

# Charter Hall Maxim Property Securities Fund

Rating: **Highly Recommended**

Report Date: January 2019

**ATCHISON  
CONSULTANTS**

## PRODUCT FEATURES SUMMARY

Product	Charter Hall Maxim Property Securities Fund (CHMPSEF)
Manager	Charter Hall Property Securities Management Limited (Charter Hall Maxim) (AFSL: 238349)
Responsible Entity	One Managed Investment Funds Limited (OMIFL)
Custodian	One Managed Investment Funds Limited (OMIFL)
Administration	Mainstream Group Holding Limited (Mainstream BPO)
Inception	October 2005
APIR Code	COL0001AU
Distribution Dates	Quarterly
Unit Pricing	Daily
Redemptions	Period: 2 business days
Asset Class	Australian Listed Property
Benchmark	S&P/ASX 300 A-REIT Accumulation Index
Investment Objectives	To outperform the S&P/ASX 300 A-REIT Accumulation Index by 1.5% p.a., after fees and before tax, over rolling 3-year periods
Minimum Investment	\$5,000 (minimum additional investment: \$100)
Management Fee	0.95% p.a. up to \$50m, then 0.85% p.a. > \$50m
Performance Fee	None
Other Fees	None
Buy/Sell Spread	0.25%/0.25%
Target Allocation	Australian Listed REITs and Listed Real Estate Developers and Managers: 80%-100% International Listed REITs: 0-10% Cash/Fixed Interest: 0-10%
Guidelines	Company weight: limit 20% of the Fund (excluding SCG) Exposure: 10% combined maximum exposure to A-REITs managed by Charter Hall ( CLW, COE, CQR) and no holding in Charter Hall Group ( CHC) Offshore listed real estate securities: Maximum 10% Target Tracking Error: Up to 10% Max cash holdings: 10% Gearing: 0% Turnover: below 50% p.a.

## SUMMARY

Charter Hall Group is an ASX listed real estate funds manager and developer which offers a range of real estate investment products across debt, equity, public and private markets. In April 2014, Folkestone acquired 100% of Maxim Asset Management, which was subsequently renamed Folkestone Maxim Asset Management Limited. Charter Hall acquired Folkestone in November 2018. The Fund name has changed to the Charter Hall Maxim Property Securities Fund (CHMPSEF)

Charter Hall Property Securities Management Limited (Charter Hall Maxim) is the portfolio manager for the Charter Hall Maxim Property Securities Fund.

The manager adopts an active high conviction approach with top down and bottom up research and analysis.

As at November 2018, funds under management in the investment strategy (retail, wholesale and investment mandates) was \$131.6m.

## RATING CONSIDERATIONS

### Strengths

- Members of the Investment Committee have been working together for a number of years and demonstrate a collegiate approach to sharing insights and research.
- The investment team possesses considerable knowledge of listed and direct property.
- The investment team has a well-established securities selection process which provides value add in the performance of the portfolio.
- The Fund has consistently outperformed the peer group with lower volatility. Performance has been consistently above the index and investment objective on an after fees basis.

### Weaknesses

- The ability of the manager to generate excess returns based on the investment process may be curtailed as funds under management grow.
- Full-time investment staff are few. A risk to the Fund of key staff departures is high. Winston Sammut has been the lead portfolio manager since October 2005.

Overall, Atchison Consultants rate the Fund as:

## RATING

Not Investment Grade	Investment Grade	Recommended	<b>Highly Recommended</b>
----------------------	------------------	-------------	---------------------------

## Table of Contents

Rating Definitions .....	3
Organisation .....	4
People and Resources .....	4
Investment Team.....	4
Investment Committee .....	5
Investment Process.....	5
Investment Philosophy .....	5
Investment Strategy.....	6
Investment Style.....	6
Investment Process.....	6
Risk Management and Compliance .....	9
Risk Management .....	9
Compliance.....	10
Conflicts of interest.....	10
Implementation .....	11
Customer Service .....	11
Performance .....	11
Strengths .....	12
Risks and Weaknesses.....	12
Rating Summary .....	12
Appendix A – Ownership of the Business.....	13
Appendix B – Organisational Chart .....	14
Appendix C – Charter Hall Maxim A-REIT Securities Fund – Performance Analysis.....	15
Sources of Information .....	18
Report Expiry Date.....	18
Statement of Analyst Interest and Certification, Warning and Disclosure .....	18
Atchison Consultants .....	19

## Rating Definitions

Atchison Consultants' ratings are multi-factor, encompassing: ownership and organisation, staff, investment objective and process, governance and compliance, customer service, liquidity, fees and other costs and performance.

Highly Recommended – The manager and its product have excelled across all of our assessment criteria. We expect the manager's product to perform well ahead of a reasonably appropriate risk and return objective for the product over a full investment cycle.

Recommended – The manager's product has consistently outperformed the median manager across our assessment criteria. We expect the manager to perform ahead of a reasonably appropriate risk and return objective for the product over a full investment cycle.

Investment Grade – The manager satisfies most, if not all, of our rating criteria. We are satisfied in its ability to perform at a reasonably appropriate risk and return objective over a full investment cycle. This rating can apply to new or recently established managers who demonstrate they have in place the experience, resources and systems which we expect will result in performance at or above the reasonably appropriate investment objective for the product over a full investment cycle. Similarly, it can apply to a new product from a new or established manager.

Not Investment Grade – The manager rates poorly in all or most of our ratings criteria.

## Organisation

Charter Hall Group (ABN 21 004 715 226) is an ASX listed property funds manager and developer. It manages a range of real estate investment products across debt, equity, public and private markets.

In April 2014, Folkestone acquired 100% of Maxim Asset Management Limited, which was subsequently renamed Folkestone Maxim Asset Management Limited (Folkestone Maxim). Folkestone was acquired by Charter Hall Group (Charter Hall) including Folkestone Maxim in November 2018. The name of the Fund has been changed to the Charter Hall Maxim Property Securities Fund (CHMPSF). All employees of Folkestone, including the executive management joined Charter Hall.

With the acquisition of Folkestone, Charter Hall Group expanded its offerings to include A-REIT securities funds. This has strengthened its position as a leading provider of property investment products.

The manager operates as Charter Hall Maxim. The business objective is to develop into a leading specialist manager of A-REIT securities, with a focus on delivering strong risk adjusted returns through fundamental analysis and with a high conviction approach.

Charter Hall Maxim continues with the original investment philosophy and process established in 2005.

The manager implements in the Fund a disciplined, high conviction, active management strategy by taking active positions in smaller value securities. Property, asset and capital management skills vary across securities. Top-down and bottom-up investment research is applied in selecting securities.

This Fund has previously been researched and rated three times. The preceding rating awarded was 'Highly Recommended' in 2017.

The research rating report focuses on the Fund, investment strategy and process, investment performance and consistency, and the resources supporting the implementation of the investment strategy.

As at November 2018, the strategy held funds under management (consisting of; retail, wholesale and investment mandates) of \$131.6m, an increase of 63% from 31 August 2017.

Charter Hall Maxim believes the capacity limit for the investment strategy is equal to around 1% of the size S&P/ASX 300 A-REIT Index being \$1.2 billion.

A copy of the ownership chart for Charter Hall Maxim is presented in Appendix A.

## People and Resources

### Investment Team

The investment team consists of three senior investment professionals:

- Winston Sammut – Head of Listed Securities
- Amy Pham – Portfolio Manager, Listed Securities
- Jonathan Kriska – Portfolio Manager, Listed Securities

These three senior investment professionals manage the portfolio on a day to day basis.

All investment team members possess a high level of industry expertise within real estate (listed and unlisted), and listed equities.

The Fund's exposure to listed property securities is formally reviewed at monthly Investment Committee meetings. A significant change in the economic environment or to a specific security within the Fund will prompt an immediate review and assessment of the portfolio.

Winston Sammut joined Charter Hall in November 2018 following the acquisition of Folkestone. Winston was Managing Director of Folkestone Maxim since 2014 and before that he was Managing Director of Maxim Asset Management, before the acquisition of Maxim by Folkestone. Winston has over 30 years of experience in investment management. Prior to establishing Maxim, Sammut was one of the founding shareholders of Ausbil Dexia Limited (Ausbil Dexia), a boutique asset management company formed in April 1997. Whilst at Ausbil Dexia, Sammut was the Deputy Chief Investment Officer and responsible for the management of the listed property securities portfolio.

Disclaimer: Atchison Consultants recommend that investors read the detailed information contained in the Product Disclosure Document. Investors should read the Analyst Interest and Certification, Warning (General Advice Only) and Disclosure (Commissioned Research) at the end of this report.

Prior to joining Ausbil Dexia, Sammut was Director and Deputy Chief Investment Officer at BZW Investment Management and Senior Investment Manager for the Commonwealth Bank Officers' Superannuation Fund.

Amy Pham joined Charter Hall in November 2018 following the acquisition of Folkestone. Pham joined Folkestone Maxim Asset Management as Portfolio Manager in June 2014. Pham has over 12 years' experience as a property securities fund manager and has managed both wholesale and retail mandates. Prior to joining Folkestone Maxim in 2014, Pham was a Senior Analyst at AIMS Snowden Global Property Securities covering Asia Pacific REITS. Pham started her career at Legal and General and progressed to an equity analyst at Perpetual Funds Management.

Jonathan Kriska joined Charter Hall in November 2018 following the acquisition of Folkestone. Kriska joined Folkestone Maxim Asset Management as Portfolio Manager in August 2018. Kriska has over 20 years' experience as a property securities fund analyst. Previously he was Corporate Advisor and Investment Analyst focusing on the listed property sector at Petra Capital. Prior to that he was at Patersons Securities as a REIT Analyst between 2006 and 2012.

A copy of the organisational chart for Charter Hall Maxim is presented in Appendix B.

## Investment Committee

The Investment Committee (IC) comprises Sammut, Pham, Kriska and two consultants - John Krause and Vincent Chin. Both Krause and Chin have previously worked with Sammut at Folkestone Maxim and either Ausbil Dexia or CBA. Krause has a background in fixed interest and Chin has a background in equities and quantitative research.

A copy of the Investment Committee chart for Charter Hall Maxim is presented in Appendix B.

Dr Vincent Chin is responsible for analysing securities of listed A-REITs, other real estate developers and managers and provides quantitative input to the analysis.

Chin had been working alongside Sammut since inception of the Fund. Formerly he was with Ausbil Dexia where he undertook a number of roles, including equity research activities, using top-down sector and bottom-up stock analysis.

Before joining Ausbil, Chin completed 18 years of research and development encompassing semiconductor engineering device physics.

John Krause has over 30 years' experience in funds management and financial markets, with a focus on non-traditional financing structure within debt securities. Krause's experience stems from a long career at the Commonwealth Bank, where he was Senior Investment Manager with responsibility of managing funds and credit exposures in excess of \$3 billion. Krause contributes to the Investment Committee by providing research and input on interest rates, debt markets and investment market outlook and conditions.

The investment team is supported by the IC with extensive insights into the broader capital markets.

The IC meets formally on a monthly basis and more frequently when necessary. IC members provide relevant input from internal and external resources to discuss the macro-economic environment, the property sectors, individual securities and consequently portfolio allocations. Investment ideas and stock specific issues are discussed amongst the IC members.

Sammut is responsible for the overall investment decisions and strategy, however the output from the IC meetings are integral in the decision-making process.

Adrian Harrington, Head of Capital & Product Development at Charter Hall, has a standing invitation to attend the IC meetings and provides direct property research and presents the Charter Hall view on the market to the IC. He is not a member of the IC and does not participate in discussions concerning individual securities.

## Investment Process

### Investment Philosophy

Charter Hall Maxim believes that listed real estate should perform like direct property over the long term. However, due to being listed they are periodically mispriced prompting market inefficiencies. Through active management, opportunities exist to generate superior returns for investors.

Disclaimer: Atchison Consultants recommend that investors read the detailed information contained in the Product Disclosure Document. Investors should read the Analyst Interest and Certification, Warning (General Advice Only) and Disclosure (Commissioned Research) at the end of this report.

Charter Hall Maxim is of the opinion listed real estate should be valued based on the income the A-REIT is able to sustainably distribute over the medium term (1-3 years). The main objective for investing in property is to generate an income stream to the beneficial owners.

An overarching principle is that the attitudes and behaviour of the management team and the owners of any listed real estate security will have a fundamental bearing on performance of the A-REIT. Therefore, a qualitative insight and opinion on the management is a top priority for Charter Hall Maxim. This acts as a leading filter ahead of the investment process.

Charter Hall Maxim concludes that listed real estate returns lie between the risk-free rate and higher risk equities over the long term.

### Investment Strategy

Charter Hall Maxim adopts a high conviction strategy for A-REIT securities based on the following reasons:

- Returns of A-REITs are high variability.
- Concentration risk occurs in Index funds. The largest 8 A-REITs have more than 80% weight of the Index and more than 50% of them are focused on the retail sector.
- Property and asset management skills vary across securities.
- Capital management skills and strategies vary across securities.
- A number of A-REITs have diversified exposure that create opportunities to trade across property subsectors.
- A-REIT securities funds have a long-term investment horizon to capture mispricing opportunities, that the hedge funds or pure equity funds do not have.
- Rising liquidity levels making it easier to actively trade in the sector.
- Research shows a wide variation of performance in the sector.
- High conviction funds are able to add value at lower volatility than the Index.

### Investment Style

The Fund's investment style follows an active approach to portfolio management supported by a combination of top down and bottom-up research.

The Fund consists of the strongest security selection ideas. This high conviction approach to investing typically means holding no more than 20 securities in the portfolio and taking larger positions relative to the benchmark than traditional funds.

The team aims to identify listed securities that offer the following attributes:

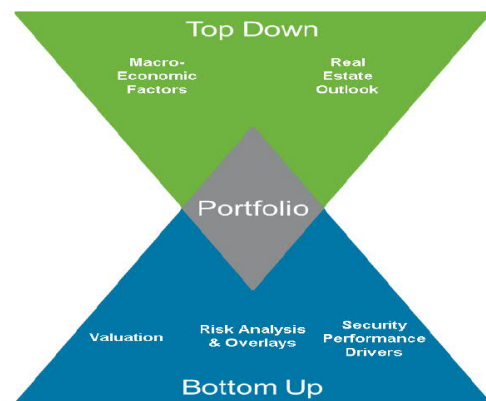
- High quality portfolio of assets
- Sustainable earnings and distribution growth
- Sound management
- Conservative gearing, and
- The right corporate structure

There has been no change to the style since the inception of the Fund in October 2005.

### Investment Process

The investment process is based on compiling and maintaining a list of high conviction securities from the investment universe.

The process is set out in the chart below:



The investment process has not changed since the previous rating of the Fund by Atchison Consultants in August 2017.

The Fund has a relatively wide investable universe that extends beyond the S&P / ASX 300 A-REIT Index to include A-REITs, Australian listed property developers and managers and International REITs. As at December 2018, no investment has been made to International REITs. It will only occur if an Australian company moves to another country for corporate reasons. The Fund currently has exposure to eight non-index securities.



Security selection and portfolio construction are expected to be the main source of value add.

### Top Down

A top-down process combines macro-economic conditions and drivers along with property sub-sector analysis which identifies economic cycles and the impact and implications for real estate investments, including A-REITs.

Internally generated research, complemented by externally sourced research, is undertaken to assess macro-economic factors influencing the A-REIT sector and an analysis of direct real estate markets in line with the investment philosophy.

Macro-economic factors that have an influence on the A-REIT sector includes; economic growth, interest rates, inflation and exchange rates.

In addition, Charter Hall Maxim has access to direct real estate market insights via the broader Charter Hall Group, mainly through Adrian Harrington, Head of Capital and Product Development at Charter Hall.

The research effort undertaken by Charter Hall Maxim:

- Assists in formulating a view on the economy, and
- Drives underlying assumptions of future yields and growth in the valuation models

### Bottom Up

The bottom up segment of the investment process entails:

- A-REIT securities' valuation modelling, including detailed quantitative and qualitative analysis. A-REIT securities are then scored and ranked
- Risk analysis and overlays, and
- Specific security performance drivers

### Valuation Modelling

Each nominated security that passes initial screens, must demonstrate competence to distribute income generated from rent or management or development of real estate. The starting point for the valuation model is the forecast yield for each security which has passed initial screens. Forecast earnings

yield for each security is adjusted, scored and ranked through a series of quantitative and qualitative measures, as outlined below.

Factors	Weights %	Classification	Type
NTA	10.0	Value	Quantitative
P/NPV(5year)	10.0	Value	Quantitative
Debt to Maturity / Gearing	15.0	Risk	Quantitative
WALE x Occupancies	12.5	Risk	Quantitative
Interest Cover	12.5	Risk	Quantitative
Credit Rating	5.0	Risk	Quantitative
Asset Quality	10.0	Value	Qualitative
Asset Type	10.0	Value	Qualitative
Pure A-REIT v. A-REIT with other operating business	15.0	Growth	Qualitative
<b>Total</b>	<b>100.0</b>		

### Risk Analysis and Overlays

Charter Hall Maxim applies two overlays to quantify and evaluate market and operational risk. They are the Margin of Safety assessment and the investment team's assessment.

#### The Margin of Safety Assessment:

Charter Hall Maxim believes the valuation of an AREIT is primarily driven by its ability to derive income. As different securities have different risk profiles, the capital value of the security must also be taken into consideration. The risk profiles include asset quality, asset type and the volatility of each security.

#### The investment team's assessment:

An assessment of the Quality of Management in each A-REIT is undertaken through a combination of external research, and internal conclusions drawn from regular meetings with management and property inspections. The assessment aims to ensure that management will be able to continually add value to the assets they own and hence drive the earnings and ultimately the securities' price higher.

#### Specific security performance drivers

The final stage of the bottom up process investigates specific security issues, such as:

- Liquidity
- Corporate activity
- Distribution

Disclaimer: Atchison Consultants recommend that investors read the detailed information contained in the Product Disclosure Document. Investors should read the Analyst Interest and Certification, Warning (General Advice Only) and Disclosure (Commissioned Research) at the end of this report.

- Index weight adjustments, and
- Market sentiment

Securities that demonstrate the following characteristic are considered for inclusion in the final portfolio:

- Good management
- High quality assets
- Sustainable earnings
- Distribution growth, and
- Appropriate capital structures

### Portfolio Construction

The portfolio construction process incorporates both conclusions from the top down macroeconomic and real estate research and bottom up security analysis.

Securities must continue to meet rigorous investment criteria and risk analysis for inclusion in the portfolio.

The below outlines the process undertaken when constructing the portfolio.



The portfolio is constructed within the following guidelines:

- Maximum 20% exposure to any one security.
- Maximum 10% combined exposure to A-REITs managed by Charter Hall Group (ASX: CLW, CQE, CQR) and no exposure to Charter Hall Group (ASX: CHC) as a headstock.
- Maximum 10% to offshore listed real estate securities or companies. A-REITs with overseas property operations are included in the investment universe beyond this limit.
- Maximum 10% exposure to cash.
- No gearing in the Fund.
- Expected turnover of the portfolio below 50% p.a.

The table below shows the Portfolio Risk Constraints.

Portfolio Risk Constraints	Outcome
Benchmark	S&P/ASX 300 A-REIT Accumulation Index
Maximum number of securities	20 securities
Maximum holdings in a security	< 20% of the portfolio
Target tracking error	10% maximum
Desired turnover range	40% - 50%
Cash	10% maximum
Exposure to Charter Hall Group's managed A-REITs	10% combined maximum
Exposure to Charter Hall Group	0%

All exposures and investments are reviewed regularly at monthly Investment Committee meetings and more frequently if there is a significant change in a security or economic environment. There are three key criteria that are considered when assessing whether an investment should remain in the portfolio:

- Whether the target price has been met.
- Relative value of the investment e.g. it is no longer attractive relative to other opportunities.
- Whether there has been a fundamental change of the characteristic of the investment, such as management change, ownership change.

### Trading

Trading is conducted by the portfolio manager, Amy Pham with support from Winston Sammut.

### Research

The manager undertakes proprietary research and financial modelling of most securities but does consider consensus forecasts for some of the larger securities where there is wide broker coverage. Charter Hall Maxim does not reproduce research undertaken by brokers but use it as a base to build their own research.

Charter Hall Maxim utilises a number of brokers, and allocates trades based on the perceived quality of the research received.

Disclaimer: Atchison Consultants recommend that investors read the detailed information contained in the Product Disclosure Document. Investors should read the Analyst Interest and Certification, Warning (General Advice Only) and Disclosure (Commissioned Research) at the end of this report.



As part of the research process, Charter Hall Maxim has access to the broader Charter Hall Group for internal property sector views and insights. However, due to potential conflict of interest concerns there are strict procedures regarding the flow of information between the listed and unlisted functions within Charter Hall.

## Risk Management and Compliance

### Risk Management

#### Investment Risk Management

The investment guidelines for the Fund are as follows:

Risk Management	Limit	Soft or Hard?
Company active weight	20% (absolute) of the Fund (excluding SCG)	Hard
Exposure to Charter Hall listed entity	10% combined maximum exposure to Charter Hall managed A-REITs and no holding in Charter Hall Group headstock	Hard
Target Tracking Error	Max 10%	Hard
Cash exposure	Max 10%	Hard
Maximum number of securities	20	Soft
Gearing	Zero	Hard
Desired Turnover Range (p.a.)	30% -50%	Soft

\*S&P/ASX 300 A-REIT Accumulation Index

Source: Charter Hall Maxim (2018)

Charter Hall Maxim undertakes risk analysis and monitors on a daily basis the exposure and the performance of the Fund and also monitors a shadow portfolio of securities that it does not hold.

Charter Hall Maxim uses Bloomberg Portfolio Analytics to monitor portfolio risk such as; tracking error (ex-ante and ex-post), betas and liquidity factors of each security held in the Fund on a monthly-basis, or as and when required for portfolio reweighting.

The Fund size is capped at approximately 1% of the S&P/ASX 300 A-REIT Accumulation Index.

Charter Hall Maxim provides detailed performance attribution analysis as part of monthly and quarterly reports.

### Administrative Risk Management

Back-office functions are provided by the following service providers:

- Fund Administration and Registry – Mainstream Group Holdings Limited (Mainstream BPO)
- Compliance – One Managed Investment Funds Limited
- Responsible Entity (RE) – One Managed Investment Funds Limited
- Custodian – One Managed Investment Funds Limited.
- Auditor – Bondy Mortimer (appointed by the RE)

Other administration and customer service duties are performed by Charter Hall Maxim staff.

### Operational Risk Management

Charter Hall Maxim’s operational risk management framework is reviewed by the Board of Charter Hall Group annually and reviewed by management on a regular basis.

The Board of Charter Hall Group frequently reviews the operational activities and internal management reports of Charter Hall Maxim.

### Key man risk

Sammut is ultimately accountable for the Fund and is supported by Pham and Kriska. The investment team of Charter Hall Maxim has the experience and depth to facilitate succession of Winston Sammut. Additionally, the Charter Hall Group Board appoints board members for Charter Hall Maxim. The current Board comprises of the Managing Director & Group CEO of Charter Hall – David Harrison, the Charter Hall CFO – Russell Proutt and the Head of Listed Property Securities, Winston Sammut. They have extensive networks and experience in the property industry. Charter Hall has grown considerably over the last 10 years and has a good track record in succession planning and internal and external recruitment to fill

Disclaimer: Atchison Consultants recommend that investors read the detailed information contained in the Product Disclosure Document. Investors should read the Analyst Interest and Certification, Warning (General Advice Only) and Disclosure (Commissioned Research) at the end of this report.

roles should they become available. As an employer of choice in the Australian commercial property industry the company invests heavily in talent development, retention and is consistently approached by high quality candidates for roles.

### Hedging Risk and Derivatives

The CHMPSF does not hedge international exposure. The Fund may under its constitution use derivatives to hedge risk. However, there is not the intent of the manager to use derivatives.

### Service Provider Risk

The performance of each service provider is reviewed annually. A key component of this review will be the performance against contractual obligations and any KPIs/SLAs. Copies of completed reviews will be sent to the RE for compliance purpose with a recommendation regarding areas of weakness or concerns regarding service delivery.

### Counterparty Risk

Counterparty risk is the key risk associated with the collateral requirements of the CHMPSF. Charter Hall Maxim executes trades exclusively through leading brokers which are considered highly creditworthy including, but not limited to, UBS, JP Morgan and Goldman Sachs.

### Compliance

AFSL and other Corporations Act compliance is undertaken by the Responsible Entity, One Managed Investment Funds Limited with regular reporting input from the Charter Hall Maxim team.

The Investment Committee meets monthly to formally review the strategy. Compliance with investment mandate(s) is reviewed quarterly at the Investment Committee.

Management demonstrates an acute appreciation of investment mandate adherence and follows the strict compliance protocols established throughout the wider Charter Hall Group.

### Conflicts of interest

There are a number of potential or perceived conflicts of interest that have been identified as applicable to the business conduct of Charter Hall Group including Charter Hall Maxim. In summary, these are:

- Personal account trading.
- Managing A-REIT securities portfolios.
- Managing property
- Managing property joint venture relationships.
- Personal property dealings, and the securing of property and related services.

The issues pertinent to each principal area vary and therefore individual policies have been established for each category. The framework for each policy is consistent in that an outline of potential conflicts of interest is provided, followed by the procedures in place to manage the potential conflicts of interest.

### Fees and Costs

The following fees and expenses apply to the Charter Hall Maxim Property Securities Fund. All fees shown are inclusive of GST.

#### Management Fee

- 0.95% p.a. up to \$50m, then
- 0.85% p.a. > \$50m

#### Performance Fee

None

#### Buy/Sell Spread

0.25%/0.25%

The Fund's management expense ratio is an ongoing fee charged to unitholders and includes management fee and expense recoveries. The current MER is lower than the average and median manager with similar investment strategies.

## Implementation

The Fund operates as a managed investment scheme. The Fund is governed by its constitution and is registered with the Australian Securities and Investments Commission ('ASIC').

### Liquidity

The Fund invests in securities which have daily liquidity.

Liquidity is also considered at the portfolio level. A cash buffer deemed appropriate for the strategy is maintained.

The Fund also holds a cash allocation (target of 5%) which is used to assist in the management of redemptions.

The Fund offers liquidity on a T+2-day basis during normal market conditions, however the Constitution allows up to 120 days.

## Customer Service

Customer service is undertaken primarily by the Charter Hall Direct Investors Relations / Marketing teams. Mainstream BPO assists existing investors with respect to transactional and statement enquiries.

Staff responsible for servicing clients are:

- Adrian Harrington, Head of Capital & Product Development
- Monica Hood, Business Development Manager; and
- Harry Horwitz-Rourke, Distribution Manager
- Lula Liossi, Investor Relations Manager

As key funds under management targets are met, Charter Hall Maxim and Charter Hall Group will continue to expand both the investment team and the investor relations team to deliver against our objectives.

Upon application or redemption of units in the CHMPSF, investors are provided with confirmation statements by the Fund Registrar Mainstream BPO. Distribution and quarterly transaction statements

for the Fund are provided quarterly, outlining unit holdings and transaction movements.

Monthly reports detailing the performance of the Fund, market movements and outlook are generally provided within 10 working days of month end.

## Performance

The Charter Hall Maxim Property Securities Fund provides a high conviction portfolio of A-REITs, Australian listed property developers and managers.

The portfolio can hold up to a maximum of 20 securities, but typically holds between 13 to 17 stocks. The Fund is expected to achieve a 1.5% p.a. (net of fees) return above the S&P/ASX 300-A-REIT Accumulation Index over a 3-year period. Refer to Appendix C for an analysis of the investment performance and risk metrics of the Fund relative to its benchmark and peer group as at 31 December 2018. Inception date of the Fund was October 2005.

Performance (net of fees) against the investment objective and excess return is provided in Table below.

Performance to 31 December 2018

	CHPMS	Investment Objective*	Peer Group	Excess Return over the Investment Objective
3 Months (%)	(0.9)	(1.7)	(2.6)	0.8
1 Year (%)	3.3	3.3	(0.7)	0.0
3 Years (% pa)	9.8	7.6	6.4	2.2
5 Years (% pa)	14.3	12.5	11.1	1.8
Inception (% pa)	5.1	3.9	3.2	1.2

\* To outperform the S&P/ASX 300 A-REIT Accumulation Index by 1.5% p.a., after fees and before tax, over rolling three-year periods.

Source: Morningstar, Atchison Consultants

## Conclusion

### Strengths

- Members of the Investment Committee have been working together for a number of years, and demonstrate a collegiate approach to sharing insights and research.
- The investment team possesses considerable knowledge of the asset class and direct property markets.
- The investment team has a well-established securities selection process which provides value add to the performance of the portfolio.
- The Fund has consistently outperformed the peer group with lower volatility, and overall investment performance has been relatively consistent above the index and investment objective on an after fees basis.

### Risks and Weaknesses

- The ability to generate excess returns based on the investment process may be curtailed as funds under management grow.
- Full-time investment staff are few of a risk to the Fund associated with key staff departures is high. Winston Sammut has been the lead portfolio manager for the investment strategy since October 2005.

### Rating Summary

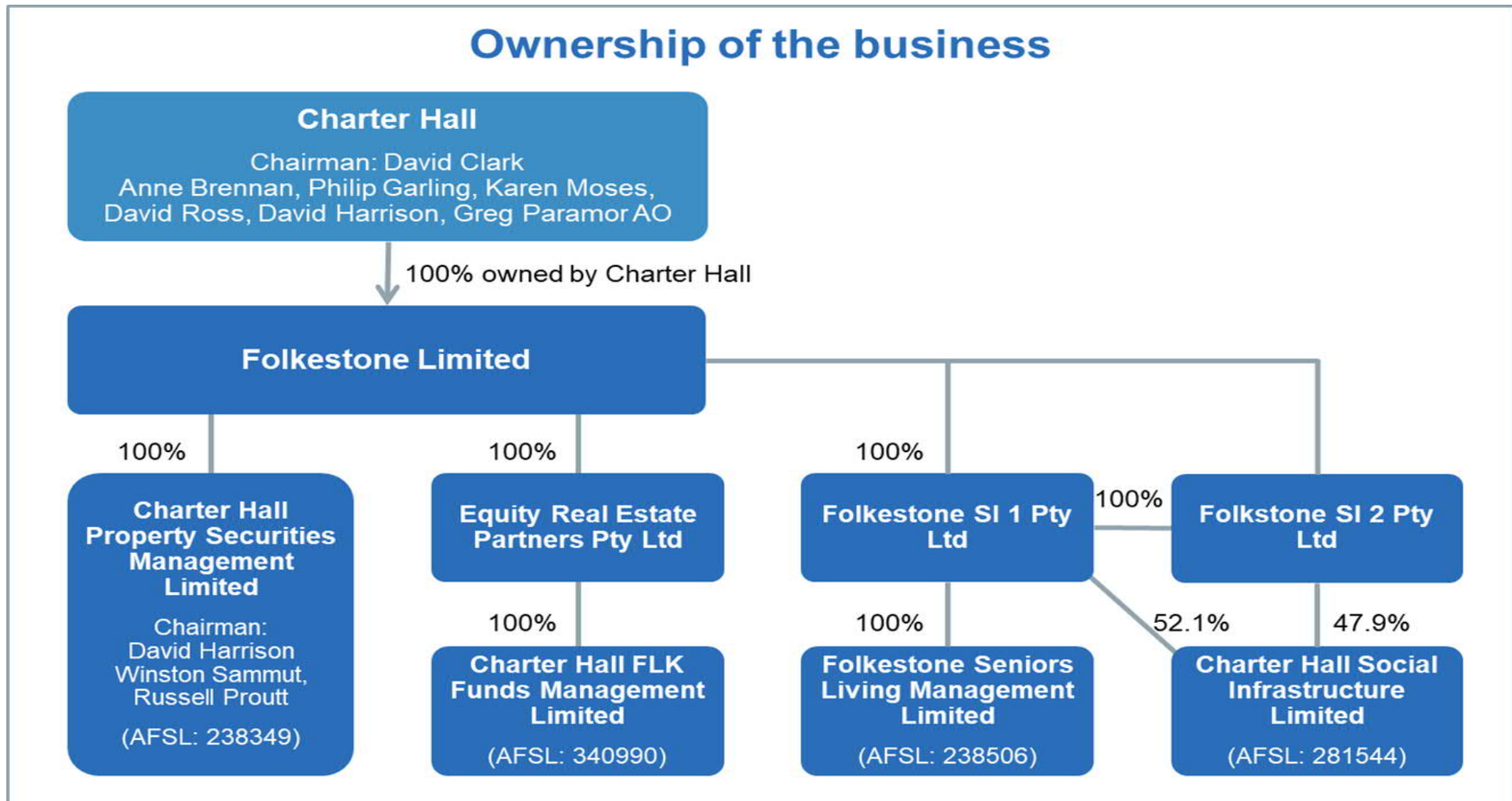
Summary rating by the following 5 factors will be provided.



Rating: Highly Recommended

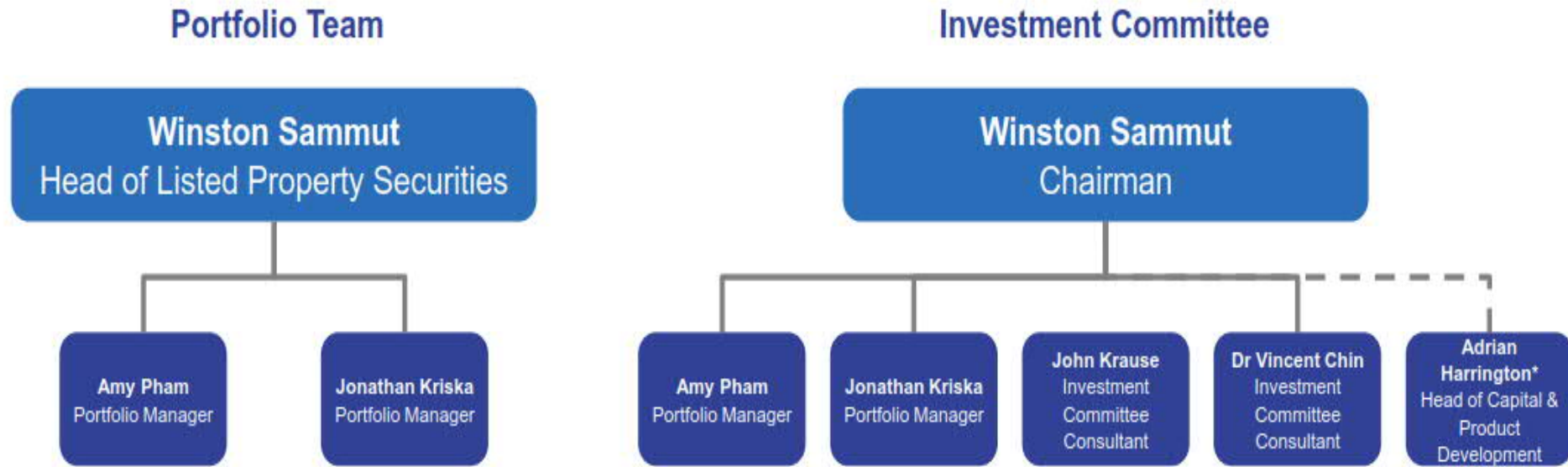
Disclaimer: Atchison Consultants recommend that investors read the detailed information contained in the Product Disclosure Document. Investors should read the Analyst Interest and Certification, Warning (General Advice Only) and Disclosure (Commissioned Research) at the end of this report.

Appendix A – Ownership of the Business



Disclaimer: Atchison Consultants recommend that investors read the detailed information contained in the Product Disclosure Document. Investors should read the Analyst Interest and Certification, Warning (General Advice Only) and Disclosure (Commissioned Research) at the end of this report.

Appendix B – Organisational Chart



\*Adrian Harrington – by invitation only, provides Charter Hall's view on the direct real estate markets

Disclaimer: Atchison Consultants recommend that investors read the detailed information contained in the Product Disclosure Document. Investors should read the Analyst Interest and Certification, Warning (General Advice Only) and Disclosure (Commissioned Research) at the end of this report.



## Appendix C – Charter Hall Maxim A-REIT Securities Fund – Performance Analysis

### Charter Hall Maxim Property Securities Fund December 2018



#### Charter Hall Maxim Property Securities Fund as of 31 December 2018

As of Date: 31/12/2018

	3 m	1 yr	3 yrs	5 yrs	Since inception*
Charter Hall Maxim Property Securities Fund	-0.9	3.3	9.8	14.3	5.1
S&P/ASX 300 A-REIT	-1.7	3.3	7.6	12.5	3.9
Peer Group	-2.6	0.7	6.4	11.1	3.2

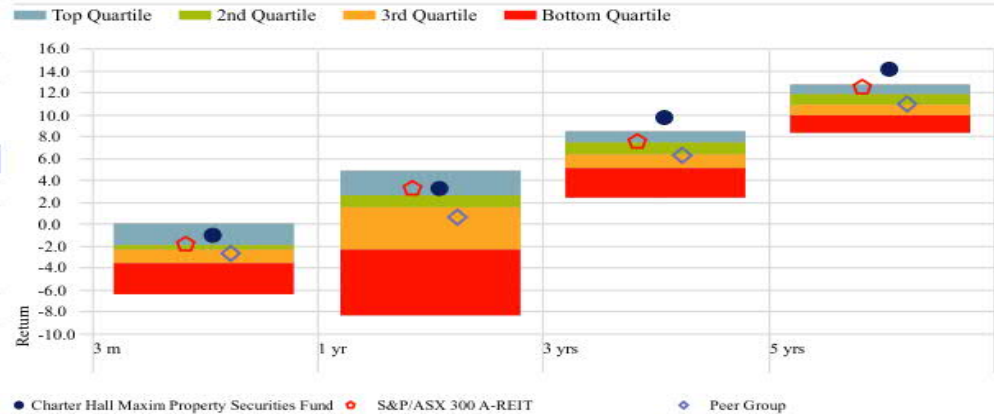
#### Charter Hall Maxim Property Securities Fund Risk Metrics - 5 Years to 31

Time Period: 1/12/2013 to 31/12/2018

	Excess Return	Std Dev	Sharpe Ratio	Tracking Error	Information Ratio	Batting Average
Charter Hall Maxim Property Securities Fund	1.7	9.8	1.2	3.5	0.5	60.0
S&P/ASX 300 A-REIT	0.0	11.8	0.9	0.0		100.0
Peer Group	-1.4	11.1	0.8	1.0	-1.4	26.7

#### Performance Relative to Peer Group

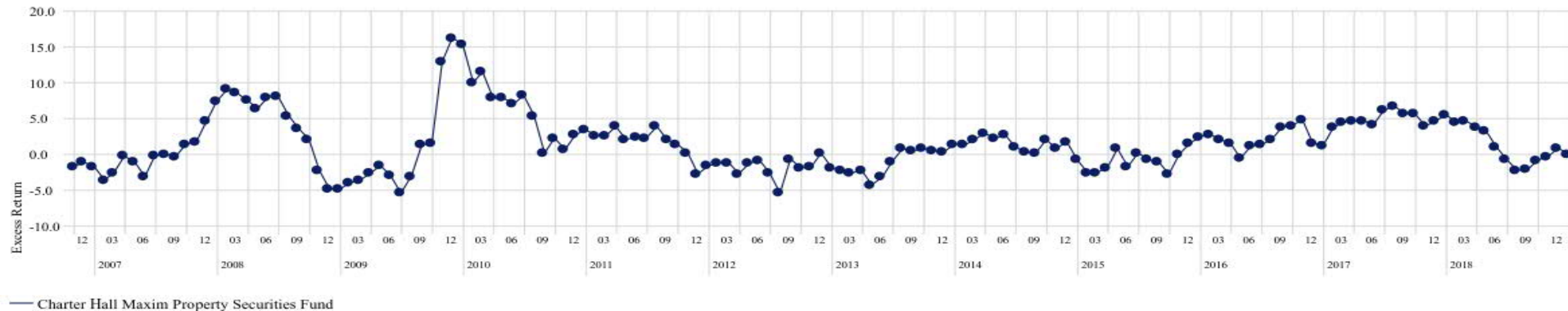
As of Date: 31/12/2018 Peer Group (5-95%): Open End Funds - Australia - Equity Australia Real Estate



#### Rolling One Year Excess Returns as at 31 December 2018

Time Period: 1/11/2005 to 31/12/2018

Currency: Australian Dollar Rolling Window: 1 Year 1 Month shift

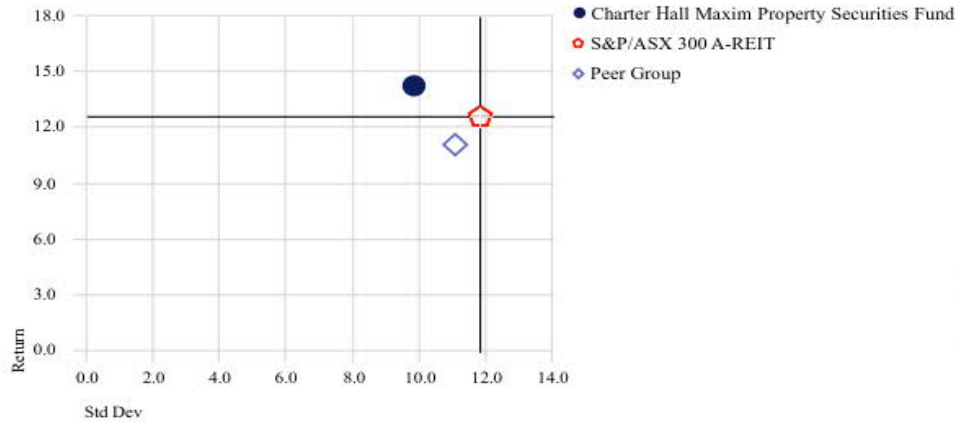


Disclaimer: Atchison Consultants recommend that investors read the detailed information contained in the Product Disclosure Document. Investors should read the Analyst Interest and Certification, Warning (General Advice Only) and Disclosure (Commissioned Research) at the end of this report.

**Risk-Reward - 5 Years to 31 August 2017**

Time Period: 1/12/2013 to 31/12/2018

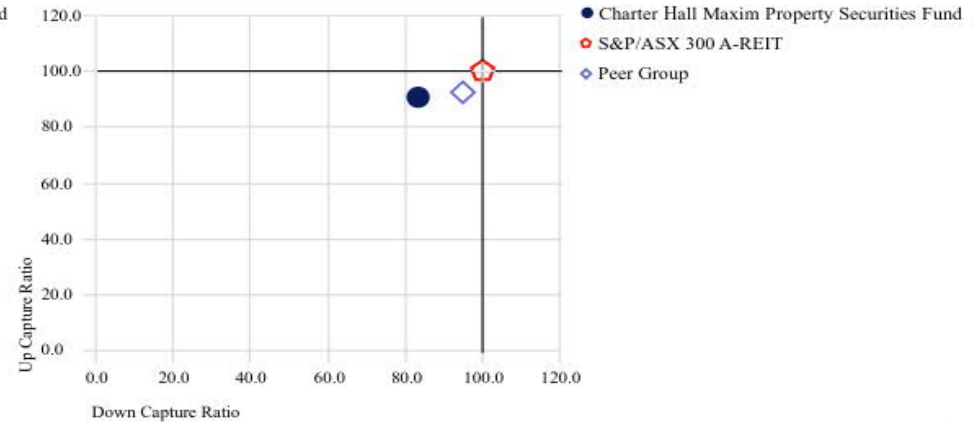
Calculation Benchmark: S&P/ASX 300 A-REIT TR



**Risk-Reward - Since Inception to 31 August 2017**

Time Period: 1/11/2005 to 31/12/2018

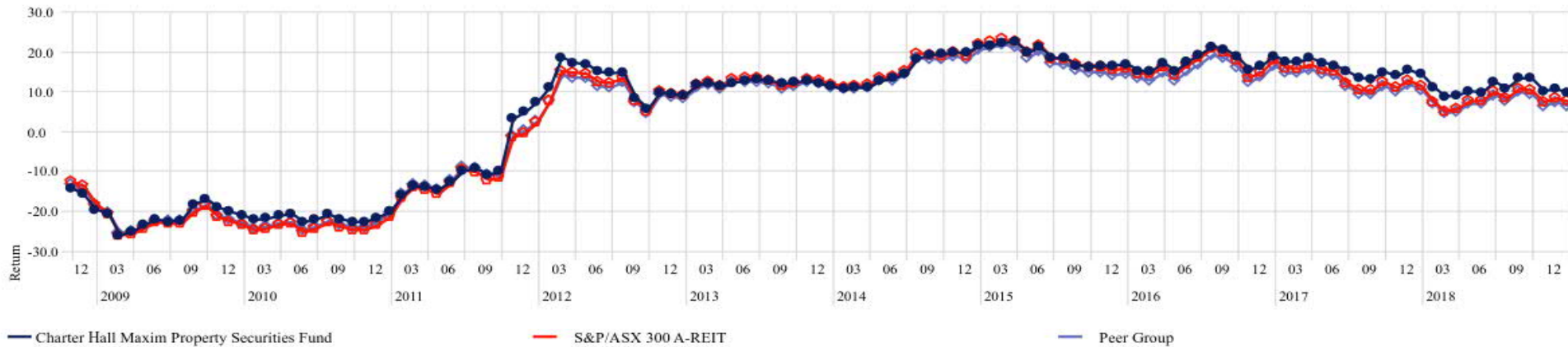
Calculation Benchmark: S&P/ASX 300 A-REIT TR



**Three Year Rolling Returns Since Inception**

Time Period: 1/11/2005 to 31/12/2018

Rolling Window: 3 Years 1 Month shift Calculation Benchmark: S&P/ASX 300 A-REIT TR

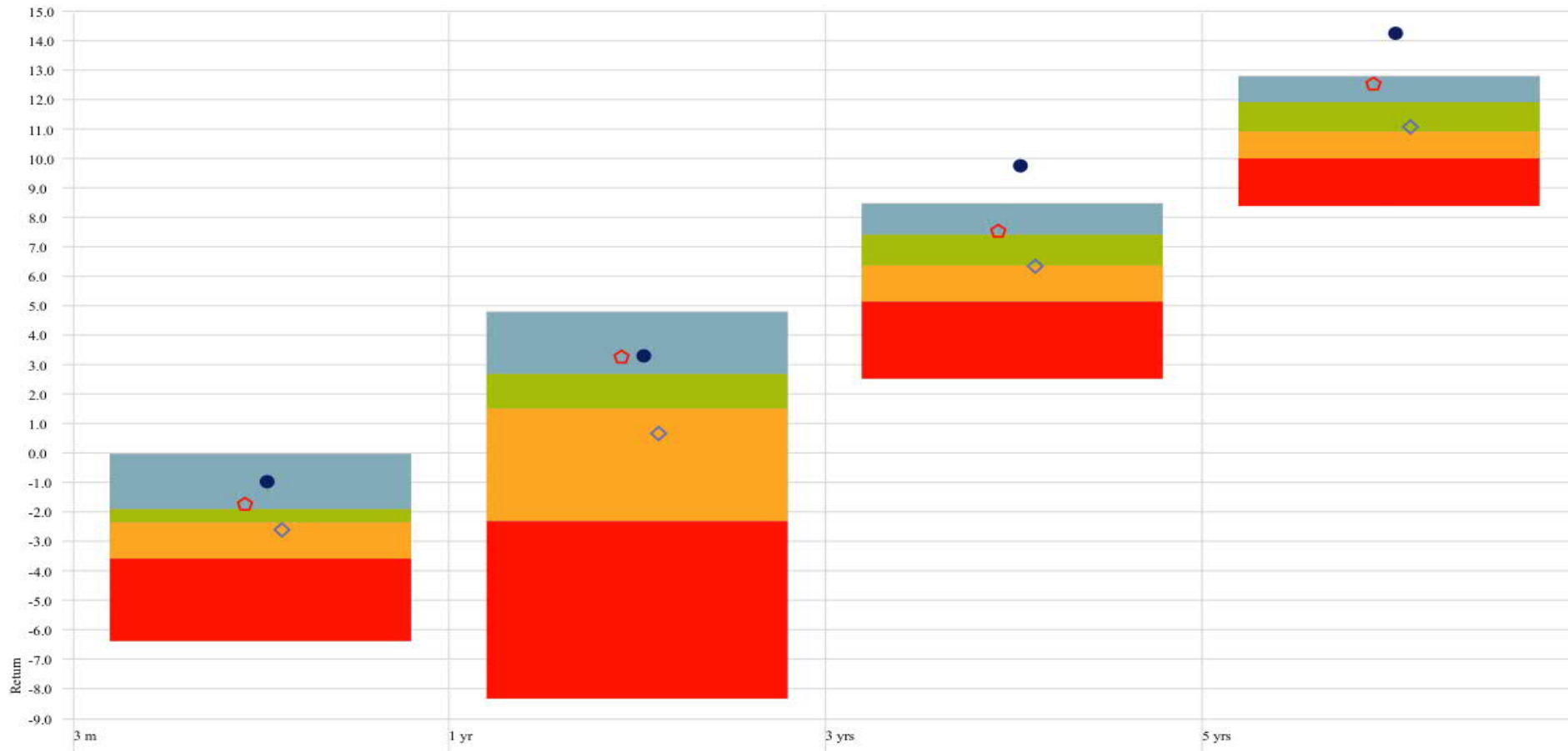


Disclaimer: Atchison Consultants recommend that investors read the detailed information contained in the Product Disclosure Document. Investors should read the Analyst Interest and Certification, Warning (General Advice Only) and Disclosure (Commissioned Research) at the end of this report.

**Performance Relative to Peer Group**

As of Date: 31/12/2018 Peer Group (5-95%): Open End Funds - Australia - Equity Australia Real Estate

■ Top Quartile ■ 2nd Quartile ■ 3rd Quartile ■ Bottom Quartile



● Charter Hall Maxim Property Securities Fund

⬠ S&P/ASX 300 A-REIT

◇ Peer Group

Disclaimer: Atchison Consultants recommend that investors read the detailed information contained in the Product Disclosure Document. Investors should read the Analyst Interest and Certification, Warning (General Advice Only) and Disclosure (Commissioned Research) at the end of this report.

## Sources of Information

In addition to a site visit and multiple manager interviews, the following sources of information have been relied upon in preparing this report:

- FSC Investment Management Questionnaire response (Dated: November 2018)
- Product Disclosure Statement (Dated: June 2014)
- Manager Interview (Dated: December 2018)
- Charter Hall Maxim Property Securities Fund Presentation (Dated: December 2018)
- Charter Hall Maxim Property Securities Fund Monthly Update (Dated: December 2018)
- Charter Hall Maxim Property Securities Fund Performance Spreadsheet to December 2018

## Report Expiry Date

Date Report Prepared: 14 January 2019

Report Expiry Date: The Atchison Consultants report is a point in time assessment and expires after 12 months or if there are any material changes in relation to the information contained in this report or any disclosure or offer document issued in relation to this offer. Atchison Consultants reserves the right change its opinion, rating and/or withdraw the report at any time on reasonable grounds.

Report Prepared By: Jeremy Jiang

Report Authorised By: Ken Atchison

## Statement of Analyst Interest and Certification, Warning and Disclosure

Atchison Consultants' Financial Services Guide been provided to Charter Hall Maxim.

### Analyst Interest and Certification:

The Analyst(s) does not hold an investment in this product. The Analyst(s) certifies that with respect to content covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the product; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

### Warning (General Advice Only):

Charter Hall Maxim as Manager of the Charter Hall Maxim Property Securities Fund. The report contains recommendations and advice of a general nature and does not have regard to the particular circumstances or needs of any specific person who may read it. Investors should assess either personally or with the assistance of a licensed financial adviser whether the Atchison Consultants recommendation or advice is appropriate to their situation before making an investment decision. The information contained in the report is believed to be reliable, but its completeness and accuracy is not guaranteed. Opinions expressed may change without notice. Atchison Consultants does not accept any liability, whether direct or indirect arising from the use of information contained in this report. No part of this report is to be construed as a solicitation to buy or sell any investment. Atchison Consultants does not accept any responsibility to inform you of any matter that subsequently comes

---

Disclaimer: Atchison Consultants recommend that investors read the detailed information contained in the Product Disclosure Document. Investors should read the Analyst Interest and Certification, Warning (General Advice Only) and Disclosure (Commissioned Research) at the end of this report.

to its notice, which may affect any of the information contained in this report. The performance of the investment in this report is not a representation as to future performance or likely return.

#### Disclosure (Commissioned Research):

Atchison Consultants has received a fixed fee, established prior to commencement of work from Charter Hall Maxim for the preparation of this report. Atchison Consultants applies a strict and rigorous process for the production of research reports and has no direct or indirect interest in the success or otherwise of this investment.

### Atchison Consultants

Atchison Consultants was established in 2001 by Ken Atchison and consists of a team of investment professionals based in Melbourne with extensive experience in all aspects of financial markets.

The principal focus of the business is the provision of advice, research and analysis across all components of managing investment portfolios by financial institutions, superannuation and insurance funds and investment managers.

#### Licence

TAG Asset Consulting Group Pty Ltd (ABN 58 097 703 047), trading as Atchison Consultants, is the holder of Australian Financial Services Licence Number 230846.

#### Contact Details

##### Atchison Consultants

Address: Level 3, 155 Queen Street, Melbourne, Victoria 3000

Phone: 03 9642 3835

Mobile: 0425 754 731

Fax: 03 9642 8886

Email: [ken@atchison.com.au](mailto:ken@atchison.com.au)

Website: [www.atchison.com.au](http://www.atchison.com.au)

---

Disclaimer: Atchison Consultants recommend that investors read the detailed information contained in the Product Disclosure Document. Investors should read the Analyst Interest and Certification, Warning (General Advice Only) and Disclosure (Commissioned Research) at the end of this report.