Ironbark Paladin 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

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

$294.8m

Exit Price

$0.9389

Number of Stocks

23

Market Review

In Australia, the retail environment and outlook remains a key investment debate. March quarterly updates from companies confirmed an improving rate of change in specialty retail sales growth, however the investment manager notes that the next quarter will be incrementally more difficult, as the annual comparable period becomes more challenging for retailer's sales. The investment manager remains cautious on the retail landlords, particularly at the current time as department store retailer, Myer, has recently brought in a restructuring and insolvency administrator to negotiate with landlords on its leases. Myer has said it would meet landlords to negotiate rent rates and lease tenure for its 63 stores on a "whole portfolio basis" and has not ruled out more store closures. The investment manager expects this may weigh on rental growth in the malls, particularly if there is broader store closure plans or a bankruptcy.

In terms of performance, the strongest sub-sector for the month was fund managers (up 6.7%), predominantly driven by the performance of Goodman Group (up 7.6%). The retail sub-sector also outperformed in April, however this was driven by the stronger relative performances of Westfield (up 8.0% total return) and Scentre Group (up 5.2%). Most other companies within the sub-sector underperformed. The weakest performing sub-sector for the month was the office landlords, dragged (relatively) lower by Dexus (up 1.8%) and Investa Office Fund (up 1.9%).

Performance Review

The Ironbark Paladin Property Securities Fund (the 'Fund') returned 4.44% (net) in April, outperforming the benchmark return of 4.28% by 0.16%.

Holdings that were major contributors to performance included the average underweight positions to underperforming Dexus, Vicinity Centres and Stockland. The key detractor from performance was the average overweight position to underperforming GPT Group, Ingenia Communities Group and VICI Properties.

The investment manager is attracted to the funds management sector where there remains good transparency of earnings in the current environment. The investment manager is also attracted to the social infrastructure sub-sector and in particular, attracted to the length and structure of the long leases within childcare operators. The Fund will retain an overweight position within this sub-sector. The Fund also retains a net overweight to the retail sub-sector, however selectively has exposure, with the preferred companies GPT, Scentre and Westfield Group. The investment manager retains a net underweight to the diversified residential developer sub-sector, with Mirvac being the preferred exposure.

Performance

	Net Fund Return (%)	Benchmark Return (%)	Active Return (%)
1 month	4.44	4.28	0.16
3 months	1.79	1.10	0.69
1 year	3.95	1.60	2.35
3 years (p.a.)	8.51	7.62	0.89
5 years (p.a.)	10.00	9.99	0.01
7 years (p.a.)	12.69	12.66	0.03
10 years (p.a.)	3.78	3.30	0.48
Since inception (p.a.)	7.82	8.17	-0.35

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.
[1]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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Market Outlook

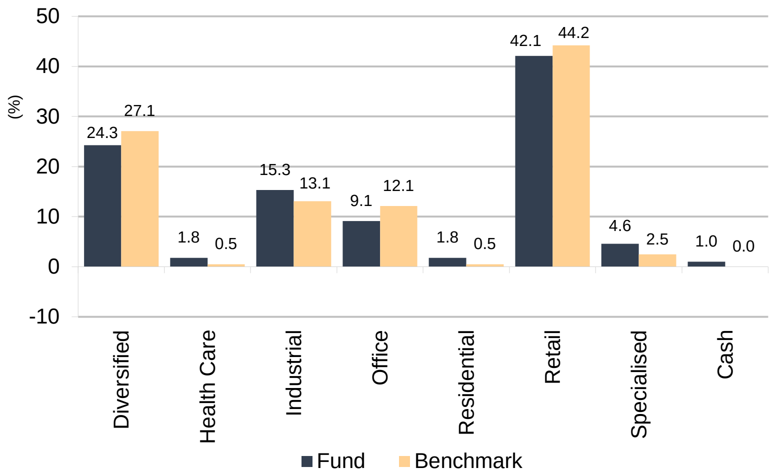
In Australia, the investment manager is forecasting a 9.0% total return over the next 12 months. With record low interest rates, off-shore capital flows and an appetite from companies to grow, the investment manager believes asset values continue to be well supported, despite recent upward movement in 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	21.27	17.91
Westfield Corporation	15.12	14.68
Goodman Group	13.60	12.13
GPT Group	11.06	7.25
Mirvac Group	10.31	6.93
Cash	1.02	0.00
Other	27.62	41.10
Total	**100.00**	**100.00**

Important information

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