



FOLKESTONE MAXIM A-REIT SECURITIES FUND

NOVEMBER 2016 REPORT

MARKET REVIEW

The most anticipated and biggest event during the month was the U.S. Presidential election, in which Donald Trump, contrary to expectations, won the election and the Republicans maintained majorities in both the House of Representatives and Senate. Equity markets initially sold off then rallied through the rest of the month while bonds sold off.

As a result, the market rotated into cyclical sectors such as Industrials and Consumer Discretionary and out of defensive and yield-like sectors such as Utilities, Consumer Staples, Telcos and REITs.

The S&P/ASX 300 A-REIT Accumulation Index returned +0.75% in November underperforming the S&P/ASX 300, which returned +2.8%.

In November, performance varied across the main A-REIT sectors with the Specialised sub-sector posting the highest return, at +2.8% driven by Iron Mountain (INM +4.6%), followed by Office at +2.4%, Retail at +1.5%, Diversified at -0.3% and Industrial at -1.6%.

ACTIVITY

News flow over the month of November was dominated by corporate activities.

These included (1) the re-emergence of the Investa Office Fund (IOF) ownership saga whereby ICPF (the owner of IOF's Responsible Entity) acquired an 8.9% stake from Morgan Stanley. Subsequently, Cromwell Property Group (CMW) announced it had submitted a conditional, non-binding, indicative proposal of \$4.45 per unit cash. IOF responded that the price proposed and framework was 'not compelling or attractive to IOF unitholders' and rejected the request for due diligence; (2) The Responsible Entity for Centuria Metro REIT (CMA) -CPFL has conditionally acquired an 8.76% stake in 360 Capital Office Fund (TOF) for \$14.5 million at \$2.25 per unit and is considering a merger of CMA and TOF some time in the future. This is part of Centuria Group's (CNI) proposed acquisition of the 360 Capital Group's (TGP) real estate management platform.

SECTOR VALUATION

At the end of November, the sector was trading at approximately a 21% premium to NTA and FY17 DPS yield of 5.1%. This represents a 270 basis points spread to 10-year bonds and a 330 basis points spread to 90-day bank bills.

KEY STATISTICS

as at 30 November 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

Asgard
BT Wrap
Hub24
Macquarie Wrap Solutions
Netwealth
Powerwrap
Symetry

TOP 5 HOLDINGS (by Portfolio Weight)

Scentre Group
Westfield Group
Goodman Group
Stockland Group
GPT Group

Fund Performance to 30 November 2016

Folkestone Maxim A-REIT Securities Fund	November 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	-0.16	-5.18	+6.67	+11.20	+11.42	+7.69	-1.52	+0.35
Income Return	+0.00	+2.91	+5.20	+5.32	+6.00	+5.04	+3.17	+3.76
Total Return (After Fees but Before Tax)**	-0.16	-2.27	+11.87	+16.52	+17.42	+12.73	+1.65	+4.11
S&P/ASX 300 A-REIT Accumulation Index	+0.75	-5.54	+10.31	+14.93	+16.37	+12.02	+0.29	+2.96
Value Add	-0.91	+3.27	+1.56	+1.59	+1.05	+0.71	+1.36	+1.15

*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

Overall, the A-REIT sector remains in good shape. Balance sheets remain strong with many A-REITs using non-core asset sale proceeds to either pay down debt or to fund higher yielding acquisitions or developments. Whilst the operational environment is mixed across the different sub-sectors, earnings certainty remain strong with the September quarter updates reiterating most A-REITs to be on track to deliver earnings guidance for FY17.

An emerging theme in the A-REIT sector is an increase in M&A activities. This is due to the relatively low cost of capital still on offer (both debt and equity) and the A-REITs' relative inability to acquire assets in the direct market at favourable pricing. We expect this trend to continue throughout 2017.

FUND PERFORMANCE

In November, the Fund returned -0.16% (after fees, before tax) underperforming the Benchmark return of +0.75% by 0.91%. Over the 12 month period ended 30 November 2016, the Fund returned +11.87% (after fees, before tax), outperforming the Benchmark return of +10.31% by +1.56%.

In November, positive contributions to returns came from the Fund's zero

investments in Charter Hall Group (CHC -3.8%) and SCA Property Group (SCP -3.2%)

Detracting from performance was the Funds zero weightings in Dexus Group (DXS +2.0%) and Vicinity Centres (VCX +1.7%).

At the end of November, the Fund's investments comprised 17 ASX listed securities totaling 97.3% of the portfolio, 11 of which were constituents of the S&P/ASX 300 A-REIT Index, with the remaining 6 non-index stocks. A 0.5% exposure is held in an unlisted fund, which we expect to exit in due course. The balance of 2.2% of the portfolio was held in cash/liquid investments.



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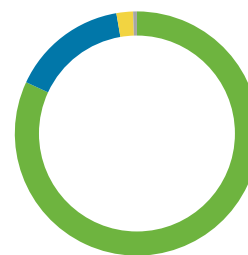
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ASSET ALLOCATION

As at 30 November 2016



- S&P/ASX 300 A-REIT - 81.9%
- Ex S&P/ASX 300 A-REIT - 15.4%
- Cash - 2.2%
- Unlisted - 0.5%

SECTOR SPLIT

As at 30 November 2016



- Social Infrastructure - 8.9%
- Industrial - 13.4%
- Retail - 31.7%
- Diversified - 23.5%
- Office - 4.6%
- Developers & Managers - 5.2%
- Specialised REITs - 10.0%
- Cash - 2.2%
- Unlisted - 0.5%

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