RREEF GLOBAL PROPERTY SECURITIES FUND

January 2010 Monthly Report

RREEF Alternative Investments | Real Estate | Infrastructure | Private Equity

The Fund returned -3.93% gross (-4.01% net) for the month, underperforming the benchmark by 0.22% gross (0.30% net)

Global market review

Global property stocks delivered a -3.7% return in January, hedged in AUD term, due to an increase in risk aversion as evidenced by the absolute underperformance of the high beta stocks and relative outperformance of low beta stocks in all regions across the globe. Within Europe, the Continent outperformed the UK by 6.0% on a relative basis as investors gained confidence in a 2010 European-wide recovery. In North America, Canada (2.1%) outperformed the US driven by improving operating fundamentals and debt costs while US (-5.2%) property stocks posted negative returns as macro fears regarding banking regulation and weaker than expected jobs releases weighed on market sentiment. Australia posted a -2.9% return for the month as tightening measures in China coupled with a constrained debt capital market for property companies weighed on the market despite solid underlying economic fundamentals. Within Asia, Hong Kong (-5.7%) property stocks delivered some of the weakest performance across the globe on the back of announced and anticipated tightening measures in China. Japan (2.5%), however, outperformed the global index during the month as debt capital raising at more favourable rates and increased policy accommodation assisted the property sector.

Fund performance review

The Fund returned -3.93% gross (-4.01% net) for the month, underperforming the benchmark by 0.22% gross (0.30% net). The Fund's regional asset allocation contributed positively to performance in January while stock selection detracted slightly from performance. Stock selection in Europe and North America was positive however this was offset by stock selection in Asia and Australia, detracting from overall performance. Currency effects also detracted slightly from performance during the month.

Global market outlook and fund strategy

As evidenced by the Fed's Senior Loan Officer Survey, lending volumes are gradually starting to pick up and global debt capital markets have continued to show an improving trajectory as credit spreads have recovered to pre-crisis levels. While the improvement in the debt capital markets has resulted in a thawing in the real estate transaction market, we are watching for signs of life re-emerging in the securitisation market as a major catalyst for an increase in the availability of credit to the broader real estate market. While global economic data continues to show an improving trajectory, supporting a gradual recovery in operating fundamentals in real estate markets, recent policy related hiccups continue to weigh on investor sentiment. In the short run, policy directives aimed at curbing loan growth in China as well as specific measures aimed at the property sector keep us neutral on China property stocks but we continue to be positively biased in our allocation to Asia ex-Japan over the medium to long term. Operating fundamentals have yet to find a bottom in Japan but the increasingly attractive valuation and the under-owned nature of the market make it an interesting proposition in 2010, especially as the market anticipates a tightening in short rates in other developed markets.

We believe that narrowing debt spreads are the likely future catalyst for an improvement in Australian LPT asset values but have tempered our overweight position towards Australian LPTs as stocks are now trading at only moderate discounts to NAV.

Performance as at 31 January 2010

	RREEF Global Property Securities Fund Gross Performance (%)	RREEF Global Property Securities Fund Net Performance (%)	UBS Global Investors Index (hedged to AUD) Index %
1 month	-3.93	-4.01	-3.71
3 months	4.49	4.23	4.90
6 months	20.04	19.44	21.93
Financial year to date	28.78	28.02	32.85
1 year	39.86	38.47	42.71
2 years p.a.	-19.50	-20.30	-15.93
3 years p.a.	-20.60	-21.38	-18.19
5 years p.a.	-0.74	-1.73	-0.11
Since commencement of Fund* p.a.	0.92	-0.07	1.28
Exit price $	0.4767		
Fund size	$111.8 million		

Past performance is not an indicator of future results.
*Performance inception date: 20 October 2004. This figure represents the annualised performance of the Fund from the first full month of operation.
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.

Global market outlook and fund strategy (continued)

We have moved closer towards a neutral weight in the US as debt capital markets continue to exhibit a positive trend with improved availability and pricing. Recent unsecured bond pricing in the public market as well as a gradual thawing in secondary CMBS spreads and prospects for new issuance, coupled with an increasing appetite from insurance companies, help paint a rapidly improving picture for real estate debt capital markets.

We remain overweight the UK as the direct property market is re-inflating faster than expected along with expectations for an acceleration in city office rent growth. However, as we consider the potential unwinding of the quantitative easing program coupled with implied listed property valuations, we have, on the margin, tempered our view for the region. The transaction market seems to have found a floor in the US as well, and while volumes are considerably lower versus the peak, the sequential trend continues to show a bottoming process. We continue to expect a moderate economic recovery in the US and Europe which will likely translate in to a sustained period of low interest rates while both economic and property level data continues to support our view of stronger longer term total returns in Asia ex-Japan. The key risk to our thesis remains a rapid rise in interest rates due to the removal of unprecedented monetary and fiscal stimulus across the globe.

North America

Market review

The UBS North America Real Estate Investors Index posted a total return of -5.21% in January, underperforming broader equity markets, with the Standard & Poor's 500 Index returning -3.70%.

President Obama's plans to tax banks coupled with lending curbs in China helped spark a sell-off in the US in the middle of January. However the weakness subsided as stronger than expected GDP late in the month helped relieve some tension that had been building related to worse than expected economic data from earlier in the month. Specifically initial jobless claims that had been trending lower, seem to have paused at the current 470,000 rate which has some concerned about whether increased job expectations are warranted. Manufacturing ISM and confidence data is providing some hope that final demand has turned, and the strong capital goods and equipment portion of GDP is raising hopes that capital spending may buoy GDP in 2010. However the fourth quarter 2009 may have benefited from a tax break that allowed accelerated depreciation on capital expenditure undertaken prior to year end and therefore this number may be an aberration.

Performance review

The North American portion of the Fund returned -4.99% for the month, outperforming the North American regional benchmark return of -5.21% in local currency terms. From a country allocation perspective, our weighting in the Canadian REIT market had a roughly neutral effect on performance this month. Our sector selection had a slightly positive effect, primarily from not owning any stocks in the underperforming specialty sector. Overall stock selection had a slightly negative effect on performance. Stock selection was slightly weak in regional malls and industrial stocks, while stock selection was positive in healthcare and office stocks. Other stock selection was roughly neutral to performance. Top contributors to performance were underweight positions to Corrections Corp of America (-23.8%) and Macerich Co (-14.9%) and an overweight position to Chartwell Seniors Housing Trust (8.7%). Detractors from performance included underweight positions to Realty Income (8.4%) and Brookfield Properties (0.2%) and an overweight position to Taubman Centers Inc (-11.8%).

Regional outlook

At the end of January, REITs were trading at an approximate 21% premium to net asset value (NAV) as measured by Green Street Advisors versus a historical average premium to NAV of 1.3%. Green Street's net asset values are derived by utilising a weighted average applied cap rate of 7.8%. This is in line with RREEF's applied cap rate, but we project better intermediate term growth and therefore RREEF believes the current premium to net asset value is closer to 11%.

It is clear that transaction activity is beginning to pick up as buyers have returned to the direct real estate markets. The improved economic outlook coupled with the resumption of lending have provided buyers with increased confidence that private market values for real estate are bottoming. Additionally, landlords are suggesting that tenants are viewing the current weak rental environment as an opportunity to lock in bottom of the market rents and therefore leasing velocity has accelerated. It is important to note that well capitalised landlords are benefiting, as distressed landlords cannot provide the capital necessary to re-tenant space. Extremely low supply in nearly every property type suggests fundamentals could improve sharply in the next few years if economic growth takes hold. Although equities were weak in January, the trend of capital chasing yield continues, and spreads on unsecured real estate debt remained firm. We remain optimistic that current valuations can hold but realise that loans in both CMBS pools and on bank balance sheets will require additional capital upon refinancing and therefore the supply of assets coming to market in the next three years will likely subdue further cap rate compression. As a result we are increasingly focused on the sectors that will be able to drive cash flow growth the earliest.

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Europe

Market review

The UBS Europe Real Estate Investors Index returned -2.85% as the listed real estate sector retreated during the month of January. Greece (-12.0%) and the UK (-6.8%) dragged the region lower, with Greek REITs sold off across the board following sovereign debt concerns, while large cap UK REITs such as Liberty International (-11.26%) and Hammerson (-10.57%) posted double digit falls, despite evidence of firming yields for city offices and shopping centres.

Continental European REITs (with the exception of Greece) were the better performing REITs over the month, with German REITs (8.73%), French REITs (0.67%) and Finnish REITs (0.40%) all posting positive returns. Continental European REITs seemed to find investor support over the month with many investors confident of a European-wide recovery in 2010.

Performance review

The European portion of the Fund returned -2.25% for the month, outperforming the European regional benchmark return of -2.85% in local currency terms.

Performance in January was driven by overweight holdings in Prologis Europe Properties (8.7%) and Unibail-Rodamco (2.3%). Underweight positions in Hammerson (-10.6%) and Immoeast Immobilien Anlage (-8.8%) also contributed positively to performance. Detractors from performance included underweight positions to Swiss Prime Site (2.9%) and PSP Swiss Property (4.2%) and an overweight position to Big Yellow Group (-11.0%).

Regional outlook

Despite the pullback in January the overall undertone remains reasonably optimistic for listed property and general equities. European macro data indicates that there is a decreasing probability of a double-dip scenario in Europe, but the risk still remains. Similarly, investor sentiment in UK real estate continues to improve with pension funds who were last year's most significant seller of real estate now firmly net buyers, along with German open-ended funds and sovereign wealth funds.

For the time being, we perceive the overall risks to the UK to be lower compared to Continental Europe, although we remain cautious on the shape of the UK economic recovery. We expect to see muted inflation in Europe and therefore no fully fledged return to 'defensive' sectors as yet. Possible lack of rental growth is still the biggest uncertainty, and so investors are likely to focus on stocks that can deliver sustainable EPS & NAV growth rather than on those most leveraged to a bounce in the economy. For 2010, we expect that more assets will come up for sale (from banks, CMBS and the loan market), which will increase transaction volumes. Moreover, we expect that some portfolios may be floated (as IPOs).

Asia

Market review

The UBS Asia (ex-Australia & New Zealand) Real Estate Investors Index returned -1.65% in January.

Japan REITs continued their relative outperformance (2.5%, as measured by the UBS Japan Real Estate Investors Index) given attractive valuations and switching into more defensive exposures. The two largest JREITs, Japan Real Estate Investment (10.7%) and Nippon Building Fund (13.0%) were the key outperformers.

Hong Kong (-5.7%, as measured by the UBS Hong Kong Real Estate Investors Index) underperformed its Asian peers on a relative basis given the weakness in Link REIT (-5.6%). Positive economic data released during the month did not provide support as the market remains cautious on the withdrawal of monetary stimulus and rising interest rates. The market focus was largely on China's tightening measures with the central bank raising the deposit reserve requirement ratio (RRR) by 0.5% with effect from 18 January 2010. This is the first time that the central bank has adjusted the ratio of deposit that lenders are required to set aside since the end of 2008, and the first increase for the ratio since June 2008. The Bank of Japan indicated that it intends to introduce emergency loan programs for banks and increase purchase of government debt to support the financial system, in case the ongoing recovery slows down. In China, the government maintained its aggressive tone to limit speculation in the physical market with residential transaction volumes falling significantly in January.

Singapore (-7.0%, as measured by the UBS Singapore Real Estate Investors Index) finished the month weaker, despite positive news flow from the physical market and economy. Most Singaporean REITs (SREITs) reported results during January which were in line to slightly ahead of expectations and we saw a number of SREITs make accretive acquisitions. The debt markets continue to open up with SREITs raising debt at considerably tighter spreads. Fraser Centrepoint raised S$100m at a 90 basis point spread for 3 years and 110 basis points for 5 years while CapitaMall Trust raised S$100m at 100 basis points over for 5 years. A year ago these spreads were 250-350 basis points.

Performance review

The Asian portion of the Fund returned -3.36% for the month, underperforming the regional benchmark return of -1.65% in local currency terms.

Overall country allocation had a negative impact to performance over the month as did stock selection. The overweight country allocations to underperforming Singapore and Hong Kong detracted from performance as did the underweight to outperforming Japan. Regional stock selection in Singapore and Hong Kong detracted from performance, while stock selection in Japan was positive, partly offsetting the negative stock selection in Singapore and Hong Kong. Stock selection in REITs was positive, while stock selection in landlord and real estate operating companies detracted from performance.

Top contributors to the Asian portion of the portfolio included the underweight positions to Hysan Development (-12.6%) and Japan Prime Realty (-9.9%) and the overweight position to Japan Real Estate Investment (10.7%). Detractors from performance included the overweight positions to underperforming CapitaMalls Asia (-9.8%), Wharf Holdings (-14.1%) and Sun Hung Kai Properties (-14.3%).

Regional outlook

We maintain our positive view for Asia in the intermediate to long term, supported by the improvement in both Asian economies and direct property markets. The recovery of Asian economies remains solid, led by China which will support the recoveries in direct real estate fundamentals. In general commercial property markets in Asia have shown signs of recovery with the exception of the Japan property market which remains the relative underperformer, with office vacancies continuing to rise.

Within the region, we are more positive on Asia ex-Japan, given the better real estate fundamentals. From a property sector perspective, we prefer industrial and residential, backed by resilient demand and attractive valuations. We are currently underweight the office sector mainly due to the relatively less attractive fundamentals of Japan's office market.

Australia

Market review

The UBS Australia Real Estate Investors Index returned -2.83% over the month, outperforming the broader share market by 3.02% (as measured by the All Ordinaries Accumulation Index). The REIT sector held firm for the first half of the month on limited news flow, however rising risk aversion saw REITs follow the broader equity market lower into month end. Consistent with the rise in risk aversion, the top performers for the month were the larger cap stocks (including Westfield, CFS Retail and Dexus), while the high beta/small cap stocks underperformed. The positive trend in macroeconomic data was for the most part maintained, with strong employment and retail sales data the highlight. The unemployment rate fell 0.1% to 5.5%, while retail sales rose 1.4%, well above market expectations for a 0.3% rise. The generally robust run of data (including inflation figures released in January) has most economists predicting a further 25 basis point rate rise in the near term.

Westfield (0.8%) and CFS Retail (-1.6%) were the top performers for the month, buoyed by the positive domestic retail sales figures and their relatively defensive status. Westfield also benefited from general equity fund buying and support heading into the distribution. Of the other large caps, Stockland (-5.6%), GPT Group (-5.8%), Mirvac (-7.3%) and Goodman Group (-7.9%) all underperformed for the month. Goodman Group was weaker despite further positive news flow in regards to development pre-commitments, while the prospect of rising interest rates weighed on the Mirvac share price. Macquarie Office (-4.8%) and Abacus (-9.9%) were the latest REITs to exhibit an abatement in falling valuations. Macquarie Office reported a drop of 3.7% in the December quarter compared to 10.7% in the June quarter, while Abacus' portfolio decreased by just 1.5%. Asset values seem to be stabilising in Australia but importantly, the Macquarie Office result highlights that the pace of decline overseas is also easing.

In term of sector performance, Retail (0.2%) was the only sector to finish in positive territory, led by the strength in Westfield and CFS Retail. Office (-5.3%), Diversified (-5.6%) and Industrial (-7.2%) all underperformed the Index.

Performance review

The Australian portion of the Fund returned -3.26% for the month, underperforming the Australian regional benchmark return of -2.85% in local currency terms. In terms of sector performance, the underweight to the retail sector and overweight to the industrial sector detracted from performance. The exposure to the diversified was a marginal contributor.

Top contributors to the Australian portion of the portfolio were underweight positions to Mirvac Group (-7.3%) and ING Office Fund (-4.7%) and an overweight position to CFS Retail Property Trust (-1.6%). Detractors from performance included overweight positions to Goodman Group (-7.9%) and GPT Group (-5.8%) and an underweight position to Westfield Group (0.8%).

Regional outlook

The focus for February is on reporting season, including corporate activity, earnings expectations and announcements on future strategy. With operating conditions seen to be stabilising and a pick-up in transaction activity helping to support current valuations, any future profit guidance for FY10 and FY11 will be keenly watched. We expect that reported earnings will represent the absolute trough in earnings, due largely to the huge equity issuance of the last year. Earnings will be under some pressure in the near term with leasing conditions expected to remain challenging throughout 2010 and higher costs of interest to come through as debt facilities are rolled.

Despite this, 2011 earnings should see a material improvement (especially for REITs with operational leverage) and investors will be looking to this reporting season to help validate their current FY11 EPS forecasts.

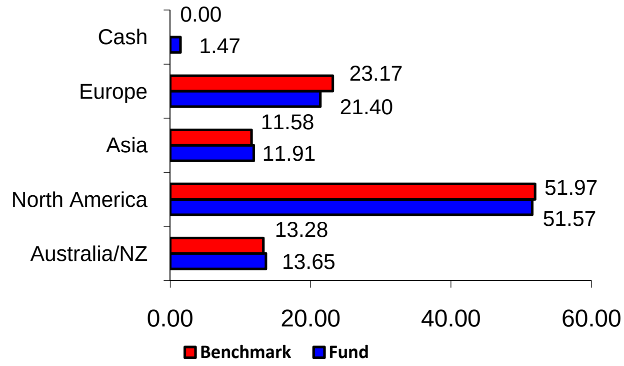
REITs are currently trading at an approximate 0.9% discount to NAV (a blend of FY10 and FY11 NAVs), and FY11 PE of 13.1x, which is slightly below their historical average PE of 13.7x. On a medium term view, REITs leveraged to the improved outlook should outperform, with FY11 metrics to help determine the best value opportunities going forward. REITs trading at a discount to NTA should also perform well as the market gains confidence in current valuations and IPO's help to eliminate the sector discount to NTA.

Recent strong macro data points indicate that Australia remains on the path to a full recovery, although most economists agree the latest inflation data was sufficiently high enough to justify another interest rate rise. This is further supported by other economic indicators, including labour force data which shows unemployment stopped rising in June last year. The RBA may look to pause for a period of assessment before further rate rises in the second half of the year, however the risk remains that inflation does not fall as expected and the RBA has to consistently raise rates throughout 2010.

Number of stocks as at 31 January 2010

Country	Fund	Benchmark
Australia	11	15
North America	43	109
Asia	23	50
Europe	37	57
Total	**114**	**231**

Geographical diversification as at 31 January 2010



Top active positions as at 31 January 2010

Largest overweight stocks

Stock	Country	% of Fund	% of Index	% Active Position
Boston Properties Inc	US	4.70	2.05	2.65
Regency Centers Corp	US	2.78	0.61	2.16
Avalonbay Communities	US	3.19	1.42	1.77
Senior Housing Prop Trust	US	2.02	0.60	1.41
Simon Property Group Inc	US	5.96	4.67	1.29

Largest underweight stocks

Stock	Country	% of Fund	% of Index	% Active Position
Vornado Realty Trust	US	0.00	2.31	-2.31
Ventas Inc	US	0.00	1.50	-1.50
Equity Residential	US	0.82	2.02	-1.20
Kimco Realty Corp	US	0.00	1.15	-1.15
Land Securities Group Plc	GB	0.75	1.77	-1.01

Monthly video commentary

Monthly video commentary for the RREEF Global Property Securities Fund is also available via the Ironbark Asset Management website. Visit www.ironbarkam.com and click on the link in the 'Videos' section on the home page.

Contact details

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