

## FOLKESTONE MAXIM A-REIT SECURITIES FUND

### JANUARY 2015 REPORT

#### MARKET REVIEW

In spite of better than expected 4<sup>th</sup> Quarter earnings, the S&P500 underperformed the rest of the world recording a fall of 3.1% over January. In Europe however, the ECB announced a Quantitative Easing (QE) program due to start in March 2015 and this saw the Euro Stoxx 50 Index record its best monthly gain in over 2½ years rising 6.5%. The Swiss National Bank unexpectedly announced it would end its policy to defend a EUR/CHF floor of 1.20.

In Australia, there was no Reserve Bank board meeting in January leaving the Cash Rate at 2.5%. At January month end, 90 Day Bank Bills were yielding 2.53% whilst the yield on 10 Year Government Bonds fell 30 basis points to end the month at 2.44%. The Aussie Dollar closed at US\$0.7762, a fall of 5.2%.

The S&P/ASX 300 A-REIT Accumulation Index returned 7.4% in January outperforming the general equity market by 440 basis points. Over the 12 month period ended 31 January 2015, the S&P/ASX 300 A-REIT Accumulation Index has returned 35.7% compared to the broader market's return of +12.5%.

The gap between best to worst performing stock in the S&P/ASX 300 A-REIT Index in January was 16.3%. The best performing A-REIT in the Index was Dexu Property Group (DXS +10.6%) followed by Novion (NVN +9.4%) and Westfield Corporation (WFD +9.3%) whilst the three worst performers were Ingenia Group (INA -5.7%), GDI Property (GDI -1.7%) and Astro Japan (AJA -1.6%).

#### ACTIVITY

The first major foray offshore by an A-REIT since the GFC occurred in January when Cromwell (CMW) acquired Valad Europe from Blackstone for \$A208 million. Valad Europe will represent circa 10% of CMW's earnings. After the disastrous acquisitions of European fund platforms and assets by Stockland, GPT, Valad and APN Funds to name a few prior to the GFC, the market will be watching CMW's move with interest.

The Mirvac Group sold a 50% interest in the new office development at 2 Riverside Quay, Southbank to ISPT for \$106 million. ISPT will fund 50% of the total development costs throughout the

#### KEY STATISTICS

as at 31 January

<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)

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



#### Fund Performance to 31 January 2015

Folkestone Maxim A-REIT Securities Fund	Jan 15 %	6 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	Since Inception % p.a.*
Growth	+5.45	+11.62	+27.73	+15.34	+8.43	-2.18	-1.83
Income Return	+0.00	+2.39	+5.33	+6.21	+5.64	+3.08	+4.83
Total Return (After Fees but Before Tax)**	+5.45	+14.01	+33.06	+21.55	+14.07	+0.90	+3.00
S&P/ASX 300 A-REIT Accumulation Index	+7.44	+15.35	+35.66	+22.56	+14.35	+1.16	+2.21
<b>Value Add</b>	<b>-1.99</b>	<b>-1.34</b>	<b>-2.60</b>	<b>-1.01</b>	<b>-0.28</b>	<b>-0.26</b>	<b>+0.79</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

construction period based on a capitalisation rate of 6.12% whilst Mirvac will provide a five-year rental guarantee.

Growthpoint Properties (GOZ) Australia acquired the land and development of an office building at 211 Wellington Road in Mulgrave for a total cost of \$62.6 million from a joint venture between Australand and CIP.

360 Capital Office Fund (TOF) has acquired Botanicca 8 at 576 Burnley Street in Richmond for \$46.5 million from the developer – Botanicca 8 Pty Ltd, reflecting a core yield of 7.70%. Completed in 2013, the five-level A-grade building provides 8,331m<sup>2</sup> of NLA with 217 on-site car spaces and is fully leased to GE Capital Finance and Forever New Clothing.

Federation Centres (FDC) acquired Currabine Central shopping mall, north of Perth for \$74 million. The centre was purchased from the private property group, White and Partners, the investment arm of the Ray White Group.

## SECTOR VALUATION

At the end of January, the A-REIT sector was offering a FY15 yield of 4.8% which equates to a 227 basis points premium to 90 day Bank Bills and a 236 basis points premium to 10 year bonds.

## OUTLOOK

Notwithstanding Australia's weak underlying property fundamentals and operating conditions, the A-REIT sector is expected to continue to be well supported

due to the low interest environment currently in place and the prospect for the Cash Rate to move lower.

In addition, the upcoming reporting period is not expected to provide many negative surprises which should help cement the sector's positive outlook.

## FUND PERFORMANCE

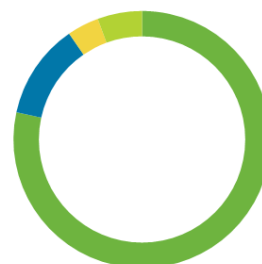
Over January, the Fund returned +5.45% (on an after fees but before tax basis), underperforming the Fund's Benchmark return of 7.44%. Over the 12 month period ended 31 January 2015, the Fund returned 33.07% underperforming the Benchmark return of 35.66%. Since inception (October 2005) the Fund has returned 3.00% p.a. outperforming its Benchmark return of 2.21% p.a. on an after fees but before tax basis.

Positive contributions to returns came from the Fund's exposure to Westfield Corporation (WFD +10.6%), Carindale Property Trust (CDP +3.2%) and Australian Industrial REIT (ANI +5.0%). Detracting from returns were underweight exposures to Dexus Property Group (DXS), Novion Property Group (NVN) and the Mirvac Group (MGR) which rose 10.6%, 9.4% and 8.4% respectively.

At January month end, the Fund's investments comprised 12 ASX listed securities totaling 94.4% of the portfolio of which 8 were constituents of the S&P/ASX 300 A-REIT Index. The remaining 4 listed investments held are outside of the Benchmark Index. The balance of the portfolio exposure was held in Cash/Liquid investments.

## ASSET ALLOCATION

As at 31 January 2015



- S&P/ASX 300 A-REIT - 78.4%
- Ex S&P/ASX 300 A-REIT - 12.0%
- Real Estate Managers & Developers - 4.0%
- Cash - 5.6%
- Unlisted - <0.1%

## SECTOR SPLIT

As at 31 January 2015



- Social Infrastructure A-REIT - 8.5%
- Industrial A-REIT - 12.6%
- Retail a-reit - 43.6%
- Diversified A-REIT - 16.0%
- Office A-REIT - 6.4%
- Other A-REIT - 3.3%
- Real Estate Managers & Developers - 4.0%
- Cash - 5.6%
- Unlisted - <0.1%

Please note: Numbers in the graphs may not add up to 100 due to rounding.

**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 31 January 2015. 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. Morningstar Disclaimer: © 2015 Morningstar, Inc. All rights reserved. Neither Morningstar, nor its affiliates nor their content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. To the extent that any of this information constitutes advice, it is general advice and has been prepared by Morningstar Australasia Pty Ltd ABN: 95 090 665 544, AFSL: 240892 and/or Morningstar Research Limited (subsidiaries of Morningstar, Inc.) without reference to your objectives, financial situation or needs. You should consider the advice in light of these matters and, if applicable, the relevant Product Disclosure Statement (in respect of Australian products) or Investment Statement (in respect of New Zealand products) before making any decision to invest. Neither Morningstar, nor Morningstar's subsidiaries, nor Morningstar's employees can provide you with personalised financial advice. To obtain advice tailored to your particular circumstances, please contact a professional financial adviser. Please refer to our Financial Services Guide (FSG) for more information [www.morningstar.com.au/fsg.asp](http://www.morningstar.com.au/fsg.asp)

Folkestone Maxim Asset  
Management Ltd  
ACN 104 512 978 AFSL 238349

Sydney Office  
Level 10, 60 Carrington Street  
Sydney NSW 2000

Melbourne Office  
Level 12, 15 William Street  
Melbourne VIC 3000

e: [office@folkestone.com.au](mailto:office@folkestone.com.au)  
[www.folkestone.com.au](http://www.folkestone.com.au)

t: +61 2 8667 2800  
f: +61 2 8667 2880

t: +61 3 8601 2092  
f: +61 3 9200 2282



**Folkestone**  
MAXIM A-REIT SECURITIES FUND