



FOLKESTONE MAXIM A-REIT SECURITIES FUND

AUGUST 2015 REPORT

MARKET REVIEW

Global equity markets had one of the worst performing months since May 2012. The main culprit was China's faltering economy and plunging stock market which led to the Chinese government intervention of currency devaluation. Another factor was the Federal Reserve Bank signaling a September interest rate rise was "less compelling" due to slower global growth and potentially tighter financial conditions.

In Australia, the S&P/ASX 200 Accumulation Index fell 7.8% consistent with its global equity peers. However, in US dollar terms the underperformance was even worse given the fall in the Australian dollar. The Australian Bank sector was one of the worst performing domestic sub-sectors, posting a total return of -12%, weighed down by a \$5bn equity raising by CBA.

The RBA held the cash rate in August at the record low rate of 2.00%. The yield on 10 year bonds fell another 9 basis points to 2.70 and the Australian Dollar was weaker at US\$0.71.

The S&P/ASX 300 A-REIT Accumulation Index returned -4.0%, outperforming the general equities market by 3.8%, assisted

by rotation into defensive stocks due to equity market volatility.

Following the trend from last month, retail was the best performing sub-sector returning -2.4%, driven by Westfield Corporation (WFD -1.1%) and Scentre (SCG -1.2%). Residential exposed stocks were amongst the worst performers as Stockland and Mirvac Group fell 9.0% and 7.4% respectively.

Over the 12 months, the S&P/ASX 300 A-REIT Accumulation Index returned +14.2%, outperforming the broader market's return of -3.2% by 17.4%.

ACTIVITY

The focus for the month was around the FY15 full year company results. The key themes included improving specialty retail sales, office growth continued to be held back by rising incentives and further cap rate compression, driven by strong transactions led by overseas buyers.

In addition, Investa Office Fund (IOF) initiated a strategic review after it confirmed its implementation deed did not give it the last right to acquire the platform in the event Morgan Stanley was to sell it to a third party.

KEY STATISTICS

as at 31 August 2015

<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

Macquarie Wrap Solutions
Netwealth
Powerwrap
Symetry
Hub24

TOP 5 HOLDINGS (by Portfolio Weight)

Westfield Corporation
Scentre Group
Goodman Group
Stockland Group
GPT Group



Fund Performance to 31 August 2015

Folkestone Maxim A-REIT Securities Fund	August 2015 %	6 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	Since Inception % p.a.*
Growth	-3.74	-3.96	+8.69	+11.42	+8.56	+1.10	-0.96
Income Return	+0.00	+1.87	+4.44	+5.18	+5.18	+3.33	+3.93
Total Return (After Fees but Before Tax)**	-3.74	-2.09	+13.13	+16.60	+13.74	+4.43	+2.97
S&P/ASX 300 A-REIT Accumulation Index	-4.02	-2.89	+14.24	+16.78	+13.51	+3.98	+2.15
Value Add	+0.28	+0.80	-1.11	-0.18	+0.23	+0.45	+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.

GIC reportedly sold its Australian industrial portfolio to Ascendas for around \$1.1bn, on an initial yield of 6.2%.

Abacus Property Group (ABP) acquired in a JV, the Lutwyche City Centre in Brisbane for \$65m from Federation Centres (FDC) who achieved a 13.5% premium to book value.

Charter Hall Group (CHC) acquired three car dealerships at a 6.5% yield to seed a new syndicate of around \$100m.

Charter Hall Retail (CQR) raised \$50m via an institutional placement to partially fund the acquisition of Goulburn Plaza, NSW and Katherine Central, in NT.

SECTOR VALUATION

At August month end, the sector was trading at a circa 38.5% premium to NTA, and FY16 DPS yield of 5.3% representing a 313 basis points premium to 90 Bank Bills and a 260 basis points premium to 10 year bonds.

OUTLOOK

Having regard to Australia's slowing economic growth and the volatility in the global economy, at least over the medium term, the earnings outlook for the A-REIT sector remains relatively attractive on a risk adjusted return basis.

The reporting season, along with further evidence from strong transactions in the direct market, ensures further cap rate compression in the next 12 months.

FUND PERFORMANCE

The Fund returned -3.74% outperforming the Benchmark return of -4.02 by 0.28%. Over the 12 month period ended 31 August

2015, the Fund returned +13.13% underperforming the Benchmark return of +14.24% by 1.11%. Since inception (15 October 2005), the Fund has outperformed its Benchmark by 0.82% on an after fees but before tax basis.

In the month of August, positive contributions came from the Fund's underweight exposure to Federation Centres (-5.7%) and Cromwell Property (-8.1%) and an overweight exposure to Carindale Property (+5.3%). Detracting from returns were overweight exposures to Folkestone Education Trust (-7.0%), Eureka Group (-13.5%) and APN Property Group (-6.7%).

At August month end, the Fund's investments comprised 18 ASX listed securities totaling 97.60% of the portfolio, of which 13 were constituents of the S&P/ASX 300 A-REIT Index, with the remaining 5 being ex-index stocks. A 0.8% exposure is held in an unlisted fund which we expect to exit in due course. The balance of the portfolio, 1.6%, was held in cash/liquid investments.

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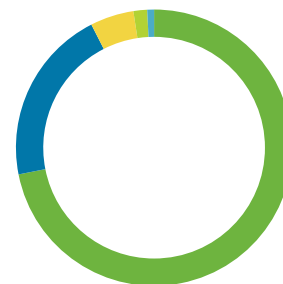
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ASSET ALLOCATION

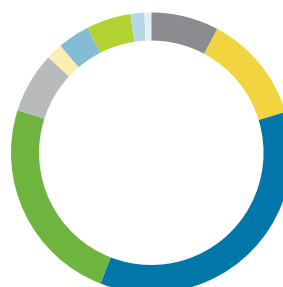
As at 31 August 2015



- S&P/ASX 300 A-REIT - 71.9%
- Ex S&P/ASX 300 A-REIT - 20.6%
- Real Estate Managers & Developers - 5.1%
- Cash - 1.6%
- Unlisted - 0.8%

SECTOR SPLIT

As at 31 August 2015



- Social Infrastructure A-REIT - 7.8%
- Industrial A-REIT - 12.5%
- Retail A-REIT - 35.6%
- Diversified A-REIT - 24.0%
- Office A-REIT - 7.0%
- Residential REIT - 1.9%
- Other A-REIT - 3.7%
- Real Estate Managers & Developers - 5.1%
- Cash - 1.6%
- Unlisted - 0.8%