

RREEF Paladin Property Securities Fund

December 2011 Quarterly Report



The Fund returned 4.15% gross (3.95% net) for the quarter, outperforming the benchmark by 0.34% gross (0.14% net)

Market Review

The S&P/ASX 300 Property Accumulation Index returned 3.8% for the quarter (in local currency terms). REITs overcame a lacklustre December and skittishness about Europe and China to finish the quarter in positive territory and outperform general equities by 1.7% (as measured by the S&P/ASX All Ordinaries Accumulation Index).

REITs started the quarter on a positive note, owing to a positive lead from offshore markets, with the active REITs particularly strong as investors rushed to buy oversold stocks. However, caution returned in November, as financial markets were plagued by headlines of failure out of the US congressional Super Committee and the potential impact of contagion from the Eurozone debt crisis. Coupled with a mixed AGM season domestically, this led to volatile markets. Against this backdrop, the defensive sectors including REITs, Healthcare and Telecommunications comfortably outperformed cyclicals. REITs finished the quarter on a weaker note, with earnings downgrades from retailers Billabong, JB Hi-Fi and Kathmandu weighing on sentiment.

Locally, focus again shifted to the Reserve Bank of Australia (RBA) for support, as the RBA cut rates by 25 basis points in both November and December. The rate cuts were triggered by the lower global growth outlook and the possibility of a 'very sharp contraction' in Europe. However, on a mildly

positive note, the RBA noted domestic conditions were 'mixed but slightly stronger than was the case around the middle of the year'. Economic data was mixed, with 3Q GDP rising 1.0% quarter on quarter (or 2.5% year on year); whilst the latest unemployment figures showed a slight rise to 5.3%. Core CPI rose by 2.5% year on year in 3Q11, the midpoint of the RBA's targeted range.

The residential REITs were the standout performers for the quarter, given consecutive rate cuts and the expectation of further easing, signs of a modest recovery in the Queensland residential market and price reversion after underperformance in the September quarter. The office sector's positive relative performance continued given corporate activity, strong asset values and share buybacks. Meanwhile, retail REITs were the laggards, notably CFS Retail Property Group and Westfield which were both impacted by poor Australian retail sales updates.

For 2011, in what was a volatile period AREITs returned -1.6%, outperforming the broader equity market by 9.1%. The sector's perceived defensive status in turbulent times saw it relatively well bid, with attractive valuations and a circa 7% yield also helping to underpin returns in a volatile market. The office sector led the way in 2011 driven by share buybacks, corporate activity and strong asset values.

Performance as at 31 December 2011

	RREEF Paladin Property Securities Fund Gross Performance (%)	RREEF Paladin Property Securities Fund Net Performance (%)	S&P/ASX 300 GICS Property Accumulation Index %
1 month	-2.20	-2.26	-2.55
3 months	4.15	3.95	3.81
6 months	-4.50	-4.86	-4.64
Financial year to date	-4.50	-4.86	-4.64
1 year	-0.31	-1.05	-1.56
3 years p.a.	3.68	2.91	2.32
5 years p.a.	-15.53	-16.15	-15.19
10 years p.a.	1.15	0.39	0.64
Since commencement of Fund* p.a.	5.98	5.19	5.67
Exit price \$	0.4832		
Fund size	\$246.9 million		
No. of stocks	17		

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.

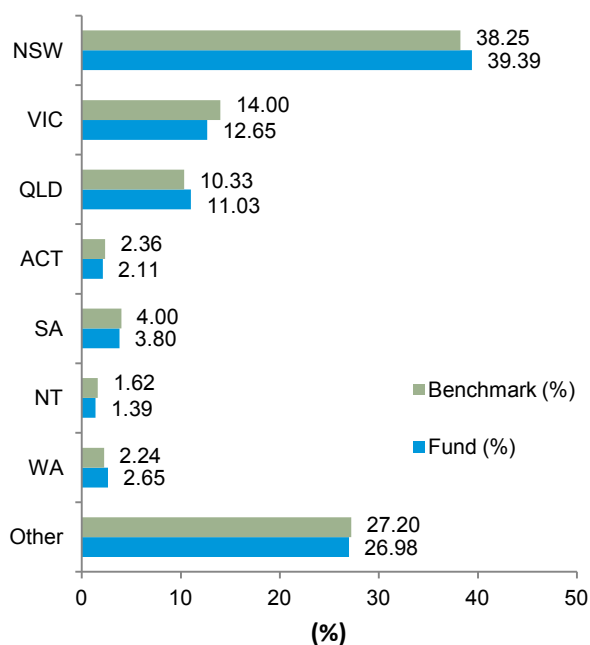
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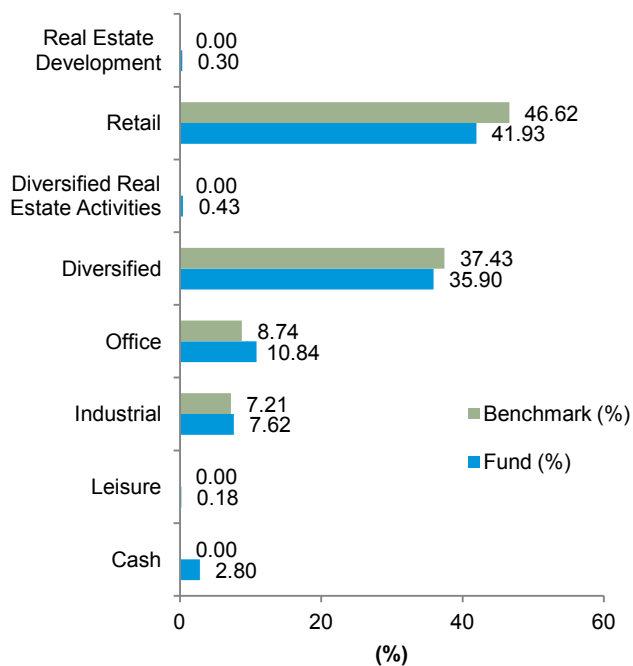


Diversification of the Fund as at 31 December 2011

Geographical diversification underlying assets (excluding cash)



Sector diversification



Performance Review

The Fund returned 4.15% gross (3.95% net) for the December quarter, outperforming the index by 0.34% gross (0.14% net). Holdings that contributed to performance were overweight positions to Stockland and Charter Hall Group and an underweight position to CFS Retail Property Trust. Detractors included underweight positions to Dexus Property group and Australand Property Group and an overweight position to Goodman Group.

Fund Strategy

The Fund is neutral to the diversified sector, with a slight bias toward the residential REITs given valuation support and easing monetary policy. Australian employment numbers are holding up relatively well, and combined with falling interest rates, should see pickup in residential sales volumes. The underweight to retail remains, amidst a soft domestic retail sales environment with the preferred exposure being Westfield Retail Trust and GPT Group (approximately 60% retail). While retail leasing spreads remain positive and occupancy levels remain very high, occupancy costs are rising which will likely limit further releasing spreads. The overweight to office remains, and while leasing enquiry has slowed due to global uncertainty, asset pricing remains strong. Finally, the Fund is overweight the industrial sector, namely Goodman Group, given attractive valuation and earnings momentum.

Market Outlook

Local general equities funds continue to view the Australian REIT sector as a defensive play, with any rise in risk aversion likely to see the sector outperform and vice versa. From an average of 1.14 from FY07-09, the AREIT sector beta has returned to 0.75. With macro concerns remaining, markets in general are likely to remain volatile into 2012. Given approximately 90% of the sectors' earnings are backed by rental income, we would expect REITs to remain well

Portfolio summary as at 31 December 2011

Key Investments	Fund (%)	Benchmark (%)
Westfield Group Australia	24.77	26.89
Stockland Australia	14.51	12.36
Westfield Retail Trust	12.35	11.37
GPT Group	9.79	8.54
Goodman Group	7.62	6.10
Cash	2.80	0.00
Other	28.16	34.74
TOTAL	100.00	100.00

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Contributors/Detractors in the three months to 31 December 2011

Stock	ASX code	Index return %	Fund position	Attribution impact %	Explanation
Stockland	SGP	+13.69	OW	0.24	Positive momentum; includes consecutive RBA rate cuts, two positive asset sales above book value, active share buyback and signs of improvement in SE Queensland residential
Charter Hall Group	CHC	+23.51	OW	0.21	Rebounded in October - businesses with active earnings rose as global macro concerns declined somewhat over the month. Benefitted from the CQO consortium proposal being conditionally agreed in December
CFS Retail Property Group	CFX	-0.11	U/W	0.09	Re-iterated FY12 distribution guidance at 1Q12 business update; underperformed as retail came under pressure following profit downgrades by retailers JB HiFi and Billabong in December
Aspen Group	APZ	+10.16	OW	0.06	Benefitted from tight Perth office market; continued to execute on groups strategy of selective non core asset sales (aims to increase portfolio quality, further strengthen balance sheet); may launch share buyback in New Year
Dexus Property Group	DXS	+4.42	U/W	-0.08	Announced CEO Victor Hoog Antink would retire at the end of March and be replaced by former Colonial Property Head Darren Steinberg; marginally outperformed in December quarter given defensive positioning, leadership news and office exposure
Goodman Group	GMG	+2.18	OW	-0.07	After rebounding in October, Goodman Group subsequently underperformed given rising risk aversion and its business mix toward funds management and development.
Australand Property Group	ALZ	+8.78	U/W	-0.05	Outperformed along with residential peers given signs of a modest recovery in the Queensland residential market, RBA rate cuts and price reversion after underperformance in September quarter
Centro Retail Group	CRF	+17.89	U/W	-0.05	The new Centro Retail Australia began trading on the 5 th December, after its \$7bn restructure plan cleared the final legal hurdle; removing this uncertainty led the stock to rally and was standout sector performer in December

Market Outlook (continued)

supported in the current environment. In addition, several REITs are currently running active share buybacks as they seek to take advantage of (and close) persistent discounts to asset backing. This will likely be supportive of share prices in periods of weakness.

The sector is trading at an approximate 6.9% distribution yield and post the recent sharp fall in Australian bond yields, the spread to 10 year government bonds is now approaching circa 270 basis points (well above the 10 year average spread of 165 basis points). Looking forward, the likelihood of some yield growth for AREITs versus falling interest rates in 2012 bodes well for the sector.

Despite challenging retail conditions, retail property remains stable. While demand from local-based fashion and general retailing-based tenants remains weak, demand from supermarket-based tenants remains strong. Additionally, demand from international retailers continues to increase, particularly in Prime CBD/regional locations.

Meanwhile, the office sector continues to see strong interest, especially from international investors, with transactional evidence supportive of current cap rates and book values. Tenant demand in the resource rich markets of Perth and Brisbane remains particularly strong. The risk remains

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Market Outlook (continued)

whether the current uncertainty in the equity markets dampens the demand for office space. While early indicators show that leasing enquiry is slowing, this is unlikely to impact vacancy rates/earnings, and ultimately pricing, for some time.

Monthly video commentary

Monthly 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

Contact details

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

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