

Charter Hall Maxim Property Securities Fund

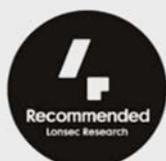
Report January 2019

Charter Hall Maxim Property Securities Fund	Month %	3 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.	Since Inception % p.a.*
Growth	+3.48	+4.73	+7.28	+7.14	+10.05	+8.48	+1.60
Income Return	+0.00	+0.84	+3.30	+4.10	+5.05	+5.62	+3.73
Total Return (After Fees but Before Tax) **	+3.48	+5.58	+10.58	+11.23	+15.09	+14.10	+5.33
S&P/ASX 300 A-REIT Accumulation Index	+5.96	+7.50	+13.10	+9.30	+13.74	+12.43	+4.16
Value Add	-2.48	-1.92	-2.51	+1.93	+1.34	+1.67	+1.17

*Fund inception date October 2005. **Please note the Fund's management fee was reduced on 16 May 2014. The Charter Hall Maxim Property Securities Fund's (Fund) after fees but before tax performance only reflects the new management fee from this date.

Past performance is not an indicator of future performance.

QUALITATIVE RATING



QUANTITATIVE RATING



Overall rating out of 123
 Equity Australia Real Estate funds as of 30 September 2018.



Charter Hall Maxim Property Securities Fund

MARKET REVIEW

In January, the S&P/ASX 300 A-REIT Accumulation Index returned 6.0%, outperforming equities by 2.1%. It was an extraordinary result for the A-REIT sector, which at one point was up 7.4% for the month, and was the best monthly return since December 2016. This performance was a direct result of falling domestic bond yields, a more dovish stance from the US Federal Reserve who signalled it could leave interest rates alone in the coming months given economic pressures and mild inflation, and equity investors moving capital into defensive sectors like A-REITs. On a rolling 12 month basis, A-REITs have posted a total return of +13.1% versus + 1.1% for the broader equities market.

Healthcare A-REITs posted the highest return for the month delivering +11.6%, led by Arena REIT (ARF) +11.6%, followed by Industrial A-REITs with +9.1%, Diversified A-REITs with +7.9%, Office A-REITs with +7.3%, Retail A-REITs with +2.8%, Specialised A-REITs with +2.5% and Residential A-REITs with +2.3%.

SECTOR NEWS

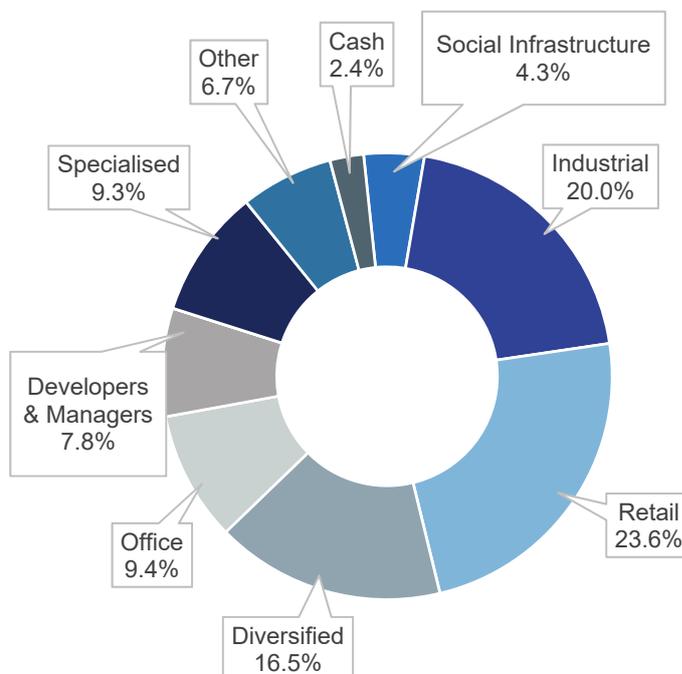
In what is a significant moment for the A-REIT sector, Goodman Group (GMG) last month surpassed Scentre Group (SCG) as the largest A-REIT by market capitalisation. This is the first time in recent history where the leading security in the A-REIT sector did not own a Westfield shopping centre, and probably best demonstrates how investors now view global e-commerce distribution centres over traditional bricks-and-mortar shopping centres. This is playing out in both the listed and direct property markets. Further evidence of the ongoing weakness in the retail sector was demonstrated by Stockland's (SGP) sale of its Cleveland Shopping Centre at a 13% discount to book value, and Vicinity Centres (VCX), who reported a 0.2% decrease in centre values for the six months ending 31 December 2018.

In M&A news, ESR Real Estate (Australia) increased its holding in Property Link (PLG) from 24.7% to 31.5% during the month and extended its takeover offer period (offer price \$1.20) from the 21 January to 28 February 2019.

In other news GPT Group (GPT) announced plans to sell its 50% stake in the MLC Centre, Sydney, and Redcape Hotel Group (RDC) commenced a share buyback. Kangaroo Island Plantations (KPT), in which the Fund invests, announced it has submitted a revised Environmental Impact Statement for the Kangaroo Island Seaport to the SA government, which the market perceived positively.

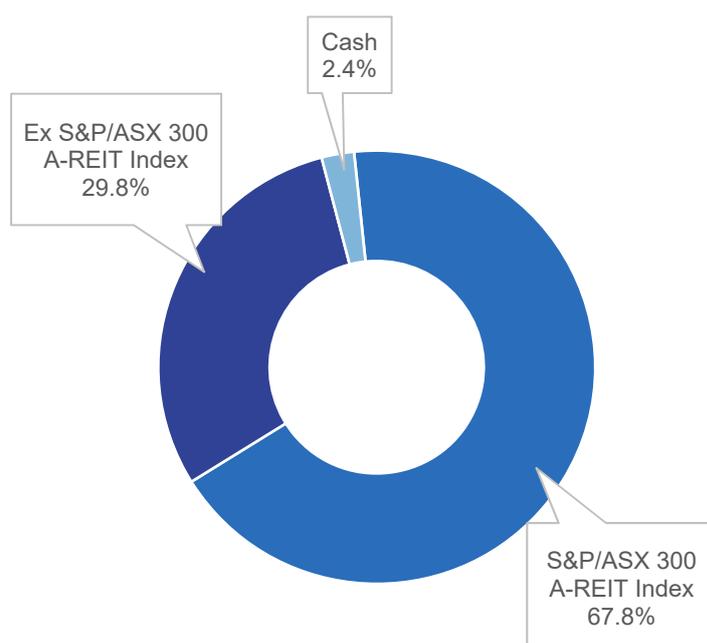
FUND SECTOR SPLIT

As at 31 January 2019



FUND ASSET ALLOCATION

As at 31 January 2019



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

SECTOR VALUATION

At the end of January, the A-REIT sector was trading at a 34.1% premium to NTA (4.1% ex GMG/CHC), and FY19 DPS yield of 5.0%.

While the sector distribution still broadly looks attractive relative to 10-year bonds (2.2%), we feel valuations across the sector have now run ahead of fundamentals, especially when future cap rate compression at the asset level looks limited.

FUND PERFORMANCE

Over the month, the Fund returned +3.48% (after fees, before tax), underperforming the Benchmark by 2.48%. On a rolling 12-month basis, the Fund returned +10.58%, underperforming the Benchmark return of +13.10% by 2.51%.

Positive contributions in January came from the Fund's overweight exposure to Arena REIT (ARF +11.6%) and Kangaroo Island Plantations (KPT +9.5%).

Detracting from the Fund's performance was zero exposures to Dexus (DXS +8.1%) and Unibail-Rodamco Westfield (URW +15.1%).

At the end of January, the Fund's investments comprised 18 ASX listed securities totaling 97.6% of the portfolio, 9 of which were constituents of the S&P/ASX 300 A-REIT Index, with the remaining 9 holdings being non-index securities. The balance, 2.4% of the portfolio, was held in cash/liquid investments.

OUTLOOK

The last couple of months have delivered a quick turn-around in sentiment surrounding US monetary policy, with 10-year bond yields in the US and Australia falling heavily. In this environment A-REIT share prices have been strong, and in some cases have disregarded underlying fundamentals.

We believe it's possible bonds have overreacted to the recent news from the Fed and may find higher levels as the year wears on, which could see several A-REITs trading at lower levels. Furthermore, we believe it is highly unlikely the sector will trade materially higher from current levels given the weakness in retail and residential sectors, and as the cap rate compression cycle comes to an end.

Therefore, while the concentrated strategy of the Fund has led to underperformance relative to its benchmark recently, we have remained disciplined in our investment approach and believe there will be opportunities for the Fund to outperform later in the year.

TOP 5 ACTIVE OVERWEIGHTS

By Portfolio Weight

Australian Unity Office Fund (AOF)
Rural Funds Group (RFF)
Redcape Hotel Group (RDC)
Industria REIT (IDR)
Vital Harvest (VTH)

FUND OVERVIEW

As at 31 January 2019

Status	Open
Fund Maturity	Open Ended
Investment	Primarily A-REITs
Investment Horizon	3-5 Years
Distribution Frequency	Quarterly
Fund Inception Date	October 2005
Pricing	Daily
Buy/Sell Spread	0.25%/0.25%
Total MER	0.95% p.a. of the gross asset value of the Fund up to and including \$50 million; plus 0.85% p.a. of the gross asset value of the Fund in excess of \$50 million.
ARSN	116 193 563
APIR Code	COL0001AU

PLATFORMS

Asgard
Colonial First State FirstWrap
BT Panorama
BT Wrap
HUB24
Macquarie Wrap Solutions
Netwealth
IOOF Pursuit
Powerwrap
Symetry
uXchange



Charter Hall Maxim Wins Industry Leadership Award

In December 2017, Charter Hall Maxim (formerly Folkestone Maxim) won the inaugural Financial Standard Investment Leadership Award for Australian Listed Property.

The Financial Standard award recognises "investment strategies that showcase all the qualities investors - whether they be advised or self directed - are looking for in a manager".

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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. Charter Hall Maxim Property Securities Fund received a 5-Star Overall Morningstar Rating™ as at 30-09-2018. © 2018 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the 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. Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/s/fsg.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest. Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser.

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