Ironbark Global Property Securities Fund

Monthly Investment Report as at 31 October 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[1]

Distribution Frequency

Quarterly

Minimum Investment

$20,000

Fund Size

$46.6m

Exit Price

$0.8007

Number of Stocks

114

Global Market Review

Global property stocks were steady in October, with the FTSE EPRA/NAREIT Developed Index returning 0.18% (in local currency terms). Broadly speaking, risk assets were given a boost from a solid Global purchasing managers index ('PMI') reading coupled with healthy corporate earnings. Against this backdrop, defensives generally underperformed, with property stocks no exception as they lagged the broader equity market which returned 2.5% (as measured by the MSCI World).

Most major equity markets posted healthy gains in October. The gains were widespread with Japan leading the way supported by a weakening Yen. US stocks capped their best month since February amid robust corporate earnings season and fresh data showing the US economy on a firm footing. Stocks in Europe also ended the month positive, as the economic backdrop continues to show signs of stabilisation. On the macro front, the US economy unexpectedly maintained a brisk pace of growth in the third quarter, with the first reading on third quarter gross domestic product ('GDP') figures up 3.0%, compared to the 2.5% rise that was expected. China's official factory gauge fell, though the country's economy continues to defy predictions of a sharper slowdown. The Euro-area's unemployment rate inched lower in September as the economy expanded for an 18th consecutive quarter, however consumer inflation unexpectedly slowed in October, complicating the European Central Bank's task as it considers tightening policy. Elsewhere, the US 10-year Treasury yield held near 2.37%, 4 basis points higher than when it ended September. The US dollar capped a second straight monthly advance against major peers, and oil logged its first back-to-back monthly gains of the year.

On the property front, Japan (up 2.3%) was the standout, due to strong performance from the developers which followed the local bourse higher. Australia (up 2.0%) followed, assisted in part by the fall in local bond yields during the month. Asia ex Japan (up 1.9%) was next, with the Singapore developers particularly strong. The Hong Kong and Singapore REITs also posted a healthy gain. Europe ex UK closed up 1.6%, with German Residential leading the way, along with retail which was buoyed by positive third quarter retailer sales figures from Unibail and Klepierre. The UK (-0.1%) was steady as gains from the niche operators was offset by negative returns from the large cap segment. The Americas closed down -1.1%, with retail and the relatively defensive health care segment weighing on performance.

Fund Performance Review

The Ironbark Global Property Securities Fund (the 'Fund') returned 0.35% (net) for the month, outperforming the benchmark's return of 0.18% by 0.17%.

Overall, sector allocation had a neutral impact, whilst stock selection contributed. From a regional allocation perspective, the underweight positions to the underperforming Americas had a minor positive impact. This was balanced by the exposure to Australia which had a minor negative impact. Meanwhile, selection was particularly strong in the Americas, Europe ex UK, UK, Asia ex Japan and Australia. This was partially balanced by negative selection in Japan.

Performance

	Net Fund Return (%)	Benchmark[1] Return (%)	Active Return (%)
1 month	0.35	0.18	0.17
3 months	0.31	0.34	-0.03
1 year	6.47	6.92	-0.45
3 years (p.a.)	6.48	6.84	-0.36
5 years (p.a.)	10.07	10.48	-0.41
7 years (p.a.)	10.40	11.11	-0.71
10 years (p.a.)	2.59	4.24	-1.65
Since inception[2] (p.a.)	7.09	7.69	-0.60

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] 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.

Contact Details

T: 1800 034 402 | **E:** client.services@ironbarkam.com | **W:** www.ironbarkam.com

Ironbark ASSET MANAGEMENT

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Americas Performance Review

The Americas portion of the Fund returned -0.8%, outperforming the local benchmark return of -1.1% (in local currency terms).

Bucket allocation had a minor positive impact. This was driven by the overweight position to data centres, which continues to benefit from strong secular growth. The underweight position to health care also had a positive impact, as the more defensive segments typically underperformed over the month. At the stock level, selection was particularly strong amongst the office stocks. This was partially offset by negative selection within the hotel segment. Amongst the office stocks, the overweight position to lab space-REIT, Alexandria Real Estate Equities (up 4.2%) was a standout. Lab space trends remain supportive. Leasing activity in the third quarter remained healthy with 10% cash rental rate increases (up 9.4% in the second quarter) on 448 thousand square feet of activity. Meanwhile, on the external front, the (re)development portfolio remains on track to fuel growth in funds from operations ('FFO') and net asset value ('NAV') over the next few years. On the flipside, the overweight position to hotel and resorts stocks, Extended Stay America Inc. (-1.1%) and Pebblebrook Hotel Trust (-1.3%) detracted.

Europe Performance Review

The UK portion of the Fund returned 0.8%, outperforming the local benchmark return of -0.1% (in local currency terms), whilst the Europe ex UK portion of the Fund returned 2.1%, outperforming the local benchmark return of 1.6% (in local currency terms).

Within the UK, selection was strong within both the large cap and niche segments during October. Amongst the large cap segment, the exposure to Segro PLC (up 1.3%) was the top contributor yet again, as the industrial 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. Elsewhere, the select London office exposure in the Fund also had a positive impact. Meanwhile, within the niche segment, the exposure to student accommodation property stock Unite Group (up 3.3%) contributed, as the positive momentum in the stock continued. The exposure to small cap Industrial REIT LondonMetric (up 6.1%) also had a positive impact, as the stock benefitted from positive structural tailwinds for the segment.

Within Europe ex UK, selection was positive amongst the Nordics, office and retail segments. Amongst the Nordic stocks, the overweight positions to Fabege AB (up 5.9%) was the standout. The Stockholm office specialist continues to deliver solid results, and notably 5 of the 10 largest office leases year-to-date in Stockholm have been signed by the company. Occupancy was stable at 94% and rents were renegotiated at a 27% average uplift. Retention rate was also high, at 86%. Elsewhere, the overweight position to Paris CBD focused office REIT, Gecina (up 1.5%) had a minor positive impact, as did the underweight position to Finland listed Retail REIT, Citycon Oyj which fell 5.8% on the month.

Top Active Positions

Largest overweight stocks

Stock	Country	Fund %	Index %	Active Weight %
Alexandria Real Estate	US	2.37	0.80	1.57
Camden Property	US	2.15	0.58	1.57
Extended Stay America	US	1.41	0.00	1.41
CoreSite Realty	US	1.35	0.00	1.35
Rexford Industrial Realty	US	1.45	0.15	1.31

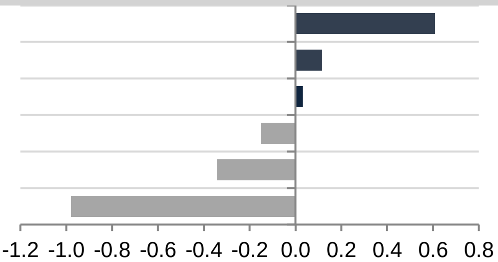
Largest underweight stocks

Stock	Country	Fund %	Index %	Active Weight %
AvalonBay	US	0.00	1.74	-1.74
Digital Realty	US	0.00	1.69	-1.69
Prologis	US	0.92	2.38	-1.46
Sun Hung Kai	HK	0.56	1.63	-1.06
Realty Income	US	0.00	1.02	-1.02

Regional Asset Allocation

Region	Fund %	Bench %
Asia ex Japan	11.47	10.86
United Kingdom	5.05	4.93
Europe ex UK	12.54	12.51
Australia	5.65	5.80
Japan	9.80	10.14
Americas	54.78	55.76
Cash	0.71	0.00

Active Weight %



Number of Stocks

Country	Fund	Index
Asia ex Japan	17	25
United Kingdom	13	37
Europe ex UK	16	67
Australia	8	14
Japan	15	40
Americas	45	148
Total	**114**	**331**

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Asia Performance Review

The Asia ex Japan portion of the Fund returned 2.3%, outperforming the local benchmark return of 1.9% (in local currency terms), while the Japan portion of the Fund returned 2.0%, underperforming the local benchmark of 2.3% (in local currency terms).

Within Asia ex Japan, selection was particularly strong amongst the Singapore developers, namely the overweight position to City Developments which jumped 14.2%. City Developments was buoyed by the residential recovery that is taking place in Singapore, whilst the share price also responded favourably to the company's announcement of a potential cash offer of for M&C's hospitality portfolio. Elsewhere, selection was also positive amongst the Hong Kong developers, however this was partially offset by negative selection within the Hong Kong landlords.

Within Japan, the bias toward the developers over the REITs had a minor positive impact. The developers followed local equity markets higher on the month, whilst REITs continued to suffer from outflows from local REIT investment trusts. Within the developers, the underweight position to outperforming Sumitomo Realty & Development (up 10.6%) was the main detractor from relative performance.

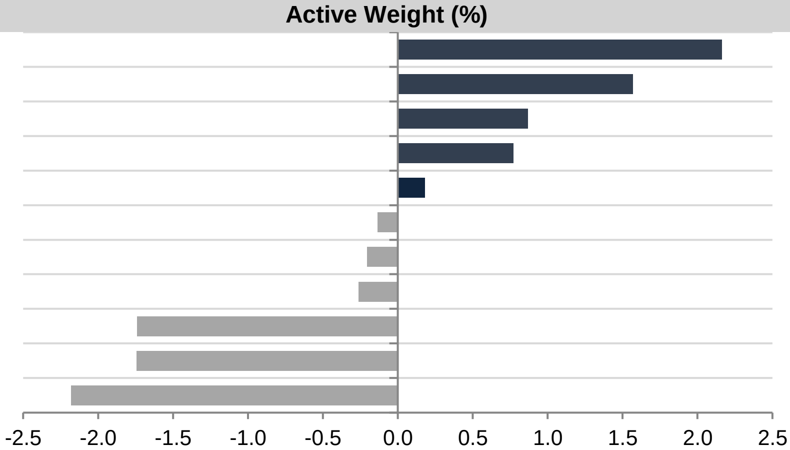
Australia Performance Review

The Australia portion of the Fund returned 3.2%, outperforming the local benchmark return of 2.0% (in local currency terms).

The overweight position to residential developer, Mirvac Group (up 5.2%) was a standout. Mirvac re-affirmed guidance (6-8% earnings per share growth and 6% dividend per share growth) at its quarterly trading update. On the flipside, the underweight position to counterpart Stockland (up 5.1%) had a minor negative impact. Stockland performed well on the back of a strong quarterly update, as financial year 2018 residential margin expectations were raised. Stockland now expects margins to be above 17% on the back of higher rates of Sydney settlements and broader market strength, which compares to prior commentary of approximately 17%.

Sector Asset Allocation

Sector	Fund (%)	Bench (%)
Specialty	2.56	0.40
Industrial	8.43	6.86
Data Center	2.75	1.88
Office	16.88	16.11
Storage	3.88	3.70
Retail	20.91	21.04
Residential	19.47	19.68
Hotels Resorts	4.46	4.72
Health Care	5.60	7.34
Other	0.00	1.74
Diversified	14.35	16.53
Cash	0.71	0.00



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.

Against this backdrop, there are several factors that contribute to the investment manager's optimistic outlook for the asset class. Firstly, 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. Secondly, supply remains subdued providing limited downside to rental rates. Lastly, the risk of a recession across markets may also be low. With these considerations combined, the investment manager expects stable fundamentals.

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Global Market Outlook & Fund Strategy (cont'd)

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. The investment manager believes growing cash flow growth coupled with increased external growth suggest listed real estate could deliver mid to high single digit returns over the next 12 months.

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