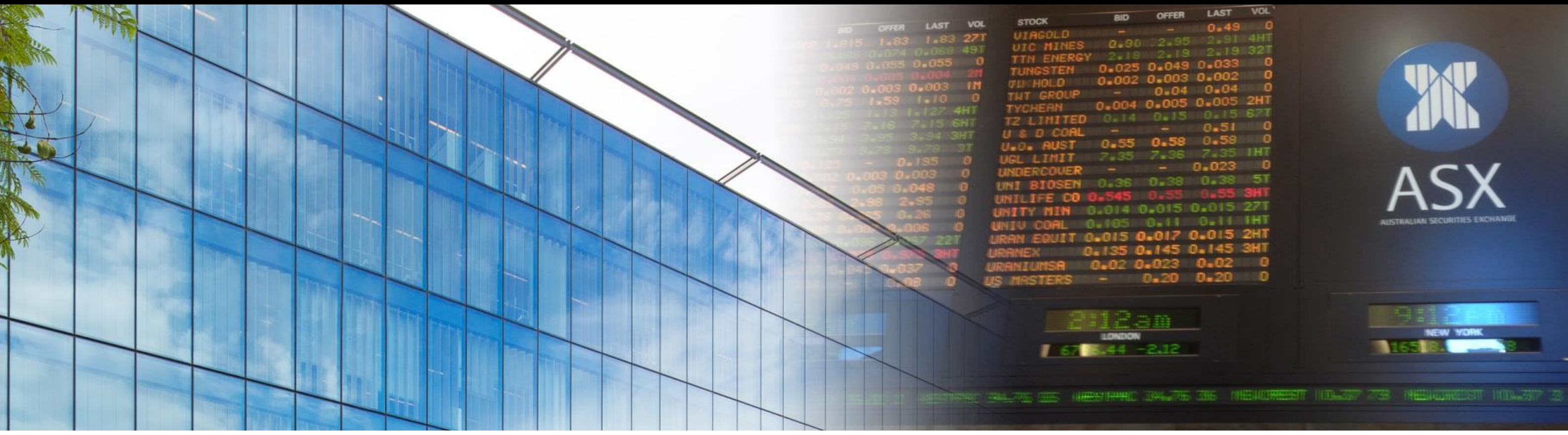
Folkestone
MAXIM A-REIT SECURITIES FUND



FOLKESTONE MAXIM A-REIT SECURITIES FUND

SEPTEMBER 2015 REPORT

MARKET REVIEW

Global markets were volatile during the month, with the start of the month being down as Chinese and U.S. manufacturing PMIs came in worse than expected. The next two weeks saw a recovery in equities and commodities as investors saw value in the market. This rally was short lived when the Federal Reserve once again postponed raising rates from near zero, prompting some to view it as a sign of weakness in the global economy. This led to a massive sell-off in equities and particularly commodities and resource stocks, as evidenced by the 29% fall in one day of UK-based commodity giant Glencore.

Global equity markets rebounded at the very end of the month but nevertheless finished the month well in the red.

In the US, the Federal Reserve elected to keep rates on hold at its September meeting with emphasis on the potential for global economic and financial developments to "restrain activity somewhat" and "put further downward pressure on inflation in the near term". Whilst in China, the PBOC continues to tighten the average daily reserve ratio calculation in order to smooth liquidity in the banking system and limit money market volatility.

The Australian equity market performed in line with global peers in local currency terms but underperformed in common US$ currency given the fall in the Australian dollar. The S&P/ASX Accumulation index returned -3.0% in September with the resource and energy sectors being the worst performing sectors during the month.

The RBA held the cash rate in September at the record low rate of 2.00%. The yield on 90 Day Bank Bills ended the quarter at 2.2% with the yield on 10 Year Bonds at 2.6%, making the Aussie curve flatter compared to last quarter.

The S&P/ASX 300 A-REIT Accumulation Index fell 0.3% in September, outperforming the broader equity market which fell 3.0%.

For the September Quarter, the S&P/ASX 300 A-REIT Accumulation Index returned 1.1% compared to the general market's return of -6.6%. Over the 12 month period ended 30 September 2015, the S&P/ASX 300 A-REIT Accumulation Index returned +20.1% significantly outperforming the broader market's return of -0.7% by 20.8% (Figure 1).

For the September 2015 quarter, the Retail sector returned 5.0%, followed by Commercial at -0.8%, Diversified at -2.2%

KEY STATISTICS
as at 30 September 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
Goodman Group
Folkestone Education
Stockland Group

Fund Performance to 30 September 2015

Folkestone Maxim A-REIT Securities Fund	Sep 2015 %	6 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	-0.73	-3.09	+13.27	+11.09	+8.39	+2.19	-2.83	-0.98
Income Return	+0.81	+1.96	+4.01	+5.16	+5.27	+3.32	+3.52	+3.94
Total Return (After Fees but Before Tax)**	+0.08	-1.13	+17.28	+16.25	+13.66	+5.51	+0.69	+2.96
S&P/ASX 300 A-REIT Accumulation Index	-0.28	-1.23	+20.08	+16.21	+13.64	+4.86	-0.29	+2.10
Value Add	**+0.36**	**+0.10**	**-2.80**	**+0.04**	**+0.02**	**+0.65**	**+0.98**	**+0.85**

*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.

and Industrial at -6.1%. Over the quarter, the three best performing securities in the S&P/ASX 300 A-REIT Index were Abacus Property Group (ABP 11.8%), Westfield Corporation (WFD 11.2%) and Industria REIT (IDR 7.8%), whilst the three worst performing securities were National Storage (NSR -9.0%), Mirvac Group (MGR -7.0%) and Goodman Group (GMG -6.7%).

For the month of September 2015, the three best performing A-REITs in the S&P/ASX 300 A-REIT Index were Industria REIT (IDR 6.1%), Abacus Property Group (ABP 3.3%) and Scentre Group (SCG 2.4%). The three worst performers were Folkestone Education Trust (FET -4.8%), Cromwell Group (CMW -4.4%) and Goodman Group (GMG -4.1%).

The UK REIT sector was the best performing global REIT market for the quarter to September 2015 returning (5.4%), followed by Continental Europe (5.1%) and United States (2.2%), whilst most of the Asian countries were in negative territory with Hong Kong (-17.3%), Singapore (-14.4%) and Japan (-6.5%). (Figure 2).

ACTIVITY

Transactions totalled $1.4bn in September at an average yield of 6.4%.

Charter Hall Group was the largest acquirer - buying an industrial portfolio for around $700m from an undisclosed vendor. In addition the group, through its investment vehicles acquired $250m of retail and office portfolios which saw its AuM increase to $14.5bn.

Dexus Group and its JV partner sold 36 George Street, Burwood for $95m, a 44% premium to book. The property was opposite the Burwood station and has mixed-used zoning.

Growthpoint Properties acquired a 14.1ha industrial property in Wollongong for $20m. The property is 100% leased to a subsidiary of Asciano Limited for 15 years.

National Storage acquired a self-storage asset in Cairns, Queensland, comprising 550 units over 5,200 sqm of NLA. The asset was purchased for $9.9m and funded from debt.

Ingenia (INA) acquired BIG4 Soldiers Point, at Soldiers Point, NSW. The 2.8ha freehold park is two hours north of Sydney. INA paid $10.5m at an initial yield of 8% with a stabilized yield of 9.5% achieved through development of nine DA approved sites.

On the leasing front, Dexus announced Aussie Home Loans leased 2,750 sqm in Grosvenor Place at 225 George Street in the Sydney CBD at undisclosed terms.

Goodman Group announced a 10 year lease to Recall for a 2,036 sqm in Sydney Corporate Park at 170-180 Bourke Road, Alexandria at an undisclosed rent.

In Brisbane, Aurizon leased 19,000 sqm at 900 Ann Street, Fortitude Valley, for an initial term of 12 years over a building that is due for completion in April 2018.

EQUITY CAPITAL MARKETS

The September quarter was relatively quiet in terms of capital raisings with only $85m of additional equity raised.

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

Rural Fund (RFF) raised a total of $35m to partially fund the acquisition of a Kerabury property which will be developed into a 1,500 hectare almond orchard over the next five years at a total cost of $109m.

DEBT CAPITAL MARKETS

During the September quarter, both Westfield Corporation (WFD) and Federation Centres (FDC) sourced new debt in the U.S.

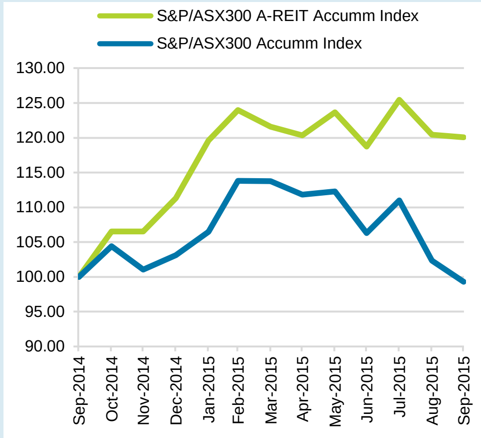
WFD issued a US$1bn five-year debt into the U.S. market at 3.25% in the form of guaranteed senior fixed-rate notes due in October 2020. Proceeds from the issue will be used to repay borrowings under WFD's credit facility and for general corporate purposes.

FDC issued new long-dated USPP notes with a value of A$433m. The margin on the unsecured USPP notes was approximately 170bps over the equivalent U.S. Treasuries.

MERGERS & ACQUISITIONS

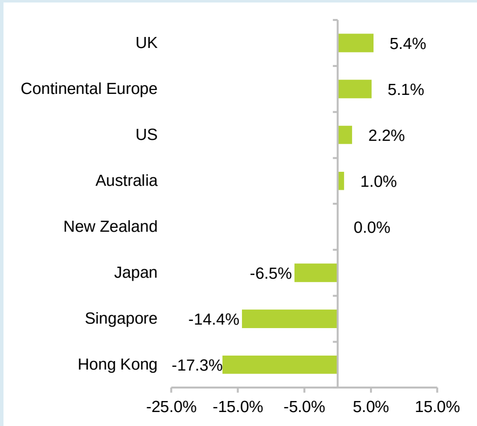
Australian Industrial REIT (ANI) received an indicative, non-binding cash proposal of $2.40 for every ANI unit from a consortia of offshore listed investors. Meanwhile, 360 Capital Industrial Fund (TIX) increased its offer to $2.47 for every

Figure 1: A-REIT vs. Equity Performance –12 months



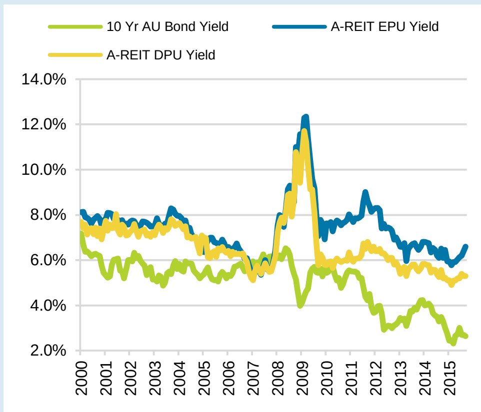
Source: IRESS

Figure 2: Global REIT Performance – 3 months



Source: UBS, returns in local currencies

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



Source: JP Morgan

ANI unit. During the month the 360 Total Return Fund (TOT) also acquired stock in Industria REIT accumulating a current stake of 8.4%.

The process to select the preferred bidder for Morgan Stanley's Investa Property Group platform continued during the September quarter. It appeared that ICPF has put a formal proposal for the Investa platform which will compete against Mirvac's reported bid of $200m. The outcome of Investa Office Fund's (IOF) strategic review, which began in August, is still pending.

SECTOR VALUATION

The A-REIT sector was trading at a FY16 estimated distribution yield of 5.3%, representing a 315 basis points premium to Cash and a 270 basis points premium to 10 Year Bonds (Figure 3).

The A-REIT Sector was trading at a premium to NTA of 24.6% compared to the long-term average of 10.7% and a discount to NPV of 2.7%. Sector look-through gearing currently stands at a reasonable 31.0%.

PERFORMANCE REPORT

For the month of September, the Fund returned +0.08% (on an After Fee but Before Tax basis) out-performing the Fund's Benchmark which returned -0.28%. Over the month, positive contributions to returns came from the Fund's overweight exposure to Eureka Group (EGH +20.0%), Rural Funds Group (RFF +8.7%) and having a zero exposure to Federation Centres (FDC -3.2%). Detracting from returns were investments in Folkestone Education Trust (FET -4.8%), Cedar Woods Properties (CWP -11.2%) and an underweight exposure to Westfield Corporation (WDC +2.3%).

Over the September Quarter, the Fund returned +0.93%, on an After Fee but Before Tax basis, underperforming its Benchmark (S&P/ASX 300 A-REIT Accumulation Index) which returned +1.13%.

Positive contributions to returns in the September quarter came from the Fund's exposure to Rural Funds Group (RFF +9.2%), Eureka Group (EGH +5.9%) and Gateway Lifestyle (GTY +25.5%). Detracting from returns included our holdings in Cedar Woods (CWP -15.2%), APN Group (APD -8.8%) and an underweight to Scentre Group (SCG +6.8%).

In the year ended 30 September 2015, the Fund returned +17.28%, (on an After Fee but Before Tax) underperforming its Benchmark which returned +20.08%.

Over the 5 year period ended 30 September 2015, the Fund returned +13.66% p.a. (on an After Fee but Before Tax Basis) marginally outperforming the Benchmark by 0.02%, whilst since inception (15 October 2005), the Fund outperformed its Benchmark by 0.85% p.a.

At the end of September 2015, the Fund's investments comprised 19 ASX listed securities totaling 94.5% of the portfolio. Of these, 13 securities were constituents of the S&P/ASX 300 A-REIT Index with the remaining 6 being Ex-Index securities. Unlisted securities comprised 0.8% of the portfolio whilst the remaining 4.7% of the portfolio was held in Cash/Liquid investments.

A September quarter distribution of 0.585678 cents per unit was paid to investors on the 9 October, taking total distributions for the year ended 30 September 2015 to 2.5349 cents per Unit.

OUTLOOK

Market participants continue to adopt a cautious stance on when the Federal Reserve will raise rates. The question remains as to whether the delay in announcing the well anticipated rate rises is due to concerns about the strength of the US economy or the strength of the global economy driven by the sharper than anticipated decline in China's economy.

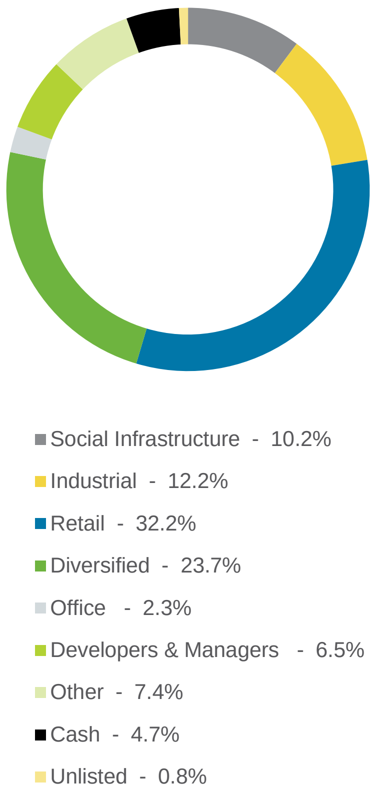
In Australia, the RBA left the cash rates steady at 2.0% in September, as expected. With real GDP growing at a rate well below-trend at 2%, the economy continues its transformation from mining led growth to sectors such as transport, real estate, finance and health care.

In such circumstances, monetary policy needs to be accommodative in order to stimulate investment and spending. Credit is recording moderate growth overall, with stronger borrowing by businesses and growth in lending to the housing market broadly steady over recent months.

The Aussie dollar ended the month slightly down (-1.3%) against the greenback, as the

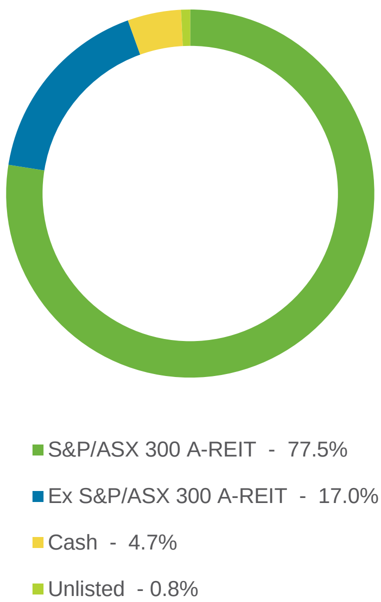
SECTOR SPLIT

As at 30 September 2015



ASSET ALLOCATION

As at 30 September 2015



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

Federal Reserve held rates. Further depreciation against the USA dollar is needed to stimulate exports particularly given the significant fall in key commodity prices.

While the domestic economy remains soft, house prices remain strong, especially in Sydney and Melbourne with other cities such as Brisbane and Perth more subdued. The accommodative stance of the monetary policy adopted by the Reserve Bank is expected to continue supporting house prices.

Other accommodative monetary conditions worldwide have generated a much larger pool of global liquidity looking for an attractive investment home. This has provided further demand for Australian properties and supportive of further cap rate compression. This is evident by GIC's industrial portfolio which was sold in August to Ascendas for around $1.1bn on an initial yield of 6.2%.

The AREIT reporting season pointed to challenges in growing organic earnings but did nonetheless; see both the results and FY16 guidance sit above the broader market outlook on a risk adjusted basis.

We expect the A-REIT sector to weather the offshore equity market concerns arising from developments in Europe and China.

We expect market volatility to continue over the short to medium term. With this in mind we 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.

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