

Folkestone

ASX ANNOUNCEMENT

21 December 2012

FOLKESTONE COMPLETES UNLISTED FUND CAPITAL RAISING

Folkestone Funds Management (Folkestone) is pleased to announce that the Folkestone Real Estate Income Fund at Sydney Olympic Park (Fund) has closed for applications oversubscribed.

The Fund is a single asset, closed end, unlisted real estate fund which owns 7 Murray Rose Ave, Sydney Olympic Park (Asset), a recently completed 5,920 square metre commercial office building comprising five levels of office space and ground floor retail, and two levels of basement carparking. Thales Australia, part of Thales Group, a leading international electronics and systems group serving the defence, aerospace, space security and transport markets, has leased 100 per cent of the office space for 10 years. The Fund aims to provide Unitholders with sustainable, tax effective income and the potential for capital growth through active management of the building.

Folkestone Managing Director, Greg Paramor, said the recent announcement of an increase in the Fund's forecast annualised distributions from 7.75 per cent to 8.10 per cent in FY13¹ combined with falling official interest rates provided a catalyst for increased investor demand.

"The strong response confirms investors are seeking real estate investments offering secure income streams underpinned by quality real estate assets," Mr Paramor said.

"Our distribution network continues to grow as was illustrated by the support from financial planners and high net worth investors."

"Folkestone believes the appetite for quality, yield orientated investments will continue well into 2013, and we are focused on meeting this demand by bringing similar opportunities to market in the new year," Mr Paramor said.

Folkestone's balance sheet underwrote \$8.0 million of the \$16.46 million of equity to assist in the acquisition and this has now been repaid from investor applications.

For further information, please contact:

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¹ Distributions are not guaranteed. Distributions are subject to the risks and assumptions outlined in the Product Disclosure Statement for the Fund dated 20 June 2012. As a result of having secured lower borrowing costs, the forecast FY13 annualised yield has been increased from 7.75 per cent to 8.10 per cent and the forecast FY14 annualised yield has been increased from 7.80 per cent to 8.30 per cent.

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About Folkestone

Folkestone (ASX:FLK) is an ASX listed real estate investment, development and funds management company. Folkestone's on balance sheet activities focus on value-add and opportunistic real estate investments and its funds management platform, with approximately \$600 million under management, offers listed and unlisted funds to private clients, high net worth individuals and institutional investors.

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