7%). CAPREIT rose sharply after reporting a strong operating result and healthy rent growth outlook in its large Canadian apartment markets. This was partially offset by the exposure to timber REIT Rayonier (down 9.9%) which had a negative impact. Rayonier came under pressure as the price of lumber slipped on weak US housing data.

Europe Performance Review

The UK portion of the Fund returned -4.5%, outperforming the local benchmark return of -5.0% (in local currency terms), whilst the Europe ex UK portion of the Fund returned 0.3%, outperforming the local benchmark return of 0.1% (in local currency terms).

In the UK, selection was positive within the large cap segment. This was led by the overweight to industrial REIT, Segro (down 3.9%). Segro continues to move higher on the back of a secular tailwind from rising e-commerce volumes. The non-exposure to developer Capital & Counties (down 7.1%) also contributed, as the company underperformed for a second consecutive month. Lastly, the underweight to shopping centre REIT, Intu Properties (down 14.5%) also had a positive impact, as structural challenges persist.

In Continental Europe, bucket allocation was positive, led by the underweight to underperforming retail. However, this was partially offset by negative selection within the diversified and German residential sectors. Amongst the diversified names, the overweight to underperforming Merlin Properties (down 6.2%) was the leading detractor. Merlin announced results that were broadly in-line, although office was impacted by a slight occupancy decrease experienced in the first quarter. Elsewhere, selection was positive within the Swiss, office and Nordic sectors. The overweight to PSP Swiss Property (up 3.3%) was a standout, along with Paris CBD office focused Gecina (up 0.4%).

Top Active Positions[1]

Largest overweight stocks

Stock	Country	Fund %	Index %	Active Weight %
Prologis	US	4.65	3.02	1.63
Equity Residential	US	3.32	1.69	1.63
Equity LifeStyle	US	2.10	0.58	1.52
Mitsubishi Estate	JPN	2.93	1.43	1.50
Mid-America Apartment	US	2.21	0.81	1.40

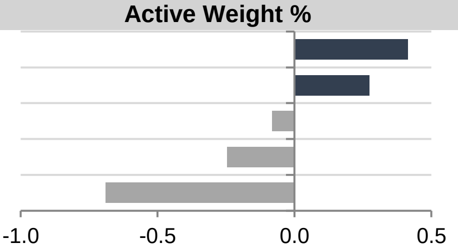
Largest underweight stocks

Stock	Country	Fund %	Index %	Active Weight %
Public Storage	US	0.00	2.13	-2.13
AvalonBay Communities	US	0.00	1.78	-1.78
Digital Realty Trust	US	0.00	1.64	-1.64
Essex Property Trust	US	0.00	1.15	-1.15
Sumitomo Realty	JPN	0.00	1.10	-1.10

Regional Asset Allocation

Region	Fund %	Index %
United Kingdom	5.50	5.08
Japan	11.73	11.46
Asia ex Japan	10.58	10.67
Europe ex UK	13.68	13.92
Americas	58.18	58.87
Cash	0.33	0.00

Active Weight %



Number of Stocks

Region	Fund	Index
United Kingdom	11	41
Japan	13	44
Asia ex Japan	11	27
Europe ex UK	14	67
Americas	43	152
Total	**92**	**331**

[1]Regional and Country allocation is based on country of listing.

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Asia Performance Review

The Asia ex Japan portion of the Fund returned -0.6%, outperforming the local benchmark return of -1.2% (in local currency terms), while the Japan portion of the Fund returned 3.4%, outperforming the local benchmark of 0.7% (in local currency terms).

In Asia ex Japan, the allocation to the outperforming Hong Kong REITs contributed, as defensives were favoured over higher beta segments of the market. Selection was also positive, in particular the Hong Kong developers and Singapore REITs. Selection within the Hong Kong developers was led by the overweight to Sino Land (up 5.2%) and underweight to underperforming Wharf (Holdings) (down 14.5%). Wharf fell sharply in the wake of its result, due in part to concerns over the earnings outlook at its property development arm.

In Japan, selection amongst the developers and REITs was strong. Amongst the developers, the overweight to outperforming NTT Urban Development (up 10.3%) was a standout. NTT Urban Development rose sharply given undemanding valuation and higher occupancy in core office and retail segment. Meanwhile, amongst the REITs, the overweight to office focused, Global One REIT (up 6.4%) and Premier Investment Corporation (up 6.2%) were standouts. Global One and Premier were buoyed by the strong fundamental backdrop. GLP J-REIT was another strong contributor via participation in a public offering by the company in late August, whereby GLP raised equity to buy eight warehousing facilities.

Global Market Outlook & Fund Strategy

After a mixed first half of the year, real estate securities struggled to maintain any sustained support in the third quarter. Rising interest rates were likely the primary culprit, but the space has shown signs of stabilisation going forward. There are a number of reasons for this shift, including solid earnings, increased merger and acquisition activity, and an overall move toward defensive segments. While interest rates may influence shorter-term performance, the investment manager believes bond yields may play less of a factor going forward. On the macro front, global economic growth has been relatively stable thus far, but the investment manager expects this momentum to fade given key economic indicators, such as global purchasing manager indices, may be suggesting that the synchronised global expansion is losing momentum.

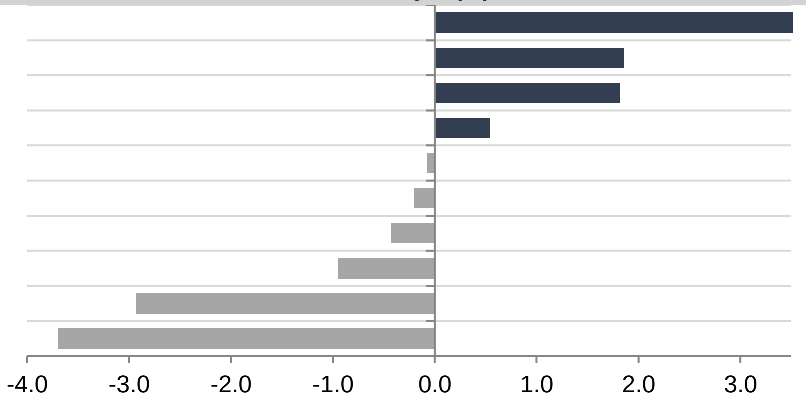
The real estate cycle remains solid, due to healthy operating fundamentals which is helping steady upward rent growth. In addition, new supply is being matched with growing demand, and the current macro environment is supportive. Private real estate pricing should be stable as a sizable backlog of allocated capital remains to be invested. Increased merger and acquisition activity, asset sales, and share buybacks are existing trends being utilized by management teams to unlock shareholder value and support share prices. While broader sector level themes may influence regional property market performance, the investment manager believes stock selection will be the key driver going forward in this market. A focus on global property stocks with high-quality assets and sustainable business models should provide the most favorable risk/return profile.

Overall, global real estate equities appear generally undervalued relative to broader equities and bonds. While subject to interest rate risk, strong underlying property and company fundamentals underpin solid cash flow growth going forward.

Sector Asset Allocation

Sector	Fund (%)	Index (%)
Industrial	10.38	6.65
Specialty	5.10	3.24
Office	18.69	16.88
Residential	21.24	20.70
Data Centre	2.16	2.24
Health Care	7.07	7.27
Storage	3.46	3.88
Hotels & Resorts	4.27	5.22
Retail	15.95	18.88
Diversified	11.35	15.04
Cash	0.33	0.00

Active Weight (%)



Important Information

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Ironbark
ASSET MANAGEMENT