



FOLKESTONE MAXIM A-REIT SECURITIES FUND

OCTOBER 2015 REPORT

MARKET REVIEW

Global equity markets recovered from their lows in September to record their best calendar month since October 2011. This occurred against a backdrop of weakening economic data in most major economies, which saw the Federal Reserve hold off on raising rates, the People's Bank of China cut rates and rising speculation of further easing from European Central Bank (ECB) and the Bank of Japan.

In Australia, the S&P/ASX 200 Accumulation Index posted a sound 4.4% total return during the month. However, it underperformed its regional and global counterparts, driven by a weakening iron ore price.

The RBA held the cash rate in October at a record low rate of 2.00%. Weak economic data released during the month, with year-on-year CPI at 1.5% is still below the RBA's 2-3% target band, combined with the rising regulatory costs incurred by banks that is likely to be passed through to consumers. Many market commentators are now forecasting the RBA to cut rates by 25 bps either before the end of the year or early 2016.

The S&P/ASX 300 A-REIT Accumulation Index returned 4.9% for the month

outperforming the general equities market by 0.5%, closing last month's gap as the market switched from defensive sectors into cyclical sectors such as Energy and Materials.

In October 2015, the best performing sub-sector was office returning 6.1%, driven by Dexus Property Group (DXS 8.3%), followed by retail at 4.8% driven by Scentre (SCG 6.2%), Vicinity Centres (VCX 6.2%) and SCA Property Group (SCP 5.6%). Residential stocks, Stockland (SGP 5.2%) and Mirvac (MGR 4.9%), regained losses from the previous month.

Over the 12 months, the S&P/ASX 300 A-REIT Accumulation Index returned +18.2%, outperforming the broader market's return of -0.7% by 18.9%.

ACTIVITY

During the month, most of the A-REITs reconfirmed earnings guidance for FY16. Highlights include: Dexus Group (DXS) \$60m trading profits settled; Stockland Group (SGP) achieved 1,557 net deposits and are on track to settle circa 6,000 lots in FY16 and achieve 14% margin; Mirvac Group's (MGR) pre-sales reached \$2.3bn and are on track to settle over 2,900 lots.

In addition, Federation Centres (FDC) changed its name to Vicinity Centres

KEY STATISTICS

as at 31 October 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
Goodman Group
GPT Group
Folkestone Education
Scentre Group

Fund Performance to 31 October 2015

Folkestone Maxim A-REIT Securities Fund	October 2015 %	3 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	Since Inception % p.a.*
Growth	+5.58	+0.93	+14.36	+11.52	+9.51	+7.21	-0.42
Income Return	+0.00	+0.78	+3.88	+4.95	+5.27	+4.98	+3.91
Total Return (After Fees but Before Tax)**	+5.58	+1.71	+18.24	+16.47	+14.78	+12.19	+3.49
S&P/ASX 300 A-REIT Accumulation Index	+4.87	+0.37	+18.22	+16.04	+14.82	+10.08	+2.57
Value Add	+0.71	+1.34	+0.02	+0.43	-0.04	+2.11	+0.92

*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.

(VCX) and provided an operational update of comparable MAT growth of 1.1% and comparable speciality growth of 3.2%.

Management/Board changes include: Dexus (DXS) appointed Alison Harrop as CFO and Craig Mitchell as COO; Vicinity (VCX) appointed Michael O'Brien as CIO and Scentre (SCG) Chairman Frank Lowy announced he will retire in 2016.

SECTOR VALUATION

At October month end, the sector was trading at a circa 40% premium to NTA, and FY16 DPS yield of 4.9% representing a 280 basis points premium to 90 Bank Bills and a 230 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

For the month of October, the Fund returned 5.58% (after fees, before tax), outperforming the Benchmark return of 4.87% by 0.71%. Over the 12 month period the Fund returned +18.24% slightly outperforming the Benchmark return of +18.22%. Since inception (15 October 2005), the Fund has outperformed its Benchmark by 0.92% on

an after fees, before tax basis.

Positive contributions in October 2015 came from the Fund's overweight exposure to Folkestone Education Trust (FET 12.4%), APN Property Group (APD 16.4%) and Rural Funds (RFF 11.6%). Detracting from returns were underweight exposures to Dexus Property Group (DXS 8.3%), Vicinity Centres (VCX 6.2%) and Scentre Group (SCG 6.2%).

At October month end, the Fund's investments comprised 20 ASX listed securities totaling 96.0% of the portfolio, of which 14 were constituents of the S&P/ASX 300 A-REIT Index, with the remaining 6 being ex-index stocks. A 0.60% exposure is held in an unlisted fund which we expect to exit in due course, whilst the remaining 3.4% of the portfolio was held in cash/liquid investments.



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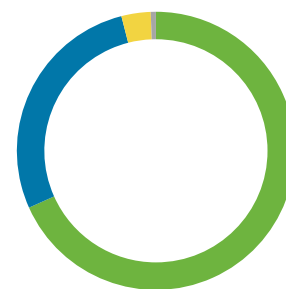
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ASSET ALLOCATION

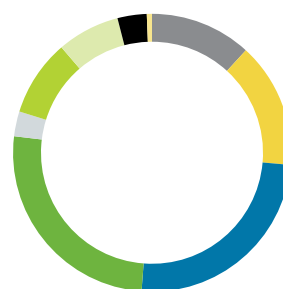
As at 31 October 2015



- S&P/ASX 300 A-REIT - 68.3%
- Ex S&P/ASX 300 A-REIT - 27.7%
- Cash - 3.4%
- Unlisted - 0.6%

SECTOR SPLIT

As at 31 October 2015



- Social Infrastructure - 11.8%
- Industrial - 14.6%
- Retail - 24.8%
- Diversified - 25.7%
- Office - 2.9%
- Developers & Managers - 8.9%
- Other - 7.3%
- Cash - 3.4%
- Unlisted - 0.6%

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