

# Maxim Property Securities Fund

Monthly Report  
September 2006



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Unit Price (Ex Distrib)	30 Sep 06
NAV	\$1.2187
Buy	\$1.2217
Sell	\$1.2157

Distributions	
30 Jun 06	2.2404 cents
30 Sep 06	1.2598 cents

## Contact Details

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## Fund Performance

The Maxim Property Securities Fund (Maxim PSF) produced a very sound return of 3.58% for the month as the listed property trust sector pushed higher. Over the same period, the S&P/ASX 300 Property Accumulation Index returned 3.85%. Since inception (17 October 2005) Maxim has delivered a return of 27.03%

The table below summarises the returns for the Maxim PSF relative to the 300 Property Index as at 30 September.

	1 Mth %	3 Mths %	6 Mths %	Since Inception %
Maxim	3.58	10.23	14.96	27.03
Index *	3.85	10.60	15.48	27.72
Relative	-0.27	-0.37	-0.52	-0.69

\* S&P/ASX 300 Property Accumulation Index

## Market Update

The S&P/ASX 300 Property Accumulation Index rose 3.85% in September, outperforming the general equity market by 2.52% over the month.

For the September Quarter, the LPT Sector returned 10.60% compared to the equity market's return of 2.90%; whilst for the year to date, the Listed Property Trust sector has returned 16.01% compared to the broader market's return of 11.97%.

Positive money flows into the sector was a major driver as investors reduced their exposures to the resource sector due to falling commodity prices. Another positive contributor was the bond market which rallied 16 basis points in September.

The table below sets out September returns for the Property Sub-Sector.

International	7.0%
Hotels	5.9%
Commercial	4.5%
Industrial	4.4%
Retail	3.6%
Diversified	3.5%

The International trusts led the way delivering 7.0% followed by Hotels which provided a return of 5.9%. The Commercial sub-sector was next in line as it rose 4.5% whilst the Industrial trusts posted a return of 4.4%.

At the individual security level, the best performing security over September was Reckson New York Trust which rose 13.2% whilst Grand Hotel Group rose 9.6% and Centro Retail moved 8.1% higher over the period.

At the other end of the scale, Commonwealth Office Property Trust and Australian Education Trust fell 0.7% and 0.5% respectively.

## Portfolio Activity

Early in the month, the opportunity was taken to sell a number of September Call Option Contracts in the Westfield Group. These contracts were subsequently exercised at month end together with the Call Option contracts in Stockland Group which had been previously sold in August.

The Fund participated in an upcoming IPO for the Challenger Direct Property Trust as well participating in a placement of Convertible Loan Securities in the ING Industrial Trust which were issued to raise capital to help fund the acquisition of a listed REIT in Canada.

A relatively small number of units in the Macquarie Leisure Trust which had previously been acquired in a placement were sold as further additions to this investment are unlikely to be considered in the short to medium term.

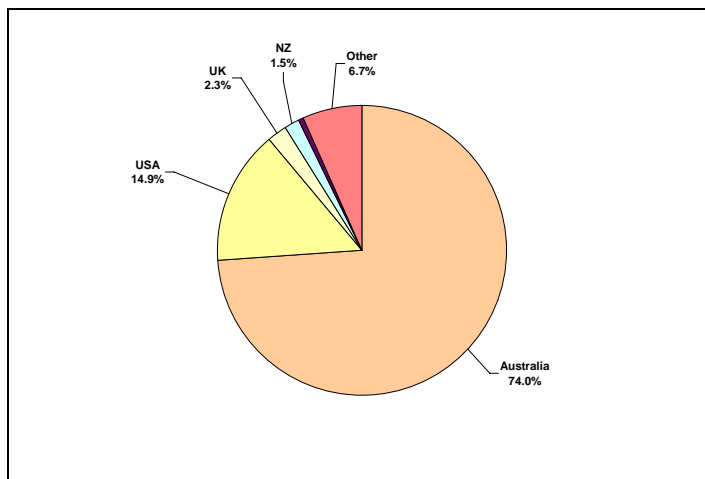
As monies continued to flow into the Fund, purchases in a number of our preferred stocks were undertaken. These included GPT, Macquarie Goodman Group and Valad Opportunity Fund.

As at September month end, liquidity represented 7.8% of the portfolio.

## Outlook

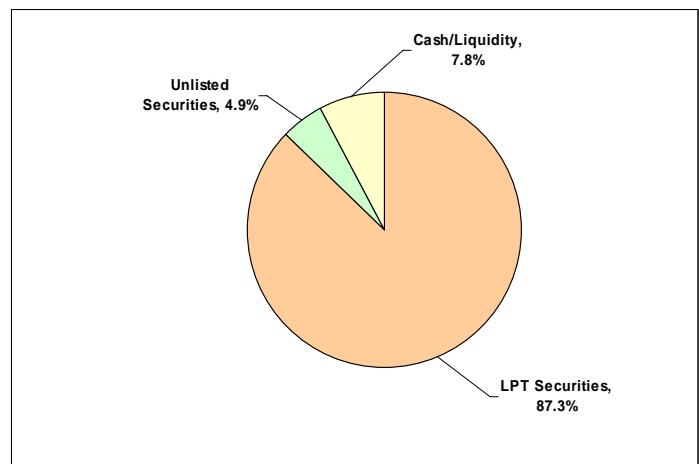
At September end, Real Bonds (ie the Long Bond Rate less inflation) were priced at around 2.3%. If this rate were currently applied to the pricing of LPTs, it would indicate that the market is over-priced by around 5%. Whilst there is a risk that Real Bonds may be re-priced upwards by 0.5% (to 2.8%), this would imply/result in a capital loss from the sector of around 10%. For this reason some caution is considered warranted in the short term. However, we are not foreshadowing any major negative event on the horizon which would result in a significant market pull back.

## Portfolio Geographic Exposure as at 30 September 2006

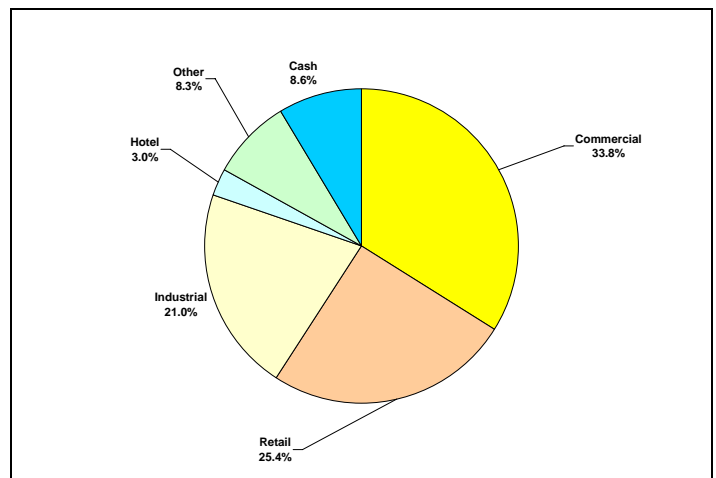


At present, Maxim PSF does not (directly) hold any investments which are domiciled (listed) offshore. The international exposure depicted in the above chart is a consequence of the international exposures inherent in the Australian domiciled investments (e.g. Westfield Group, Centro Properties, Macquarie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

## Portfolio Exposures as at 30 September 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

Over the last three to four months, the LPT market has moved higher, driven primarily by strong flows into the sector as investors switch from less favoured sectors such as resources and energy.

Whilst the outlook favours a continuation of easing commodity prices, we expect that the less volatile sectors, including listed property, will benefit from this move. Accordingly for the short term, a reduction in cash levels to between 2.5% to 5% and increase in exposures to the more liquid stocks within the listed property sector such as GPT, Stockland, Centro and Westfield.