



FOLKESTONE MAXIM A-REIT SECURITIES FUND

APRIL 2016 REPORT

MARKET REVIEW

The US Fed left interest rates on hold for the fourth consecutive month following their 25 basis point increase in December 2015. Commentaries from the April FOMC meeting did not depart from last month's meeting and whilst the tone was slightly more upbeat, the US Fed will continue to adopt a cautious approach to monetary policy as a result of concerns about Chinese growth and low US inflation expectations.

In Australia, the RBA left the cash rate steady at 2% in April (note the rate was cut 25 basis points in May) which is consistent with other monetary developments elsewhere in the world. Commodity prices surged during the month which saw the Mining & Metals index rally 19% whilst Consumer Discretionary stocks underperformed.

The S&P/ASX 300 A-REIT Accumulation Index returned +2.8% in April underperforming the S&P/ASX 300, which returned +3.3%.

The Commercial and Retail sub-sectors both returned +3.6% while the Diversified sub-sector returned 0.6%, dragged down by underperformance from Mirvac (MGR -3.4%) with concerns over apartment settlement risk and credit to

foreign buyers.

For the year ended 30 April 2016, the S&P/ASX 300 A-REIT Accumulation Index returned +15.6%, outperforming the broader market's return of -4.7% by 20.3%.

ACTIVITY

M&A activity continues in the A-REIT sector with Growthpoint (GOZ) submitting a bid for GPT Metro Office Fund (GMF) comprising 0.3736 GOZ securities and \$1.15 cash which implies \$2.31 in total versus the NTA of \$2.35.

Days before the IOF unitholders vote, Cromwell Property (CMW) acquired a 9.8% stake in IOF which, together with other large investors, voted down Dexus's (DXS) bid. Since then, CMW have not put a proposal to IOF unitholders whilst the members of IOF's independent board resigned along with IOF Fund Manager, Ming Long. A new Board has been put in place.

SECTOR VALUATION

At the end of April, the sector was trading at approximately a 24% premium to NTA, and FY17 DPS yield of 4.9%. This represents a 262 basis points premium to 90 Day Bank Bills. Sector gearing currently sits at a comfortable 32%.

KEY STATISTICS

as at 30 April 2016

<i>Status</i>	Open
<i>Fund Maturity</i>	Open Ended
<i>Investments</i>	Primarily A-REITS
<i>Investment Horizon</i>	3-5 years
<i>Distribution</i>	Quarterly
<i>Frequency</i>	
<i>Fund Inception Date</i>	October 2005
<i>Pricing</i>	Daily
<i>Buy/Sell Spread</i>	0.25%/0.25%
<i>Total MER</i>	0.95% up to \$50m Then 0.85% > \$50m
<i>ARSN</i>	116 193 563
<i>APIR Code</i>	COL0001AU

PLATFORMS

BT Wrap
Hub24
Macquarie Wrap Solutions
Netwealth
Powerwrap
Symetry

TOP 5 HOLDINGS (by Portfolio Weight)

Scentre Group
Westfield Corporation
Goodman Group
Mirvac Group
GPT Group

Fund Performance to 30 April 2016

Folkestone Maxim A-REIT Securities Fund	April 2016 %	6 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	10 Years % p.a.	Since Inception % p.a.*
Growth	+1.53	+7.70	+10.99	+10.52	+10.63	+11.59	-0.15	+0.43
Income Return	+0.00	+2.15	+4.05	+4.60	+5.22	+6.27	+3.75	+3.81
Total Return (After Fees but Before Tax)**	+1.53	+9.85	+15.04	+15.12	+15.85	+17.86	+3.60	+4.24
S&P/ASX 300 A-REIT Accumulation Index	+2.81	+10.51	+15.62	+14.29	+16.39	+16.99	+2.71	+3.42
Value Add	-1.28	-0.66	-0.58	+0.83	-0.54	+0.87	+0.89	+0.82

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

OUTLOOK

With an accommodative stance to monetary policy adopted by the Reserve Bank of Australia and its counterparts globally, we are of the view that in a "lower for longer" interest rate environment, the A-REIT sector will continue to be well supported.

The A-REIT sector is considered to be in good shape and continues to be supported with an average income growth of around 3%. Even though cap rates appear close to peak levels, assets continue to be in demand and we expect that A-REITs will persist in selling non-core assets with a view to funneling proceeds into higher yielding developments as opportunities arise. Accordingly, we remain positive on the sector's outlook on a relative basis, albeit we do not expect it to maintain its current high level of outperformance.

FUND PERFORMANCE

In April, the Fund returned +1.53% (after fees, before tax) underperforming the Benchmark return of 2.81% by -1.28%. Over the 12 month period ended 30 April 2016, the Fund returned +15.04% (after fees, before tax), underperforming the Benchmark return of +15.62% by -0.58%. Since inception (15 October 2005), the Fund has outperformed its Benchmark by +0.82% on an after fees, before tax basis.

In April, positive contributions to returns

came from the Fund's investments in Carindale Property Trust (CDP +8.0%) and Folkestone Education Trust (FET +6.0%) and a zero holding in Hotel Property Investment (HPI -0.4%).

Detracting from performance were zero exposure to National Storage REIT (NSR +6.8%) and an overweight to Mirvac Group (MGR -3.4%) and Rural Funds (RFF -2.59%).

At the end of April, the Fund's investments comprised 16 ASX listed securities totaling 98.7% of the portfolio, 11 of which were constituents of the S&P/ASX 300 A-REIT Index, with the remaining 5 non-index stocks. A 0.6% exposure is held in an unlisted fund, which we expect to exit in due course. The balance of 0.7% of the portfolio was held in cash/liquid investments.



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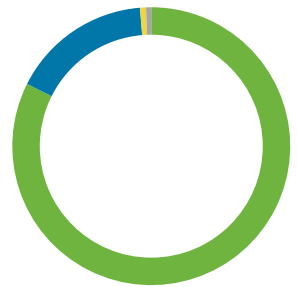
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ASSET ALLOCATION

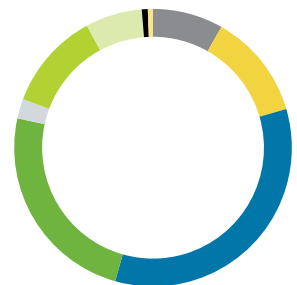
As at 30 April 2016



- S&P/ASX 300 A-REIT - 82.4%
- Ex S&P/ASX 300 A-REIT - 16.3%
- Cash - 0.7%
- Unlisted - 0.6%

SECTOR SPLIT

As at 30 April 2016



- Social Infrastructure - 8.2%
- Industrial - 12.3%
- Retail - 33.9%
- Diversified - 24.0%
- Office - 2.3%
- Developers & Managers - 11.4%
- Specialised REITs - 6.6%
- Cash - 0.7%
- Unlisted - 0.6%

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