

RREEF Paladin Property Securities Fund

March 2012 Quarterly Report



The Fund returned 7.05% gross (6.85% net) for the quarter, underperforming the benchmark by 0.09% gross (0.29% net)

Market Review

The S&P/ASX 300 Property Accumulation Index returned 7.14% for the quarter (in local currency terms), underperforming the broader equity market (as measured by the All Ordinaries Accumulation Index which returned 9.0%).

A solid reporting season and improving offshore news flow helped propel the REIT market higher. Sentiment improved as investors responded positively to developments in Europe, including the large scale liquidity injection by the European Central Bank in December. The positive trend in US economic data continued, while approval of a second Greek bailout and a series of easing measures by various central banks helped most major markets and regions post healthy gains.

Locally, investors continue to look to the Reserve Bank of Australia (RBA) for signs that a rate cut is on the horizon, as the Australian economy continues to be stuck in two speeds. The cash rate remained at 4.25% during the quarter, with the RBA governor reiterating that growth was expected to be close to trend and inflation close to target, although we note the RBA's subsequent change in rhetoric at the April meeting. Economic data was mixed, with building activity and consumer confidence remaining weak, while resources sector investment continues at a very high level. Meanwhile, after a strong set of numbers in January, the unemployment rate ticked up to 5.2% in

February after a fall in part-time employment.

Reporting season produced few surprises with most REITs meeting or reiterating prior earnings guidance. REIT earnings proved resilient, despite challenging conditions in the retail and residential development sectors, reflecting the defensive nature of the sector's earnings streams. Capital management and lifting return on equity (ROE) continues to be a key theme for the sector. This includes share buybacks, with Westfield Group and CFS Retail the latest REITs to announce a buyback program, while asset recycling and management of debt and hedging were also areas of focus.

From a sector perspective, industrial was the standout, led by Goodman Group which outperformed given rising risk appetite and a strong result. Retail REITs also outperformed, with Westfield Group leading the way given improving news flow out of the US, and after management announced \$2.4bn of asset sales, a buyback of up to 10% of scrip and strong like-for-like net operating income growth at their FY11 results. Office REITs took a breather after strong outperformance in 2011. Meanwhile, the residential REITs were the laggards after the RBA's surprise decision to keep rates on hold in February. In addition, Stockland downgraded FY12 earnings guidance by 3.5%, citing slower residential sales rate and settlement delays due to bad weather.

Performance as at 31 March 2012

	RREEF Paladin Property Securities Fund Gross Performance (%)	RREEF Paladin Property Securities Fund Net Performance (%)	S&P/ASX 300 GICS Property Accumulation Index %
1 month	-0.39	-0.45	-0.59
3 months	7.05	6.85	7.14
6 months	11.49	11.07	11.22
Financial year to date	2.23	1.65	2.16
1 year	2.58	1.81	1.67
3 years p.a.	15.86	14.99	14.78
5 years p.a.	-14.19	-14.83	-13.62
10 years p.a.	1.72	0.97	1.32
Since commencement of Fund* p.a.	6.31	5.52	6.02
Exit price \$	0.5102		
Fund size	\$238.2 million		
No. of stocks	13		

Past performance is not an indicator of future results.

*Performance inception date: 28 February 1995. 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.

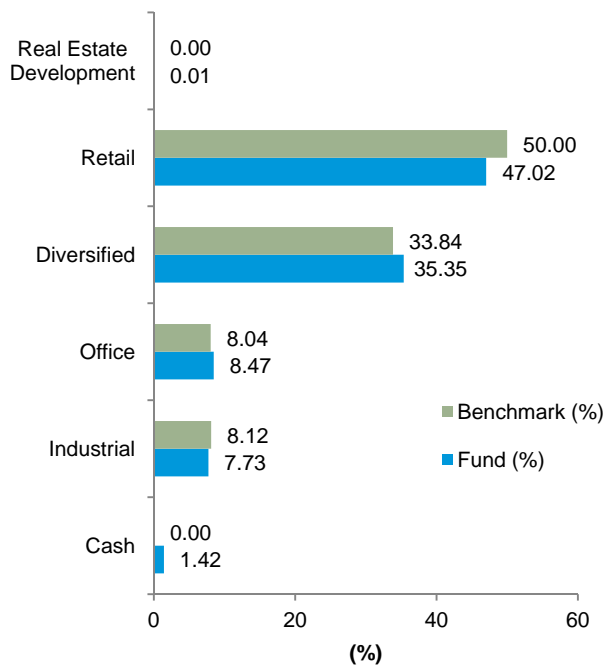
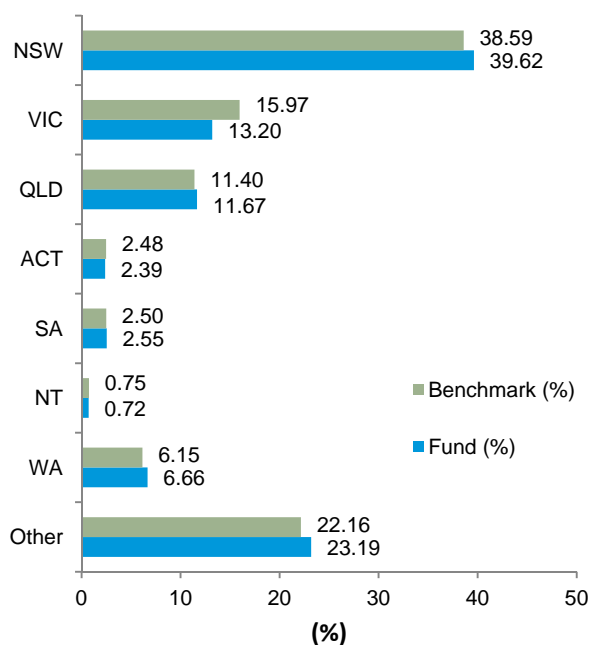
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Diversification of the Fund as at 31 March 2012

Geographical diversification underlying assets (excluding cash) Sector diversification



Performance Review

The Fund returned 7.05% gross (6.85% net) for the March quarter, underperforming the index by 0.09% gross (0.29% net). Holdings that contributed to performance were overweight positions to Aspen Group and Goodman Group and an underweight position to Centro Retail Group. Detractors included overweight positions to Stockland and GPT Group and an underweight position to Charter Hall Office REIT.

Fund Strategy

The Fund is overweight the entrepreneurs, which includes Westfield and Goodman Group. Both should benefit from rising investor sentiment, while Westfield provides exposure to the strengthening US retail market.

The underweight to retail remains, amidst a soft domestic retail sales environment with the preferred exposure being Westfield Retail Trust and GPT Group (around 60% retail). While valuations look cheap, near-term news flow including the possibility of further store closure announcements will

likely weigh on sentiment. Finally, we remain overweight pure office REITs, although this is somewhat offset by the underweight to Dexu Property Group (around 60% office). While commercial asset pricing remains strong, leasing enquiry has slowed due to global uncertainty.

Portfolio summary as at 31 March 2012

Key Investments	Fund (%)	Benchmark (%)
Westfield Group Australia	30.02	27.99
Westfield Retail Trust	13.02	10.85
Stockland Australia	11.71	10.20
GPT Group	9.96	7.80
Goodman Group	7.73	7.08
Cash	1.42	0.00
Other	26.14	36.08
TOTAL	100.00	100.00

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Contributors/Detractors in the three months to 31 March 2012

Stock	ASX code	Index return %	Fund position	Attribution impact %	Explanation
Aspen Group	APZ	18.99	O/W	0.13	Delivered on a promise for earnings growth on the previous corresponding period and maintained FY12 guidance; outperformed along with small caps as investor risk tolerance increased; has benefitted from tight Perth office market and continues to execute on the group's strategy of selective non core asset sales (aims to increase portfolio quality).
Centro Retail Group	CER	7.29	U/W	0.13	Rejoined the index after the successful consolidation of its various businesses and ~3 year absence from the benchmark; S&P index inclusion was a liquidity event for hedge funds who sold down.
Goodman Group	GMG	21.05	O/W	0.11	Reported a strong set of numbers and upgraded FY12 earnings per share (EPS) guidance; ongoing programs of asset sales, joint ventures and new markets are providing a strong platform for growth; higher beta names generally outperformed (notably in January/February) in a more buoyant quarter globally.
Charter Hall Retail REIT	CQR	-1.25	U/W	0.11	Underperformed given defensive positioning (namely January); CEO Steven Sewell resigned to take up CEO role at newly restructured Cento Retail; announced mixed result, with core (Australian) portfolio performing well and the offshore lagging; net tangible asset (NTA) fell 11c, driven (in part) by a reduction in the value of CQR's offshore assets.
Stockland	SGP	-7.84	O/W	-0.44	Reported mixed result; RBA's surprise decision to keep rates on hold in February hurt sentiment in the residential exposed vehicles; subsequently downgraded FY12 EPS guidance in March by 3.5%; the downgrade is due to deterioration in residential sales rates (mainly in March), plus wet weather delays for two projects.
Charter Hall Office REIT	CQO	1.42	O/W	-0.06	Underperformed in rising market (namely January) after announcing binding takeover agreement in December; unit holders subsequently approved the privatisation (consortium) proposal in March; first tranche of US asset sale proceeds was distributed.
GPT Group	GPT	3.25	O/W	-0.05	Likely to be some mean reversion after a strong 2011; impacted by the rotation out of the lower beta names in January/February.
Astro Japan Property Group	AJA	25.71	U/W	-0.04	Benefitted from (i) a continued strong J-REIT market, and (ii) investors looking for the next M&A candidate, given the vehicle trades at a >50% discount to NTA.

Market Outlook

The sector looks to be consolidating the strong gains made earlier in the year. Volatility has been on the decline, likely reflecting the stability of the sector's underlying earnings, of which around 90% are backed by rental income. Meanwhile, share buybacks remain a preferred use of capital, with over \$1bn having been acquired by the REITs thus far. Sector heavyweights Westfield, Stockland, GPT Group and Commonwealth Property Office Fund all have active buybacks, and CFS Retail announced its intention to

commence one, as REITs seek to take advantage of (and close) persistent discounts to asset backing. This will likely be supportive of share prices in periods of weakness.

Property fundamentals are still positive with stable cap rates, low vacancies and net operating income (NOI) growth of around 3-4%. Despite challenging retail conditions, retail property remains stable and quality assets well bid, as evidenced by the Myer City, Brisbane transaction in March.

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Market Outlook (continued)

The office sector continues to see strong interest, especially from international investors, while tenant demand in the resource-rich markets of Perth and Brisbane remains particularly strong. Elsewhere, there is evidence that leasing enquiry has slowed due to global uncertainty, however this is unlikely to impact vacancy rates/earnings, and ultimately pricing, for some time. In addition, the correction in office

rents and valuations that occurred over the past few years provides further comfort.

Looking forward, solid yields, relatively defensive earnings, proactive capital management and industry consolidation are all positive catalysts for the sector over the medium term, and should aid in closing the discount to net asset value.

Quarterly video commentary

Quarterly video commentary for the RREEF Paladin Property Securities Fund is available via the Ironbark Asset Management website.

Visit www.ironbarkam.com and click on the link in the "Videos" section on the home page

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Alternatively, visit the Ironbark Asset Management website at www.ironbarkam.com

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