Ironbark Global Property Securities Fund

Monthly Investment Report as at 31 July 2018

Asset Class

Property Securities

Investment Objective

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

APIR Code

MGL0011AU

ARSN

110 908 506

Fund Inception Date

20 October 2004

Benchmark

FTSE EPRA/NAREIT Developed Index Hedged AUD[1]

Distribution Frequency

Quarterly

Minimum Investment

$20,000

Fund Size

$44.2m

Exit Price

$0.8467

Number of Stocks

108

Global Market Review

Global property stocks rose modestly in July with the FTSE EPRA/NAREIT Developed Index returning 0.9% (in local currency terms), underperforming the broader equity market (as measured by the MSCI World which returned 3.2%).

Global stocks advanced in July on solid corporate earnings and an apparent lull in the trade war, with Beijing appearing to moderate their responses to Trump's tariff threats and the announcement of the US-European trade agreement. The S&P 500 Index capped a fourth monthly gain, whilst emerging markets also bounced back after posting the biggest slide since the second quarter of 2015. Elsewhere, second quarter US gross domestic product grew 4.1%, its fastest pace since 2014 with the data underscoring the Federal Reserve's policy path at a time when investors' focus is returning to central banks. The Bank of Japan delivered a range of adjustments designed to alleviate strains on commercial banks and reduce market distortions from its policies, while simultaneously maintaining its commitment to open-ended stimulus. Meanwhile, oil posted the biggest monthly loss since July 2016 as a slew of threats from weaker demand to oversupply weighed on the market.

From a listed property perspective, steady to modest gains from most regions were observed. Asia ex Japan (up 2.7%) was the standout, driven by strength in Hong Kong and Singapore REITs. Australia (up 0.9%) followed, as industrial outperformed retail and office. Continental Europe (up 2.1%) was next, with the Nordics particularly strong on the month. Index heavyweight the US REITs added 0.6%, largely owing to a late month surge which was in part fueled by strong earnings and merger and acquisitions. This helped to offset a decline throughout most of the month. Japan (down 0.1%) was steady as modest gains from the REITs were offset by the developers which closed down. The laggard on the month was the UK (down 0.6%) which was dragged down by weakness from UK large caps British Land and Land Securities, along with shopping centre landlord Intu Properties.

Fund Performance Review

The Ironbark Global Property Securities Fund (the 'Fund') returned 0.42% (net) for July, underperforming the benchmark's return of 0.93% by 0.51%.

Overall, regional allocation had a neutral impact whilst stock selection detracted from July performance. From a regional allocation perspective, the underweight position to underperforming Americas had a positive impact, whilst the overweight position to underperforming UK detracted. Selection was positive in Continental Europe and Japan, however this was more than offset by the Americas, Asia ex Japan, Australia and the UK which detracted.

Performance

	Net Fund Return (%)	Benchmark[1] Return (%)	Active Return (%)
1 month	0.42	0.93	-0.51
3 months	3.34	5.28	-1.94
1 year	6.36	6.47	-0.11
3 years (p.a.)	5.33	5.64	-0.31
5 years (p.a.)	9.15	9.43	-0.28
7 years (p.a.)	9.54	10.25	-0.71
10 years (p.a.)	6.07	7.38	-1.31
Since inception[2] (p.a.)	7.14	7.72	-0.58

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

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

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Ironbark ASSET MANAGEMENT

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Americas Performance Review

The Americas portion of the Fund returned -0.2%, underperforming the local benchmark return of 0.6% (in local currency terms).

Bucket allocation had a negative impact, driven mainly by the overweight position to self-storage which fell 5.0% in July, the first decline since February. The underweight position to malls (up 4.0%) which outperformed in July also had a minor negative impact. Malls rose sharply into month end as Simon Property Group and Taubman reported better than expected second quarter results, with stronger portfolio occupancy than quarter one and further increases to tenant same-store sales. On the flipside, the overweight position to data centres (up 8.9%) had a positive impact as the sector bounced back from recent weakness. At the stock level, selection was positive amongst the Canadian property stocks. However, this was offset by negative selections amongst the speciality, data centre and health care sectors. Amongst the specialty stocks, the exposure to timber REIT, Rayonier (down 9.9%), 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 -0.7%, underperforming the local benchmark return of -0.6% (in local currency terms), whilst the Europe ex UK portion of the portfolio returned 2.4%, outperforming the local benchmark return of 2.1% (in local currency terms).

In the UK, selection was particularly strong within the large cap segment. This was driven by the non-exposure to developer Capital & Counties (down 4.1%). Capital & Counties reported a flat first half 2018 result, but didn't release much incremental information on the proposed demerger (Covent Garden, a central London retail-REIT, and a London development company) which may have disappointed some investors. Elsewhere, selection amongst the niche property stocks detracted, namely the exposure to St Modwen (down 6.0%) which came under pressure after reporting first half 2018 results.

In Continental Europe, the underweight position to underperforming retail had a positive impact. Selection was also positive, notably amongst the office and German residential segments. The overweight position to Paris CBD office REIT, Gecina (up 1.8%) contributed. Gecina reported a strong result with operations continuing to show strength, guidance raised and Paris office market vacancy at record lows of 2.4%.

Australia Performance Review

The Australia portion of the Fund returned 0.4%, underperforming the local benchmark return of 0.9% (in local currency terms).

In Australia, selection was slightly negative, driven by the rental focused segment with an overweight position to underperforming Scentre Group (down 3.2%) the leading detractor. Scentre announced during the month it acquired a 50% stake in Eastgardens. The acquisition was a surprise, given the view it may look to sell assets in order to fund the announced $700 million buyback. Elsewhere, amongst the growth segment, the overweight position to Mirvac (up 5.1%) had a positive impact, however this was offset by the underweight position to outperforming Stockland (up 4.5%). Mirvac and Stockland both refined guidance to the top end of their guidance range during the month.

Top Active Positions[1]

Largest overweight stocks

Stock	Country	Fund %	Index %	Active Weight %
Equity Residential	US	3.07	1.58	1.49
CubeSmart	US	1.82	0.37	1.45
Equity LifeStyle	US	1.87	0.52	1.36
Mitsubishi Estate	JPN	2.71	1.38	1.33
Camden Property Trust	US	1.86	0.55	1.30

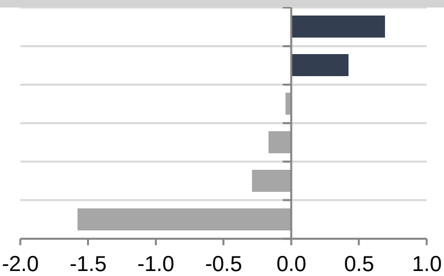
Largest underweight stocks

Stock	Country	Fund %	Index %	Active Weight %
Digital Realty Trust	US	0.00	1.68	-1.68
AvalonBay Communities	US	0.00	1.64	-1.64
Prologis	US	1.18	2.34	-1.16
Essex Property Trust	US	0.00	1.06	-1.06
Sumitomo Realty	JPN	0.00	1.06	-1.06

Regional Asset Allocation

Region	Fund %	Index %
United Kingdom	5.73	5.04
Japan	11.01	10.59
Australia	4.79	4.84
Asia ex Japan	10.29	10.46
Europe ex UK	13.13	13.41
Americas	54.09	55.66
Cash	0.96	0.00

Active Weight %



Number of Stocks

Region	Fund	Index
United Kingdom	12	40
Japan	16	40
Australia	6	13
Asia ex Japan	11	26
Europe ex UK	14	65
Americas	49	151
Total	**108**	**335**

[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 portfolio returned 2.7%, performing approximately in-line with the local benchmark (in local currency terms), while the Japan portion of the portfolio returned 0.1%, outperforming the local benchmark of -0.1% (in local currency terms).

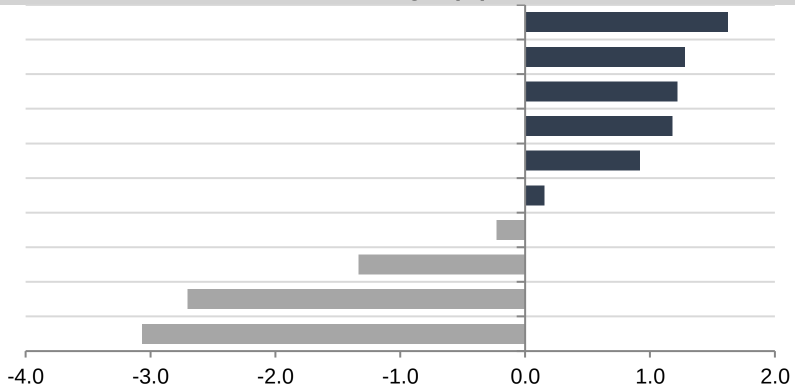
In Asia ex Japan, the allocation to the outperforming Hong Kong REITs, namely Link REIT had a positive impact. Link (up 8.6%) was assisted by share buybacks during the month. This was balanced by negative selection amongst the Hong Kong developers, including the overweight position to underperforming CK Asset (down 3.6%) and the underweight to outperforming Henderson Land Development (up 5.4%).

In Japan, selection amongst the developers was positive. This was driven by the underweight position to outperforming Hulic (down 7.5%). Hulic came under pressure following concerns profit growth may weaken in 2019 as it may become more difficult for the company to maintain its recent property acquisition pace. Selection amongst the REITs was also marginally positive, largely owing to the overweight position to outperforming office REIT, Global One Real Estate Investment (up 2.0%).

Sector Asset Allocation

Sector	Fund (%)	Bench (%)
Industrial	8.66	7.04
Office	17.35	16.08
Specialty	3.96	2.74
Residential	20.71	19.53
Storage	4.86	3.94
Other	1.98	1.82
Health Care	6.57	6.80
Hotels & Resorts	3.63	4.96
Diversified	13.49	16.19
Retail	17.83	20.90
Cash	0.96	0.00

Active Weight (%)



Global Market Outlook & Fund Strategy

On the macro front, the investment manager expects global economic growth to decelerate over the near-term coupled with the potential for higher inflation, as evidenced by slowing purchasing manager index readings across the globe. Global economic growth has been relatively stable thus far, however the investment manager expects this momentum to fade as the market moves into the second half of 2018, particularly regarding Europe and Japan. Meanwhile, the investment manager's base case scenario would call for a gradual increase in the US 10-year bond yield driven by continued gradual acceleration of the US economy. However, in early 2018 rates rose much faster than expected due to market optimism for increased growth driven by US tax reform. The investment manager believes that the Federal Reserve will remain data dependent and gradually raise short term rates in a well-telegraphed manner.

Global property stocks struggled in the first quarter of 2018 with rising interest rates, yet recovered in the second quarter stemming from increased merger and acquisition activity, discounted valuations and a shift toward defensives. Moving forward, stable property market supply and demand conditions should continue to support ample cash flow growth and limit downside to rental rates. Public to private transactions could also lead to share buy-backs. Meanwhile, private real estate pricing should be stable as a sizable backlog of allocated capital remains to be invested. US values have appeared to plateau while select ex US valuations continue to rise.

Overall, the investment manager has a bias towards global property stocks with high-quality assets or business models that operate in market segments with favourable supply/demand dynamics and, importantly, solid management teams with a solid track record of adding value for shareholders. Valuations remain at historically attractive levels relative to private real estate, equities, and fixed income, which sets REITs up well from an asset allocation standpoint for 2018. A strong fundamental backdrop for property stocks combined with favourable supply/demand dynamics should continue to drive ample cash flow growth going forward. There are likely broader sector level themes that may impact each sector, however the investment manager believes stock selection will be the key driver going forward in this market. Growing cash flow growth coupled with increased external growth suggest listed real estate can deliver mid to high single digit returns over the next 12 months.

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