

# Maxim Property Securities Fund

Monthly Report  
October 2006



## Contents

	Page
Fund Performance	1
Market Update	1
Portfolio Activity	1
Outlook	2
Exposures	
Geographic	2
Sub-Sectors	2
Strategy	2

Unit Price	31 Oct 06
NAV	\$1.2323
Buy	\$1.2354
Sell	\$1.2292

### Distributions

30 Jun 06	2.2404 cents
30 Sep 06	1.2598 cents

### 2006 Year to Date Return

Income	3.51%
Capital	23.63%
<b>Total</b>	<b>27.14%</b>

## Contact Details

For additional information about the Maxim Property Securities fund, or for more information on Maxim Asset Management, please contact us either by phone or email:  
Phone: 02 9223 4255  
Email: [info@maximam.com.au](mailto:info@maximam.com.au)

## Fund Performance

The Maxim Property Securities Fund (Maxim PSF) returned 1.12% in October, outperforming the S&P/ASX 300 Property Accumulation Index by 0.18% which returned 0.93% over the same period. Since inception (17 October 2006) Maxim PSF has returned 25.90%.

The table below summarises Maxim's returns relative to the 300 Property Index as at 31 October:

	1 Month %	3 Mths %	6 Mths %	Since Inception %
<b>Maxim</b>	<b>+1.12</b>	<b>+8.21</b>	<b>+16.72</b>	<b>+25.90</b>
<b>Index *</b>	<b>+0.93</b>	<b>+8.83</b>	<b>+16.76</b>	<b>+26.31</b>
<b>Relative</b>	<b>+0.18</b>	<b>-0.62</b>	<b>-0.04</b>	<b>-0.41</b>

\* S&P/ASX 300 Property Accumulation Index

## Market Update

The following table sets out the October returns for the various Property Sub-Sectors:

<b>Hotels</b>	<b>+11.8%</b>
<b>Diversified</b>	<b>+2.6%</b>
<b>Industrial</b>	<b>+1.3%</b>
<b>International</b>	<b>+0.5%</b>
<b>Retail</b>	<b>-0.1%</b>
<b>Commercial</b>	<b>-0.5%</b>

The best performing property sub-sector over the month was Hotels, primarily driven by the Grand Hotel Group which rose 15.7%. The Thakral Group, a property related security with a large exposure to hotels (whilst not in the Property Index Thakral is held in the Maxim portfolio) rose 8.9% over the same period.

The Diversified trusts rose 2.6% as Multiplex Group, the Mirvac Group, DB REEF Trust and the Stockland Group rose 4.5%, 3.4%, 3.1% and 2.4% respectively in October.

The rise of 1.3% for the Industrial sector was a result of the 1.5% rise in the Macquarie Goodman Group and the 0.4% rise in the ING Industrial Fund, both of which are held in the Maxim portfolio.

Performance of individual securities in the

sub-sector was mixed and combined to result in a negative return of 0.1% in October for the sub-sector. Centro Properties Group and Bunnings Warehouse Property Trust rose 5.2% and 1.0% whilst Centro Retail, Macquarie Countrywide and Westfield Group recorded negative returns of 4.7%, 1.3% and 1.0% respectively.

In the Commercial sub-sector which fell 0.5%, ING Office fund rose 1.6% whilst Commonwealth Office Property Fund rose marginally by 0.7%. Macquarie Office Trust was steady over the month, whilst Investa Property Group fell 1.2% in October.

## Portfolio Activity

Late in October, the Challenger Diversified Property Group one of the property sectors' most recent IPO (in which Maxim PSF participated as an initial investor), traded at \$1.075 on its first day and then closed out the month at \$1.07, representing a 7.0% return on its \$1.00 issue price.

Maxim PSF participated in two placements during the month which included the Abacus Property Group which raised \$60m through the issue of new shares at a price of \$1.64. The second placement was by the Mirvac Group which took advantage of its mounting share price to raise \$300m. However, on the back of strong demand, Mirvac managed to raise an additional \$75m. The \$375m was to reduce debt as well as provide the group with the capacity to make suitable property acquisitions down the track.

During the month, a new investment for Maxim PSF was initiated in the Bunnings Warehouse Property Trust, taking the total number of securities held in the portfolio to 20 stocks, 6 of which are not constituents of the S&P/ASX 300 Property Index.

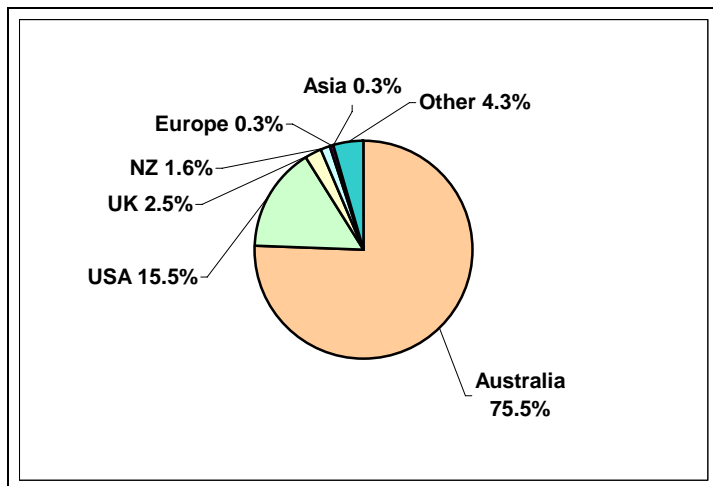
As at October month end, liquidity represented 4.31% of the portfolio.

## Outlook

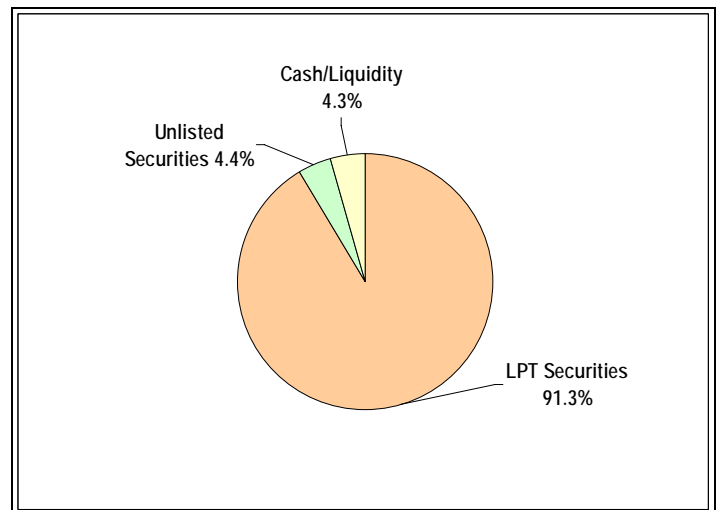
At October end, Real Bonds (ie the Long Bond Rate less inflation) were priced at around 2.4%. If this rate were currently applied to the pricing of Listed Property Securities, it would indicate that the market is over-priced by around 6%. Whilst there is a risk that Real Bonds may be re-priced upwards by 0.5% (to 2.9%), this would imply in a capital loss from the sector of around 11%. For this reason some caution is considered warranted in the short term. However, Maxim does not foreshadow any major negative event which would result in a major market pull back.

## Portfolio Geographic Exposure as at 31 October 2006

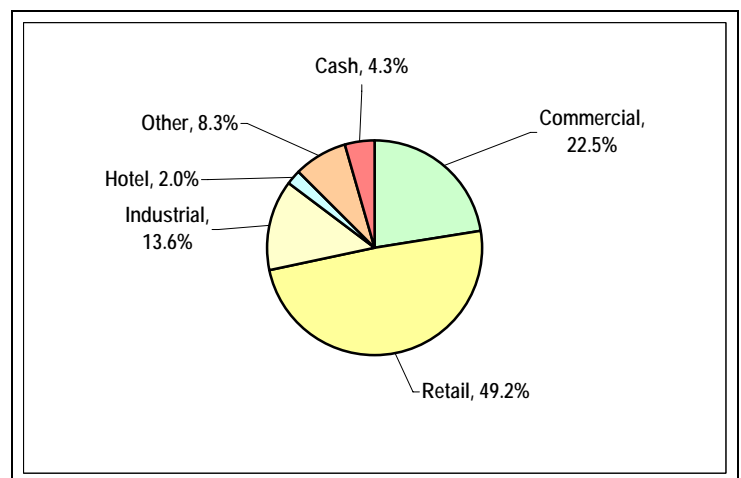
At present, Maxim PSF does not (directly) hold any investments which are domiciled (listed) offshore. The international exposure depicted in the above chart is a consequence of the international exposures inherent in the Australian domiciled investments (e.g. Westfield Group, Centro Properties Group, ING Industrial Fund etc).



## Portfolio Exposures as at 31 October 2006



The Property Sub-Sector Exposure graph tabled below has been generated by breaking up each individual security's exposure into the relevant property sub-sectors.



## Strategy

Following the recent release of the Consumer Price Index for the September Quarter, prospects have strengthened of an announcement early in November of a rise in interest rates. Whilst this may have a short term dampening effect on the property trust sector, demand for property securities still appears to be strong, as evidenced by the demand for recent new issues and placements including the Challenger IPO and the Abacus and Mirvac capital raisings. In addition, the earnings outlook for property trusts is positive adding further support for the sector. Whilst some caution in the short term is considered warranted, portfolio cash levels will be targeted at around 5% to 7% with a view to increasing exposure to our preferred securities as opportunities arise.