



# Ironbark Global Property Securities Fund

## Monthly Investment Report as at 30 April 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<sup>1</sup>

### Distribution Frequency

Quarterly

### Minimum Investment

\$20,000

### Fund Size

\$44.6m

### Exit Price

\$0.8215

### Number of Stocks

108

### Global Market Review

Global property stocks closed higher with the FTSE EPRA/NAREIT Developed Index returning 2.9%, outperforming the broader equity market (as measured by the MSCI World which returned 1.9%). Most major markets closed positive, in a month where investors balanced geopolitical tensions, higher rates, mixed economic data and a relatively strong start to earnings. In early April, geopolitical uncertainty weighed on markets, including political turmoil surrounding President Donald Trump, potential military activity in Syria and trade tensions between the US and China. However, those fears soon faded and focus increasingly turned to earnings season in the US where the first quarter earnings trend remains solid. Elsewhere, investors had a lot to digest with mixed market data and the 10 Year Treasury yield breaking through 3%, before settling at 2.95%. The Federal Reserve reflected that trade concerns cast a shadow over an otherwise solid outlook for the economy. The European Central Bank revealed a dovish slant in the account of its March meeting, whilst investors expect a Bank of England interest rate hike next month.

On the property front, the asset class outperformed despite the sell-off in bonds and US Treasury yields briefly breaking through the 3% level for the first time since 2014. Japan (up 5.5%) led the way, as both fundamentals and the external climate were supportive on the month. The United Kingdom (up 5.0%) was next, as property stocks followed their local equity counterparts higher. Continental Europe (up 4.4%) outperformed, with gains led by the Nordics and the higher quality mall segment. Australia (up 4.5%) also had a strong month, as industrial outperformed retail and office. Asia ex-Japan added 4.0%, with the Hong Kong landlords the standout, as they were boosted by the retail sales recovery. Americas (up 1.2%) was the laggard on the month, with retail the main drag. Industrial (up 4.9%) was the top performer, buoyed by merger & acquisition activity and strong fundamentals whilst the relatively cyclical hotels (up 4.0%) segment also outperformed.

### Fund Performance Review

The Ironbark Global Property Securities Fund (the 'Fund') returned 3.06% (net) for April, outperforming the benchmark's return of 2.87% by 0.19%.

Overall, regional allocation and stock selection both contributed. From a regional allocation perspective, the overweight position to outperforming United Kingdom had a positive impact, along with the underweight position to underperforming Americas and overweight to outperforming Asia ex-Japan. On the flipside, the exposure to Continental Europe had a minor negative impact. Meanwhile, selection was particularly strong in the Americas. Australia, Asia ex-Japan and Japan also contributed, whilst Continental Europe had a negative impact.

### Performance

	Net Fund Return (%)	Benchmark <sup>1</sup> Return (%)	Active Return (%)
1 month	3.06	2.87	0.19
3 months	-0.64	-1.28	0.64
1 year	5.06	3.05	2.01
3 years (p.a.)	4.00	3.72	0.28
5 years (p.a.)	6.87	6.74	0.13
7 years (p.a.)	8.91	9.33	-0.42
10 years (p.a.)	4.42	5.58	-1.16
Since inception <sup>2</sup> (p.a.)	7.02	7.46	-0.44

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.

<sup>1</sup> 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.

<sup>2</sup> This figure represents the annualised performance of the Fund from the first full month of operation.

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### Americas Performance Review

The Americas portion of the Fund returned 1.6%, outperforming the local benchmark return of 1.2% (in local currency terms).

For April, bucket allocation had a positive impact, driven largely by the overweight to the industrial segment which performed well on the back of merger and acquisition activity and a solid earnings season. The underweight positions to retail and health care also contributed. At the stock level, selection was particularly strong amongst the specialty, industrial, self-storage, and data centre segments. A notable holding was the overweight position to DCT Industrial Trust (up 16.4%) which surged after Prologis announced it was acquiring DCT in an all-stock deal valued at approximately \$8 billion (in US dollar 'USD' terms). DCT's portfolio is high quality and its assets are located in strong industrial markets (55% of the portfolio located in north and south California, Chicago, Atlanta, and Houston). In the investment manager's view, they expect a smooth integration given the significant overlap to Prologis' existing US asset base. On the flipside, the largest detractor was the Americas Communications segment, as the Tower REITs slipped on speculation of consolidation in the wireless carrier industry in the US.

### Europe Performance Review

The UK portion of the Fund returned 5.0%, performing in-line with the local benchmark return (in local currency terms), whilst the Europe ex-UK portion of the Fund returned 3.8%, underperforming the local benchmark return of 4.4% (in local currency terms).

In the UK, selection was particularly strong within the large cap segment. The overweight position to outperforming industrial REIT, Segro (up 7.5%) was a standout as its first quarter trading update confirmed further strong tenant and investment demand. The underweight position to mall REIT, Intu Properties (-2.2%) also contributed. Intu struggled amid a lack of visible catalysts following the termination of the offer period for Hammerson's proposed acquisition of Intu the prior month. On the flipside, selection within the niche segment had a minor negative impact, driven largely by the exposure to PRS REIT (up 1.0%) which failed to keep pace with listed UK real estate peers on the month.

In Continental Europe, bucket allocation and stock selection had a negative impact on the month. At the bucket level, the bias toward office over retail detracted, along with the overweight to the diversified segment. Selection was particularly weak within the office segment, namely the overweight to Paris CBD focused Gecina (up 1.8%) and underweight to Italian office stock, Beni Stabili (up 16.1%). Beni Stabili surged after reports Fonciere des Regions was in talks to buy the part of Beni Stabili it does not already own. French diversified real estate company Fonciere des Regions holds approximately 52.4% of the Italian investment trust.

### Australia Performance Review

The Australia portion of the Fund returned 5.0%, outperforming the local benchmark return of 4.5% (in local currency terms).

In Australia, selection was positive within the rent and growth buckets. Amongst the growth property stocks, the underweight position to underperforming Stockland (up 2.7%) was the top relative performer on the month. Meanwhile, within the rent segment, the overweight to outperforming retail REIT, Scentre Group (up 5.2%) also had a positive impact. Most REITs reported quarterly results, and the momentum in retail sales was universally positive (3 million versus 12 million) albeit from a low base

### Top Active Positions<sup>1</sup>

Largest overweight stocks					Largest underweight stocks				
Stock	Country	Fund %	Index %	Active Weight %	Stock	Country	Fund %	Index %	Active Weight %
Camden Property Trust	US	2.02	0.54	1.48	Public Storage	US	0.00	2.07	-2.07
Mitsubishi Estate	JPN	2.95	1.50	1.45	Sun Hung Kai Properties	HK	0.00	1.60	-1.60
CubeSmart	US	1.75	0.37	1.38	AvalonBay Communities	US	0.00	1.56	-1.56
Alexandria Real Estate	US	2.24	0.87	1.37	Digital Realty Trust	US	0.00	1.50	-1.50
Douglas Emmett	US	1.76	0.41	1.35	Ventas	US	0.00	1.27	-1.27

### Regional Asset Allocation

Region	Fund %	Index %	Active Weight %
Asia ex-Japan	12.06	11.29	0.77
United Kingdom	6.20	5.46	0.74
Japan	11.35	11.18	0.17
Europe ex-UK	13.18	13.41	-0.23
Australia	5.40	5.74	-0.34
Americas	51.19	52.92	-1.73
Cash	0.62	0.00	0.62

### Number of Stocks

Region	Fund	Index
Asia ex-Japan	15	26
United Kingdom	11	38
Japan	15	39
Europe ex-UK	14	66
Australia	8	14
Americas	45	148
<b>Total</b>	<b>108</b>	<b>331</b>

<sup>1</sup>Regional and Country allocation is based on country of listing.

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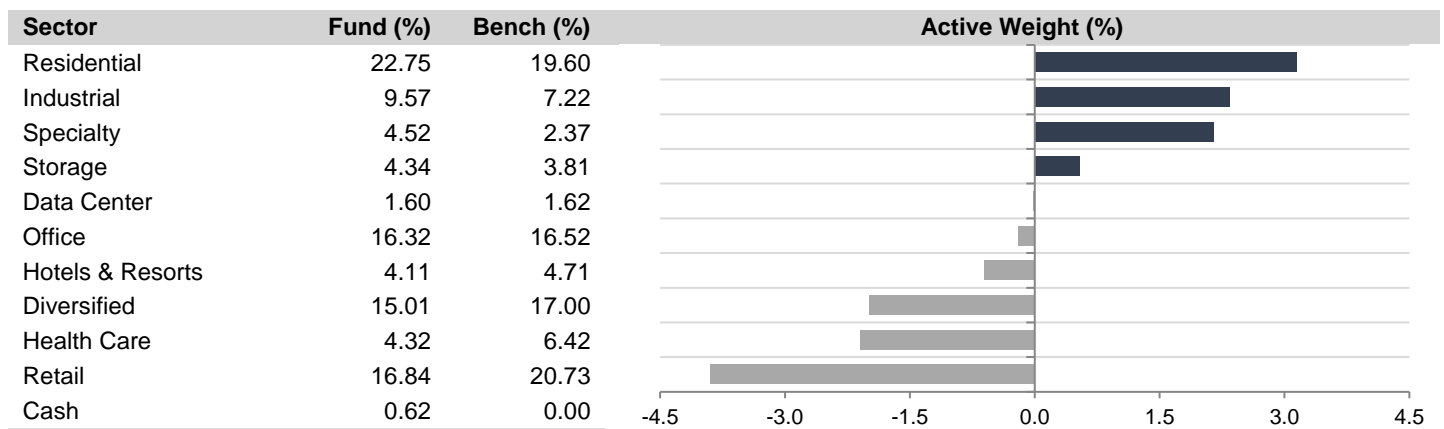
### Asia Performance Review

The Asia ex-Japan portion of the Fund returned 4.0%, marginally outperforming the local benchmark (in local currency terms), while the Japan portion of the Fund returned 5.6%, outperforming the local benchmark of 5.5% (in local currency terms).

In Asia ex-Japan, selection was strong amongst the Hong Kong landlords, largely due to the overweight position to outperforming retail landlord Wharf Real Estate Investment (up 17.5%). Wharf surged as the retail sales recovery in Hong Kong accelerated. Wharf has high exposure (approximately 64% of gross asset value) to the Hong Kong high-end retail segment. Elsewhere, selection within the Singapore REITs also contributed, however this was offset by weak selection within the Singapore developers.

In Japan, the bias toward the developers over the REITs was a modest contributor on the month. Meanwhile, selection was mixed. Amongst the REITs, the overweight to Global One Real Estate Investment (up 6.9%) was a standout along with the overweight to large cap developer, Mitsubishi Estate (up 11.3%) which caught a bid following recent underperformance. On the flipside, the exposure to REIT Premier Investment Corporation (-2.0%) and developer, NTT Urban (-0.7%) detracted.

### Sector Asset Allocation



### Global Market Outlook & Fund Strategy

On the macro front, 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.

On the property front, supply remains subdued providing limited downside to rental rates. In place, rents in most sectors and regions are below market, providing highly visible cash flow growth. Meanwhile, private real estate pricing should be stable as a sizable backlog of allocated capital remains to be invested. US values have plateaued 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.

### Important Information

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