



FOLKESTONE MAXIM A-REIT SECURITIES FUND

JULY 2015 REPORT

MARKET REVIEW

Better than expected company earnings both in the USA and Europe provided a positive impact on the MSCI World Index which rose 1.7% in July. By way of divergence, China's Shanghai Composite Index suffered a significant decline, including a one day 8.5% fall causing a 7.3% fall of the MSCI Emerging Market Index over the month.

In Australia, the S&P/ASX 200 Accumulation Index returned 4.4% notwithstanding lower commodity prices impacting negatively on the Resource sector which fell 1.7%. A lower Australian dollar advanced the globally exposed Health Care sector which rose 9.4%.

At its July Board Meeting, the Reserve Bank of Australia (RBA) left the cash rate unchanged at 2.0%. The yield on 90 Day Bank Bills remained steady at 2.14% as the yield on 10 year bonds fell 25 basis points to 2.76% and the Australian Dollar ended the month 3.68 cents lower to US\$0.7308.

The S&P/ASX 300 A-REIT Accumulation Index rose 5.7% in July, outperforming the general equity market by 1.4%. Over the 12 month period ended 31 July 2015, the S&P/ASX 300 A-REIT Accumulation Index returned +21.1% outperforming the broader market's return of 5.7% by 15.4%.

The gap between best to worst performing stock in the S&P/ASX 300 A-REIT Index in July was 11.1%, with BWP Trust (BWP +10.1%) being the best performer,

followed by Westfield Corporation (WFD +9.9%) and Abacus Property Group (ABP +9.4%). The three worst performers were GPT Metropolitan Fund (GMF -1.0%), National Storage (NSR +0.0%) and Industria REIT (IDR +0.0%).

ACTIVITY

One of the world's biggest sovereign wealth funds, the Chinese Investment Corporation (CIC) acquired the Investa Property Group portfolio, made up of nine office towers for \$2.45bn which reflected a historically tight capitalisation rate of 5.7%. The transaction confirms the global chase for yield as well as resetting the benchmark for valuations and the strong demand for prime Sydney office assets.

Cromwell Property Group (CMW) have agreed terms to sell 4-6 Bligh Street, Sydney, a 20 level B grade office building with two retail tenancies on the ground floor, to a Singaporean opportunistic fund, Real Estate Capital Asia Partners IV Fund for \$68m.

Goodman Group (GMG) and Brickworks sold the Coles Chilled Distribution Centre in Eastern Creek, NSW for \$253m to Mapletree Logistics Trust reflecting a record initial yield of 5.6%. The sale was consistent with Goodman's strategy of recycling capital into new higher quality properties from their development pipeline.

KEY STATISTICS

as at 31 July 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 Frequency</i>	Quarterly
<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 July 2015

Folkestone Maxim A-REIT Securities Fund	July 2015 %	6 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	Since Inception % p.a.*
Growth	+4.77	+3.59	+15.78	+13.24	+9.89	+2.37	-0.56
Income Return	+0.00	+1.93	+4.54	+5.23	+5.30	+3.51	+3.96
Total Return (After Fees but Before Tax)**	+4.77	+5.52	+20.32	+18.47	+15.19	+5.88	+3.40
S&P/ASX 300 A-REIT Accumulation Index	+5.67	+4.91	+21.02	+18.34	+15.24	+6.03	+2.60
Value Add	-0.90	+0.61	-0.70	+0.13	-0.05	-0.15	+0.80

*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.

In Melbourne, Investa Office Fund (IOF) sold the Royal Mint Centre, 383 La Trobe Street, a 4 level building with a 7 level car park, for \$70.7m to Chinese developer Sterling Global. The low site density made it attractive to buyers with aspirations to undertake a residential or mixed use development on the site.

In Brisbane, US based investment group Pramerica Real Estate Investors sold a 33 level commercial building, 215 Adelaide Street, to Challenger Life for \$224m on a 7.03%. Whilst in Perth, Charter Hall's Direct Industrial Fund 3, purchased a 75,500 sqm engineering facility in Bassendean for \$32.8m from the Bradken Group in an off market sale and lease back on a reported passing yield of 8.5%.

There were no capital raisings in the A-REIT sector in July.

SECTOR VALUATION

At July month end, the A-REIT sector was trading at a circa 24% premium to NTA (excluding WFD and GMG), and FY16 DPS yield of 4.9% representing a 276 basis point premium to 90 Bank Bills and a 214 basis point premium to 10 year bonds.

OUTLOOK

Having regard to Australia's slowing economic growth and the outlook for commodity prices to remain low, at least over the medium term, the earnings outlook for the A-REIT sector remains relatively attractive in comparison to the overall market.

We await the upcoming reporting season with expectations of few surprises in the results which will be accompanied with further evidence of firming cap rates leading to higher NTA's.

FUND PERFORMANCE

The Fund returned +4.77% (on an after fee but before tax basis), compared to the Fund's Benchmark which returned +5.67%. Over the 6 month period ended 31 July 2015, the Fund returned +5.52% outperforming the Benchmark return of +4.91 by 0.61%. Over the 12 month period ended 31 July 2015, the Fund returned +20.32% underperforming the Benchmark return of +21.02% by 0.69%. Since inception (15 October 2005), the Fund has outperformed its Benchmark by 0.80% on an after fees but before tax basis.

In the month of July, positive contributions to returns came from the Fund's exposure to the Folkestone Education Trust (FET +8.1%), Ingenia Group (INA +9.3%) and Goodman Group (GMG +4.3%). Detracting from returns were underweight exposures to Scentre Group and Westfield Corporation which rose 5.6% and 9.9% respectively.

At July month end, the Fund's investments comprised 18 ASX listed securities totaling 96.2% 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, 3.0%, was held in cash/liquid investments.

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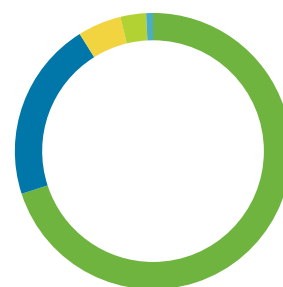
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ASSET ALLOCATION

As at 31 July 2015



- S&P/ASX 300 A-REIT - 70.0%
- Ex S&P/ASX 300 A-REIT - 21.1%
- Real Estate Managers & Developers - 5.1%
- Cash - 3.0%
- Unlisted - 0.8%

SECTOR SPLIT

As at 31 July 2015



- Social Infrastructure A-REIT - 7.4%
- Industrial A-REIT - 12.7%
- Retail A-REIT - 35.8%
- Diversified A-REIT - 25.8%
- Office A-REIT - 5.3%
- Other A-REIT - 4.1%
- Real Estate Managers & Developers - 5.1%
- Cash - 3.0%
- Unlisted - 0.8%

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