



## FOLKESTONE MAXIM A-REIT SECURITIES FUND

### OCTOBER 2014 REPORT

#### MARKET REVIEW

The Federal Reserve in the USA concluded its programme of asset purchases midway in October as the ECB in Europe began buying covered bonds and asset backed securities. At month end the Bank of Japan announced that it would extend its Quantitative Easing programme. The iron ore price and the price of oil fell whilst the S&P 500 Index ended the month at a record high having gained 2.3%. Both the Dow Jones Index and the NASDAQ also rose 2.0% and 3.1% respectively during the month.

At its October Board Meeting, the Reserve Bank of Australia (RBA) once again kept rates on hold at 2.5% and at month end the Yield on 90 Day Bank Bills rose 3 basis point to 2.72% whilst the yield on 10 Year Bonds fell to 3.29%.

The S&P/ASX 300 A-REIT Accumulation Index returned 6.5% over the month, outperforming the broader equity market by 240 basis points. In the year ended 31 October 2014, the 300 A-REIT Accumulation Index returned 16.5% compared to the broader market's return of 6.4%.

The gap between best to worst performing stock in the S&P/ASX 300 A-REIT Index in the month of October was 14.0% with the best performing A-REIT being Dexus Property Group (DXS +9.0%), whilst the worst performer was GDI Property Group (GDI -5.0%).

#### ACTIVITY

In October, the Mirvac Group acquired Birkenhead Shopping Centre and Marina, Drummoyne, from Abacus (ABP) and the Kirsch group (South Africa) for \$310m on a reported fully let passing yield of 6.6%. Major tenants include Coles, Aldi, Spotlight as well as international retailers including Nike, Hugo Boss, Calvin Klein and Polo Ralph Lauren. The Centre also includes a 187 berth marina which is being upgraded to 201 berths. The Centre was acquired by the vendors in 2010 and have spent more than \$50m on refurbishment.

In Parramatta, Longbow Enterprises acquired the Octagon office tower, 110 George Street, Parramatta for \$83m from Charter Hall's PFA Diversified Property Trust and the Westlawn Property Trust on a reported yield of 8.5%.

#### KEY STATISTICS

as at 31 October 2014

<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

Macquarie Wrap Solutions  
Netwealth  
Powerwrap  
Symetry

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

Scentre Group  
Stockland Group  
Goodman Group  
Westfield Corp  
Folkestone Social Infrastructure Trust



#### Fund Performance to 31 October 2014

Folkestone Maxim A-REIT Securities Fund	Oct 2014 %	6 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	Since Inception % p.a.*
Growth	+4.73	+9.07	+11.61	+13.20	+6.94	-6.02	-2.92
Income Return	+0.00	+3.17	+5.70	+6.69	+5.18	+2.56	+4.91
Total Return (After Fees but Before Tax)**	+4.73	+12.24	+17.31	+19.89	+12.12	-3.46	+1.99
S&P/ASX 300 A-REIT Accumulation Index	+6.53	+11.49	+16.53	+20.02	+12.02	-4.53	+0.97
<b>Value Add</b>	<b>-1.80</b>	<b>+0.75</b>	<b>+0.78</b>	<b>-0.13</b>	<b>+0.10</b>	<b>+1.07</b>	<b>+1.02</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.



## ACTIVITY CONT'D

The GPT Group sold an office building at 818 Bourke Street, Melbourne to US based fund manager Hines Global for \$152.5m on an initial yield of 7.0%. The A-grade 6 level office building is fully leased to Ericsson, Infosys and AMP with car parking for 174 cars and was sold with a WALE of 3.9 years.

In south west Brisbane, a joint venture between Federation Centres (25%) and TIAA Henderson Real Estate (75%) acquired the Mt Ommaney Centre for \$416.25m from the AMP Capital's Australian Core Property Portfolio on a reported capitalisation rate of 6.25%. The centre is anchored by Target, Big W and Kmart as well as 3 supermarkets (Coles, Woolworths and Aldi), 4 mini majors and 165 specialty stores.

In Northern Queensland, AMP's Capital Shopping Centre Fund acquired a 50% interest in the Stockland Townsville Shopping Centre (which underwent a significant redevelopment and expansion in 2013), for \$228.7m and is anchored by Myer, Big W and Woolworths with 180 specialty stores.

## SECTOR VALUATION

At October month end, the A-REIT sector was trading at a 28% premium to NTA offering a FY15 yield of 5.2% equating to a 248 basis points premium to 90 day Bank Bills and a 191 basis points premium to 10 year bonds.

## OUTLOOK

Now that the US Federal Reserve has ended its QE programme, investor focus will most likely be on the timing of the first

rate hike. Domestically, the property fundamentals remain challenging with office vacancies still high as are incentive levels whilst retail sales appear to be on the improve albeit at a slow rate. However, with interest rates at low levels, they continue to provide support for the sector.

## FUND PERFORMANCE

Over October, the Fund returned +4.73% (after fees but before tax), underperforming the Fund's Benchmark return of +6.53%. For the year ended 31 October 2014, the Fund returned +17.31% outperforming the Benchmark return of +16.53%. Since inception (15 October 2005), the Fund has outperformed its Benchmark by 1.02% (after fees but before tax).

Positive contributions to returns came from the Fund's exposures to Scentre Group (SCG +7.9%), Ingenia Group (INA +4.4%) and GPT Group (GPT +6.5%). Detracting from returns were our underweight exposures to Dexus Property Group (DXS +9.0%), Westfield Corporation (WFD +6.3%) and the rebadged Novion Property Group (NVN +5.3%) (previously CFX Retail Property Trust).

With the addition of two stocks to the portfolio mix, GPT Group (GPT) and Rural Funds Group (RFF), at month end the Fund's investments comprised 15 ASX listed securities totaling 97.2% of the portfolio. Of the 15 securities held, 9 were constituents of the S&P/ASX 300 A-REIT Index with the remaining 6 held outside of the Index. The residual 2.8% was held in unlisted securities and cash/liquid investments.

## ASSET ALLOCATION

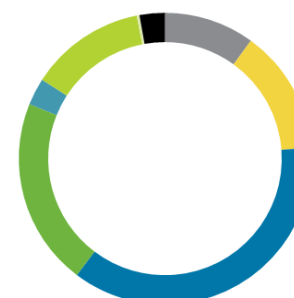
As at 31 October 2014



- S&P/ASX 300 A-REIT - 75.0 %
- Ex S&P/ASX 300 A-REIT - 6.4 %
- Real Estate Developers - 15.8 %
- Cash and Unlisted - 2.8 %

## SECTOR SPLIT

As at 31 October 2014



- Social Infrastructure - 10.0 %
- Industrial - 13.8 %
- Retail - 36.5 %
- Diversified - 20.8 %
- Office - 3.0 %
- Developers & Managers - 12.8 %
- Other - 0.3 %
- Cash and Unlisted - 2.8 %

**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 October 2014. The SQM rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the PDS and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from Folkestone Maxim for the research and rating of the Fund.

### Morningstar Definition

The Morningstar Rating is an assessment of a fund's past performance – based on both return and risk – which shows how similar investments compare with their competitors. A high rating alone is insufficient basis for an investment decision.

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