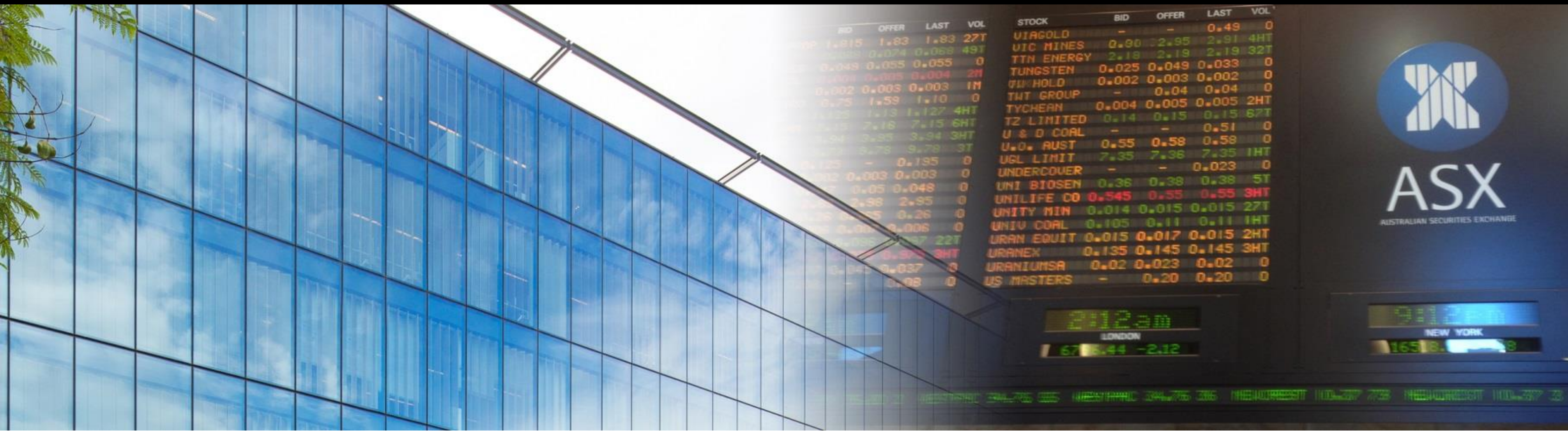
Folkestone
MAXIM A-REIT SECURITIES FUND



FOLKESTONE MAXIM A-REIT SECURITIES FUND

JUNE 2015 REPORT

MARKET REVIEW

The MSCI World index ended the month down 2.5%: gains made over the course of the month were swallowed up by a month-end sell-off as global investors reacted to news of a breakdown in negotiations between Greek Prime Minister Alex Tsipras and the nation's creditors, increasing the likelihood of an exit from the European Union. The VIX index of volatility reflected this uncertainty, spiking higher to end June up ~32%, its highest level since February this year.

Globally, losses were broad-based, though the FTSE 100 (-6.6%) and Euro Stoxx 50 (-4.1%) lost the most ground given their exposure to the region. Performances in the US and Japan were better (S&P 500 -2.1% and Nikkei 225 -1.6%) though neither indices were spared from finishing the month in the red.

In the US, the Fed appeared to extend the timeline for rate normalisation with dovish commentary and a lowering of the nation's economic growth assumptions for 2015 to 1.8%. Whilst in China, the PBOC simultaneously reduced benchmark interest rates by 25 bps as well as lowering the reserve requirement ratio by 50 bps in a move aimed at lowering borrowing costs and "stabilising growth".

In Australia, the S&P/ASX 200 gave back most of its YTD gains, ending June only 0.9% higher than 2014's year-end close after a 5.3% slide during the month.

Having reduced Australia's cash rate by 25 bps in May to a low of 2.0%, at its June board meeting, the Reserve Bank kept the cash rate on hold. The yield on 90 Day Bank Bills ended the quarter at 2.14% whilst the yield on 10 Year Bonds rose 66 basis points over the quarter to end at 2.95%.

The S&P/ASX 300 A-REIT Accumulation Index fell 4.0% in June, outperforming the broader equity market which fell 5.3%.

For the June Quarter, the S&P/ASX 300 A-REIT Accumulation Index returned -2.3% compared to the general market's return of -6.5%. Over the 12 month period ended 30 June 2015, the S&P/ASX 300 A-REIT Accumulation Index returned +20.2% significantly outperforming the broader market's return of 5.7% by 14.6% (Figure 1).

For the June 2015 quarter, the Industrial A-REITs as a group performed best, returning +0.3%, followed by the Commercial and Retail A-REITs which both returned -1.6%. Diversified A-REITs lagged returning -4.7%.

KEY STATISTICS
as at 30 June 2015

Status	*Open*
Fund Maturity	*Open Ended*
Investments	*Primarily A-REITS*
Investment Horizon	*3-5 years*
Distribution frequency	*Quarterly*
Fund Inception Date	*October 2005*
Pricing	*Daily*
Buy/Sell Spread	*0.25%/0.25%*
Total MER	*0.95% up to $50m Then 0.85% > $50m*
ARSN	*116 193 563*
APIR Code	*COL0001AU*

PLATFORMS

Macquarie Wrap Solutions
Netwealth
Powerwrap
Symetry
HUB24

TOP 5 HOLDINGS
(by Portfolio Weight)

Westfield Corporation
Scentre Group
Stockland Group
Goodman Group
GPT Group

Fund Performance to 30 June 2015

Folkestone Maxim A-REIT Securities Fund	Jun 2015 %	3 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	9 Years % p.a.	Since Inception % p.a.*
Growth	-4.73	-3.21	+15.59	+12.90	+8.90	+0.68	-2.08	-1.06
Income Return	+1.15	+1.17	+4.76	+5.45	+5.32	+3.26	+3.76	+4.00
Total Return (After Fees but Before Tax)**	-3.58	-2.04	+20.35	+18.35	+14.22	+3.94	+1.68	+2.94
S&P/ASX 300 A-REIT Accumulation Index	-3.97	-2.33	+20.20	+18.29	+14.23	+4.44	+0.71	+2.04
Value Add	**+0.39**	**+0.29**	**+0.15**	**+0.05**	**-0.01**	**-0.50**	**+0.97**	**+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.

Over the quarter, the three best performing securities in the S&P/ASX 300 A-REIT Index were Ingenia Communities (INA +8.9%), SCA Property (SCP +8.3%) and Generation Healthcare (GHC +8.0%), whilst the three worst performing securities were Charter Hall Group (CHC -9.0%), Cromwell Property (CMW -7.9%) and Stockland Group (SGP -6.2%).

For the month of June 2015, the three best performing A-REITs in the S&P/ASX 300 A-REIT Index were National Storage REIT (NSR +9.0%), Ingenia Communities (INA +6.2%) and Growthpoint Properties (GOZ +4.5%). The three worst performers were Industria REIT (IDR -7.3%), Dexus Property (DXS -6.2%) and Westfield Corporation (WFD -5.8%).

The A-REIT sector was the third best performing global REIT market in FY15, beaten only by Germany (+26.5%) and UK (+23.3%), and significantly outperforming Japan (+5.6%), Singapore (+5.4%) and the US (+3.9%) (Figure 2).

ACTIVITY

Lend Lease announced the sale of Tower 1 at Barangaroo South into a new wholesale fund for circa $2bn, with the new fund to be known as Lend Lease One International Towers Sydney Trust. The sale is significant for two reasons; 1) the Qatar Investment Authority acquired a 37.5% stake in the fund, reinforcing the strong appetite for prime Australian assets by major global investors; and 2) the sale is estimated to have occurred on a cap rate of 5.6% - 90 bps lower than the two other Barangaroo towers Lend Lease sold last year and taking the market back to cap rate levels not seen in Sydney since the pre-GFC boom.

The Mirvac Group (MGR) purchased 472 and 486 Pacific Highway, St Leonards for approximately $121m from CIMIC Group Limited. Also in St Leonards, Abacus (ABP) and Goldman Sachs acquired the Forum Centre above the St Leonards railway station for $115m. This transaction is another example of one of the A-REITs partnering with a global investor to acquire assets in Australia. We expect to see more of these partnerships in the year ahead.

Elsewhere in Sydney, Goodman Group announced the pre-lease of two new facilities for DHL Supply Chain at the Oakdale Industrial Estate at Horsley Park, which is a joint venture between Goodman and Brickworks

In Brisbane, DEXUS Property Group and DEXUS Wholesale Property Fund announced their intention to purchase Waterfront Place and the adjoining Eagle Street Pier for $635m, from Stockland Trust and the Future Fund.

In Melbourne, LaSalle Investment Management, another global investor, purchased the Summerhill Shopping Centre at 850 Plenty Road, Reservoir for approximately $85m from the joint venture partnership of developer LAS Group and private equity real estate group Qualitas.

EQUITY CAPITAL MARKETS

During the June quarter, a total of $857m of additional equity capital was raised by the following groups, Dexus Property ($400m), SCA Property ($80m), Centuria Metropolitan REIT ($100m), Charter Hall Group ($225m) and Generation Healthcare ($52m). This was significantly above levels raised in the March quarter ($180m) and the December quarter ($470m).

DEBT CAPITAL MARKETS

During the June quarter, two A-REITs, Charter Hall Retail (CQR) and Stockland Group (SGP), took advantage of the global appetite for debt securities by both undertaking USPP issuances with a combined value of A$611m. The pricing was very competitive, but more importantly it has diversified their funding sources and extended their weighted average debt maturity.

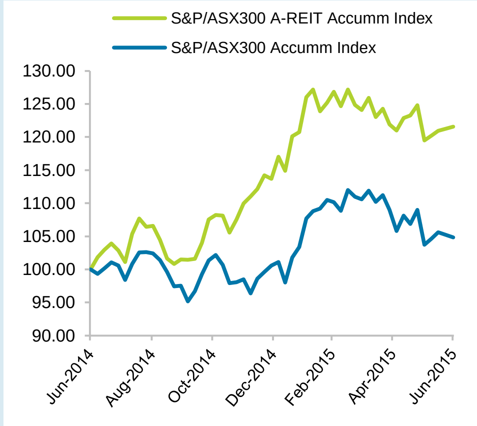
Charter Hall Retail (CQR) undertook the restructure of its debt funding platform with a US$200m USPP issuance for 12 years affixed at US$ coupon of 3.55% and 100% hedged in A$.

The Stockland Group (SGP) raised A$359m in three tranches: 10 years (US$120m), 12 years (US$100m) and 15 years (US$55m) priced at an average spread over BBSW of 168bps.

MERGERS & ACQUISITIONS

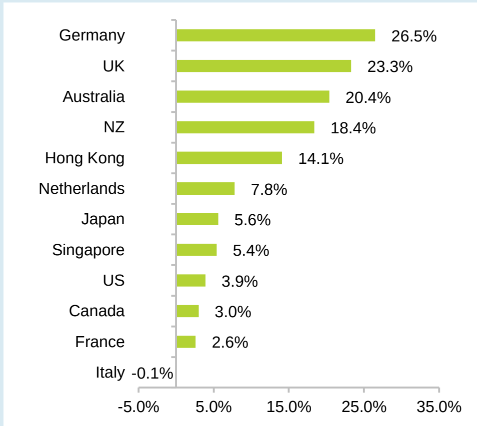
In corporate activity, the merger of Federation Centres (FDC) and Novion Property Group (NVN) received approval

Figure 1: A-REIT vs. Equity Performance – FY15



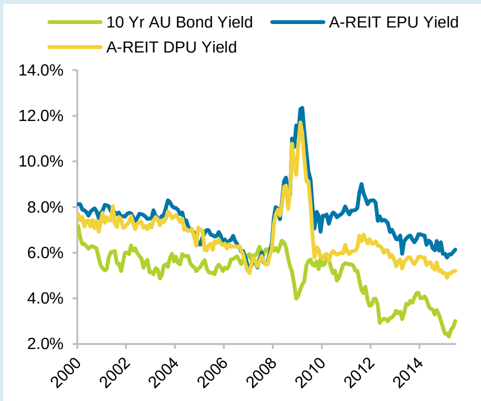
Source: IRESS

Figure 2: Global REIT Performance – FY15



Source: FTSE EPRA/NAREIT Indices, Bloomberg

Figure 3: A-REIT Sector EPS and DPS Yields vs. 10 Year bonds Yields – 2000-2015



Source: JP Morgan

from both NVN security holders and the Supreme Court with the merger effective on 12 June. A change of name to Vicinity Centres has been proposed.

Securityholders in Australian Industrial REIT (ANI) rejected the proposal for 360 Capital to replace the RE of ANI. The 360 Capital Industrial Fund (TIX) extended its takeover bid for ANI to September 2015 as ANI continues to defend its position.

The process to select the preferred bidder for Morgan Stanley's Investa Property Group interests and platform continued during the June quarter, with expectations of an announcement early in the September quarter.

SECTOR VALUATION

The A-REIT sector was trading at a FY16 estimated distribution yield of 5.2% (Ex WFD), representing a 320 basis points premium to Cash and a 225 basis points premium to 10 Year Bonds (Figure 3).

The A-REIT Sector was trading at a premium to NTA of 40.0% compared to the long-term average of 10.4% and a premium to NPV of 3.4%. Sector look through gearing currently stands at a reasonable 32.0%.

PERFORMANCE REPORT

For the month of June, the Fund returned -3.58% (on an After Fee but Before Tax basis) out-performing the Fund's Benchmark which returned -3.97%. Over the month, positive contributions to returns came from the Fund's underweight exposures to Scentre Group (SCG -5.1%), Mirvac Group (MGR -5.5%) and Federation Centres (FDC -1.2%). Detracting from returns were investments in Industria REIT (IDR -7.3%), Folkestone Education Trust (FET -1.3%) and having a zero exposure to National Storage REIT (+9.0%).

On an After Fee but Before Tax basis, over the June Quarter, the Fund returned -2.04%, outperforming its Benchmark (S&P/ASX 300 A-REIT Accumulation Index) which returned -2.33%.

Positive contributions to returns in the June quarter came from the Fund's exposure to Ingenia Group (INA +8.9%) as well underweight exposures to Mirvac Group (MGR -5.5%) and Federation Centres (-1.2%). Detracting from returns included our zero holdings in BWP Trust (BWP +4.7%) whilst our exposures to APN Property Group (APN -7.5%) and Cedar Woods Property (CWP -5.2%) underperformed the market delivering a negative contribution to returns.

In the year ended 30 June 2015, the Fund returned +20.35%, (on an After Fee but Before Tax) marginally outperforming it's Benchmark which returned 20.20%.

Over the 5 year period ended 30 June 2015, the Fund returned +14.22% p.a. (on an After Fee but Before Tax Basis) marginally underperforming the Benchmark by 0.01%, whilst, since inception (15 October 2005), the Fund outperformed its Benchmark by 0.90% p.a.

At the end of June, the Fund's investments comprised 18 ASX listed securities totaling 97.8% of the portfolio. Of these, 13 securities were constituents of the S&P/ASX 300 A-REIT Index with the remaining 5 being Ex-Index securities. Unlisted securities comprised 0.8% of the portfolio whilst the remaining 1.4% of the portfolio was held in Cash/Liquid investments.

A June quarter distribution of 0.862558 cents per Unit is due to be paid to investors early in July, taking total distributions for the year ended 30 June 2015 to 2.9513 cents per Unit.

OUTLOOK

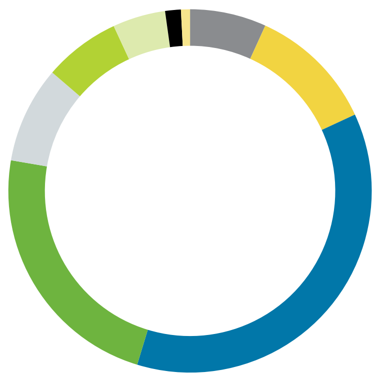
Expectations are that the US's Federal Reserve will start raising interest rates later this year, although elsewhere, the bias to easing remains a feature. Accordingly, global financial conditions generally remain very accommodative. With recent developments in the Chinese and Greek economies, volatility in markets will remain elevated for the foreseeable future.

In Australia, current data suggests that the economy will continue to grow at a rate somewhat below its longer-term average as it continues its transformation from mining led growth. With low growth in labour costs, inflation is forecast to remain consistent with the RBA's target over the next few years, even with a lower exchange rate.

In such circumstances, monetary policy needs to be accommodative. Low interest rates are acting to stimulate investment and spending. Credit is recording moderate growth overall, with stronger borrowing by businesses and growth in lending to the

SECTOR SPLIT

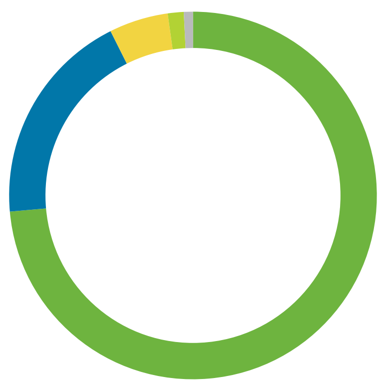
As at 30 June 2015



- Social Infrastructure - 6.8%
- Industrial - 11.3%
- Retail - 36.6%
- Diversified - 23.0%
- Office - 8.6%
- Developers & Managers - 6.8%
- Other - 4.7%
- Cash - 1.4%
- Unlisted - 0.8%

ASSET ALLOCATION

As at 30 June 2015



- S&P/ASX 300 A-REIT - 73.6%
- Ex S&P/ASX 300 A-REIT - 19.0%
- Real Estate Developers - 5.2%
- Cash - 1.4%
- Unlisted - 0.8%

Please note: Numbers in the graphs may not add up to 100 due to rounding.

housing market broadly steady over recent months.

Partly due to significant declines in key commodity prices, the Australian dollar has fallen noticeably over the past year against a rising US dollar. Further depreciation against the US dollar seems both likely and necessary, particularly given the significant fall in key commodity prices.

Residential prices continue to rise in Sydney, whilst other cities are experiencing a divergence in performance, Prices in Melbourne remain strong, whilst in Brisbane and Perth price growth continues to be subdued.

With the current low level of interest rates, asset prices for equities and commercial property continue to be well supported.

A number of A-REITs including Dexus, Goodman Group, Stockland and Mirvac provided operational updates in the June quarter with the following key takeaways:

- retail sales were improving, particularly in the key specialty retail sales segment;
- both Stockland and Mirvac provided upbeat commentary on their respective residential development pipeline; and
- no material deterioration on key metrics across the key office sub-markets, with the exception of Perth CBD.

We expect the A-REIT sector to weather the offshore equity market concerns arising from developments in Greece and China although volatility will remain elevated.

The upcoming reporting period is likely to deliver higher NTA's for the A-REITs as a result of cap-rate compression on the back of increased demand from offshore/local investors for quality assets.

We continue to favour those A-REITs with exposure to industrial and social infrastructure sectors, and those securities with quality management and relative attractive yields that have the ability based on active management of the portfolio to drive income growth in the year ahead. We believe yield will continue to remain relevant as an investment attribute in the year ahead.

Superior SQM research

MORNINGSTAR ★★★★

ATCHISON CONSULTANTS RECOMMENDED

Investment Grade Lonsec Research

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