



Ironbark Paladin Property Securities Fund

Quarterly Investment Report as at 31 December 2018

Asset class

Property Securities

Investment objective

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

APIR code

PAL0002AU

ARSN

087 897 667

Fund inception date

28 February 1995

Benchmark

S&P/ASX 300 A-REIT Accumulation Index

Buy/Sell spread

+0.25%/-0.25%

Distribution frequency

Quarterly

Minimum investment

\$20,000

Fund size

\$304.0m

Exit price

\$0.9610

Number of stocks

27

Market review

The S&P/ASX 300 Property Accumulation Index returned -1.71% for the quarter, outperforming the broader equity market (as measured by the S&P/ASX 300 Index which returned -8.41%).

REITs proved resilient in the fourth quarter as investors sought defensive investments in a predominately risk-off environment. Recent moves down in Australian long bond rates also likely lent support, along with privatisations, buybacks and generally low equity issuance. Industrial and office REITs led the way over the quarter with fundamentals remaining strong, as evidenced by quarterly operating updates and December revaluations. GPT Group was a standout adding 4.9% after it announced a strong third quarter operational update which included an upgrade to guidance, along with approximately 0.15% of cap rate compression at December revaluations. Fund managers also outperformed, led by Charter Hall which added 5.9%. On the flipside, select retail companies lagged, along with residential. Diversified residential property group, Stockland (down 12.0%) fell sharply over the quarter as the housing sector continues to face headwinds, including slowing volumes, whilst the Royal Commission into the banking sector also impacted sentiment.

Performance review

The Ironbark Paladin Property Securities Fund (the 'Fund') returned -2.16% (net) for the December quarter, underperforming the benchmark's return of -1.71% by 0.45%.

For the December quarter, holdings that were major contributors to performance include the average overweight positions to outperforming GPT Group, Americold Realty Trust and the underweight to underperforming Stockland. The major detractors from performance were the average overweights to underperforming Unibail-Rodamco-Westfield, Tritax EuroBox and the underweight to outperforming Charter Hall Group.

Fund strategy

The Fund is selectively overweight to several retail companies. Whilst significant structural headwinds remain for the retail sub-sector, the investment manager believes this is factored into their current price. The investment manager is also attracted to the social infrastructure sub-sector, specifically, to the length and structure of the long leases within child care operators, and retain an overweight position. The Fund has a net neutral positioning to the diversified residential developer sub-sector, at a time when tightening credit availability and weaker demand from offshore buyers and property investors, weighs on both sales volumes and achievable prices. The Fund has also moved underweight to fund managers after significant outperformance over the past couple of years.

Performance

	Net fund return (%)	Benchmark return (%)	Active return (%)
1 month	0.89	1.73	-0.84
3 months	-2.16	-1.71	-0.45
1 year	3.60	3.27	0.33
3 years (p.a.)	8.32	7.55	0.77
5 years (p.a.)	12.66	12.53	0.13
7 years (p.a.)	14.33	14.44	-0.11
10 years (p.a.)	10.77	10.66	0.11
Since inception ¹ (p.a.)	7.79	8.17	-0.38

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.

¹This 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 Paladin Property Securities Fund

Quarterly Investment Report as at 31 December 2018

Key contributors over the quarter

Stock	Code	Stock return (%)	Average fund position	Attribution impact (%)	Explanation
GPT Group	GPT	4.89	12.22	0.36	Announced a strong third quarter operational update which included an upgrade to guidance and retail sales uplift. In addition, late in the quarter GPT Group announced December revaluations, resulting in approximately 0.15% of cap rate compression.
Stockland	SGP	-12.01	4.11	0.30	Residential headwinds continued, reflected in slowing volumes. The Royal Commission into the banking sector also impacted sentiment in the stock during the period. Retail operating metrics remain solid, however transactional market are thin.
Americold Realty Trust	COLD (US)	--	1.22	0.08	US Cold Storage REIT, Americold, announced a well-received third quarter result. Earnings were ahead of expectation on strong metrics, including 7.2% net operating income growth for the quarter.
Growthpoint Properties Australia	AOZ	-0.75	0.24	0.07	Fell in early October along with the broader market. In November, the company announced a \$135 million rights offer to acquire a Brisbane fringe office asset.
360 Capital Group Limited	TGP	--	1.06	0.06	Particularly strong in December, as the stock went ex-dividend.

Key detractors over the quarter

Stock	Code	Stock return (%)	Average fund position	Attribution impact (%)	Explanation
Unibail-Rodamco-Westfield	URW	-24.22	8.08	-0.24	Reported resilient sales, despite a challenging market and maintained 2018 guidance. However, cyclical and structural headwinds persist, whilst falls in broader markets and weakening European macro data likely also contributed to underperformance during the quarter.
Charter Hall Group	CHC	5.91	--	-0.22	Another busy quarter with further acquisitions and launch of Industrial fund. Announced a lower distribution payout ratio of 70-95% (from 85-95%) to "reinvest in growing the business" and reiterated guidance of 8-10% growth in the 2019 financial year.
Tritax EuroBox Plc	EBOX (UK)	--	1.49	-0.16	Announced further acquisitions during the quarter, however struggled late in the quarter amid broader market selloff.
Dexus	DXS	3.08	5.68	-0.15	Office cap rates continued to tighten with December 2018 revaluations showing 3.1% increase from June 2018 book value. Also, reaffirmed a 2019 financial year guidance of approximately 5% dividend-per-share growth.
Vicinity Centres	VCX	2.23	4.10	-0.12	Sold 11 assets at 5.1% discount to book. Active share buyback likely provided downside support.

Contact details

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



Ironbark Paladin Property Securities Fund

Quarterly Investment Report as at 31 December 2018

Market outlook

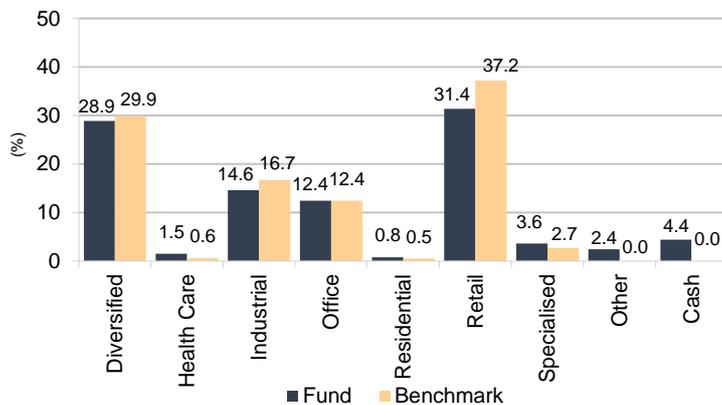
With record low interest rates, off-shore capital flows and an appetite from companies to grow, the investment manager believes asset values continue to be well supported, despite recent upward movement in the Australian long bond rates.

The investment manager's valuations do not incorporate additional merger activity, which if it were to occur, would drive asset values higher and management costs lower. The investment manager expects there is some risk of higher level of corporate activity in the next 1-2 years, as some of the stocks seek growth as the earnings growth tailwinds from lower debt costs in recent years start to slow. Fixed annual escalations embedded into lease terms provide A-REIT trust portfolios a defensive earnings profile.

Whilst macro drivers and sector preferences are a part of the Fund's positioning, the investment manager is mainly driven by stock level relative value and upside opportunities. The investment manager expects those REITs with active earnings, including residential development, funds management or asset management to have stronger than sector average earnings growth profiles despite the slowing underlying like-for-like rental growth. However, as the top of the pricing cycle in residential market and other property segments approaches, the investment manager is being selective within this group. Defensive REITs (pure trusts) will show below sector average earnings growth, however remain well supported until a pick-up in underlying commercial rent growth drivers is observed in Australia.

Portfolio summary

Asset allocation



Top 5 holdings

Security name	Fund (%)	Benchmark (%)
Scentre Group	20.27	18.91
Goodman Group	12.32	15.52
GPT Group	12.27	8.73
Mirvac Group	10.65	7.56
Unibail-Rodamco Westfield	7.14	4.17
Cash	4.35	0.00
Other	33.00	45.11
Total	100.00	100.00

Important information

Issued by Ironbark Asset Management Pty Limited ABN 53 136 679 420 AFSL 341020 ("Ironbark"). This document is not an offer of securities or financial products, nor is it financial product advice. As this document has been prepared without taking account of any investors' particular objectives, financial situation and needs, you should consider its appropriateness having regard to your objectives, financial situation and needs. The Ironbark Paladin Property Securities Fund is issued by Ironbark Asset Management (Fund Services) Limited ABN 63 116 232 154 AFSL 298626. To acquire units in the Fund, complete the application form that accompanies the current PDS, which you can obtain from www.ironbarkam.com or by calling client services on 1800 034 402. You should consider the PDS in deciding to acquire or to continue to hold units in the Fund. Although specific information has been prepared from sources believed to be reliable, we offer no guarantees as to its accuracy or completeness. The information stated, opinions expressed and estimates given constitute best judgement at the time of publication and are subject to change without notice to you. Consequently, although this document is provided in good faith, it is not intended to create any legal liability on the part of Ironbark or any other entity and does not vary the terms of a relevant disclosure statement. This document may contain forecasts or forward looking statements which are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, events, performance or achievements of the Fund to be materially different from those expressed or implied in such statements. Past performance is not an indicator of future results. All dollars are Australian dollars unless otherwise specified.

Contact details

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

