



## FOLKESTONE MAXIM A-REIT SECURITIES FUND

### AUGUST 2014 REPORT

#### MARKET REVIEW

China's data flow in August was soft, evidenced by the manufacturing PMI falling back. Worries about deflation in Europe came to the fore as a flash estimate for August CPI indicated prices rising at the slowest rate in 5 years. As a consequence, expectations of ECB easing including "Quantitative Easing" rose, pushing down bond yields in the eurozone whilst, in spite of ongoing tensions in the Ukraine and the Middle East, the Oil price extended its 7.3% fall in July with a further 2.5% fall in August which saw spot Brent crude oil drop to a fourteen month low. Notwithstanding, global equities, as measured by the MSCI World Index led primarily by the US market, posted a positive month (+2.0%), with the S&P 500 index rising above 2,000 points for the first time on the last day of August as the EuroStoxx 50 and the UK's FTSE100 indices rose 1.8% and 1.3% respectively, offsetting Japan's Nikkei 225 Index which fell 1.3%.

The Reserve Bank of Australia (RBA) continued to keep rates on hold at 2.5% following its August Board meeting. The Yield on 90 Day Bank Bills fell 1 basis point to 2.63% whilst the yield on 10 Year Bonds fell to 3.29%.

The S&P/ASX 300 A-REIT Accumulation Index returned 1.7% over the month, outperforming the broader equity market by 0.7%. In the year ended 31 August 2014, the S&P/ASX 300 A-REIT Accumulation Index returned 19.5% compared to the broader market's return of 14.4%. In August, the gap between best to worst performing stock in the S&P/ASX 300 A-REIT Index was 15.0% with the three best performing A-REITs being Hotel Property Investments (HPI +9.1%), Folkestone Education Trust (FET +7.2%) and 360 Capital Industrial Fund (TIX +6.7%) whilst the three worst performers were GDI Property Group (GDI -5.9%), National Storage (NSR -4.9%) and Ingénia Group (INA -2.8%).

#### KEY STATISTICS

as at 31 August 2014

<b>Status</b>	Open
<b>Fund Maturity</b>	Open Ended
<b>Investments</b>	Primarily A-REITs
<b>Investment</b>	3-5 years
<b>Distribution</b>	Quarterly
<b>Fund Inception</b>	October 2005
<b>Pricing</b>	Daily
<b>Buy/Sell Spread</b>	0.25%/0.25%
<b>Total MER</b>	0.95% up to \$50m Then 0.85% over \$50m
<b>ARSN</b>	116 193 563

#### PLATFORMS

Macquarie Wrap Solutions  
Netwealth  
Powerwrap  
Symetry



#### Fund Performance to 31 August 2014

Folkestone Maxim A-REIT Securities Fund	Aug 2014 %	6 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	Since Inception % p.a.*
Growth	+2.39	+12.04	+14.62	+13.18	+6.85	-5.77	-2.98
Income Return	+0.00	+2.51	+5.03	+6.02	+5.45	+2.65	+4.89
Total Return (After Fees but Before Tax)**	+2.39	+14.54	+19.65	+19.20	+12.30	-3.13	+1.90
S&P/ASX 300 A-REIT Accumulation Index	+1.68	+14.69	+19.47	+19.22	+11.82	-4.42	+0.87
<b>Value Add</b>	<b>0.71</b>	<b>-0.15</b>	<b>+0.18</b>	<b>-0.02</b>	<b>+0.48</b>	<b>+1.30</b>	<b>+1.03</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.

#### 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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## ACTIVITY

Brookfield acquired 50 Carrington Street, in the Sydney CBD for \$88m from Dexu Property Group (DXS) who were also a seller of an industrial site in Rosebery, Sydney to Meriton for \$190m. This site, containing 2 business parks, is now zoned residential. In Melbourne, Invesco purchased a 22 level, A-grade office building at 321 Exhibition Street from Cromwell Group (CMW) for \$208m reflecting a yield of 6.4%. Abacus Property Group (ABP) together with South African based KKR purchased a 70% interest in Towers 2, 3 and 4 of the World Trade Centre, Melbourne for \$120.4m on an initial yield of 9.3%. This joint venture was funded with a contribution of \$90.3m from KKR and \$30.1m from Abacus with the latter taking over the management rights.

In Brisbane, Cbus Property acquired a property considered to have a medium term redevelopment potential situated at 443 Queen Street for \$49m. The 360 Capital Industrial Fund purchased 33-37 Mica Street, Carole Park for \$23.9m containing a mix of warehouse, temperature controlled food production areas as well as office accommodation.

## SECTOR VALUATION

At August month end, the sector was trading at a 34% premium to NTA and offering a FY15 DPS yield of 5.3%, a 267 basis points premium to 90 day bank bills and a 200 basis points premium to the 10 Year Bond Rate.

## OUTLOOK

In the context of a global market, the Australian yield on offer is providing a powerful argument for investing in our A-REITs. The Reserve Bank, in their August minutes, pointed to the considerable degree of uncertainty blurring the economic outlook.

Valuations in the main are considered challenging, however interest rates remain at historically low levels and are supportive of the sector. Whilst rates remain low, few signs of weakness are expected to emerge, however, we expect the A-REIT market to be driven in the short-term by sentiment in global equity and bond markets.

## PERFORMANCE REPORT

The Fund returned +2.39% (on an After Fee but Before Tax basis) in August, outperforming the Fund's Benchmark return of +1.68% by 0.71%. Over the 12 month period ended 31 August 2014, the Fund returned +19.65% outperforming the Benchmark return of +19.47% by 0.18%. Since inception (Oct 2005), the Fund has outperformed its Benchmark by 1.03% (on an After Fee but Before Tax basis).

Over the month of August, positive contributions to returns came from the Fund's exposure to the Carindale Property Trust (CDP +6.7%) and Folkestone Education Trust (FET +7.2%) whilst an underweight holding in the underperforming GPT Group (GPT -2.0%) also provided a positive contribution. Detracting from returns were underweight exposures to Federation Centres (FDC +3.3%) and Westfield Corporation (WFD +1.9%) whilst our exposure to Folkestone Social Infrastructure Trust impacted negatively as the stock fell 1.8% in August.

The Fund's investments at the end of August comprised 13 ASX listed securities totaling 94.1% of the portfolio. Of the 13 securities held, 6 were constituents of the S&P/ASX 300 A-REIT Index. The Fund held 5.9% in cash/liquid investments at month end.

## ASSET ALLOCATION As at 31 August 2014



■ S&P/ASX 300 A-REIT - 62.7 %  
■ Ex S&P/ASX 300 A-REIT - 24.4 %  
■ Real Estate Developers - 7.0 %  
■ Cash - 5.9 %

## SECTOR SPLIT As at 31 August 2014



■ Social Infrastructure - 15.5 %  
■ Industrial - 14.5 %  
■ Retail - 36.3 %  
■ Diversified - 13.1 %  
■ Office - 3.2 %  
■ Developers & Managers - 7.0 %  
■ Other - 4.5 %  
■ Cash - 5.9 %

## TOP 5 HOLDINGS (by Portfolio Weight)

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

## FURTHER INFORMATION

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*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 August 2014.*

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