

# RREEF PALADIN PROPERTY SECURITIES FUND

February 2010 Monthly Report

RREEF Alternative Investments

Real Estate

Infrastructure

Private Equity

The Fund returned 1.74% gross (1.68% net) for the month, outperforming the benchmark by 0.32% gross (0.26% net)

## Market review

The S&P/ASX 300 Property Accumulation Index returned 1.42% over the month, underperforming the broader share market by 0.40% (as measured by the All Ordinaries Accumulation Index). REITs finished the month higher, as the mildly positive lead from the earnings season in Australia offset concerns abroad (namely events in Greece). The RBA surprised the market in early February, keeping the cash rate unchanged, citing difficult credit conditions for small business and that financial intermediaries had already raised rates above the cash target. Macroeconomic data for February was mixed, with continued strength in the labour market offset by weaker than expected retail sales data.

The top performers for the month included Charter Hall (11.2%), Stockland (8.9%) and Abacus (7.7%). Charter Hall finished sharply higher after announcing the acquisition of the majority of Macquarie's real estate management platform (for \$108m) and units in the funds (\$189m;

Performance as at 28 February 2010

	RREEF Paladin Property Securities Fund Gross Performance (%)	RREEF Paladin Property Securities Fund Net Performance (%)	S&P/ASX 300 GICS Property Accumulation Index %**
1 month	1.74	1.68	1.42
3 months	2.05	1.86	1.74
6 months	3.93	3.55	2.87
Financial year to date	24.54	23.92	22.27
1 year	44.29	43.22	42.60
3 years p.a.	-24.97	-25.53	-24.31
5 years p.a.	-7.07	-7.76	-7.44
10 years p.a.	3.96	3.19	3.55
Since commencement of Fund* p.a.	6.72	5.93	6.44
Exit price	0.5332		
Fund size	\$285.3million		
No. of stocks	22		

Past performance is not an indicator of future results

\*This figure represents the annualised performance of the Fund from the first full month of operation. Performance inception date: 28 February 1995.

Gross performance figures are calculated using exit prices, pre-fees and reflect the annual reinvestment of distribution. 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.

\*\* The Fund's benchmark is the S&P/ASX300 GICS Property Accumulation Index. In line with the revisions to the ASX Index series, the S&P/ASX 300 GICS Property Accumulation Index was adopted as the Fund's new performance benchmark on 1 July 2002. Benchmark calculations prior to this date are based on the S&P/ASX 300 Property Accumulation Index and the ASX Listed Property Trust Accumulation Index.

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## Performance review

The Fund returned 1.74% gross (1.68% net) for the month, outperforming the benchmark by 0.32% gross (0.26% net). Holdings that contributed to performance were overweight positions to Charter Hall and Stockland and an underweight to Westfield. Detractors included an underweight position to Mirvac Group and overweight positions to Macquarie Office Trust and Ardent Leisure Group.

## Fund strategy

The Fund has increased its weight to the Retail sector, led by the increased weighting to Westfield which appears attractive from a valuation perspective following recent underperformance. The overweight to Industrial was increased through the increased weighting to Goodman Group. The Fund maintained its overweight to Office and moved from an overweight to neutral position in Diversified.

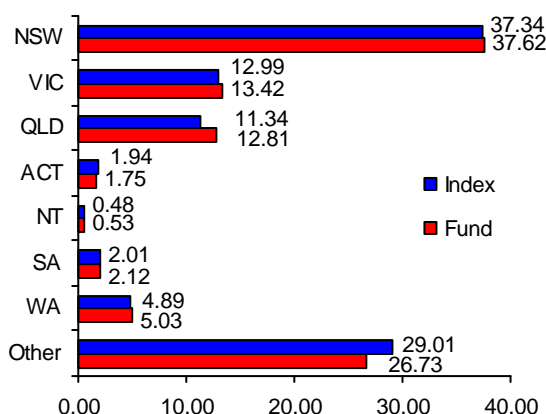
The Fund has maintained a more neutral position in terms of sector exposure, preferring to play relative value within sectors. The bias towards names with an attractive earnings profile remains, including those with leverage to the cycle.

## Portfolio summary as at 28 February 2010

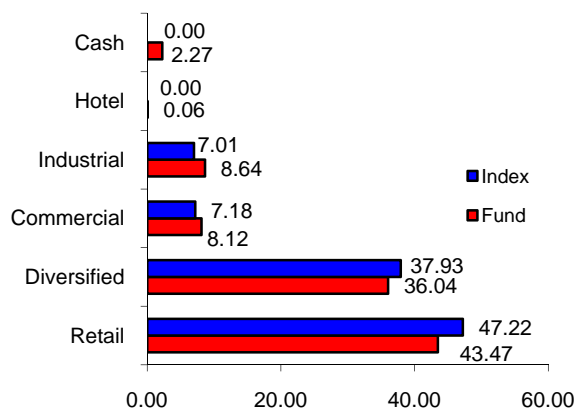
Key Investments	Portfolio (%)	Index (%)
Westfield Group	35.25	38.60
Stockland	15.71	14.67
CFS Retail Property Trust	7.89	5.90
Goodman Group	7.72	5.39
GPT Group	7.41	7.46
Cash	2.27	0.00
Other	23.76	27.98
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

## Diversification of the Fund

### Geographical diversification - Underlying assets (excluding cash)

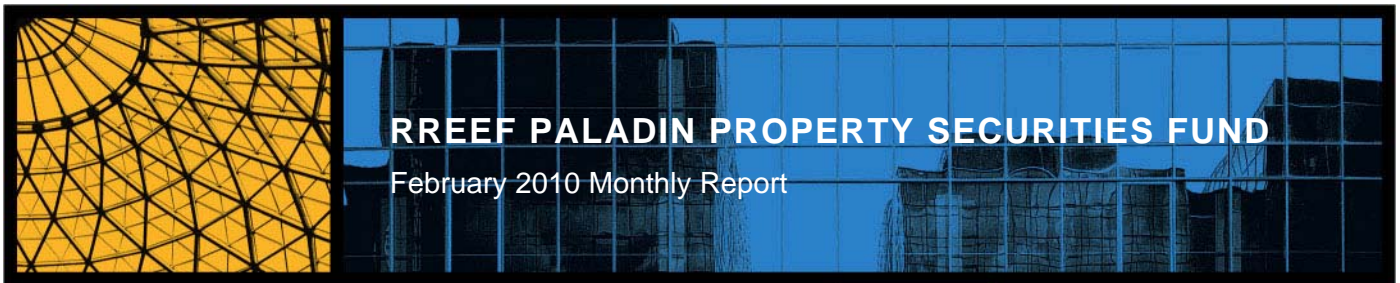


### Sector diversification



## Market outlook

During reporting season, results for the main part were in line to slightly ahead of expectations and while positive signs of stabilisation emerged, most REITs remain cautious in their outlook. Asset values appear to have stabilised across most classes, with the re-commencement of asset sales in the half (and prices paid) helping to support this trend. In line with the improvement in capital availability and stabilising operating conditions a number of REITs announced they are recommencing development, likely to be a focus moving forward.



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## Market outlook (continued)

The relative strength of the domestic economy was again highlighted with REITs reporting healthy domestic operating income and retail sales growth for the half, while offshore operating performance remained weak. Concerns over the prospects for global growth have been magnified following recent events in Greece, however management was largely consistent in stating they expect operating income for offshore assets to stabilise this year.

The focus for debt has moved from quantum and refinancing hurdles to marginal cost. Debt margins

continue to compress with three year funding at approximately 220 basis points, as compared to 300-400 basis points 12 months ago. Earnings growth is expected to remain modest in the near term, given the wash through of new lower effective rents into 2H10 and 1H11 and the re-setting of existing low interest rate contracts to take account of higher margins. Despite this, 2011 earnings should see a material improvement (especially for those REITs with operational leverage).

### Monthly video commentary

Monthly video commentary for the RREEF Paladin Property Securities Fund is also available via the Ironbark Asset Management website. Visit [www.ironbarkam.com](http://www.ironbarkam.com) and click on the link in the 'Videos' section on the home page.

### Contact details

To discuss any information in this report please call Ironbark Asset Management:

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Alternatively, visit the Ironbark Asset Management website at [www.ironbarkam.com](http://www.ironbarkam.com) or email us at [client.services@ironbarkam.com](mailto:client.services@ironbarkam.com)

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