

TOP-DOWN BOTTOM-UP STOCK PICKERS

BY ANASTASIA SANTORENEOS

WITH A LONG track-record of success, Folkestone Maxim Property Securities credited its win to a consistent strategy of top-down and bottom-up stock picking, and maintaining a high-conviction, concentrated portfolio.

Managing director of Folkestone, Winston Sammut, said, unlike its competitors, the firm only chose the stocks it liked, and avoided underweight stocks.



WINSTON SAMMUT

“There’s 31 stocks in the index, and our competitors would hold most of those stocks. They’ll hold a third index weight, a third overweight and a third underweight, whereas we have a concentrated portfolio,” said Sammut. “We don’t have any underweights, with the exception of Westfield and the Scentre Group - if we don’t like a stock it has a zero weighting.”

Sammut said the advantage of keeping limited underweights was that the firm was able to look outside of the office, retail and industrial exposures inherent in the index, and pick up “ex-index” stocks that had generated good returns, for example food and agriculture stocks.

Lonsec confirmed Folkestone’s position, noting that the fund sought opportunities other managers may had overlooked.

“Top-down we look at the

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economic outlook and themes,” said Sammut. “As an example, we like the thematic of food and agriculture, and we also like what’s happening with data, storage and cloud-computing.”

The firm’s next move was to identify whether a real estate investment trust (REIT) existed that covered the specific demographic, and to invest in it. Sammut said some stocks outside the index have nearly doubled in value.

As well, the managing director was confident in the firm’s ability to produce returns, with Folkestone choosing to nominate a specific figure when it comes to beating the benchmark.

“Our aim is to generate a return of in excess of 1.5 per cent above the index over rolling three-year

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A-REIT Securities
Fund**

periods,” he said. “At the moment, we’re generating close to 3 per cent above the index over rolling three-year periods.”

According to FE Analytics, the fund has outperformed the benchmark by 3.83 per cent, with the ASX 300 A-REIT sector benchmark producing returns of -0.07 per cent, and the A-REIT Securities Fund producing returns of 3.76 per cent.

Finalist Cromwell Phoenix Property Securities Fund’s managing director Stuart Cartledge acknowledged the fund’s benchmark-unaware quality as a key driver in good returns.

“I think our active share would be very high compared to the peer group, and that’s simply because we ignore the benchmark in terms of portfolio construction.”