

## FOLKESTONE MAXIM A-REIT SECURITIES FUND

### MAY 2014 REPORT

#### MARKET REVIEW

In the US, in her first testimony before the Joint Economic Committee of Congress, Fed Chair Dr Janet Yellen stated that her expectations were that QE3 will likely end sometime during Autumn (USA) and confirmed that the current guidance regarding rates being low even after reaching full employment was a forecast, not a promise. Global equity markets reacted positively and traded generally higher over the month of May.

For the 8th month in a row, the Reserve Bank of Australia (RBA) kept rates on hold at 2.5% whilst the Aussie Dollar closed out the month at US\$0.9312, a rise of 0.5%. The Yield on 90 Day Bank Bills rose 2 basis point to 2.69% whilst the yield on 10 Year Bonds rallied 29 basis points to end at 3.57%. The S&P/ASX 300 A-REIT Accumulation Index rose 0.05% underperforming the broader equity market which rose 0.68% over the month. For the year ended 31 May 2014, the A-REIT Accumulation Index returned 6.5% compared to the broader market's return of 16.1%.

The gap between best to worst performing stock, in the S&P/ASX 300 A-REIT Index was 14.4% with National Storage Group continuing its rise, with a 5.3% price increase, whilst Ingenia Group, fell 9.1% following disappointing news regarding its sales of mobile/manufactured homes.

#### ACTIVITY

The Stockland Group (SGP) increased its bid to \$4.35 for Australand (ALZ) making it a full and final offer based on a ratio of 1.124 SGP security for each security in ALZ. A cash and scrip alternative was also introduced with the cash component capped at \$250m. In return, ALZ granted SGP access to due diligence on a reciprocal basis. The Australand Board is yet to form a view on the proposal.

The Mirvac Group announced the acquisition of 4 residential development projects across Sydney, Melbourne and Brisbane for a total price of \$142.2m. Charter Hall Group established the Bunnings Partnership Fund No2 following the purchase of a portfolio of Bunnings stores in WA and QLD for \$127m on yields ranging between 6.95% and 7.50%.

#### KEY STATISTICS

as at 31 May 2014

Status	Open
Fund Maturity	Open Ended
Investments	Primarily A-REITS
Investment	3-5 years
Distribution	Quarterly
Fund Inception	October 2005
Issue Price	\$0.6171
Withdrawal Price	\$0.6141
NAV Price	\$0.6156
ARSN	116 193 563
APIR Code	COL0001AU

#### PLATFORMS

Macquarie Wrap Solutions  
Netwealth  
Symetry



#### Fund Performance to 31 May 2014

Folkestone Maxim A-REIT Securities Fund	May 2014 %	6 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	Since Inception % p.a.*
Growth Return	1.23	6.27	4.41	7.66	9.05	-8.14	-4.05
Income Return	-0.00	2.42	4.74	5.67	7.09	3.65	4.92
Total Return (After Fees but Before Tax)**	1.23	8.69	9.15	13.33	16.14	-4.49	0.87
S&P/ASX 300 A-REIT Accumulation Index	0.05	7.51	6.46	13.65	14.60	-6.04	-0.24
<b>Value Add</b>	<b>1.18</b>	<b>1.18</b>	<b>2.69</b>	<b>-0.32</b>	<b>1.54</b>	<b>1.55</b>	<b>1.11</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

Lend Lease formally announced that the third and final office tower at Barangaroo is to commence following leasing pre-commitments from PWC and HSBC Bank Australia for 26,500 sqm and 8,000 sqm of space respectively.

GIC sold an 8% stake in the GPT Group at \$3.815 per share, valuing the transaction at around \$500m whilst the Gandel Group increased its stake in Charter Hall Group to 19.9% by acquiring a 4.8% stake from Macquarie Group.

On the leasing front, Dexus (DXS) and GPT announced the renewal of King Wood Mallesons' lease at Governor Phillip Tower, Sydney across 11,982 sqm whilst Dexus also announced that Shell Australia has increased its lease in Kings Square 2 by 5,487 sqm to a total of 19,300 sqm.

Westfield Group security holders voted to approve a proposed restructure whilst Westfield Retail Trust investors voted to adjourn their meeting to further consider the implications of the proposal put before them. Their meeting has been re-scheduled for 20 June.

There were no capital raisings and buy-back activity in the A-REIT sector in May.

## SECTOR VALUATION

The A-REIT sector ended the month on a 5.5% discount to Net Asset Value, and an 18.0% premium to Net Tangible Assets. The FY15 yield is 5.6% whilst sector look through gearing is currently sitting a touch under 30%. At current levels and on a number of metrics, the sector may be considered to be overvalued.

However given cash rates remaining at historically low levels, distributions are due to be paid at June month end and investors continue to chase yield, we expect the A-REIT sector will continue to remain buoyant for some time to come

## PERFORMANCE REPORT

Over the month of May, the Fund returned +1.23% (on an After Fee but Before Tax basis) outperforming the Fund's Benchmark which returned +0.05%. Over the 5 year period ended 31 May 2014, the Fund has returned +16.14% p.a. outperforming its Benchmark (S&P/ASX 300 A-REIT Accumulation Index) by 1.54%, whilst, since inception (15 October 2005), the Fund has outperformed its Benchmark by 1.11%.

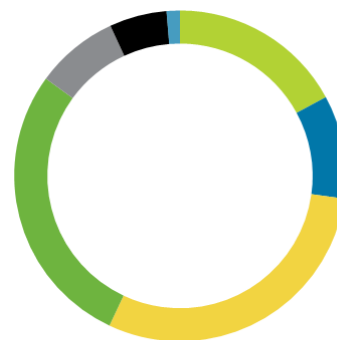
The Fund's exposure to the Australian Social Infrastructure Fund (AZF) as well as its exposure to Folkestone Ltd (FLK) provided positive contributions to returns as they rose 7.6% and 7.1% respectively. Also adding value was the Fund's underweight exposure to the Westfield Group which fell 2.3% over the month.

Detracting from returns were an underweight exposure to CFS Retail Trust Group (CFX) which rose 2.0% as well as our exposure to the Ingenia Group which fell 9.1% in May. The opportunity was taken over the month to add Villa World Ltd to the portfolio.

As at May month end, the portfolio comprised 17 ASX listed securities totaling a portfolio exposure of 98.6%. Exposure to unlisted property was 0.1%, with the balance of 1.3% representing Cash/Liquid investments.

## SECTOR SPLIT

As at 31 May 2014



- Social Infrastructure - 17.1%
- Industrial - 10.1%
- Retail - 29.8%
- Diversified - 28.0%
- Office - 0.0%
- Developers & Mgrs - 8.1%
- Other - 5.6%
- Cash - 1.3%

## ASSET ALLOCATION

As at 31 May 2014



- S&P/ASX 300 A-REIT - 64.6%
- Ex S&P/ASX 300 A-REIT - 26.0%
- Developers & Mgrs - 8.1%
- Cash - 1.3%

## TOP 5 HOLDINGS

(by Portfolio Weight)

- Stockland Group
- Westfield Group
- Australian Social Infrastructure Fund
- 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 5412 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 May 2014.

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