



FOLKESTONE EDUCATION TRUST

Half Year Results
ASX:FET

31 December 2016

CONTENTS

Nick Anagnostou
Chief Executive Officer

Half Year Performance Review 3

FET's Performance 4

FET's Objectives & Strategy 5

Childcare Sector Overview 6

Financial Results & Capital
Management 7

Operational Performance 11

Outlook 21

Appendices 23

Directory 32

Travis Butcher
Chief Financial Officer



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HALF YEAR PERFORMANCE REVIEW

STRATEGY & EXECUTION CONTINUES TO DRIVE OUTPERFORMANCE

\$69.1m

Statutory Profit
+16.1%



\$18.7m

Dist. Income
+10.6%



7.5 cpu

EPU¹
+8.7%



7.1 cpu

Distribution
+6.0%



\$2.35

NTA Per Unit
+9.8%



PORTFOLIO MANAGEMENT

Portfolio Growth & Reweighting

\$9.3m

Development Completed

7.0%

Yield on Cost on Completed Development

6

New Development Sites Settled with an End Value of \$26.8m

\$121.8m

Development Pipeline

ASSET MANAGEMENT

Systematically Adding Value

8.5 yrs / 99.5%
WALE / Occupancy

+\$47.3m / -40 bps

Increase in Valuations / Yield Compression

4.9%

Average Increase on 64 Market Reviews²

39 of 39

5 Year Options Renewed

CAPITAL MANAGEMENT

Maximising Unitholder Value

3.3 yrs

Average Debt Maturity

4.3% pa
Cost of Debt

27.4%
Gearing

47%

Average Hedged Debt until FY21

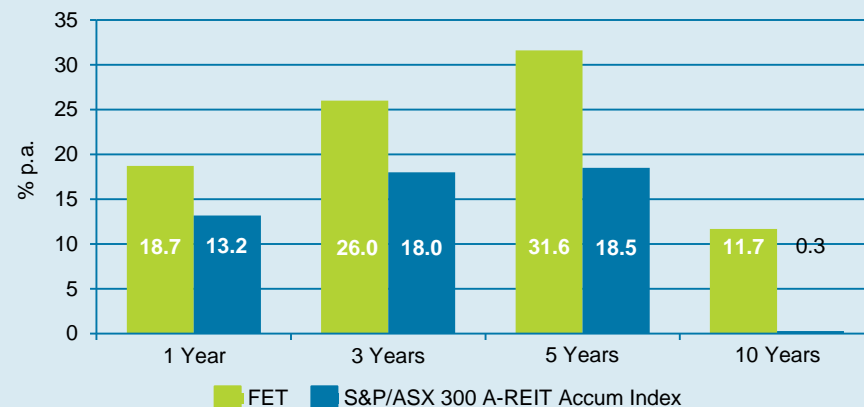
¹ Distributable income divided by the weighted average number of units on issue

² Includes 26 market reviews resolved from FY16

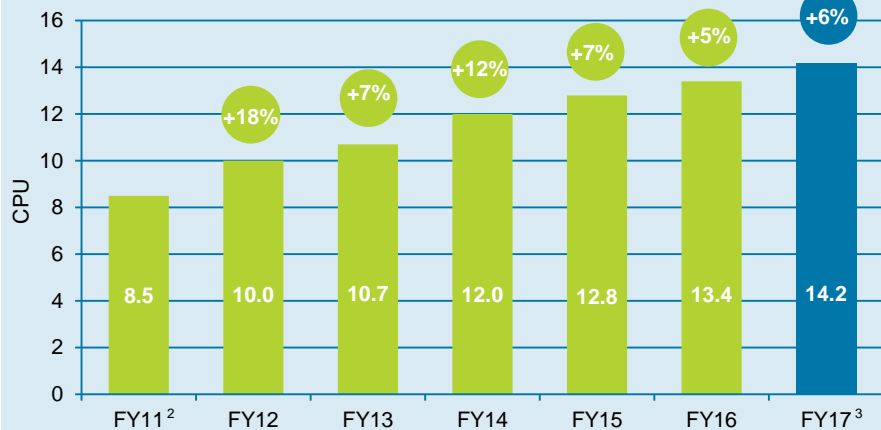
FET's PERFORMANCE

- Continued performance driven by execution of a well formulated and clear strategy
- FET has significantly outperformed the S&P/ASX300 A-REIT Accumulation Index across 1, 3, 5 and 10 year periods
- FET ranked 8th over 1 year and 2nd over 3, 5 and 10 years¹
- Distribution growth – average 8.9% p.a. since 2011
- NTA growth - average 12.8% p.a. since 2011

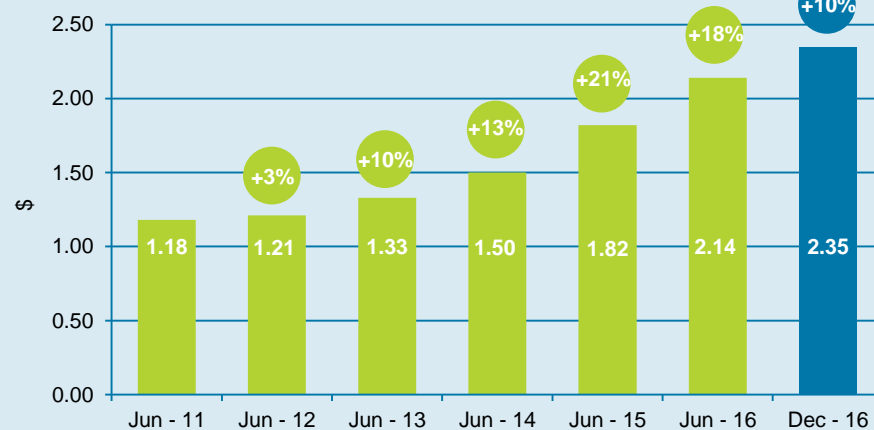
FET TOTAL RETURN PERFORMANCE VS S&P/ASX 300 A-REIT INDEX: TO 31 DECEMBER 2016



DISTRIBUTION GROWTH CPU: FY11– FY17



NTA GROWTH \$ PER UNIT: JUNE 2011 – DECEMBER 2016



¹ UBS Australian REIT Month in Review – December 2016

² Annualised

³ Forecast FY17 Distribution – 7.1 cpu paid in HY17

FET's OBJECTIVES & STRATEGY

To Provide Investors With Secure And Growing Long Term Income
With The Potential For Capital Growth

PORTFOLIO MANAGEMENT

ASSET MANAGEMENT

CAPITAL MANAGEMENT

FET's Intellectual Property & Industry Knowledge

Disciplined Strategy Provides Long Term Benefits

- Identify high success locations through proprietary modelling of demographic trends
- Focus on sites within a ~20km radius of CBD and rapidly expanding growth areas
- Focus on new developments which drive earnings growth, asset quality and development profits
- Deliver quality centres with leading edge designs in high demand locations that childcare operators compete for
- Construction of FET 'IP' and Development Management capability mitigates risk, increases quality of outcomes through greater control

- Adherence to FET's "best site, best lease, best operator" criteria
- Maintain key FET lease features:
 - long term commitments
 - triple net leases
 - annual escalations
 - provision of security
 - centre operating data
- Pro-active management of existing properties including asset recycling to generate profit, minimise obsolescence and optimise quality
- Zero incentives/high land value component
- FET's reputation as *landlord of choice* for future opportunities

- Maintain strong capital position with a 'through the property cycle' approach
- Maintain balance sheet flexibility to provide capacity to fund new opportunities
- Diversification of maturity risk profile
- Hedging strategy focussed on mitigating of interest rate risk through economic cycles
- Manage costs effectively

STRONG INDUSTRY FUNDAMENTALS EXPECTED TO CONTINUE

CHILDCARE INDUSTRY TODAY

Continued growth in both the number of children utilising long day care and the participation rate

Daily fees have increased on average by 6% p.a. for the period from the March quarter 2015 to the March quarter 2016¹

Centre profitability has increased on previous years²

Mooted oversupply of centres expected not to materialise. Supply of approx. 250 centres in last 12 months predominantly in VIC and NSW. Low conversion rate of DA's into completed centres.

Industry business multiples have eased for sale of individual centres, yet appear to have strengthened for larger trade sales

CHILDCARE INDUSTRY INTO THE FUTURE

Fundamentals underpinned by imperative of childcare for Australia's labour supply and economy. Strongest growth expected in VIC and NSW due to economic and jobs growth in these states

Increasing participation rate expected to continue. Federal Government expects an additional 300,000 children to require childcare by 2019-2020³

Continued population growth through both net overseas migration and natural population growth. For the 12 months ended 30 June 2016, reported growth - Victoria +2.1% p.a. and NSW +1.4% p.a.⁴

Resolution of Government funding package to the industry expected to be resolved soon and implemented in July 2018. Funding to increase by an additional \$3.5 billion

Operators becoming increasingly selective. Inferior quality DA sites already not proceeding and reverting to alternate use

¹ Department of Education and Training, Early Childhood and Child Care in Summary March quarter 2016

² Folkestone Data

³ Commonwealth of Australia 2016 – Mid-Year Economic & Fiscal Outlook: 2016 - 2017

⁴ ABS – Australian Demographic Statistics, Growth Over Period June 2015 – June 2016

FINANCIAL RESULTS & CAPITAL MANAGEMENT

Only About Children, Cheltenham, VIC



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FINANCIAL RESULTS - HALF YEAR TO 31 DECEMBER 2016

- Statutory profit increase of \$9.6m or 16.1%
- Distributable income increase of \$1.8m or 10.6%
- EPU growth of 8.7%
- DPU growth of 6.0% based on FY17 distribution of 14.2 cpu
- Strong balance sheet metrics with total assets of \$829.1m (increase of 10%) and gearing of 27.4%
- Growth in NTA per Unit of \$0.21 or 9.8%

KEY FINANCIAL METRICS

Income For the Half Year Ended 31 December	2016	2015	% Change
Statutory Profit (\$m)	69.1	59.5	16.1
Distributable Income (\$m)	18.7	16.9	10.6
Earnings Per Unit – EPU (cpu) ¹	7.5	6.9	8.7
Distribution Per Unit – DPU (cpu)	7.1	6.7	6.0



Balance Sheet As At	Dec 16	June 16	% Change
Total Assets (\$m)	829.1	753.6	10.0
Investment Properties (\$m)	794.5	719.5	10.4
Borrowings (\$m)	227.8	200.4	13.7
NTA per Unit (\$)	2.35	2.14	9.8
Gearing (%)	27.4	26.6	0.8

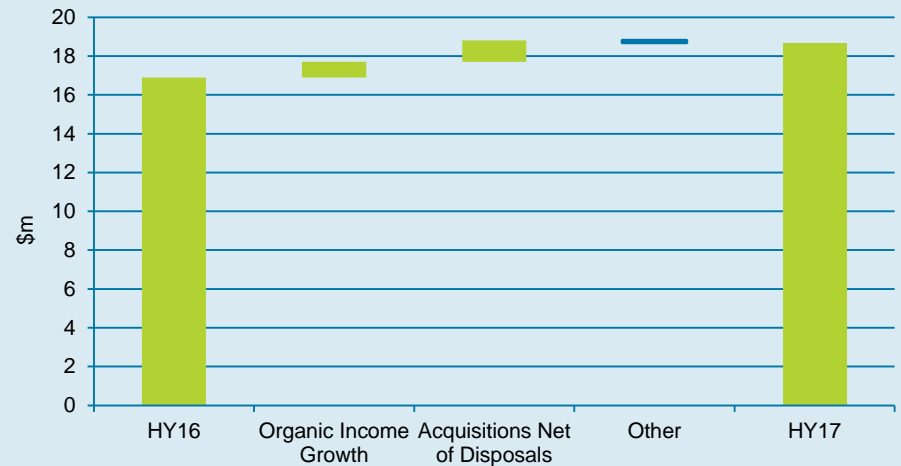
Further details and commentary is included in the Appendices

¹ Distributable income divided by weighted average number of units

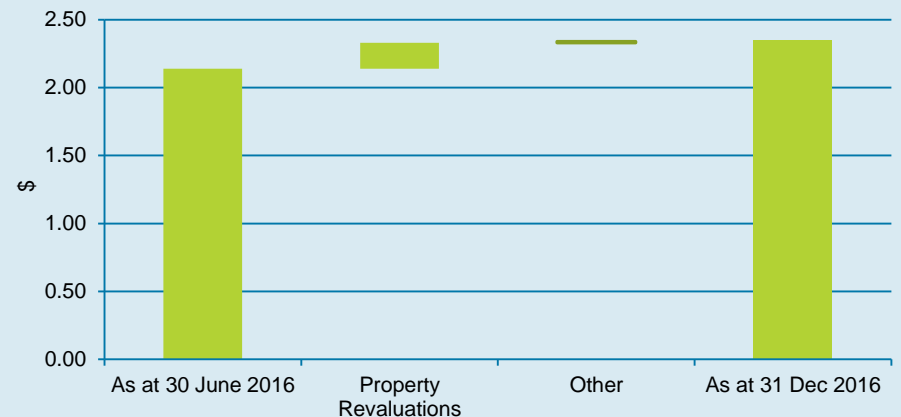
PROFIT & NTA CONTRIBUTIONS – HALF YEAR TO 31 DECEMBER 2016

- Improvement in HY17 distributable income due to:
 - organic income growth of 2.9% (\$0.8m increase)
 - increased income from acquisitions / developments less disposals (\$1.1m increase)
- Growth in NTA per Unit of \$0.21 primarily due to:
 - property revaluations of \$47.3m or \$0.19 per Unit
 - other movements of \$0.02 per Unit including positive MTM movements on hedging positions

DISTRIBUTABLE INCOME: HY16 TO HY17



NTA PER UNIT: JUNE 2016 TO DEC 2016

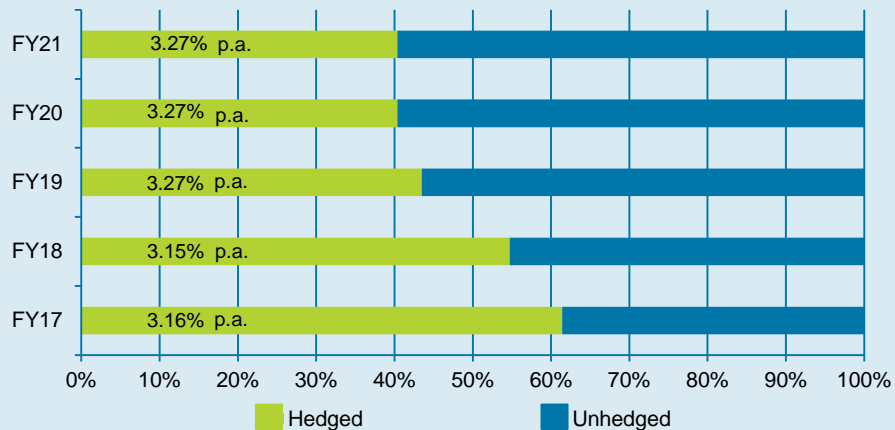


CAPITAL MANAGEMENT – DEBT & HEDGING

- Bilateral facilities with HSBC and ANZ with maturities of June 2019 (57%) and June 2021 (43%)
- Undrawn facility of \$44m which will be utilised to fund the development pipeline
- A further \$10m uncommitted facility is available under the existing documentation
- As at 31 December 2016, FET had hedged \$137m (61%) of the debt at a fixed rate of 3.16% p.a. for FY17

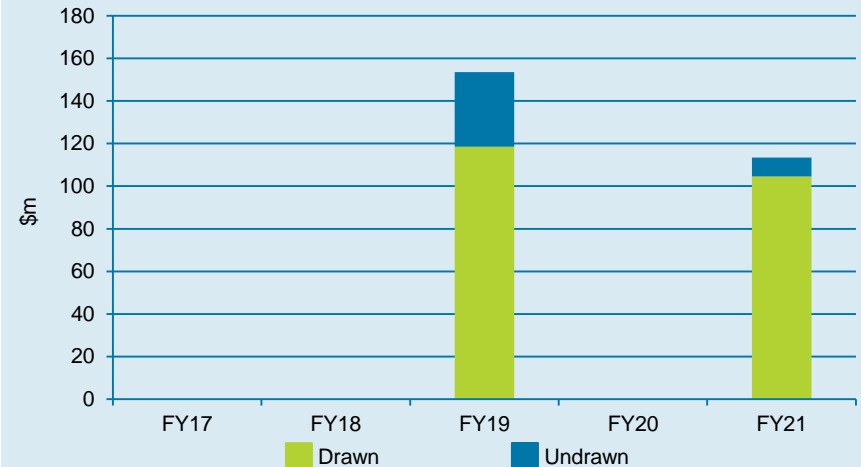
As at	31 DEC 2016	30 JUNE 2016
Debt Facilities Limit (\$m)	267.0	227.0
Debt Drawn Amount (\$m)	223.0	193.0
Overdraft Facilities (\$m)	10.0	10.0
Facilities Maturity	57% - June 19 43% - June 21	50% - June 19 50% - June 21
ICR (x)	5.0	5.1
Cost of Debt (% p.a.)	4.3	4.5
All-in Cost of Debt ¹ (% p.a.)	4.6	4.8
Average Interest Rate Hedged (%)	47	53
Average Hedged Rate (% p.a.)	3.21	3.27
Average Hedging Maturity (years)	2.3	2.8

HEDGING PROFILE: BASED ON DEBT OF \$223.0M
AS AT 31 DECEMBER 2016



¹ Includes amortisation of deferred borrowing costs

DEBT MATURITY PROFILE: FY17 – FY21



OPERATIONAL PERFORMANCE



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Only About Children, Camberwell, VIC

PORTFOLIO MANAGEMENT

PRO-ACTIVE MANAGEMENT OF EXISTING ASSETS COMPLIMENTED BY ASSET RECYCLING

Acquisition of **2 operating centres** and **6 development sites** settled

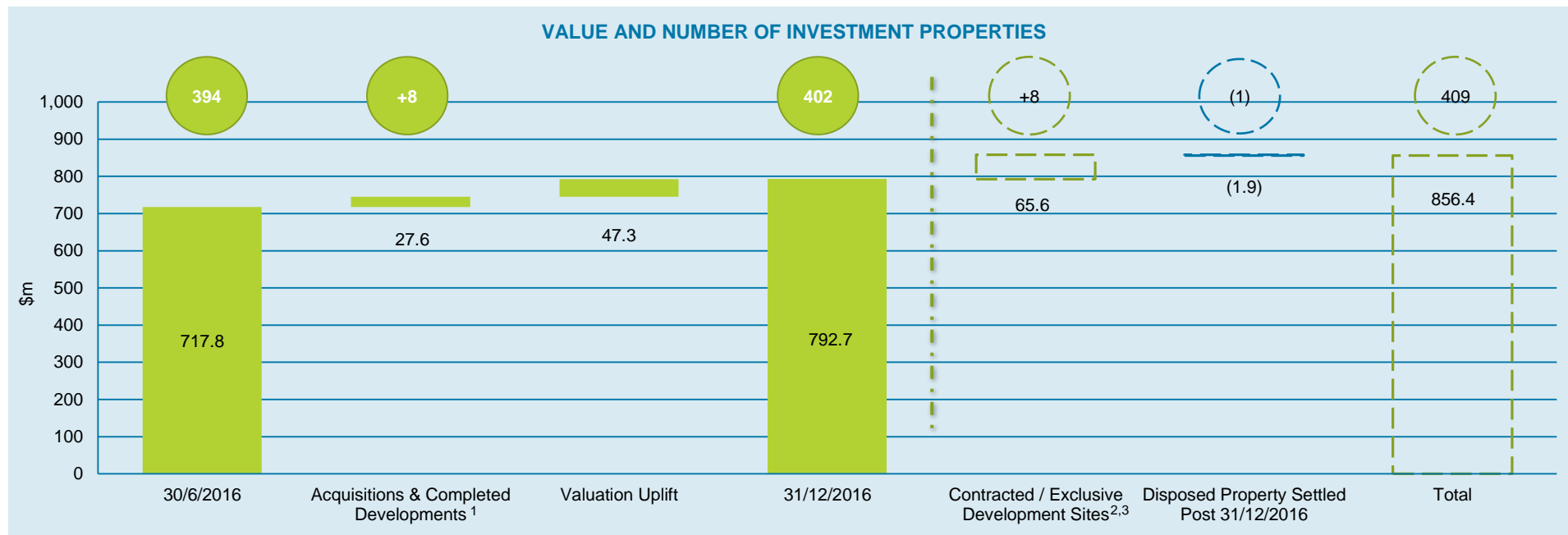
-40bps / +\$47.3m improvement on FY16 values. Overall portfolio yield **6.9%**

402 properties **\$792.7m** total carrying value as at 31 December 2016

Forecast cost of **\$65.6m** for completion of developments

1 property contracted to be sold at a **10.4%** premium to FY16 carrying value

VALUE AND NUMBER OF INVESTMENT PROPERTIES



¹ Includes construction costs on properties owned at 31 December 2016

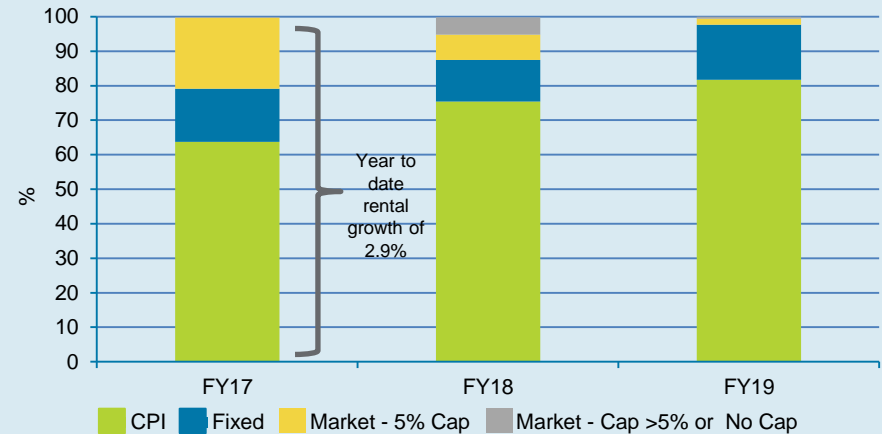
² Includes forecast land and construction costs

³ Excludes 1 development site which was at HOA stage which has subsequently been contracted

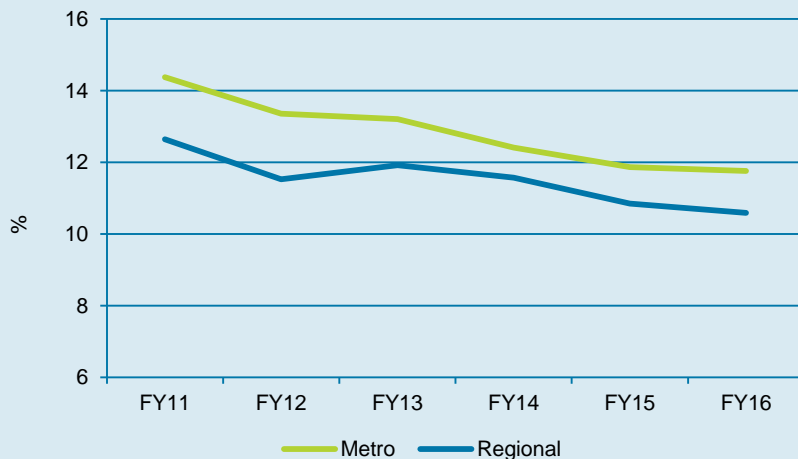
PROPERTY PORTFOLIO – ASSET MANAGEMENT

- WALE increased from 8.2 years to 8.5 years during HY17
- 99.5% occupancy; 39 five year options renewed
- 64 market reviews achieved 4.9% increase overall – 4.9% increase (capped reviews) and 5.0% increase (uncapped reviews)
- Y-o-Y rental growth to 31 December 2016 of 2.9%, up 0.1% on pcp
- Since FY14, 157 of 163 (96%) five year options have either been exercised, extended or new leases entered into
- Industry standards for rent as a % of revenue typically ranges between 12 – 14%, FET is below this range at 11.3% for FY16

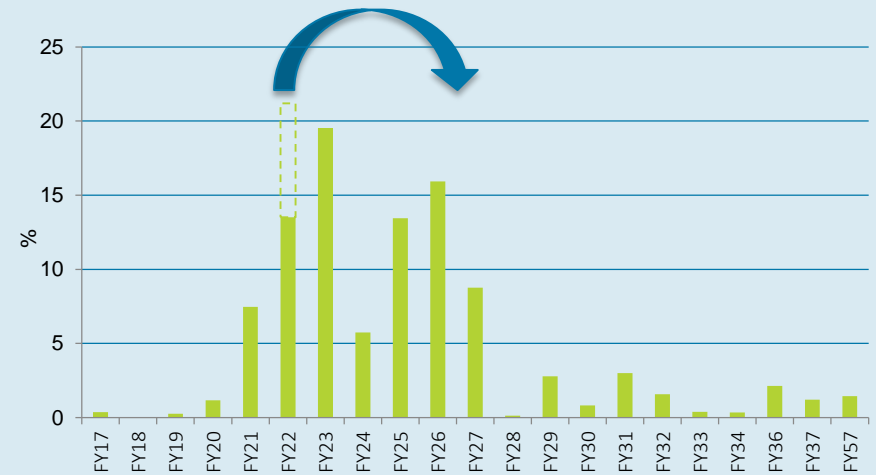
ANNUAL RENT REVIEW PROFILE BY % OF RENT¹: FY17 – FY19



FET PORTFOLIO RENT AS A % OF REVENUE: FY11 – FY16



LEASE EXPIRY PROFILE BY % OF ANNUAL RENT²: FY17 – FY57



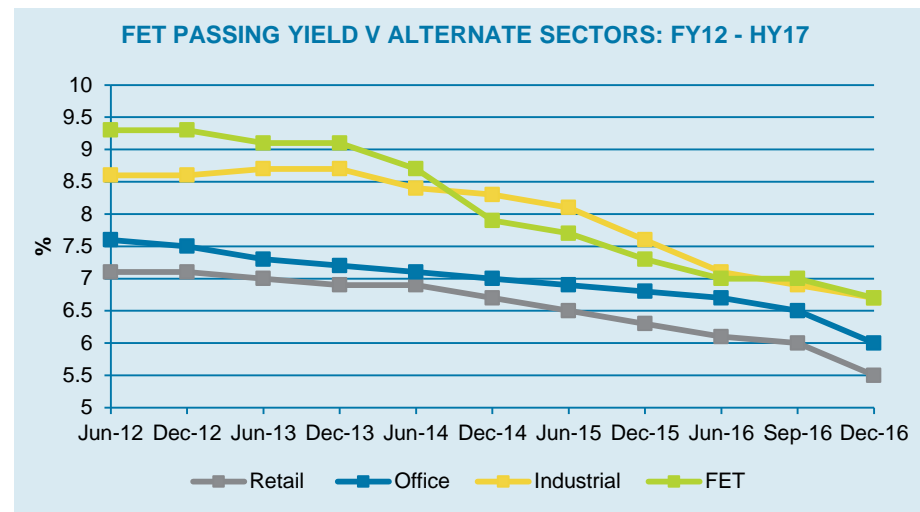
¹ Excludes current development sites

² As at 31 December 2016

PROPERTY PORTFOLIO – VALUATIONS

- Strong growth continues largely driven by a favourable interest rate climate, investor appetite for yield and a greater understanding of the attractiveness of investing in childcare assets
- Eastern states particularly attractive due to stronger economic and population growth
- Average yield of 5.8% achieved on market transactions in the Eastern seaboard for CY16, a 60 bps improvement on transactions in CY15
- Average yield of 6.6% on FET independent freehold valuations and 6.7% on FET Directors' valuations at HY17

INDEPENDENT VALUATIONS	NO. VALUED	CARRYING VALUE (\$m)	MOVEMENT (%)	YIELD (%)
NSW/ACT	9	23.4	10.8	6.5
QLD	16	29.7	15.0	6.8
VIC	3	5.7	17.0	5.3
SA	2	3.1	4.0	7.1
WA	2	3.7	15.9	7.1
TAS	2	4.2	7.1	6.7
New Zealand	15	19.9	13.2	6.3
Total Freehold	49	89.7	12.0	6.6
Leasehold	5	1.7	(9.6)	24.0
TOTAL	54	91.4	11.5	6.9



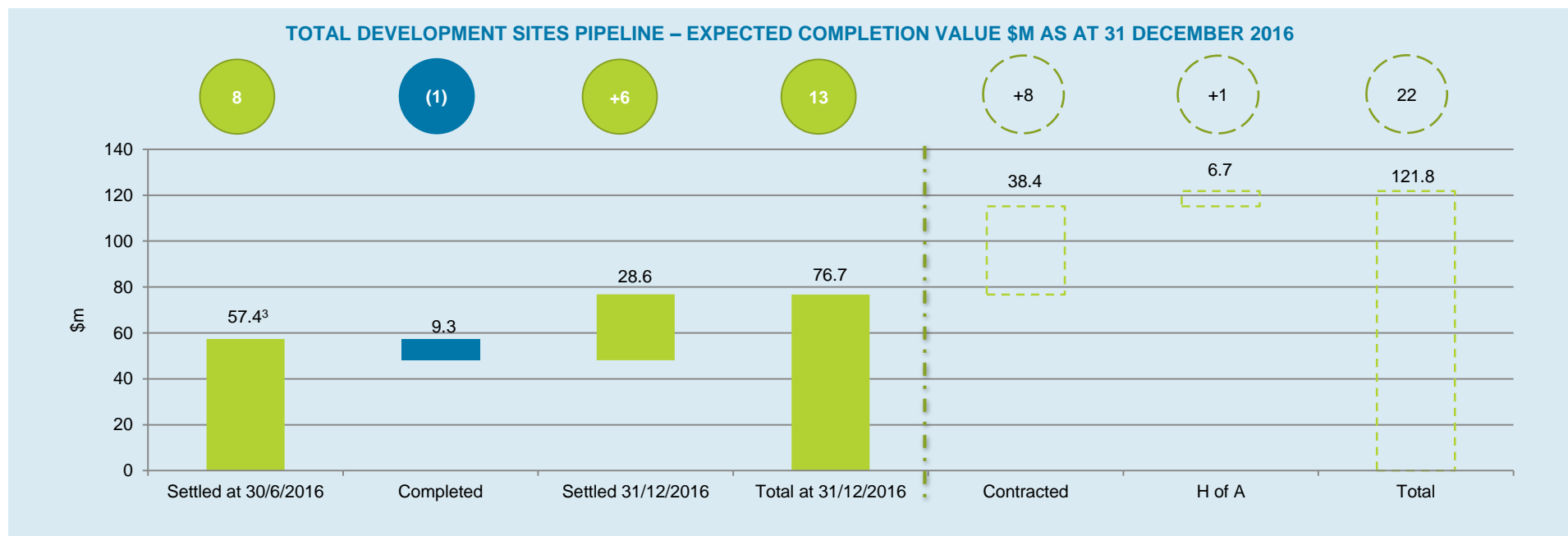
* FET yields based on freehold properties held since 2012
Source: MSCI IPD, JLL Research and Folkestone

DIRECTOR VALUATIONS*	NO. VALUED	CARRYING VALUE (\$m)	MOVEMENT (%)	YIELD (%)
NSW/ACT	64	127.9	11.7	6.3
QLD	113	220.7	6.5	7.0
VIC	52	126.9	6.9	6.3
SA	16	22.4	3.6	7.7
WA/NT	15	27.9	4.5	7.3
New Zealand	36	46.7	5.5	6.8
Commercial	1	11.8	3.2	6.2
Contracted to sell	1	1.9	10.4	7.8
TOTAL	298	586.2	6.3	6.7

* Excludes two vacant properties and one completed development. Properties independently valued on a rolling three year basis, supplemented with Director's valuations

DEVELOPMENT PIPELINE

DEVELOPMENT PIPELINE CONTINUES TO GROW



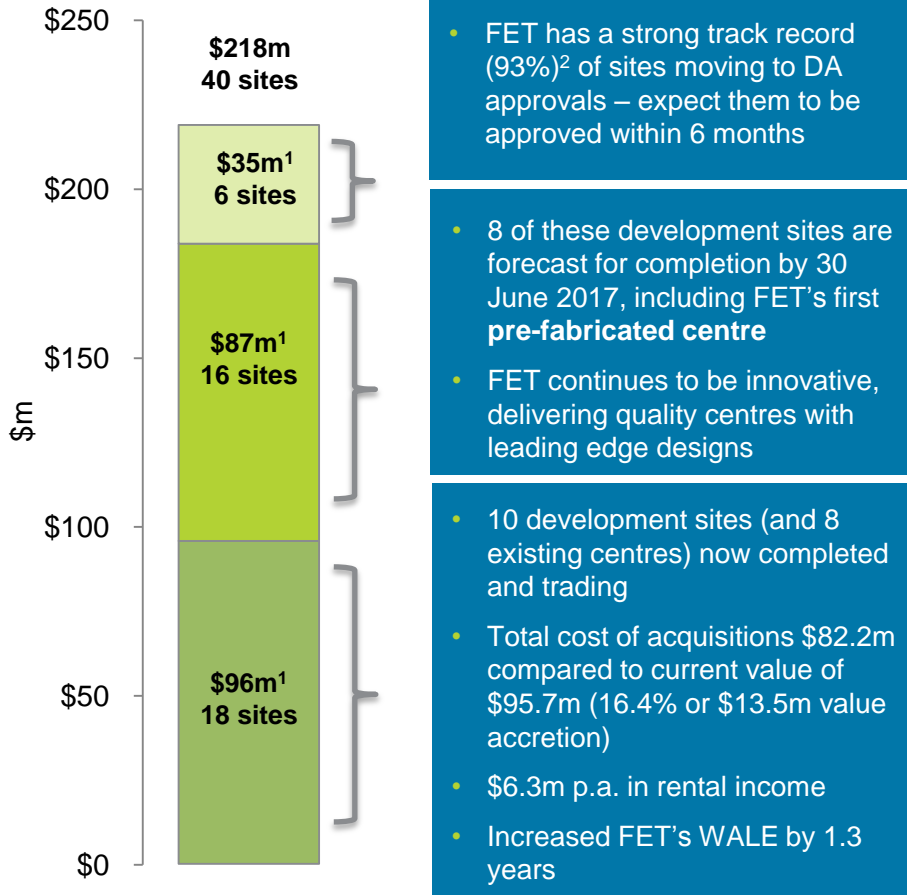
¹ Includes 11 sites settled and 5 sites contracted

² Within a 20km radius of the Central Business District

³ Includes uplift in value of completed centre from \$8.4 million to \$9.3 million

CURRENT DEVELOPMENT AND ACQUISITIONS TRACK RECORD

DEVELOPMENT / ACQUISITIONS SINCE DECEMBER 2013



- FET has a strong track record (93%)² of sites moving to DA approvals – expect them to be approved within 6 months
- 8 of these development sites are forecast for completion by 30 June 2017, including FET's first **pre-fabricated centre**
- FET continues to be innovative, delivering quality centres with leading edge designs
- 10 development sites (and 8 existing centres) now completed and trading
- Total cost of acquisitions \$82.2m compared to current value of \$95.7m (16.4% or \$13.5m value accretion)
- \$6.3m p.a. in rental income
- Increased FET's WALE by 1.3 years

\$218m value on completion, adding \$14.8m p.a. in rent

Targeting undersupplied locations with strong childcare fundamentals

Click for videos of completed new FET developments.

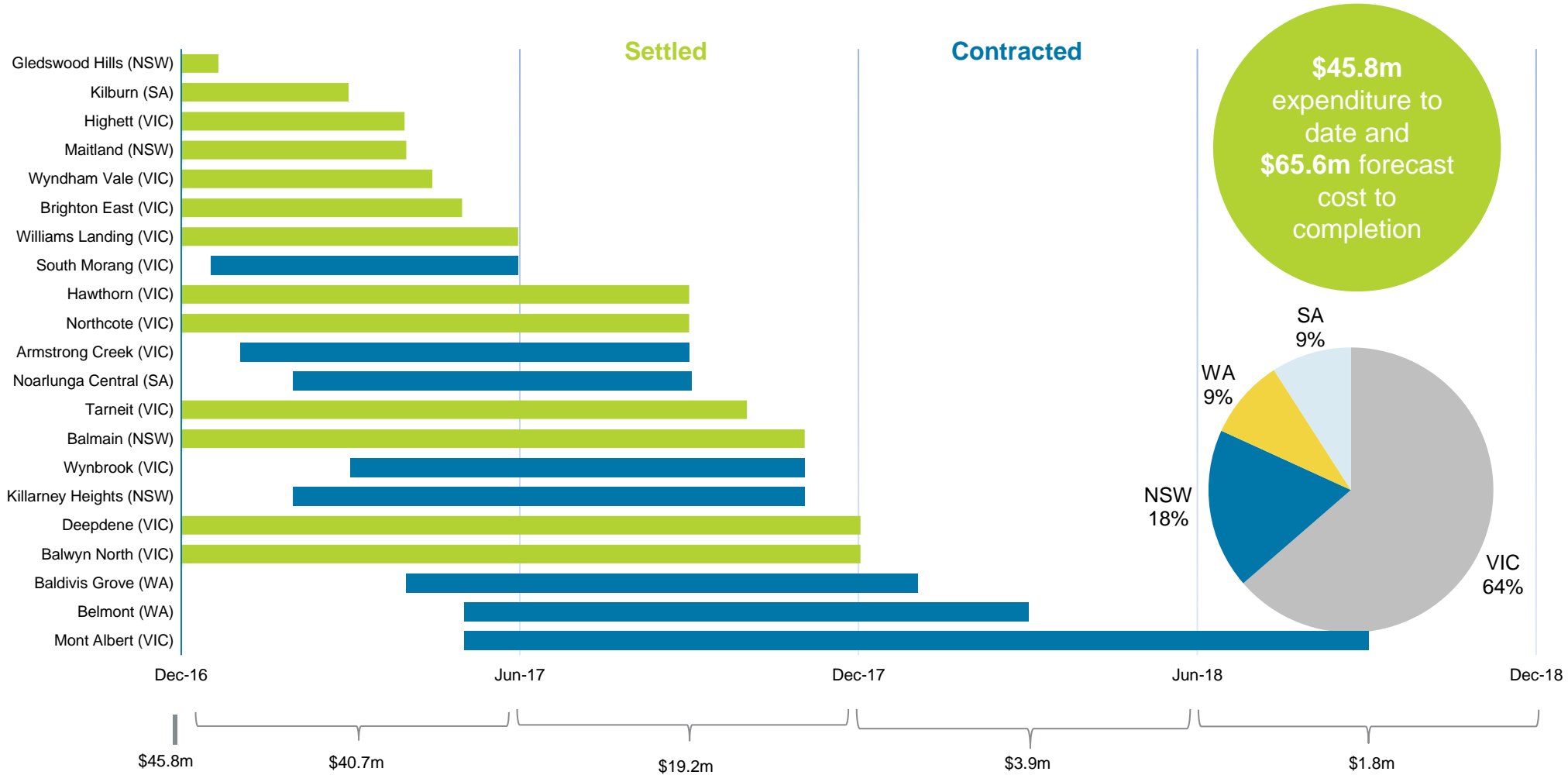


█ Developments/ acquisitions completed █ DA approved / under construction

¹ On Completion Value █ Awaiting planning approval
² 2 properties not achieving DA were sold above book value

CURRENT DEVELOPMENTS

DEVELOPMENT PIPELINE INCLUDING COST TO COMPLETE AS AT 31 DECEMBER 2016



- In order of expected completion
- Excludes 1 development site which was at HOA stage which has subsequently been contracted

FET TARGETS DEVELOPMENT SITES WITHIN A ~20KM RADIUS OF CBDS AND RAPIDLY EXPANDING GROWTH AREAS

Inner Metro Opportunities

- **6 of the top 25*** fastest growing LGA's in metropolitan areas (within 20 kms of CBD)
- Young professionals and families, with higher incomes are wanting to live close to employment hubs (CBDs and inner city activity nodes)
- Conversion of former commercial sites to residential and medium density housing
- Scarcity of land and locational complexities in some inner metro locations are preventing the supply of childcare services from meeting demand

FET Strategy

- **11 of 22** current development sites within 20 kms of a capital city CBD
- Continue to target new builds and conversions of existing buildings in inner metro locations

Growth Area Opportunities

- **17 of the 25*** fastest growing LGA's in outer metropolitan growth areas
- Greater emphasis on the provision of community infrastructure, including childcare, within masterplanned communities
- Younger families are drawn to growth areas due to the affordability of real estate
- Dual income families are increasingly required, correlating in higher demand for childcare services

FET Strategy

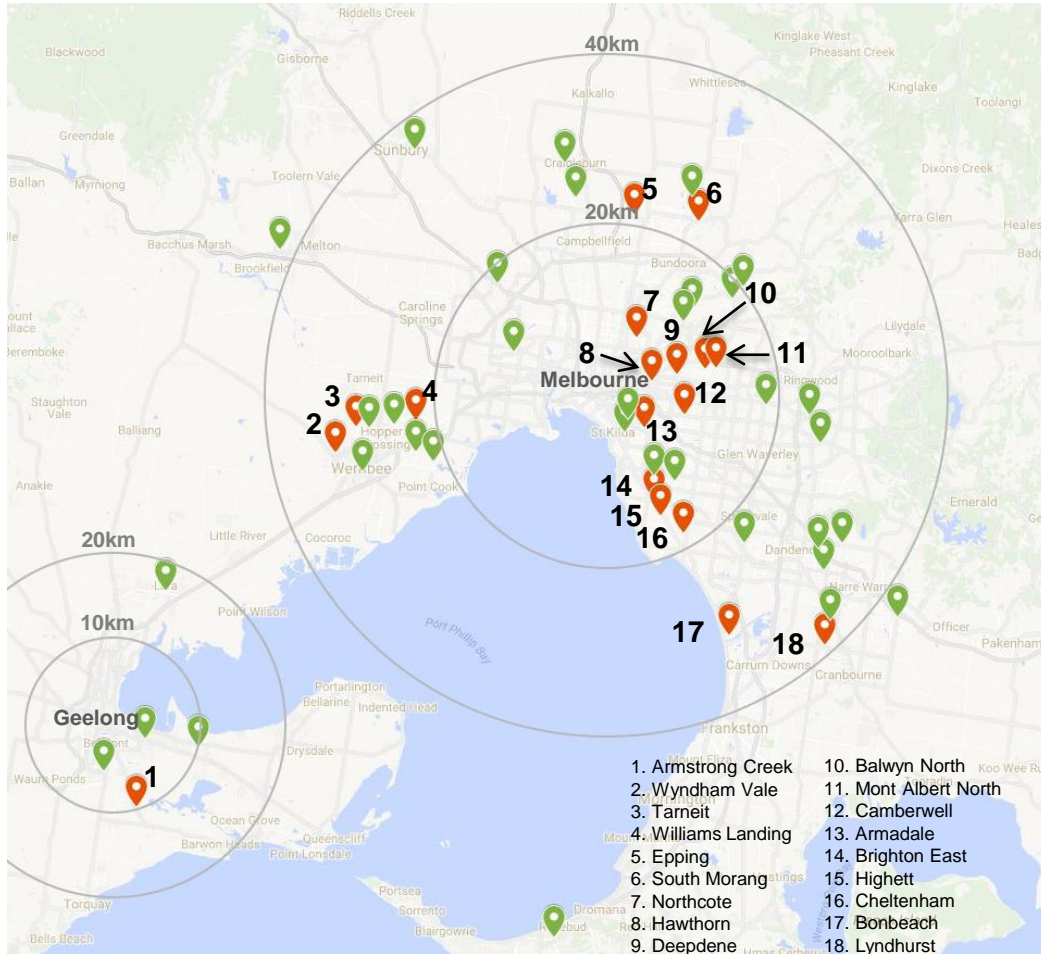
- **11 of 22** current development sites are within growth areas
- Continue to target new construction in locations with appropriate demographic and economic conditions

Source: Folkestone

* The two LGA's not positioned within growth areas or inner metro locations are in regional localities

FET'S PORTFOLIO STRATEGY – MELBOURNE & GEELONG

FET DEVELOPMENT & EXISTING SITES - MELBOURNE & GEELONG



Developments/acquisitions since Dec-13

Existing FET centres

- Victoria has been the major focus for FET's acquisition and development pipeline due to strong population & economic growth
- Activity has been focused on the inner eastern suburbs and rapidly growing outer areas, due to:
 - real estate with strong long term growth prospects, increasing density and above average income levels
 - strong underlying childcare fundamentals including high numbers of 0-5 year olds
 - lack of provision of competing high quality childcare
 - high barriers to entry

Key Statistics

	VIC	AUS
Total Population (m) ¹	6.1	24.1
Population Growth (p.a.) (%) ¹	2.1	1.4
0-5 Year Olds as % of Population ¹	8.2	7.9
Annual Growth in 0-5 Year Olds (%) ¹	2.9	1.0
Real Gross State Product Growth (%) ²	3.3	1.8
Unemployment Rate (%) ³	5.9	5.7

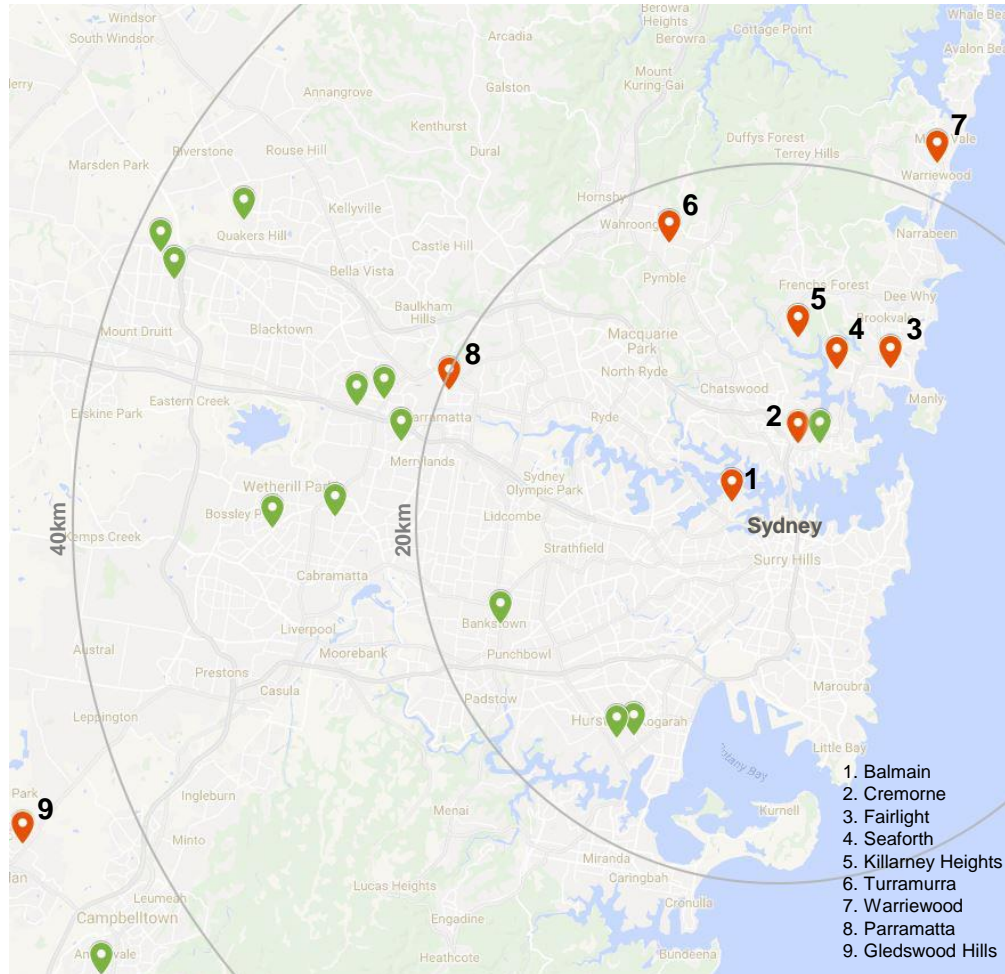
¹ Australian Demographic Statistics, ABS, Growth Over Period June 2015 - June 2016

² Department of Foreign Affairs and Trade, 2015-16

³ Labour Force Commentary, ABS, December 2016

FET'S PORTFOLIO STRATEGY – SYDNEY

FET DEVELOPMENT & EXISTING SITES - SYDNEY METRO*



Developments/acquisitions since Dec-13



Existing FET centres

1. Balmain
2. Cremorne
3. Fairlight
4. Seaforth
5. Killarney Heights
6. Turramurra
7. Warriewood
8. Parramatta
9. Gledswood Hills

- NSW has been a major focus for FET's acquisition and development activity, due to the state's strong population and economic growth
- Activity has primarily been focused to the north of the Sydney CBD, due to the following:
 - real estate with strong long term growth prospects, increasing density and above average income levels
 - strong underlying childcare fundamentals including high numbers of 0-5 year olds
 - lack of provision of competing high quality childcare, and
 - high barriers to entry
- Developments have also been completed in outer suburban growth areas, targeting locations with strong population growth¹

* NSW development not highlighted in the map to the left is Maitland

Key Statistics

	NSW	AUS
Total Population (m) ¹	7.7	24.1
Population Growth (P.A.) (%) ¹	1.4	1.4
0-5 Year Olds as % of Population ¹	7.8	7.9
Growth in 0-5 Year Olds (%) ¹	0.6	1.0
Real Gross State Product Growth (%) ²	3.5	1.8
Unemployment Rate (%) ³	5.0	5.7

¹ Australian Demographic Statistics, ABS, Growth Over Period June 2015 - June 2016

² Department of Foreign Affairs and Trade, 2015-2016

³ Labour Force Commentary, ABS, December 2016

OUTLOOK



Eclipse Early Learning, Lyndhurst, VIC



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Continuation of Positive Industry Conditions

Underlying demand for childcare usage is expected to continue due to population growth and increasing utilisation
Demand from investors for childcare properties expected to remain strong
Further property yield compression expected
Mooted oversupply (by some) not expected to materialise
Childcare Funding Package expected to be ratified

PORTFOLIO MANAGEMENT

8

Further Developments Expected to be Completed in FY17

Continued Portfolio Expansion and Network Optimisation

Disposal of Small Number of Non-core Properties Into Strong Investor Market

ASSET MANAGEMENT

63

Market Reviews remaining in FY17

58

Option Renewals remaining in FY17

100%

Target Occupancy

CAPITAL MANAGEMENT

39%

of Debt Subject to Variable Interest Rates in FY17

\$44m

Undrawn Facility Providing Capacity to Fund Growth

27.4%

Gearing Below 30 - 40% Range

FY17 Distribution Guidance Confirmed at 14.2 cpu – An increase of 6.0% on FY16

APPENDICES



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FET KEY STATISTICS

	FY13	FY14	FY15	FY16	HY17
NTA (\$)	1.33	1.50	1.82	2.14	2.35
NTA Growth (Annualised) (%)	9.9	12.8	21.3	17.6	19.6
Weighted Average Passing Yield (%)	9.3	9.0	8.0	7.3	6.9
Weighted Average Lease Expiry (Years)	8.2	8.0	7.9	8.2	8.5
% Of Lease Income Expiring In Next 5 Years	1.7	3.4	5.6	11.3	9.3
Like-for-like Rental Growth (%)	2.7	2.6	2.4	2.8	2.9
Major Customer % Of Income (Goodstart) (%)	64	59	63	59	57
Geographic Spread (% Rental Income)					
• NSW/ACT	28.0	28.9	26.2	25.8	26.0
• QLD	28.1	30.6	37.5	35.5	35.1
• VIC	22.1	19.9	16.9	19.8	20.5
• WA	3.2	2.8	3.7	3.9	3.9
• SA	6.6	6.5	6.0	5.3	5.1
• TAS/NT	0.7	0.6	1.1	1.0	1.0
• NZ	11.3	10.7	8.6	8.7	8.4
Market Rent Reviews					
Completed Number	6	8	54	65	64 ¹
Weighted Average Rental Growth (%)	5.1	6.1	4.3	5.5	4.9
Capital Management					
Gearing (%)	34.1	31.7	29.5	26.6	27.4
Weighted Average Cost Of Debt (%)	6.2	5.1	4.6	4.5	4.3
Weighted Average Debt Maturity (Years)	2.6	2.9	1.9	4.0	3.3
Interest Cover Ratio (X)	3.4	4.4	4.6	5.1	5.0

Source: Company Data

¹ Includes 26 FY16 market reviews finalised in HY17

INCOME STATEMENT

- Statutory profit of \$69.1m, up 16.1% on pcp:
 - distributable income of \$18.7m, an increase of 10.6% on pcp
 - property acquisitions and rental growth have grown lease income by \$1.9m or 7.4% on the pcp
 - expense growth of 2.2% due to increase in portfolio size
 - statutory profit includes property valuations, mark-to-market (MTM) adjustments of hedges, capital items or non-recurring items
 - yield compression and rental growth combine to contribute \$47.3m in property revaluations
- HY17 distribution of 7.1 cents per unit, an increase of 6.0% on pcp



Only About Children, Cheltenham, VIC

Income Statement for the Half Year Ended	Dec 2016 (\$m)	Dec 2015 (\$m)
Lease Income	27.7	25.8
Property Outgoings	4.2	4.0
Other Income	0.7	0.7
Total Operating Income	32.6	30.5
Finance Costs	5.0	5.0
Property Outgoings	5.8	5.9
Responsible Entity's Remuneration	2.3	1.9
Other Expenses	0.8	0.8
Total Operating Expenses	13.9	13.6
Distributable Income	18.7	16.9
Net Revaluation Increment Of Properties	47.3	42.6
MTM Adjustments Of Hedging Positions	3.2	(0.5)
Gain On Sale Of Investment Properties	-	0.5
Other	(0.1)	-
Statutory Profit¹	69.1	59.5
Earnings - EPU² (cpu)	7.5	6.9
Distribution - DPU (cpu)	7.1	6.7

¹ Excludes a loss of \$1.1m (HY16: gain of \$2.7m) in relation to fair value adjustments of securities

² Distributable income divided by the weighted average number of units on issue

BALANCE SHEET

- Strong balance sheet:
 - property revaluations of \$47.3m driven by yield compression and rent escalations
 - property acquisitions / construction costs of \$27.6m across 2 operating centre acquisitions and development site programme
 - securities include investment in listed Arena REIT of \$19.2m and unlisted FCIB of \$11.0m
 - positive mark-to-market impact of derivatives of \$3.2m due to increases in interest rate yield curves
- NTA per unit increased 9.8% to \$2.35 per Unit on pcp
- Gearing increased to 27.4%



Only About Children, Camberwell, VIC

Balance Sheet as at	Dec 2016 (\$m)	June 2016 (\$m)
Cash	0.3	0.8
Investment Properties – To Be Sold	10.0	-
Investment Properties – Improved Properties ¹	740.7	687.2
Investment Properties – Development Sites	43.8	32.4
Securities	30.2	31.3
Other Assets	4.1	1.9
Total Assets	829.1	753.6
Trade And Other Payables	4.9	7.4
Distribution Payable	9.0	8.4
Borrowings ²	225.5	198.3
Derivative Instruments	4.5	7.7
Total Liabilities	243.9	221.8
Net Assets	585.2	531.8
No Of Units	249.3	248.2
NTA Per Unit (\$)	2.35	2.14
Gearing³ (%)	27.4	26.6

¹ Includes \$1.8m (30 June 16: \$1.7m) of transaction costs in relation to properties not settled

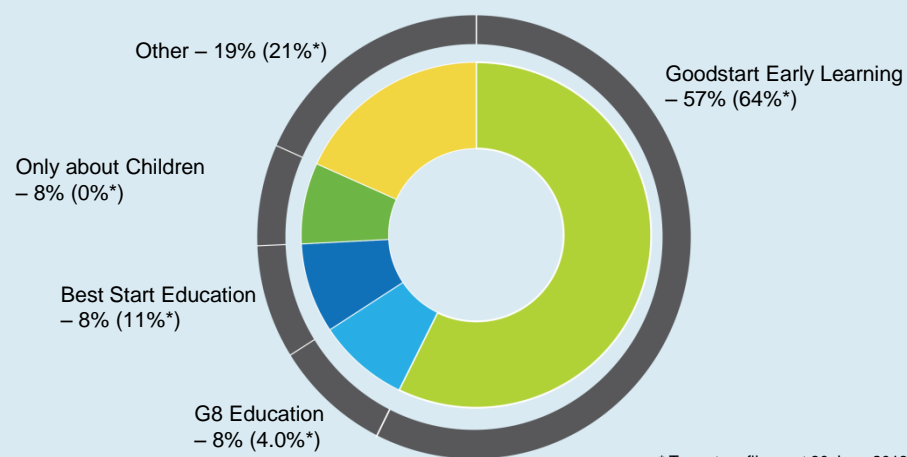
² Borrowings as at 31 December 2016 include loans of \$223.0m and overdraft of \$4.8m, less unamortised transaction costs of \$2.3m

³ Gearing is calculated by borrowings and bank overdraft / total assets

PORTFOLIO

- 402 properties - 388 operational early learning centres, 13 development and 1 medical centre
- Majority of leases are triple net leases (98% of the portfolio) - net effective rents
- Land rich – 90.0 ha of land
- Enhanced tenant register – 28 tenants and growing
- 6.7% passing freehold yield

TENANT PROFILE BY % OF ANNUAL RENT: DECEMBER 2016



* Tenant profile as at 30 June 2013

As at 31 Dec 2016	No.	Value (\$m)	% of Total Property Assets	Passing Yield (%)
ACT/NSW	77	174.0	22.0	6.3
QLD	132	258.4	32.6	7.0
VIC	58	149.1	18.8	6.3
SA	18	25.6	3.2	7.6
WA	15	28.3	3.6	7.3
TAS/NT	4	7.4	0.9	7.2
New Zealand	51	66.6	8.4	6.7
Total Freehold	355	709.4	89.5	6.7
Leasehold	33	27.7	3.5	14.1
Total Operating	388	737.1	93.0	7.0
Developments	13	43.8	5.5	
Medical	1	11.8	1.5	6.2
Total	402	792.7	100.0	6.9

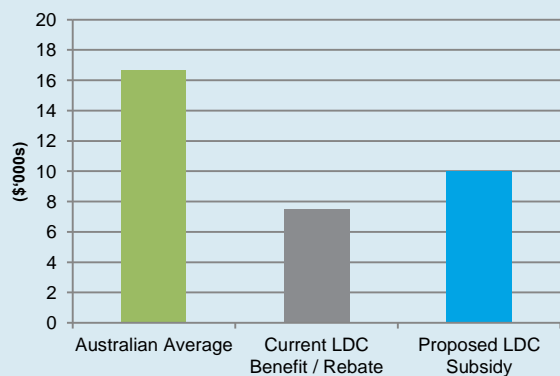
As at 31 Dec 2016	Value (\$m)	% of Total Assets	Description
Folkestone CIB Units	11.0	1.3	15% ownership of a wholesale trust that owns 9 police stations and 2 courthouses leased to the Victorian government
Arena REIT Units	19.2	2.3	4.4% interest in ARF which invests predominantly in childcare
Total	30.2	3.6	

CHILDCARE REGULATIONS AND FUNDING

GOVERNMENT FUNDING CHANGES

- Current political discussion point, with the “Jobs for Child Care Package” introduced to Parliament in February 2017
- Child care remains essential to labour supply and growing the Australian economy as well as assisting the early development of children
- Children who had attended some form of child care are less likely to be developmentally vulnerable than children who do not¹

GOVERNMENT FUNDING OF STATE SCHOOLS PER STUDENT COMPARED TO CHILDCARE: 2014-15¹



Current Government Funding Structure

Childcare Rebate	<ul style="list-style-type: none"> • Not means tested • 50% rebate on childcare fees • Capped at \$7,500 per child p.a. • Both parents to undertake some form of work/study
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<ul style="list-style-type: none"> • Means tested • No work or study requirement 	Means Tested
--	---------------------

Impact	<ul style="list-style-type: none"> • Existing childcare rebate cap not sufficient for many families • \$7,500 cap restricts workforce participation to a maximum of 3 days per week for many parents
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Proposed Government Funding Structure post July 2018

Activity Tested	<p>Fortnightly assessment of work / study activity determines the number of subsidised hours received as follows:</p> <ul style="list-style-type: none"> • 8-16 hrs activity → up to 36 hrs subsidy • 17-48 hrs activity → up to 72 hrs subsidy • 49 hrs activity → up to 100 hrs subsidy
------------------------	--

	<ol style="list-style-type: none"> 1. Under \$65k p.a. family income <ul style="list-style-type: none"> • 85% rebate of actual fee or benchmark price • No cap 2. \$65k to below \$250k p.a. family income <ul style="list-style-type: none"> • 50%-85% rebate of actual fee or benchmark price; • No cap / child or \$10,000 cap / child p.a. for families earning over \$185k p.a. 3. \$250k p.a. to below \$340k p.a. family income <ul style="list-style-type: none"> • Tapering to 20% rebate of actual fee or benchmark price and 20% rebate for families earning greater than \$340k p.a.
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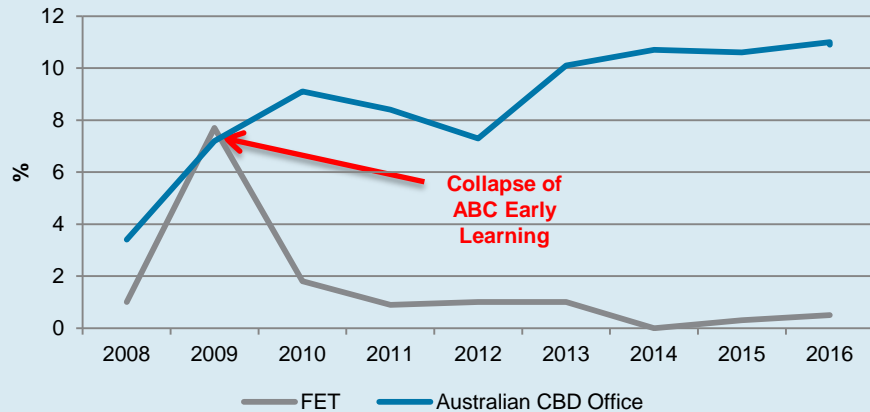
Impact	<ul style="list-style-type: none"> • Should increase accessibility of services to those who require it most • Should increased labour supply and female workforce participation rate • Simpler than the current multi-payment system
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¹ Report on Government Services, Early Childhood Education and Care, 2017

WHAT MAKES FET DIFFERENT TO OTHER A-REITS?

	Childcare	Commercial
Typical Lease term	15 years	5 years
Lease Type	Triple Net (All insuring & maintaining)	Rent plus outgoings
Incentives	Nil	Required for every transaction including tenant retention - can be up to 40% of net rent
Underlying land value as a % of Investment Value	Metro:70-80%	Metro:30-35%
Vacancies/Supply	FET has a 0.5% vacancy rate.	Australian office market has a 10.9% vacancy rate ¹
Tenant/Property Goodwill value	Lease inherently linked to the value and goodwill of the operators business	Commercial tenants can be relatively transient and deal driven in relation to their accommodation requirements
Availability of alternate premises	Limited	Significant
Financial impact on changing premises	Potential loss of business value/goodwill	No impact on value
Capex	Nil – Triple Net Lease	Significant, base building services upgrades required every 10 years

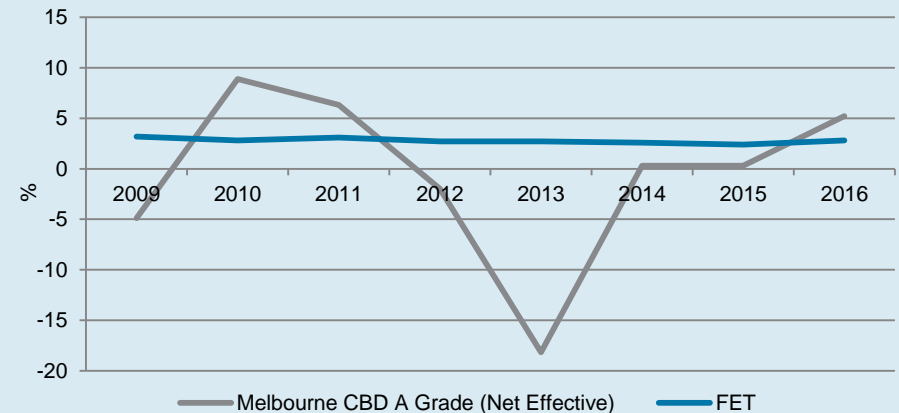
VACANCY RATES: JULY 2007 – DECEMBER 2016



Source: Property Council of Australia Office Market Report December 2016

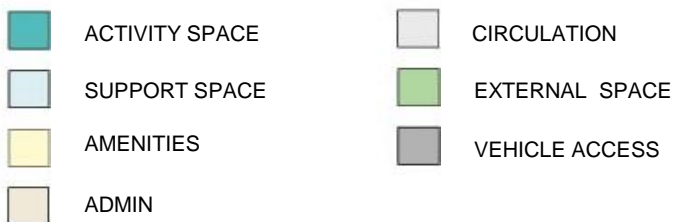
¹ Property Council of Australia Office Market Report December 2016

RENTAL GROWTH RATES: JUNE 2009 – JUNE 2016



Source: FET and Urbis

TYPICAL NEW FET CHILDCARE CENTRE



- Market leading designs across all new development sites, led by a specialised internal development team
- North facing activity rooms and outdoor play areas
- Clerestory windows to achieve natural lighting to interior spaces
- Generous, flexible and functional storage areas
- Administrative areas clustered for efficiencies
- Interactive kitchens with centre operations
- Central entry location for efficient circulation
- Safe entry paths from access points
- Compliance with all relevant ratios and legislation
- Prefabricated construction reduces build time, increases speed to market

CHILD TO SPACE RATIOS

Internal Activity Room

3.25m² / CHILD

External Play Space

7.0m² / CHILD

CARER RATIO (VIC)

Age 0-3 = 1:4 Children

Age 3-5 = 1:11

Children

2016 SALES EVIDENCE - EASTERN SEABOARD

Suburb	Sale Price (\$m)	Passing Initial Yield (%)
Metropolitan Sales		
Auburn	4.8	5.9
Smeaton Grange	7.0	4.7
Engadine	2.1	4.8
North Parramatta	4.0	5.2
Condell Park	2.3	4.5
West Hoxton	2.3	4.0
Freshwater	4.9	6.1
Chatswood	2.4	3.9
Prairiewood	2.2	5.1
Dee Why	6.0	6.0
NSW	38.0	5.2
Parkwood	3.2	5.9
Banyo	2.3	5.1
Southport	2.6	6.0
Beenleigh	3.3	6.5
Deception Bay	2.1	6.4
Everton Hills	3.5	5.5
Hamilton	4.7	7.7
QLD	21.7	6.3

Suburb	Sale Price (\$m)	Passing Initial Yield (%)
Berwick	3.4	5.4
Rosebud	2.0	5.3
Melton	2.7	4.9
Werribee	4.8	5.9
Tarneit	5.1	5.4
Cranbourne	1.8	4.9
Ocean Grove	2.7	5.1
Tarneit	3.7	5.0
Sunshine West	3.6	5.4
Langwarrin	1.7	5.3
Glenroy	3.1	5.4
Camberwell	6.8	5.1
Glenroy	5.4	5.9
Cranbourne	3.6	5.9
VIC	50.4	5.4
Total Metro	110.1	5.6

Suburb	Sale Price (\$m)	Passing Initial Yield (%)
Regional Sales		
Tamworth	2.6	6.5
Coffs Harbour	3.2	6.2
Dubbo	5.2	7.1
Morriset	2.3	6.8
Bateau Bay	1.5	6.1
Beresfield	1.5	7.4
NSW	16.3	6.7
North Mackay	1.9	7.8
Townsville	4.1	7.0
Bowen	1.2	7.0
Rockhampton	2.6	7.3
QLD	9.8	7.2
Bendigo	5.1	7.4
Newtown	5.5	6.2
VIC	10.6	6.7
Total Regional	36.7	6.9
Total Sales	146.8	5.8

* Source Folkestone Database

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ASX Code: FET

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