



Ironbark Paladin 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

PAL0002AU

ARSN

087 897 667

Fund Inception Date

28 February 1995

Benchmark

S&P/ASX 300 A-REIT Accumulation Index

Distribution Frequency

Quarterly

Minimum Investment

\$20,000

Fund Size

\$312.1m

Exit Price

\$0.9816

Number of Stocks

24

Market Review

The S&P/ASX 300 Property Accumulation Index returned 0.95% for the month, underperforming the broader equity market (as measured by the S&P/ASX 300 Accumulation Index which returned 1.31%).

During the month the investment manager noted the Scentre Group's acquisition of a 50% stake in Westfield Eastgardens for \$720 million on a 4.25% cap rate from Towers Terrace Group. The centre has potential for an expansion of retail space and mixed use development, and sits adjacent to a 2,900 apartment Meriton development. This is Scentre Group's first major acquisition since 2012.

Moving into the August reporting season, some groups announced further asset revaluations for the second half of financial year 2018. GPT Group's revaluation saw its net tangible asset ('NTA') backing rise 5%. Vicinity Group's gain was more modest at around 0.9%. So far, it is the office portfolios which have provided the most significant uplift for REIT portfolio valuations.

The explanatory memorandum for Blackstone's cash bid for Investa Office Fund was finally released. The investment manager notes that the independent expert determined that Blackstone's \$5.15 per unit cash offer was "not fair, but reasonable". The independent board of Invest Office Fund has unanimously recommended the offer despite it being 6.0% below the recently revised NTA value per share following revaluations of the assets.

Performance Review

The Ironbark Paladin Property Securities Fund (the 'Fund') returned 0.58% (net) in July, underperforming the benchmark return of 0.95% by 0.37%.

During the month, holdings that were major contributors to performance include the average overweight positions to outperforming Mirvac Group, Arena REIT and Tritax EuroBox. The major detractors from performance were average overweight positions to underperforming Scentre Group, Investa Office Fund and the underweight position to outperforming Stockland.

Performance

	Net Fund Return (%)	Benchmark Return (%)	Active Return (%)
1 month	0.58	0.95	-0.37
3 months	5.94	6.32	-0.38
1 year	16.75	14.45	2.30
3 years (p.a.)	9.23	8.33	0.90
5 years (p.a.)	12.68	12.56	0.12
7 years (p.a.)	14.82	14.86	-0.04
10 years (p.a.)	7.17	6.71	0.46
Since inception (p.a.) ¹	8.00	8.36	-0.36

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

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Market Outlook

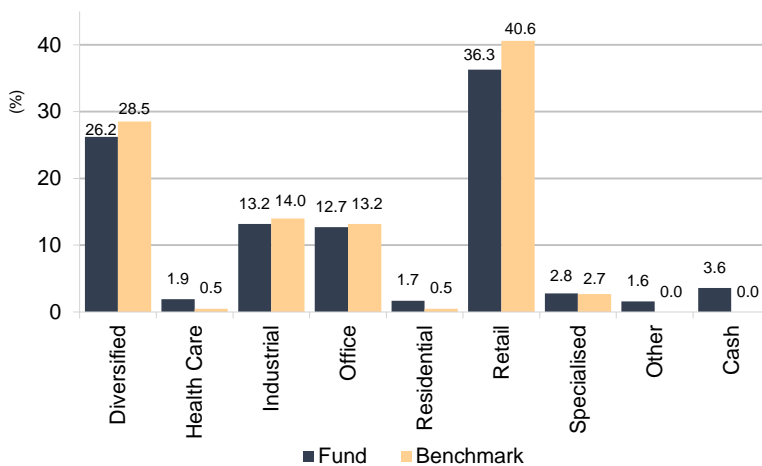
With record low interest rates, off-shore capital flows and an appetite from companies to grow, the investment manager believes asset values continue to be well supported, despite recent upward movement in the Australian long bond rates.

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 to 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 AREIT 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 approaches in conjunction with other property segments, 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 in Australia is seen.

Portfolio Summary

Asset Allocation



Top 5 Holdings

Security Name	Fund (%)	Benchmark (%)
Scentre Group	21.47	19.11
GPT Group	11.55	7.82
Goodman Group	10.74	13.03
Mirvac Group	10.33	7.13
Unibail-Rodamco-Westfield	6.90	8.85
Cash	3.57	0.00
Other	35.44	44.06
Total	100.00	100.00

Important information

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