



FOLKESTONE MAXIM A-REIT SECURITIES FUND

FEBRUARY 2016 REPORT

MARKET REVIEW

The US Fed left interest rates on hold in February implying a downside risk bias. The S&P 500 Index edged lower mid-month only to recover most of the fall to end the month 0.4% lower. The biggest loser for the month was Japan's Nikkei Index which fell 8.5% whilst the EURO Stoxx 50 Index fell 3.3%.

In Australia, the RBA kept the official cash rate on hold at 2.0% as the February company reporting season generally delivered better than expected results. Higher commodity prices helped the Materials and Resources sectors appreciate 8.2% and 6.3% respectively whilst the Banks fell 9.1% over the month.

For the month of February, the S&P/ASX 300 A-REIT Accumulation Index returned +2.8% outperforming the S&P/ASX 200, which returned -1.8%, by 4.6%.

The Industrial sub-sector was the best performer returning +6.4%, pushed higher by Goodman Group which rose 6.7% following a strong half year result. Retail trusts returned +3.8% with Vicinity Centres (VCX +6.9%) and SCA Property Group (SCP +6.6%) driving the sector's returns.

For the year ended 29 February 2016, the S&P/ASX 300 A-REIT Accumulation Index returned +6.6%, outperforming the broader market's return of -13.4% by 20.0%.

ACTIVITY

Activity in the A-REIT sector was light due to the workload associated with the reporting season. Dexus (DXS), jointly with the Dexus Wholesale Property Fund, acquired 90-100 Mount Street, North Sydney, on an indicative fully let yield of around 7.25%.

Galileo Japan Trust (GJT) announced the proposed sale of its property portfolio subject to a Japanese IPO capital raising with the proceeds to be used to pay a special distribution of \$2.65 to unitholders, representing a 29% premium to its pre-announcement price.

SECTOR VALUATION

At the end of February, the sector was trading at approximately a 25% premium to NTA, and FY17 DPS yield of 5.0%. This represents a 270 basis points premium to 90 Day Bank Bills. Sector gearing currently sits at a comfortable 29%.

KEY STATISTICS

as at 29 February 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)

Westfield Corporation
Scentre Group
Folkestone Education Trust
Mirvac Group
Stockland Group

Fund Performance to 29 February 2016

Folkestone Maxim A-REIT Securities Fund	February 2015 %	6 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	Since Inception % p.a.*
Growth	+2.22	+8.58	+4.45	+10.14	+9.37	+11.81	+0.01
Income Return	+0.00	+2.34	+4.15	+4.88	+5.13	+6.86	+3.85
Total Return (After Fees but Before Tax)**	+2.22	+10.92	+8.60	+15.02	+14.50	+18.67	+3.86
S&P/ASX 300 A-REIT Accumulation Index	+2.81	+9.71	+6.56	+14.31	+14.81	+17.20	+2.96
Value Add	-0.59	+1.21	+2.04	+0.71	-0.31	+1.47	+0.90

*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

The A-REIT sector is considered to be in good shape and continues to be supported after a positive reporting period. Overall balance sheets are in a secure position and we expect asset income growth of around 3%. Even though cap rates appear close to peak level, 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 sectors outlook on a relative basis, albeit we do not expect it to maintain its current high level of outperformance.

FUND PERFORMANCE

In February, the Fund returned +2.22% (after fees, before tax) underperforming the Benchmark return of 2.81% by 0.59%. Over the 12 month period ended 29 February 2016, the Fund returned +8.60% (after fees, before tax) outperforming the Benchmark return of +6.56% by +2.04%. Since inception (15 October 2005), the Fund has outperformed its Benchmark by +0.90% on an after fees, before tax basis.

Over the month of February, positive contributions to returns came from the Fund's investments in Elanor Investors Group (ENN +7.1%), Rural Funds (RFF +4.5%) and Carindale Property Trust (CDP +9.2%).

Detracting from performance were underweight exposures to Vicinity Centres (VCX +6.9%), Goodman Group (GMG +6.4%) and Dexu Property Group (DXS +2.3%).

At the end of February, the Fund's investments comprised 17 ASX listed securities totaling 91.7% 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 0.6% exposure is held in an unlisted fund, which we expect to exit in due course. The balance of 7.7% of the portfolio was held in cash/liquid investments.



CONTACT US:

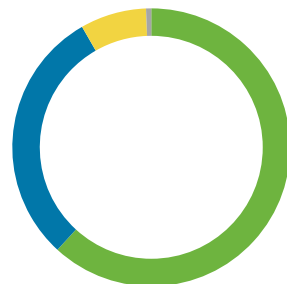
Winston Sammut
Managing Director
Folkestone Maxim Asset Management
e: wsammut@folkestone.com.au
t: + 61 2 8667 2825

Lula Liossi
Investor Relations Manager
e: lloossi@folkestone.com.au
t: + 61 3 8601 2668

Michael Baker
Head of Distribution
e: mbaker@folkestone.com.au
t: + 61 2 8667 2888

ASSET ALLOCATION

As at 29 February 2016



- S&P/ASX 300 A-REIT - 61.8%
- Ex S&P/ASX 300 A-REIT - 29.9%
- Cash - 7.7%
- Unlisted - 0.6%

SECTOR SPLIT

As at 29 February 2016



- Social Infrastructure - 10.9%
- Industrial - 9.1%
- Retail - 34.1%
- Diversified - 15.7%
- Office - 4.1%
- Developers & Managers - 11.3%
- Other - 6.5%
- Cash - 7.7%
- Unlisted - 0.6%

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Folkestone Maxim Asset Management Ltd
ACN 104 512 978 AFSL 238349

Sydney Office
Level 10, 60 Carrington Street
Sydney NSW 2000

Melbourne Office
Level 12, 15 William Street
Melbourne VIC 3000

e: office@folkestone.com.au
www.folkestone.com.au

t: +61 2 8667 2800
f: +61 2 8667 2880

t: +61 3 8667 2092
f: +61 3 9200 2282



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