Ironbark Global Property Securities Fund

Monthly Investment Report as at 31 August 2017

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[2]

Buy/Sell Spread

+0.30%/-0.30%

Management Cost

1.2250% p.a.[1]

Distribution Frequency

Quarterly

Minimum Investment

$20,000

Fund Size

$47.9m

Exit Price

$0.8011

Number of Stocks

119

Global Market Review

Global property stocks made a slight gain over the month, with the FTSE EPRA/NAREIT Developed Index returning 0.2% (in local currency terms). Property stocks performed in-line with the broader market, as measured by MSCI World.

Markets started August on a positive note. Most major US benchmarks flirted with all-time highs amid the latest batch of corporate results, as the positive momentum from the prior month carried into August. Markets also showed little reaction to events in Washington, including reports that Special Counsel Robert Mueller's probe into Russia's meddling in the 2016 election had intensified. However, the relative calm that had enveloped markets was brought to a sudden end, as investors were rattled by the geopolitical confrontation between the US and North Korea. Adding to the unease was further controversy in Washington, and terrorist attacks in Barcelona. Markets troughed on August 18, and moved steadily higher into month end. Data was supportive, and helped to underscore the resilience of the American and Chinese economies. In the US second quarter growth reached the fastest pace in two years, whilst China's official factory gauge strengthened further in August, defying economists' expectations.

On the property front, in a month where all eyes were on earning season, performance was mixed. Asia ex Japan (up 4.3%) led the way, boosted by a strong earnings season. Europe ex UK (up 1.9%) followed, with the German Residential stocks the standouts on the back of solid results and impressive net asset value gains. Australia rose 0.6%, with industrial outperforming office and retail through reporting season. The UK (-0.2%) was steady, as a generally positive lead from reporting season was balanced by uncertainty around the ongoing Brexit negotiations. The Americas closed down 0.4%, with industrial and data centres leading the way on the back of well received earnings. On the flipside, the mall and retail REITs underperformed, with disappointing results from mature retailers and department stores weighing on sentiment. Japan (-2.9%) was the laggard, as risk-off sentiment weighed on the developers.

Fund Performance Review

The Ironbark Global Property Securities Fund (the 'Fund') returned 0.36% net for the month, outperforming the benchmark's return of 0.26% by 0.10%.

Overall, sector allocation had a minor negative impact, whilst stock selection contributed. From a regional allocation perspective, the exposure to the Japan had a minor positive impact, however this was more than offset by the underweight position to outperforming Asia ex Japan which detracted. Meanwhile, selection was particularly strong in the Americas. Australia and the United Kingdom also had a positive impact, whilst Asia ex Japan, Japan and Europe ex UK were modest detractors on the month.

Performance

	Net Fund Return (%)	Benchmark[2] Return (%)	Active Return (%)
1 month	0.36	0.26	0.10
3 months	1.44	1.64	-0.20
1 year	0.53	0.76	-0.23
3 years (pa)	7.48	7.71	-0.23
5 years (pa)	10.36	10.78	-0.42
7 years (pa)	11.74	12.47	-0.73
10 years (pa)	2.94	4.44	-1.50
Since inception[3] (pa)	7.19	7.78	-0.59

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. Retail investors should refer to net returns. If investing through an IDPS Provider, the total after fees performance return of your investment in the Fund may be different from the information in this report.

[1] For full breakdown of management costs, refer to the PDS dated 29 February 2016.

[2] 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.

[3] 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 0.3%, outperforming the local benchmark return of -0.4% (in local currency terms).

The outperformance was driven by strong selection within the data centre, health care and Canada segments. Retail, apartments, hotels, industrial and the exposure to Tower REIT, Crown Castle International also had a positive impact. This was balanced somewhat by negative selection within the mall and specialty segments. At the stock level, the overweight position to Data centre stock, CoreSite Realty Corporation (up 9.4%) was a standout. CoreSite reported a beat and raise at its second quarter earnings result, with management noting that demand and pricing remains constructive. The data centre segment as a whole continues to benefit from strong secular trends. The exposure to single family rental REIT, Invitation Homes (up 8.8%) was another leading contributor. In August, Invitation Homes announced an agreement to combine in an all stock merger-of-equals transaction with Starwood Waypoint, creating the largest single family rental company with approximately 82,000 homes. The combination increases scale and density in many markets, and should help deliver operating efficiencies.

Asia Performance Review

The Asia ex Japan portion of the Fund returned 3.5%, underperforming the local benchmark return of 4.3% (in local currency terms), while the Japan portion of the Fun returned -3.3%, underperforming the local benchmark of -2.9% (in local currency terms).

Within Asia ex Japan, selection was dragged down by negative selection amongst the Hong Kong landlords. This includes the underweight position to outperforming Wharf Holdings (up 13.4%) which surged after it gave more clarity regarding its strategic review. On the flipside, the overweight position to Hong Kong developer Kerry Properties (up 13.1%) had a positive impact, as it announced a surprise 50% interim dividend per share increase.

Within Japan, positive selection amongst the REITs was balanced by negative selection within the developers. Amongst the REITs, the underweight position to underperforming Nomura Real Estate Master Fund (-5.5%) was the leading contributor. Meanwhile, the underweight position to outperforming developers, Sumitomo Realty & Development (-0.5%) and Nomura Real Estate Holdings (up 3.8%) detracted. In general, the developers with greater condo exposure such as Sumitomo and Nomura outperformed. The greater Tokyo market has now seen contract ratios above 70% for two of the last three months, supporting slightly more optimism regarding the condo industry outlook.

Top Active Positions

Largest overweight stocks

Stock	Country	Fund %	Index %	Active Weight %
Welltower	US	3.55	1.86	1.69
Alexandria Real Estate	US	2.44	0.76	1.68
Camden Property	US	2.15	0.53	1.61
Rexford Industrial	US	1.55	0.14	1.42
Duke Realty Corporation	US	2.05	0.73	1.32

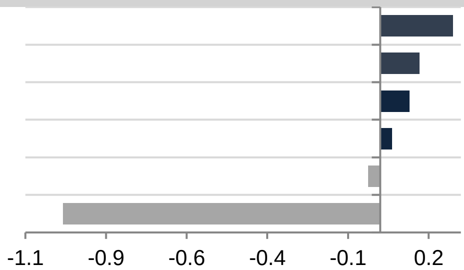
Largest underweight stocks

Stock	Country	Fund %	Index %	Active Weight %
Prologis	US	0.32	2.31	-1.99
Public Storage	US	0.61	2.10	-1.49
Simon Property	US	1.89	3.38	-1.48
Digital Realty	US	0.00	1.31	-1.31
Realty Income	US	0.00	1.09	-1.09

Regional Asset Allocation

Region	Fund %	Bench %
Americas	56.28	56.06
United Kingdom	5.05	4.92
Australia	5.88	5.79
Europe ex UK	12.39	12.35
Japan	10.05	10.09
Asia ex Japan	9.80	10.79
Cash	0.55	0.00

Active Weight %



Number of Stocks

Country	Fund	Index
Americas	50	152
United Kingdom	12	38
Australia	10	14
Europe ex UK	15	65
Japan	15	40
Asia ex Japan	17	26
Total	**119**	**335**

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Europe Performance Review

The UK portion of the Fund returned 0.6%, outperforming the local benchmark return of -0.2% (in local currency terms), whilst the Europe ex UK portion of the Fund returned 1.6%, underperforming the local benchmark return of 1.9% (in local currency terms).

Within the UK, selection was strong within both the large cap, and niche segments during the month. Amongst the large cap segment, the exposure to industrial REIT Segro (up 3.1%) contributed yet again, as the REIT continues to benefit from the shift in demand for urban warehouses as online retail growth remains high. Meanwhile, its Continental European business is being supported by the recovery in confidence. The exposure to student accommodation property stock Unite Group (up 3.3%) was the top contributor amongst the niche operators. Unite's first half of 2017 result, announced late July, was strong with, another record in occupancy levels, guidance for 3.0-3.5% rental growth reiterated, a development pipeline really accelerating in the current year, improved stability of income, and stable yields.

Within Europe ex UK, selection was positive in Switzerland, however this was offset by negative selection within diversified, retail and office segments. The exposure to Irish REIT, Green REIT (-2.3%) was a leading detractor as it took a breather following strong performance. Elsewhere, the overweight position to French Retail REIT, Klepierre (-1.5%) also had a negative impact as it underperformed shopping centre peers on the month.

Australia Performance Review

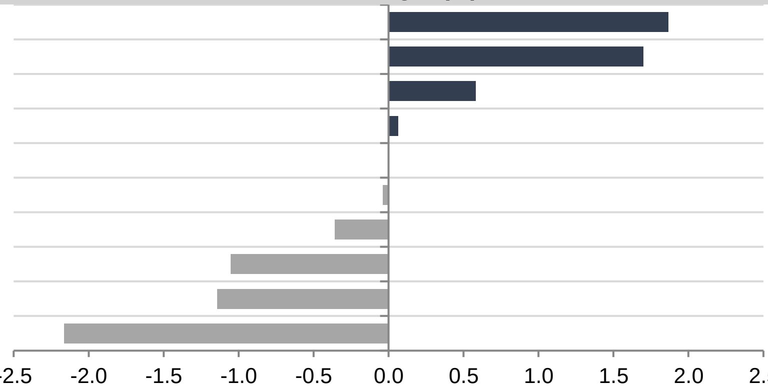
The Australia portion of the Fund returned 1.6%, outperforming the local benchmark return of 0.6% (in local currency terms).

Positive selection within the focused rental segment was the major contributor on the month, namely the overweight position to outperforming GPT Group (up 4.4%). At their first half 2017 result, GPT management upgraded their earnings forecast from 2.0% to 3.0% growth on 2016, whilst their 2017 distribution guidance remains at 5%. Operational performance was also strong, led by office, although the retail and logistics both generated solid growth of 3.8%.

Sector Asset Allocation

Sector	Fund (%)	Bench (%)
Office	19.51	17.64
Specialty	2.00	0.30
Industrial	7.35	6.77
Health Care	7.81	7.74
Hotels and Resorts	4.46	4.47
Retail	21.31	21.35
Residential	19.37	19.73
Other	0.87	1.93
Storage	2.40	3.54
Diversified	14.37	16.53
Cash	0.55	0.00

Active Weight (%)



Global Market Outlook & Fund Strategy

The recovery of the world economy is now in its ninth year. In many places this recovery is still slow-moving, however, central banks continue to be accommodating and, for the first time in years, the investment manager anticipates a simultaneous pickup in both the emerging and advanced economies. All in all, the investment manager expects moderate growth, with low inflation and low interest rates. Equity markets, in particular, favour such an environment.

Against this backdrop, there are several factors that contribute to the investment manager's optimistic outlook for the asset class. First, initial yields on property relative to 10-year sovereign bond yields are higher than the longer term average and provides a shock absorber in the event interest rates rise abruptly. Second, supply remains subdued providing limited downside to rental rates. And lastly, the risk of a recession across markets may also be low. Combined, the investment manager expects stable fundamentals.

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Global Market Outlook & Fund Strategy (continued)

Global dividend yields are well covered overall and currently stand at roughly 3.5%. The investment manager expects dividend growth to remain positive in 2017 due to strong cash flow growth and low payouts. The investment manager agrees that higher interest rates poses the most immediate risk to the global real estate market, however the investment manager currently believes the market has already largely priced this factor into share prices. Furthermore, since the Federal Reserve has officially entered a tightening phase, the investment manager expects global real estate performance to be increasingly dictated by underlying fundamentals instead of uncertainty around future monetary policy and swinging Treasury yields. Globally listed real estate is trading attractively relative to historical valuations when measured against net asset value (NAV), broader equities and fixed income alternatives. 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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