

# RREEF PALADIN PROPERTY SECURITIES FUND

December 2009 Quarterly Report

RREEF Alternative Investments

Real Estate

Infrastructure

Private Equity

The Fund returned -4.38% gross (-4.56% net) for the quarter, outperforming the benchmark by 0.61% gross (0.43% net)

## Market review

The S&P/ASX 300 GICS Property Accumulation Index returned -4.99% over the quarter, underperforming the All Ordinaries Accumulation Index by 8.70%.

REITs started the quarter on a weak note as rising risk aversion (prompted by a request to delay interest payments by the government owned Dubai World conglomerate), the prospect of further rate rises, and the announcement of an A\$700m capital raising by ING Industrial all weighed on the market. However, the sector retraced some of these losses through November and December, rallying into the close on the back of broader equity market strength and dividend buying into the 23rd December ex date. The top performers for the quarter were Ardent Leisure Group (23.1%), ING Office Fund (16.1%) and Charter Hall Group (13.7%). Ardent Leisure rallied into quarter end after gaining inclusion into the S&P/ASX 200 Property Index. Charter Hall performed well after announcing both major asset sales and third quarter asset revaluations, and has benefited from the improved outlook and increasing appetite for domestic real estate Performance as at 31 December 2009

markets. Of the large caps, Dexus (3.7%) was the standout, performing well due to its high quality domestic office exposure, and after announcing the sale of its 50% stake in Westfield Whitford City shopping centre. Stockland (-0.5%) and Goodman Group (-2.1%) also outperformed during the December quarter, while GPT Group (-10.2%) and Westfield (-9.8%) both underperformed. Westfield came under pressure early in the quarter due to concerns over currency and the visibility of its medium term development pipeline and disappointing US consumer confidence figures, which all weighed on the stock's performance.

Office (9.2%) was the standout sector for the quarter, led by ING Office Fund, Macquarie Office Trust and Commonwealth Property Office Fund all of which benefited from improved sentiment towards the domestic office sector. Diversified (-3.0%) and Industrial (-4.3%) marginally outperformed while Retail (-8.8%) underperformed the S&P/ASX 300 GICS Property Accumulation Index.

	RREEF Paladin Property Securities Fund Gross Performance (%)	RREEF Paladin Property Securities Fund Net Performance (%)	S&P/ASX 300 GICS Property Accumulation Index %**
1 month	3.68	3.62	3.40
3 months	-4.38	-4.56	-4.99
6 months	26.53	26.05	24.26
Financial year to date	26.53	26.05	24.26
1 year	12.98	12.14	9.56
3 years p.a.	-24.17	-24.73	-23.44
5 years p.a.	-7.17	-7.86	-7.48
10 years p.a.	4.54	3.76	4.06
Since commencement of Fund* p.a.	6.91	6.11	6.63
Exit price	0.5424		
Fund size	\$276.5 million		
No. of stocks	21		

Past performance is not an indicator of future results.

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.

\*This figure represents the annualised performance of the Fund from the first full month of operation.

\*\* 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 -4.38% gross (-4.56% net) for the December quarter, outperforming the Index by 0.61% gross (0.43% net). Holdings that contributed to performance included overweight positions to Ardent Leisure and Charter

Hall Group and an underweight position to Westfield Group. Detractors included underweight positions to ING Office Fund, Bunnings Warehouse Property and Dexus Property Group.

## Contributors/Detractors in the three months to 31 December 2009

Stock	ASX code	Index return %	Fund position	Attribution impact %	Explanation
Ardent Leisure	AAD	23.13%	O/W	0.18%	Capital management update well received; gained inclusion into the S&P/ ASX Property 200 Index.
Westfield Group	WDC	-9.78%	U/W	0.17%	Under pressure early in quarter due to: currency concerns, visibility of med term development pipeline and disappointing US consumer confidence figures.
Charter Hall Group	CHC	13.65%	O/W	0.16%	Performed well after announcing major asset sales and Q3 asset revaluations; benefited from improving outlook and increasing appetite for domestic property.
Macquarie Office Trust	MOF	6.78%	O/W	6.78%	Outperformed along with office peers; improved sentiment toward domestic office; stated in briefing that 'lead indicators point to medium term recovery'
ING Office Fund	IOF	16.13%	U/W	-0.35%	Outperformed along with office peers; benefited from improved sentiment towards domestic office.
Bunnings Warehouse Property Group	BWP	10.20%	U/W	-0.12%	Positive response to AGM commentary; focus on growth from existing properties, further acquisitions of Bunnings Warehouses & other similar assets; defensive positioning.
Dexus Property Group	DXS	3.77%	U/W	-0.08%	Confirmed FY10 guidance in quarterly update; high quality domestic office exposure helped support the stock.
Abacus	ABP	1.14%	U/W	-0.04%	Leveraged to recovering domestic real estate market; announced placement in December, proceeds to reduce debt and provide capacity for opportunities.

## Fund strategy

During the December quarter the Fund increased its exposure to the Office sector, led by the participation in the Commonwealth Property Office Fund capital raising in November. The overweight to the Industrial sector was lowered after the Fund cut its overweight to the ING Industrial Fund (due to concerns over conditions on one of its debt facility agreements). The Fund also moved further underweight the Retail sector, as the Fund lowered its exposure to Westfield Group.

The Fund has looked to rotate out, or reduce, the weight to select defensive positions which appear less attractive after a period of outperformance. Increasing support for domestic real estate markets, as evidenced by the recent rise in corporate and transaction activity and the positive trend in macro data

should help support those REITs with an attractive earnings profile. This includes those with leverage to the cycle including the industrial REITs and those with active business earnings.

## Market outlook

Commentary from REITs remains cautiously optimistic, supported by the positive trend in economic data, transaction activity and stabilizing operating conditions. Transaction activity continues to increase with over \$1 billion of property changing hands at the end of 2009, helping to support current valuations. Further opportunistic acquisitions are expected, as REITs using recapitalised balance sheets look to acquire attractively priced assets, however interest and competition for domestic assets is increasing. This was highlighted in December as foreign groups, including GIC and Growthpoint,

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## Market outlook (continued)

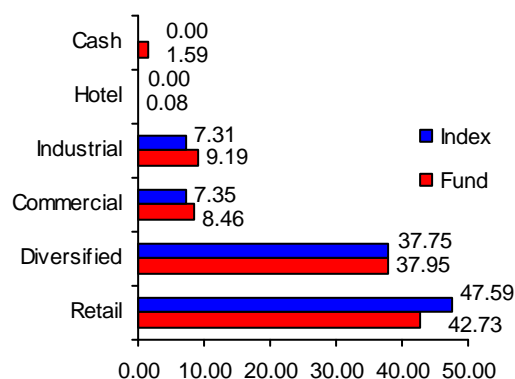
were particularly active. The leasing environment is expected to remain challenging throughout 2010, although the turn in lead indicators (business confidence, job ads) could see an improvement in underlying fundamentals take place earlier than expected. Higher costs of interest are expected to come through as debt facilities are rolled. This is likely to result in a trough in earnings in 2010, with 2011 to see a material improvement, especially for REITs with operational leverage. Public debt markets continue to be receptive to rolling existing debt (in the case of Centro who received agreement to extend its CMBS which was due to be repaid in December) or to new issuance (in the case of Stockland's recent 5 year unsecured MTN). This should help the more highly credit rated REITs in their negotiations with banks for debt facilities that can be replaced with public debt. Furthermore, just as the \$A helped balance sheets on the way up, some weakness in the \$A has helped longer dated earnings and in turn REIT valuations for several REITs with offshore exposure.

## Portfolio summary as at 31 December 2009

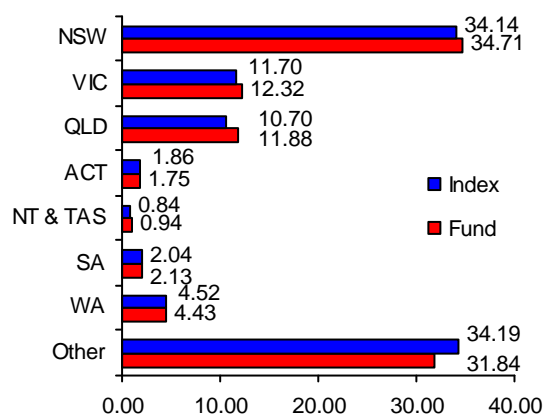
Key Investments	Portfolio (%)	Index (%)
Westfield Group	35.03	39.08
Stockland	14.53	13.85
GPT Group	7.92	7.62
Goodman Group	7.44	5.53
CFS Retail Property	7.37	5.73
Cash	1.59	0.00
Other	26.12	28.19
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

## Diversification of the Fund

### Sector diversification



### Geographic diversification (underlying assets excl. cash)



## Contact details

To discuss any information in this report please call:

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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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