



FOLKESTONE MAXIM A-REIT SECURITIES FUND

JULY 2014 REPORT

MARKET REVIEW

Notwithstanding soft earnings results and soft economic data releases in July, US markets gradually etched higher over the month but suffered a 2% sell off on the last day ending the month on a negative, compliments of S&P declaring Argentina in default. US housing data was weak as starts fell 9.3% on a month on month basis, and headline CPI rose 0.3%. Elsewhere, in Japan industrial production fell 3.3% whilst in China, second quarter GDP rose 7.5% over the year whilst their June CPI eased 2.3%.

As expected, the Reserve Bank of Australia (RBA) continued to keep rates on hold at 2.5%. The Aussie Dollar fell 1.1% ending the month at US\$0.9296. The yield on 90 Day Bank Bills and 10 Year Bonds fell 4 basis points to 2.64% and rose 6 basis points to 3.51% respectively.

For the second month in a row the S&P/ASX 300 A-REIT Accumulation Index outperformed the broader equity as it rose 5.0% compared with the general market's rise of 4.4%. For the year ended 31 July 2014, the A-REIT

sector returned 17.4% compared to the broader market's return of 16.3%. In July, the gap between best to worst performing stock in the S&P/ASX 300 A-REIT Index was 6.1% with the three best performing A-REITs being Dexu Property (DXS +7.2%), Abacus Property Group (ABP +7.2%) and CFS Retail (CFX +6.4%) whilst the three worst performers were Australand (ALZ +1.1%) which is in takeover mode, Mirvac (MGR +1.2%) and Charter Hall (CHC +1.9%).

ACTIVITY

Australand (ALZ) reported a first half operating profit of \$80.8m as it reiterated its FY14 guidance of 20% to 25% growth based on its assumption that the current strength in the residential market is maintained. In response to Fraser's cash bid ALZ released its target statement to shareholders recommending they accept the offer in the absence of a superior offer. Frasers responded that its offer of \$4.48 per share was final and would close on 7 August 2014.

A number of transactions in the direct property market over recent months

KEY STATISTICS

as at 31 July 2014

<i>Status</i>	Open
<i>Fund Maturity</i>	Open Ended
<i>Investments</i>	Primarily A-REITs
<i>Investment</i>	3-5 years
<i>Distribution</i>	Quarterly
<i>Fund Inception</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% over \$50m
<i>ARSN</i>	116 193 563

PLATFORMS

Macquarie Wrap Solutions
Netwealth
Powerwrap
Symetry



Fund Performance to 31 July 2014

Folkestone Maxim A-REIT Securities Fund	July 2014 %	6 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	Since Inception % p.a.*
Income Return	4.79	14.10	12.64	12.27	9.39	-5.35	-3.29
Total Return (After Fees but Before Tax)**	0.00	2.62	5.06	6.01	6.54	2.83	4.93
S&P/ASX 300 A-REIT Accumulation Index	4.79	16.72	17.70	18.28	15.93	-2.52	1.69
S&P/ASX 300 A-REIT Accumulation Index	4.95	17.61	17.41	19.69	14.83	-3.62	0.69
Value Add	-0.16	-0.89	0.29	-1.41	1.10	1.10	0.96

*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.

continues to support firmer cap rates, and therefore higher yields. The most significant transaction was REST Industry Super's acquisition of 52 Martin Place Sydney for \$555m representing a very tight yield of 5.25%. With regards to the retail sector, both CFS Retail Property (CFX) and Federation Centres (FDC) reported revaluations for 30 June which showed average cap rate compressions of 13 basis points and 36 basis points respectively across their portfolios.

Mirvac (MGR) completed the sale of its 50% interest in 275 Kent Street, Sydney to Blackstone and announced that Blackstone had exercised their call options over a portfolio of 7 non-core assets for a total consideration of \$826.4m whilst Dexus (DXS) announced the sale of its 50% interest in 201 Kent Street, Sydney to the Investa Commercial Property Fund for \$173m representing a 5% premium to the December 2013 book value.

On the operational front, CFS Retail Property (CFX) released its headline retail sales for the year ended 30 June 2014 disclosing specialty store MAT growth of 2.2% which reflects the subdued retail environment.

SECTOR VALUATION

The A-REIT sector ended July at around a 25% premium to NTA and a FY15 dividend yield of 5.3% whilst sector look through gearing rose marginally over the month by 1% to 31%.

OUTLOOK

Notwithstanding an appraisal of the sector's valuation metrics which may suggest it is reaching expensive

territory, we expect that the weight of money chasing yield in the current low interest environment, coupled with growing concerns on the geopolitical front (e.g. Russia, Ukraine, Israel) investors will likely continue to seek shelter in relatively lower volatile assets paired with secure income streams such as the A-REIT sector.

PERFORMANCE REPORT

Over the month of July, the Fund returned +4.79% (on an After Fee but Before Tax basis) marginally underperforming the Fund's Benchmark (S&P/ASX 300 A-REIT Accumulation Index) return of +4.96%. In the year ended 31 July 2014, the Fund returned +17.70% outperforming the Benchmark return of +17.41% by 0.29%. Over the 5 year period ended 31 July 2014, the Fund returned +15.93% p.a. outperforming its Benchmark by 1.10%, whilst, since inception (15 October 2005), the Fund has outperformed its Benchmark by 0.95%.

In July, positive contributions to returns came for the Fund's exposures to the Folkestone Social Infrastructure Trust (FST +7.4%), Villa World (VLW +9.9%) and Folkestone Education Trust (FET +5.8%). Detracting from returns included the Fund's underweight exposures to (GPT +6.0%), CFS Retail Trust (CFX +6.4%) and to Westfield Corporation (WFD +4.6%).

At the end of July, the Fund's investments comprised 17 ASX listed securities totaling 97.2% of the portfolio. Of the 17 securities held, 8 were constituents of the S&P/ASX 300 A-REIT Index with the remaining 9 being Ex Index securities. The remaining 2.8% of the portfolio was held in cash/liquid investments.

SECTOR SPLIT

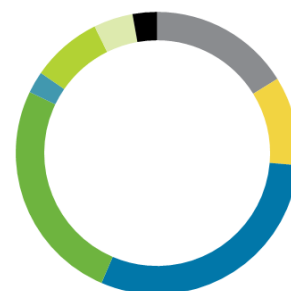
As at 31 July 2014



- S&P/ASX 300 A-REIT - 62.5%
- Ex S&P/ASX 300 A-REIT - 26.6%
- Developers & Managers - 8.1%
- Cash - 2.8%

ASSET ALLOCATION

As at 31 July 2014



- Social Infrastructure - 16.2%
- Industrial - 10.2%
- Retail - 30.1%
- Diversified - 25.7%
- Office - 2.5%
- Developers & Managers - 8.10%
- Other - 4.5%
- Cash - 2.8%

TOP 5 HOLDINGS (by Portfolio Weight)

- Stockland Group
- Westfield Group
- Folkestone Social Infrastructure Trust
- Westfield Retail Trust
- Goodman Group

Disclaimer: Investors should consider the product disclosure statement (PDS) issued by the Responsible Entity, One Managed Investment Funds Limited (ABN 47 117 400 987) (AFSL 297042) (OMIFL) before making any decision regarding the Folkestone Maxim A-REIT Securities Fund (Fund). The PDS contains important information about investing in the Fund and it is important investors read the PDS before making a decision about whether to acquire, continue to hold or dispose of units in the Fund. Folkestone Maxim Asset Management Limited (ABN 25 104 512 978) (AFSL 238349) is the investment manager of the Fund (Folkestone Maxim). Neither OMIFL nor Folkestone Maxim guarantees the repayment of capital or the performance of any product or any particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance. While every care has been taken in the preparation of this document, Folkestone Maxim makes no representation or warranty as to the accuracy or completeness of any statement in it including without limitation, any forecasts. This fact sheet has been prepared for the purpose of providing general information only, without taking account of any particular investor's objectives, financial situation or needs. Investors should, before making any investment decisions, consider the appropriateness of the information in this fact sheet, and seek professional advice, having regard to their objectives, financial situation and needs. OMIFL has not been involved in the preparation of this monthly report and takes no responsibility for its content. Information in this fact sheet is current as at July 2014.

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