



## FOLKESTONE MAXIM A-REIT SECURITIES FUND

### JULY 2016 REPORT

#### MARKET REVIEW

Global equity markets were volatile during the month as continued concerns over the European banking sector following the surprise Brexit vote unsettled markets early in the month.

The turning point came on the 8 July, with the release of a much better-than-expected U.S. payrolls number which led to most major equity markets posting strong gains for the month.

The S&P/ASX 300 A-REIT Accumulation Index returned +5.4% in July underperforming the S&P/ASX 300, which returned +6.4%. For the year ended 31 July 2016, the S&P/ASX 300 A-REIT Accumulation Index returned +24.2%, outperforming the broader market's return of 2.9% by 21.3%.

The Commercial A-REIT sector was the best performer, returning +8.2% driven by GDI Property Group (GDI +11.3%) and Cromwell Group (CMW +8.9%), followed by Diversified at +6.4%, Retail at +4.4% and Industrial at +6.7%.

#### ACTIVITY

News flow over the month of July was a precursor to the August reporting season. Both Investor Group (IOF) and Vicinity

(VCX) reported valuation gains of 6.6% and 2.0% respectively. Mirvac Group (MGR) announced details of its change in reporting segment to increase transparency and accountability by business units.

During the month, GPT Group (GPT) sold its 13% interest in GPT Metro Office Fund (GMF) to Growthpoint Property (GOZ) for \$2.45 per unit and entered into a Facilitation and Property Rights Deed. Subsequently, Centuria and the Centuria Metropolitan REIT (CMA) announced that they will not proceed with their bid for GMF.

Elanor Investors Group (ENN) raised \$30 million through a placement of shares at \$1.85, whilst Rural Funds Group (RFF) raised \$61 million via a 1 for 4 entitlement offer.

#### SECTOR VALUATION

At the end of July, the sector was trading at approximately a 47% premium to NTA and FY17 DPS yield of 4.2%. This represents a 240 basis points spread to 10-year bonds and a 240 basis points spread to 90-day bank bills.

#### KEY STATISTICS

as at 31 July 2016

<i>Status</i>	Open
<i>Fund Maturity</i>	Open Ended
<i>Investments</i>	Primarily A-REITS
<i>Investment Horizon</i>	3-5 years
<i>Distribution</i>	Quarterly
<i>Frequency</i>	
<i>Fund Inception Date</i>	October 2005
<i>Pricing</i>	Daily
<i>Buy/Sell Spread</i>	0.25%/0.25%
<i>Total MER</i>	0.95% up to \$50m Then 0.85% > \$50m
<i>ARSN</i>	116 193 563
<i>APIR Code</i>	COL0001AU

#### PLATFORMS

BT Wrap  
Hub24  
Macquarie Wrap Solutions  
Netwealth  
Powerwrap  
Symetry

#### TOP 5 HOLDINGS (by Portfolio Weight)

Westfield Group  
Scentre Group  
Stockland Group  
Goodman Group  
Mircav Group

#### Fund Performance to 31 July 2016

Folkestone Maxim A-REIT Securities Fund	July 2016 %	3 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	10 Years % p.a.	Since Inception % p.a.*
Growth	+5.05	+11.77	+21.91	+16.47	+14.93	+12.03	+0.50	+1.54
Income Return	+0.00	+1.23	+4.34	+4.91	+5.32	+5.94	+3.58	+3.79
Total Return (After Fees but Before Tax)**	+5.05	+13.00	+26.25	+21.38	+20.25	+17.97	+4.08	+5.33
S&P/ASX 300 A-REIT Accumulation Index	+5.36	+12.00	+24.23	+20.85	+20.85	+17.00	+3.15	+4.43
<b>Value Add</b>	<b>-0.31</b>	<b>+1.00</b>	<b>+2.02</b>	<b>+0.53</b>	<b>-0.60</b>	<b>+0.97</b>	<b>+0.93</b>	<b>+0.90</b>

\*Fund inception date October 2005. \*\*Please note the Fund's management fee was reduced on 16 May 2014. The Fund's after fees but before tax performance only reflects the new management fee from this date.



## OUTLOOK

With full year results for most A-REITs due over August, it is expected that there will be continued support for the sector as investors chase yield. We don't expect any major surprises in the earnings outlook from the A-REITs.

At the time of writing, the Reserve Bank of Australia (RBA) announced a 25 basis point reduction in the cash rate to 1.50%. Based on the Statement from the RBA, it seems that they are no longer concerned by the potential impact of monetary policy on house prices due to oncoming supply, coupled with increasing higher lending standards. The focus for rates from here appears dependent on currency and inflation levels.

## FUND PERFORMANCE

In July, the Fund returned +5.05% (after fees, before tax) underperforming the Benchmark return of 5.36% by -0.31%. Over the 12 month period ended 31 July 2016, the Fund returned +26.25% (after fees, before tax), outperforming the Benchmark return of +24.23% by +2.02%.

In July, positive contributions to returns came from the Fund's investments in Elanor Investors Group (ENN +9.3%), Rural Funds Group (RFF +8.7%), Folkestone Education Trust (FET +4.9%)

and Asia Pacific Data Centre (AJD +9.2%).

Detracting from performance were zero exposure to Dexus Property Group (DXS +8.3%) and an underweight position in Scentre Group (SCG +7.7%).

At the end of July, the Fund's investments comprised 16 ASX listed securities totaling 97.1% of the portfolio, 11 of which were constituents of the S&P/ASX 300 A-REIT Index, with the remaining 5 non-index stocks. A 0.6% exposure is held in an unlisted fund, which we expect to exit in due course. The balance of 2.3% of the portfolio was held in cash/liquid investments.



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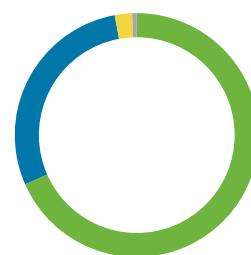
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## ASSET ALLOCATION

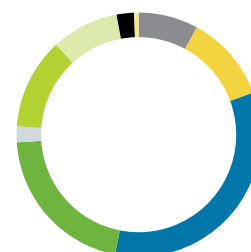
As at 31 July 2016



- S&P/ASX 300 A-REIT - 68.4%
- Ex S&P/ASX 300 A-REIT - 28.7%
- Cash - 2.3%
- Unlisted - 0.6%

## SECTOR SPLIT

As at 31 July 2016



- Social Infrastructure - 7.9%
- Industrial - 11.5%
- Retail - 33.7%
- Diversified - 20.9%
- Office - 2.1%
- Developers & Managers - 12.1%
- Specialised REITs - 8.9%
- Cash - 2.3%
- Unlisted - 0.6%

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