



FOLKESTONE MAXIM A-REIT SECURITIES FUND

APRIL 2018 REPORT

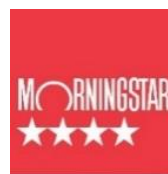
Folkestone Maxim A-REIT Securities Fund	April 2018 %	3 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.	Since Inception % p.a.*
Growth	+2.44	-0.92	+1.58	+5.77	+7.38	+1.40	+1.19
Income Return	+0.00	+0.71	+3.25	+4.37	+4.74	+2.82	+3.61
Total Return (After Fees but Before Tax) **	+2.44	-0.21	+4.83	+10.13	+12.12	+4.22	+4.80
S&P/ASX 300 A-REIT Accumulation Index	+4.28	+1.10	+1.61	+7.62	+9.99	+3.30	+3.49
Value Add	-1.84	-1.31	+3.22	+2.51	+2.13	+0.92	+1.31

*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.

QUALITATIVE RATING



QUANTITATIVE RATING



Overall rating out of 124 Equity Australia Real Estate funds as of 28 Feb 2018.

MARKET REVIEW

The S&P/ASX 300 A-REIT Accumulation Index made a strong recovery, returning +4.3% in April, in spite of the 10-year bond rising 20 basis points to 2.78%. Globally, most equities markets were up, including Australia (S&P/ASX 300 Accumulation Index +3.8% as the risk of a trade war between the US and China subsided following Chinese President Xi's conciliatory tone at the Boao forum.

The Industrial A-REIT sub-sector posted the highest return for the month of +7.2%, followed by the Retail sub-sector at +5.1%, Health Care at +3.2%, Diversified at 3.1%, Office at 1.8% and Specialised at 1.4%. Residential posted the only negative return of -4.0%.

SECTOR ACTIVITY

Most A-REITs provided quarterly updates with FY18 earnings guidance re-affirmed. A few key themes emerged including:

1. An improvement in retail sales, albeit from a low base, with comparable speciality sales up 1.0% from last year. Retail services and food catering performed the strongest whilst apparel and department stores continued to be weak;
2. Office A-REITs reported a robust outlook with low vacancy rates and the expected densification of Sydney and Melbourne, likely to result in increased mix use developments of these assets; and
3. Residential A-REITs continue to report a softening of demand, but have strong pre-sales. Price growth is starting to flatten for New South Wales, whilst growth in Victoria and Queensland has moderated.

SECTOR VALUATION

At the end of April, the A-REIT sector was trading at a 13.0% premium to NTA. The FY18 DPS yield of 5.3% represents a 326 basis point spread to 90 day bank bills and a 252 point spread to 10 year bonds.

FUND PERFORMANCE

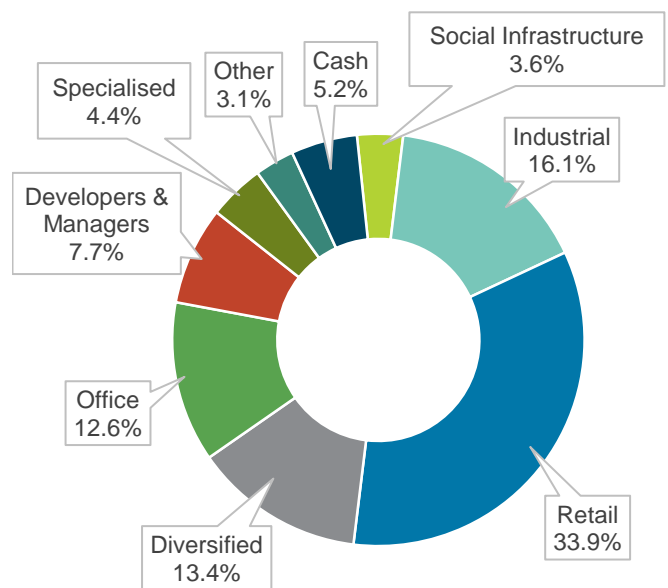
Over the month, the Fund returned +2.44% (after fees, before tax), underperforming the Benchmark by -1.84%. On a rolling 12 month basis, the Fund returned +4.83%, outperforming the Benchmark return of +1.61% by +3.22%.

In April, positive contributions came from the Fund's overweight exposure to Folkestone Education

We are of the view that unless there is a material increase in 10 year bond yields, near term performance will be driven by fundamentals and tenant performance, and also increased M&A activity in the sector.

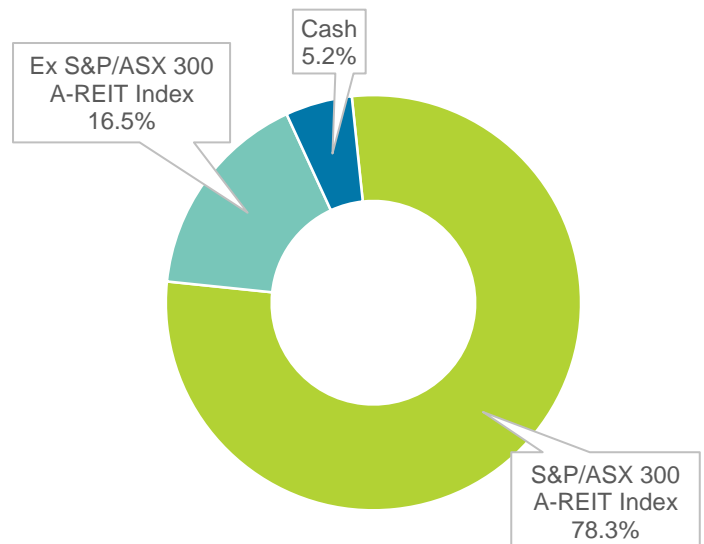
SECTOR SPLIT

As at 30 April 2018



ASSET ALLOCATION

As at 30 April 2018



Trust (FET +4.00%), Centuria Metropolitan REIT (CMA +2.19%) and Industria REIT (IDR +0.80%).

Detracting from performance were the Fund's overweight exposure to Eureka Group (EGH -13.79%), Rural Funds Group (RFF -5.33%) and an underweight exposure in Scentre Group (SCG +5.22%).

At the end of April, the Fund's investments comprised 17 ASX listed securities totaling 94.8% of the portfolio, 11 of which were constituents of the S&P/ASX 300 A-REIT Index, with the remaining 6 holdings being non-index securities. The balance of 5.2% of the portfolio was held in cash/liquid investments.

OUTLOOK

The property sector has benefited from the continued flow of foreign capital chasing premium assets. This has led to cap rate compression boosting the NTA's of A-REITs and enabling some managers to de-leverage their balance sheet through asset sales and/or to fund higher yielding acquisitions/developments. We believe that the cap rate compression cycle is coming to an end, however we don't see cap rates moving back up anytime in the near future.

Unless there is a material increase in 10 year bond yields (A-REITs are highly correlated to movements in 10 year bonds), we believe near term performance will be driven by fundamentals and tenant performance and also increased M&A activity in the sector.

Indications are that the earnings outlook should remain robust with consensus forecasts showing growth of circa 3.8% in FY18. The positive outlook is being driven by the office A-REITs which are benefiting from the strong Sydney and Melbourne office markets. The active A-REITs that have strong development pipelines (Goodman, Mirvac) or funds management platforms (APN Property Group, GPT, Charter Hall, Goodman) and social infrastructure entities (Folkestone Education Trust and Lifestyle Communities) are benefiting from demographic and social changes.

We continue to favour those A-REITs with exposure to the industrial and social infrastructure property sub-sectors, active A-REITs with exposure to development and funds management, and those securities with relative attractive yields. We maintain a focus on quality management teams with the ability to actively manage portfolios and drive income growth in the year ahead.

TOP 5 ACTIVE OVERWEIGHTS

By Portfolio Weight

Carindale Property Trust
Rural Funds Group
Centuria Metropolitan REIT
Lifestyle Communities
Industria REIT

FUND OVERVIEW

As at 30 April 2018

Status	Open
Fund Maturity	Open Ended
Investment	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

Asguard
Colonial First State FirstWrap
BT Panorama
BT Wrap
HUB24
Macquarie Wrap Solutions
Netwealth
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**Folkestone Maxim
Wins Industry Leadership Award**

In December 2017, Folkestone Maxim won the inaugural Financial Standard Investment Leadership Award for Australian Listed Property.

The Financial Standard award recognises "investment strategies that showcase all the qualities investors - whether they be advised or self directed - are looking for in a manager".

CONTACT US

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

Lula Liossi
Investor Relations Manager
e: lloiosi@folkestone.com.au
t: + 61 3 9046 9946

Monica Hood
Business Development Manager
e: mhood@folkestone.com.au
t: + 61 2 8667 2821

Harry Horwitz-Rourke
Distributions Manager
e: hhorwitz@folkestone.com.au
t: + 61 2 8667 2830

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