



FOLKESTONE MAXIM A-REIT SECURITIES FUND

NOVEMBER 2015 REPORT

MARKET REVIEW

Global equity markets dipped mid-month before recovering to finish marginally down. News flow and market pricing was centered on the expectation of the U.S. Federal Reserve to begin raising rates in December or in early 2016. This is in contrast to expectations of further stimulus from the European Central Bank and the Bank of Japan in response to weak inflation.

The Metals & Mining sector was the worst performing sector during the month, both domestically and globally, as commodity prices fell sharply. The S&P/ASX 200 Accumulation Index returned -0.7%, underperforming its global counterparts given its heavy weighting to the sector.

The RBA held the cash rate at a record low of 2.0%. Following the recent better than expected domestic data, including business/consumer confidence and solid jobs growth, market commentators now expect the RBA to keep rates on hold through to the end of 2016. However, given the weak capex outlook, the need to support demand may arise in 2016 if there is a combination of a low CPI print, a weak housing sector and upward pressure on the AUD.

The S&P/ASX 300 A-REIT Accumulation

Index returned -2.8% in November, underperforming the S&P/ASX 200, which returned -0.7%.

For the month, the best performing sub-sector was industrial, returning 1.0% driven by Industria REIT (IDR +3.9%) and 360 Capital Industrial Fund (TIX +3.8%), followed by diversified at -1.1% driven by Mirvac Group (MGR +3.3%), whilst retail stocks reversed recent gains, returning -4.8% driven lower by Vicinity (VCX -6.9%) and Westfield Corporation (WFD -6.3%).

Over the 12 months, the S&P/ASX 300 A-REIT Accumulation Index returned 14.9%, outperforming the broader market's return of 1.9% by 13.0%.

ACTIVITY

During the month, three A-REITs announced strategic reviews. GPT Group (GPT) restructured from an operational to a functional model creating a new leadership team and establishing three business units (Retail, Office/Logistics, and Funds Management) Mirvac Group (MGR) announced at the AGM that the board is looking at ways to unlock value in the business, while Investa Group (IOF) noted that the review of its management and ownership structures is ongoing.

KEY STATISTICS

as at 30 November 2015

Status	Open
Fund Maturity	Open Ended
Investments	Primarily A-REITS
Investment Horizon	3-5 years
Distribution	Quarterly
Frequency	
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
Goodman Group
GPT Group
Folkestone Education Trust
Scentre Group

Fund Performance to 30 November 2015

Folkestone Maxim A-REIT Securities Fund	November 2015 %	3 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	Since Inception % p.a.*
Growth	-0.77	+4.03	+12.46	+11.57	+9.41	+7.49	-0.49
Income Return	+0.00	+0.81	+3.85	+5.00	+5.29	+5.13	+3.87
Total Return (After Fees but Before Tax)**	-0.77	+4.84	+16.31	+16.57	+14.70	+12.62	+3.38
S&P/ASX 300 A-REIT Accumulation Index	-2.83	+1.60	+14.87	+15.43	+14.61	+9.65	+2.26
Value Add	+2.06	+3.24	+1.44	+1.14	+0.09	+2.97	+1.12

*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.

Scentre Group (SCG) sold 3 NZ assets for NZ\$549m at a yield of 8.2% to redeploy capital into developments of six Australian centres. Vicinity (VCX) acquired The Shops at Ellenbrook for \$220m, on a (5.75% cap rate), and Livingston Marketplace in Perth for \$83m (6.0% cap rate).

SECTOR VALUATION

At November month end, the sector was trading at a circa 33% premium to NTA, and FY16 DPS yield of 5.2%, a 290 basis points premium to 90 Bank Bills and a 230 basis points premium to 10 year bonds.

OUTLOOK

Having regard to Australia's economic growth outlook 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.

Recent transaction evidence in the direct market, points to further cap rate compression in the next 12 months which should boost the NTA of the A-REITs.

FUND PERFORMANCE

For the month of November, the Fund returned -0.77% (after fees, before tax), outperforming the Benchmark return of -2.83% by +2.06%. Over the 12 month period, the Fund returned +16.30% (after fees, before tax) outperforming the Benchmark return of +14.87% by +1.43%. Since inception (15 October 2005), the Fund has outperformed its Benchmark by

+1.12% on an after fees, before tax basis.

Positive contributions in November came from the Fund's zero weighting to Vicinity Centres (VCX -6.9%), an underweighting to Scentre Group (SCG -3.4%) and Westfield Group (WFD -6.3%).

Detracting from performance were overweight exposures to Folkestone Education Trust (FET -1.4%) and GPT Group (GPT -3.1%).

At November month end, the Fund's investments comprised 19 ASX listed securities totaling 96.4% of the portfolio, of which 14 were constituents of the S&P/ASX 300 A-REIT Index, with the remaining 5 non-index stocks. A 0.6% exposure is held in an unlisted fund, which we expect to exit in due course, whilst the remaining 3.0% of the portfolio was held in cash/liquid investments.



CONTACT US:

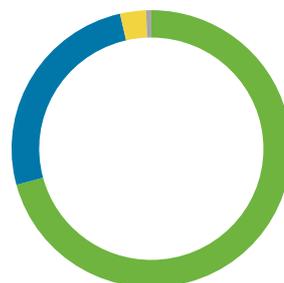
Winston Sammut
Managing Director
Folkestone Maxim Asset Management
e: wsammut@folkestone.com.au
t: + 61 2 8667 2825

Lula Lioffi
Investor Relations Manager
e: llioffi@folkestone.com.au
t: + 61 3 8601 2668

Michael Baker
Head of Distribution
e: mbaker@folkestone.com.au
t: + 61 2 8667 2888

ASSET ALLOCATION

As at 30 November 2015



- S&P/ASX 300 A-REIT - 70.8%
- Ex S&P/ASX 300 A-REIT - 25.6%
- Cash - 3.0%
- Unlisted - 0.6%

SECTOR SPLIT

As at 30 November 2015



- Social Infrastructure - 9.3%
- Industrial - 15.3%
- Retail - 27.7%
- Diversified - 26.4%
- Office - 3.0%
- Developers & Managers - 8.6%
- Other - 6.1%
- Cash - 3.0%
- Unlisted - 0.6%

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Folkestone Maxim Asset Management Ltd
ACN 104 512 978 AFSL 238349

Sydney Office
Level 10, 60 Carrington Street
Sydney NSW 2000

Melbourne Office
Level 12, 15 William Street
Melbourne VIC 3000

e: office@folkestone.com.au
www.folkestone.com.au

t: +61 2 8667 2800
f: +61 2 8667 2880

t: +61 3 8667 2092
f: +61 3 9200 2282



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