

# INVESTOR REVIEW

FY14

A specialist funds manager  
& developer providing real  
estate wealth solutions

# CONTENTS

FY14 HIGHLIGHTS	4
CHAIRMAN & MANAGING DIRECTORS REPORT	5
LISTED TRUSTS	7
PRIVATE FUNDS	9
A-REIT SECURITIES AND DEBT FUNDS	13
DIRECT INVESTMENTS	14
DIRECTORY	16

## THE BOARD OF DIRECTORS

GARRY SLADDEN | NON-EXECUTIVE CHAIRMAN  
MARK BAILLIE | NON-EXECUTIVE DEPUTY CHAIRMAN  
GREG PARAMOR | MANAGING DIRECTOR  
ROSS STRANG | NON-EXECUTIVE DIRECTOR

## EXECUTIVE TEAM

NICK ANAGNOSTOU | CHIEF EXECUTIVE OFFICER  
- SOCIAL INFRASTRUCTURE FUNDS  
TRAVIS BUTCHER | CHIEF FINANCIAL OFFICER - FUNDS  
BEN DODWELL | HEAD OF REAL ESTATE  
ADRIAN HARRINGTON | HEAD OF FUNDS MANAGEMENT  
SCOTT MARTIN | CHIEF FINANCIAL OFFICER & COMPANY SECRETARY  
MARK STEWIEN | GENERAL COUNSEL



We develop, invest in and  
manage quality real estate  
assets to build the wealth  
of our **valued investors**



## FY14 HIGHLIGHTS

NET PROFIT OF  
**\$3.2 MILLION**  
**UP 168% YOY**

**SECURED**

first exposure to Sydney apartment market

**100%**

PRESOLD OF STAGE  
ONE ALTONA NORTH

**ACQUIRED**  
MAXIM ASSET  
MANAGEMENT

Total Shareholder Return

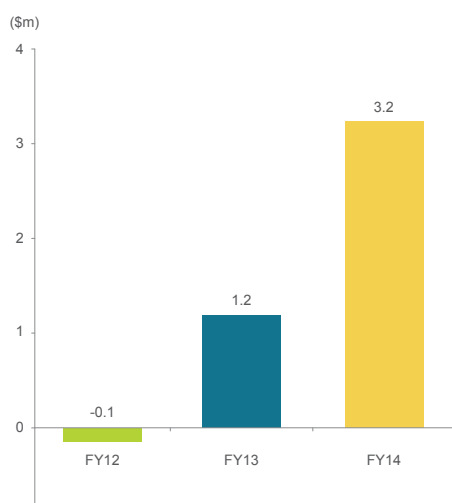
**37.5%**

**3** NEW FUNDS  
LAUNCHED

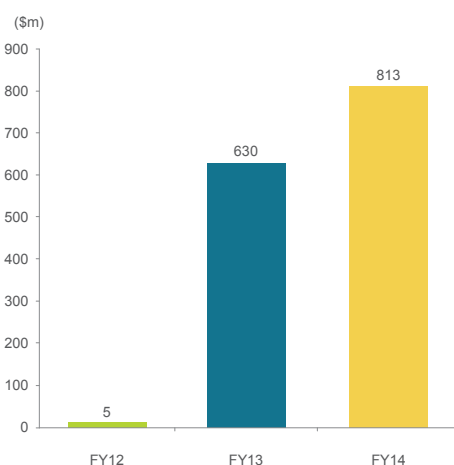
**\$813 M**

in funds under management – **up 29%**

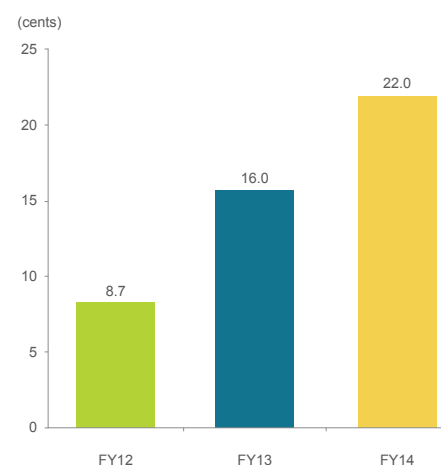
Operating Profit



Funds Under Management



Share Price



# CHAIRMAN & MANAGING DIRECTORS REPORT

Folkestone had another active year with further growth in our funds management platform and the continued development of our on-balance sheet assets.

Our funds under management increased by 29 per cent to \$813 million and solid progress was made on all our on-balance sheet developments.

Our financial results were extremely pleasing with a net profit after tax for the year ended 30 June 2014 of \$3.2 million<sup>1</sup> – a 168 per cent increase over the FY13 result.

Folkestone's share price increased 37.5 per cent from 16.0 cents to 22.0 cents per share in FY14, significantly outperforming the S&P/ASX 300 Accumulation Index which was up 17.3 per cent. Since the current board and management team took over Folkestone in April 2011 and repositioned the company into a real estate funds manager and developer, the share price has increased 83.3 per cent from 12.0 cents to 22.0 cents per share at 30 June 2014.

## EQUITY RAISING

On 15 November 2013, Folkestone announced a \$25 million equity raising at 16.5 cents per share to take advantage of a number of opportunities to accelerate the growth of its funds management platform and provide Folkestone with exposure to the Sydney residential development market.

We were delighted with the support for the capital raising from both our existing shareholders and a number of new institutions who decided to invest in Folkestone for the first time. The equity raising was significantly oversubscribed and investors who participated have been well rewarded, with the share price increasing 33.3 per cent as at 30 June 2014.

## FUNDS MANAGEMENT

Folkestone's funds management division is a specialist real estate funds manager for private clients and select institutional investors.

During FY14, Folkestone's funds under management increased by 29 per cent from \$630 million to \$813 million and the funds management business contributing \$7.0 million or 68.5 per cent of the Group's revenue.

During the year Folkestone's funds management platform undertook the following initiatives:

- launched two unlisted real estate income funds – the Folkestone Real Estate Income Fund at Altona North acquired a 21,553 square large format retail centre anchored by Bunnings and Officeworks currently being developed by Folkestone. The Folkestone Real Estate Income Fund at Oxley acquired a recently completed 7,094 square metre neighbourhood shopping centre anchored by Woolworths and the Queensland Government;
- launched an unlisted development fund – the Folkestone West Ryde Development Fund to undertake a residential apartment development in West Ryde, Sydney in joint venture with the Toga Group;
- the Folkestone Education Trust undertook a \$45 million capital raising and together with debt, settled the acquisition of 27 early learning centres including the 22 centres formerly owned by the unlisted Folkestone Childcare Fund and 5 development sites to be developed as early learning centres and had also contracted to acquire 1 centre and 3 further development sites; and

**FOLKESTONE HAD ANOTHER ACTIVE YEAR WITH FURTHER GROWTH IN OUR FUNDS MANAGEMENT PLATFORM AND THE CONTINUED DEVELOPMENT OF OUR ON-BALANCE SHEET ASSETS.**



Garry Sladden  
Non-Executive Chairman

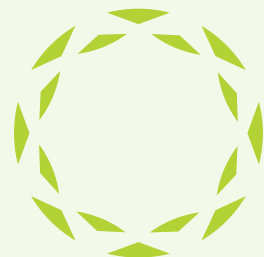


Greg Paramor  
Managing Director

## THE STORY OF OUR NEW BRAND

The town that Folkestone takes its name from is found in south-east England. This port town was known for its production of quern-stones, an innovative tool created in the Iron Age for food production. These stone tools were used in pairs to hand-grind cereals into flour.

To us the quern-stone represents innovation, partnership and radiating growth, qualities that we at Folkestone identify with. We have adopted an abstract interpretation of the quern-stone as our brand mark to remind us that we are a dynamic, connected, innovative team creating exceptional opportunities with outstanding investment results for our investors.



<sup>1</sup> The net profit after tax for the Consolidated Group was \$2.8 million. The Consolidated Group includes Folkestone West Ryde Development Fund ("Fund") even though Folkestone only owns 50 per cent of the units in the Fund. The Consolidated Group's net profit after tax includes a net loss of \$0.8 million from the Fund relating to acquisition and fund establishment costs. 50 per cent of the loss from the Fund (\$0.4 million) is attributable to the other unitholders in the Fund. Therefore, Folkestone's net profit after tax after adjusting for 50 per cent of the Fund loss is \$3.2 million.

# CHAIRMAN & MANAGING DIRECTORS REPORT

- acquired Maxim Asset Management, a specialist A-REIT securities and real estate debt funds management business.

The success of the capital raisings for the three unlisted funds and the Folkestone Education Trust further demonstrates the attractiveness of Folkestone's investment offerings and the strength of its distribution network.

In March 2014, the Folkestone Education Trust reached a major milestone with its inclusion in the S&P/ASX300 Index. As a result, a number of new institutions have now invested in the Trust for the first time.

Both our listed A-REITs performed well. The Folkestone Education Trust delivered a total return of 27.8 per cent and the Folkestone Social Infrastructure Trust delivered a total return of 29.7 per cent, outperforming the S&P/ASX300 A-REIT Accumulation Index's return of 11.1 per cent. In fact, the Folkestone Education Trust was the fourth best performing A-REIT in the Index during the year and over the 3 years and 5 years to 30 June 2014, it was the second best performing with an annualised total return of 38.8 per cent per annum and 55.7 per cent per annum respectively.

In April 2014, Folkestone acquired 100 per cent of Maxim Asset Management Limited (now known as Folkestone Maxim Asset Management Limited.) The acquisition provided \$30 million in funds under management across two unlisted funds specialising in listed real estate securities (the Folkestone Maxim A-REIT Securities Fund) and real estate debt (Folkestone Maxim Income Fund). Maxim Asset Management, with its real estate securities fund and high yield real estate debt fund, allows us to broaden our platform of real estate investment opportunities for our investors.

## DIRECT INVESTMENTS

Folkestone continues to successfully execute on its strategy for its on-balance sheet investments to focus on assets and developments in the value-add and development space.

Folkestone's net profit included \$1.1 million in preferred equity interest income associated with its direct real estate investments at Officer and Karratha and \$0.9 million share of development profits from its 50 per cent interest in the Officer project.

During the year, significant progress was made with development of Millers Road, Altona North, continued strong sales at our Officer land sub-division in south-east Melbourne, further pre-sales at The Ranges, Karratha and we secured Folkestone's first exposure to the Sydney residential market through a co-investment in the Folkestone West Ryde Development Fund, which is undertaking a residential apartment development in joint venture with the Toga Group. The site is located within 300 metres of the West Ryde railway station some 20 kilometres west of the Sydney CBD.

We are pleased that development of Stage 1 has now commenced at Millers Road, Altona North. In November 2013, Folkestone pre-sold a 21,553 square metre large format retail centre currently under construction into a new unlisted fund – the Folkestone Real Estate Income Fund at Altona North. In August 2014 Officeworks, together with JB Hi-Fi Home, Repco, PETstock and petVET commenced trading and Bunnings is scheduled to open in late September 2014, after which time settlement with the Fund will occur. This transaction demonstrates Folkestone's ability to manufacture product for its funds management platform – a key competitive strength given the strong competition for assets in the open market.

Folkestone also entered into a contract of sale of 8,063 square metres of land at Millers Rd, Altona North to Aldi Stores for a 1,600 square metre supermarket which adjoins the Stage 1 development. Settlement with Aldi Stores is subject to completion of sub-division of the land which Folkestone expects to occur in the September 2014 quarter. Folkestone continues to look at opportunities for the 7.0 hectares of development land remaining after completion of the Stage 1 development.

## FOLKESTONE'S NEW LOOK

Folkestone completed a rebranding exercise in June across all our platforms. We have created a fresh and dynamic corporate identity for the next phase of Folkestone's growth and development and to clearly align all our funds as part of the Folkestone group. See the box on the previous page for the story behind our new brand mark.

## OUTLOOK

With low interest rates globally, both global and domestic investors continue to search for attractive yield investments, and the Australian real estate market continues to be a key target. Despite the benign demand for space in most office, retail and industrial markets, competition for quality assets with secure income streams remains intense, and as a result, yields on assets continue to compress pushing prices higher. Residential development sites, particularly in Sydney and Melbourne, continue to be in demand.

Post 30 June, Folkestone has announced two Melbourne residential land sub-division developments in Truganina and Officer to be undertaken in joint venture with ID\_Land. The Truganina development is a circa 680 lot land sub-division in the fast growing western corridor of Melbourne. Folkestone has established a new Fund called the Folkestone Truganina Development Fund to joint venture with ID\_Land on an 80/20 basis. Folkestone has underwritten the Fund and will sell down 80 per cent of the Fund to third party capital and maintain a 20 per cent co-investment in the Fund once the Precinct Structure Plan is approved by the Minister for Planning.

The Officer project is a circa 140 lot land sub-division, located diagonally opposite Folkestone's existing Officer development, therefore allowing Folkestone to continue its exposure to Melbourne's south-eastern growth corridor. This development is being undertaken on Folkestone's balance sheet in a 50/50 joint venture with ID\_Land. Both acquisitions are consistent with Folkestone's strategy to secure off-market development projects in joint venture with quality partners for both its funds management platform and balance sheet.

Folkestone will continue to look for investments primarily through 'off-market' transactions that offer attractive risk-adjusted returns for its investors. Folkestone, with its strong balance sheet and access to third party capital, is well placed to deliver on its strategy of growing its suite of listed and unlisted real estate funds and seeking value – add and opportunistic investments for its balance sheet activities.

On behalf of the Board, we would like to thank all our staff for their hard work and our shareholders for their on-going support.

## FOLKESTONE EDUCATION TRUST (ASX CODE: FET)

Year ending	June 2013	June 2014	Var. %
Distributable income (\$m)	19.0	24.4	28.4
Distribution (cpu)	10.7	12.0	12.1
ASX Closing Price (\$)	1.39	1.64	18.3
As at	June 2013	June 2014	Var. %
Total Assets (\$m)	368.5	464.6	26.1
Investment Property (\$m)	366.8	461.2	25.7
Borrowings (\$m)	125.8	147.3	17.1
Net Assets (\$m)	233.5	306.7	31.3
NTA per unit (\$m)	1.33	1.50	12.8
Gearing (%)	34.1	31.7	(2.4)

The ASX listed Folkestone Education Trust (ASX Code: FET) is the leading provider of early learning accommodation with 303 early learning centres in Australia and 54 in New Zealand.

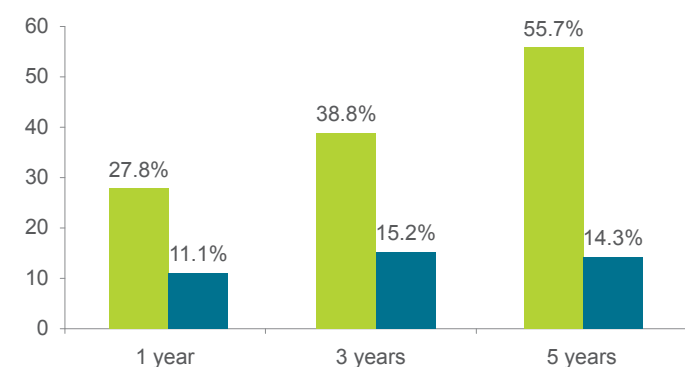
In the year to June 2014, FET's strong financial position (distributable income up 28.4 per cent to \$24.4 million and distributions per unit up 12.1 per cent to 12.0 cpu) together with its quality portfolio of early learning centres (nil vacancy, long term leases – average length 8.0 years and low gearing – 31.7 per cent) was well supported by investors. FET generated a total return of 27.8 per cent compared to 11.1 per cent for the S&P/ASX300 A-REIT Index and was the fourth best performing A-REIT in the S&P/ASX 300 A-REIT Index.

FET reached a major milestone in March 2014 when it was included in the S&P/ASX300 Index. This has enhanced the profile of FET and resulted in a number of new institutions investing in FET.

With the strong demand for early learning services, we believe FET is well placed to build on its relationships with leading early learning operators and to strengthen its profile as the "go to" landlord in the early learning sector, and in doing so, provide investors with predictable and secure long term cash-flows with the opportunity for capital growth. The FY15 distribution is forecast to be 12.7 cpu – a 5.8 per cent increase on the FY14 distribution of 12.0 cpu.

### FET Performance vs A-REITs to 30 June 2014

% p.a.



■ FET ■ S&P/ASX 300 A-REIT Index (Accum)

## ACTIVE YEAR OF ACQUISITIONS

FET's investment strategy is based on locating prime sites with quality operators within 15km of CBD's, rapidly expanding growth areas and opportunistic purchases.

Consistent with this strategy, the following transactions were entered into in FY14:

- acquisition in December 2013 of five early learning centres in key Sydney locations;
- acquisition in December 2013 of 100 per cent of the units in the Folkestone Childcare Fund, an unlisted real estate fund comprising 22 early learning properties;
- acquisition in June 2014 of five development sites in Sydney and Melbourne to be developed as early learning properties and operated under long-term leases; and
- a further four properties under contract as at 30 June 2014, comprising a new early learning centre in Gungahlin (ACT) and three development sites for new early learning centres to be constructed on a fund-through basis with lease agreements in place. The settlement of these acquisitions are dependent on sub-division and/or development approval.

These acquisitions were funded from a combination of a \$45 million capital raising undertaken in December 2013 and additional debt funding.







## THE FOLKESTONE SOCIAL INFRASTRUCTURE TRUST (ASX CODE: FST)

Year ending	June 2013	June 2014	Var. %
Distributable income (\$m)	5.0	6.1	22.0
Distribution (cpu)	17.6	20.0	13.6
ASX Closing Price (\$)	2.14	2.56	19.6
As at	June 2013	June 2014	Var. %
Total Assets (\$m)	107.3	116.1	8.2
Investment Property (\$m)	87.0	89.8	3.2
Securities Portfolio (\$m)	19.8	25.2	27.2
Borrowings (\$m)	34.8	34.3	-1.4
Net Assets (\$m)	70.6	79.7	12.9
NTA per unit (\$)	2.48	2.80	12.9
Gearing (%)	32.4	29.5	-2.9

The ASX listed Folkestone Social Infrastructure Trust (ASX Code: FST) provides a diversified exposure to a directly held portfolio of 47 early learning centres, a medical centre and a self storage facility. Also, through its investment in the Folkestone Education Trust and the Folkestone CIB Fund, FST has exposure to additional early learning centres and a portfolio of police stations and courthouses.

FST delivered an increase of 22.0 per cent in distributable income, resulting in an increase in distributions to 20.0 cents per unit. FST has announced a 5.0 per cent increase in forecast distribution for the year ending 30 June 2015 to 21 cents per unit.

Net tangible assets ("NTA") per unit increased by 12.9 per cent to \$2.80 as at

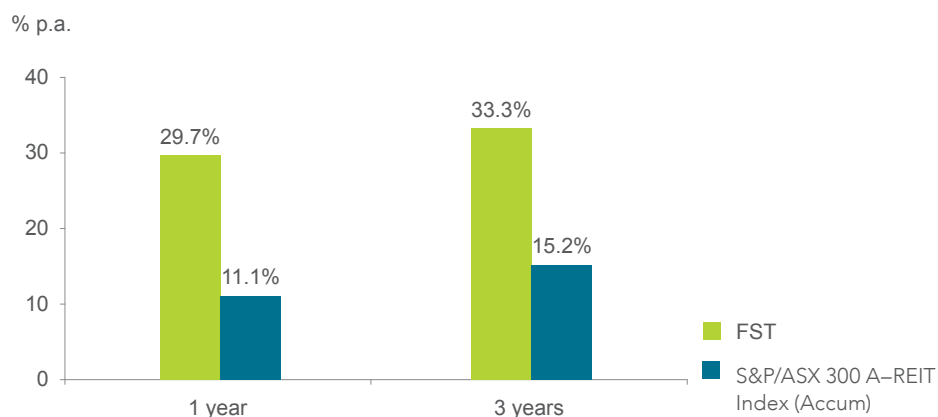
30 June 2014 due to both positive property and security revaluations during the year.

During the year, the key activities were as follows:

- external revaluations on 9 early learning properties resulted in an increase of \$1.4 million or 10.5 per cent;
- Directors revaluations on the remaining 38 early learning properties resulted in an increase of \$3.3 million or 6.0 per cent;
- disposal of an early learning property for consideration of \$2.2 million; and
- property portfolio is 100 per cent leased with a WALE of 6.8 years.

In the year to June 2014, FST generated a total return of 29.7 per cent compared to 11.1 per cent for the S&P/ASX300 A-REIT Index.

### FST Performance vs A-REITs to 30 June 2014





## FOLKESTONE REAL ESTATE INCOME FUND AT SYDNEY OLYMPIC PARK



The Fund owns 7 Murray Rose Avenue, Sydney Olympic Park, a 5,931 square metre commercial office building, completed in December 2012, with ground floor retail and basement car parking. The office space is 100 per cent leased to Thales Australia Limited on a ten year lease term commencing 1 December 2012. As at 30 June 2014, the building is 100 per cent occupied following the leasing of the remaining retail space in October 2013.

The building was revalued to \$31.0 million at 30 June 2014, a 6.0 per cent increase in the value since acquisition. The building won the MBA Excellence Construction Awards Commercial Buildings \$10,000,000 – \$25,000,000 in October 2013.

# 100%

OFFICE LEASE TO THALES

Type	Unlisted
Sector	Office
Location	Sydney Olympic Park
No of Properties	1
Gross Assets (\$m)	\$32.0m
NTA (\$)	1.01
FY14 Distribution (%)	8.3
FY15 Forecast Distribution (%)	8.5
Fund Expires	Dec 17

## FOLKESTONE REAL ESTATE INCOME FUND AT WOLLONGONG



The Fund owns 43 Burelli Street, Wollongong, a six level A-Grade office building comprising 9,812 square metres together with parking for 90 vehicles. The building comprises a strong tenancy mix anchored by Commonwealth and State Government tenants who currently contribute the majority of the asset's income. Since acquiring the building in June 2013, Folkestone has commenced an active asset management program to improve the lease expiry profile, reduce operating costs, improve the NABERS energy rating from 3.0 to 4.5 stars and enhance the overall amenity and tenant satisfaction with the building. In June 2014, the Family Law Court signed a new five year lease cementing the building's identity as the main government building in Wollongong, and more importantly, underpinning the Fund's cashflows from government tenants. The building was revalued to \$25.35 million at 30 June 2014, an 8.9 per cent increase since acquisition in April 2013.

# 76%

LEASED TO GOVERNMENT TENANTS

Type	Unlisted
Sector	Office
Location	Wollongong
No of Properties	1
Gross Assets (\$m)	27.3
NTA (\$)	0.97
FY14 Distribution (%)	10.5
FY15 Forecast Distribution (%)	10.75
Fund Expires	Jun 19

## PRIVATE FUNDS

### 21,553m<sup>2</sup> LARGE FORMAT RETAIL

Type	Unlisted
Sector	Large Format Retail
Location	Altona North, VIC
No of Properties	1
Gross Assets (\$m)	16.8
NTA Per Unit (\$)	0.97
FY14 Annualised Distribution (%)	8.5
FY15 Forecast Distribution (%)	8.5
Fund Expires	Oct 20

#### FOLKESTONE REAL ESTATE INCOME FUND AT ALTONA NORTH



The Folkestone Real Estate Income Fund at Altona North was established in December 2013 and is the third in the real estate income fund series. The Fund has entered into an agreement to acquire a 21,553 square metre large format retail centre (Centre) which will be anchored by Bunnings and includes Officeworks, together with JB Hi-Fi Home, Repco, PETstock and petVET. The Centre is being developed by Folkestone on behalf of the Fund and is expected to be fully opened by 1 October 2014.

Applications for the Fund closed oversubscribed and as a result Folkestone increased the equity raising for the Fund from \$16.3 million to \$16.6 million to accommodate some of the oversubscription. The gross asset value of the Fund as at 30 June 2014 was \$16.8 million (it is forecast to be \$31.0 million when the Centre is completed).

### 7,094m<sup>2</sup> NEIGHBOURHOOD SHOPPING CENTRE

Type	Unlisted
Sector	Neighbourhood Retail
Location	Oxley, QLD
No of Properties	1
Gross Assets (\$m)	36.1
NTA Per Unit (\$)	0.91
FY14 Annualised Distribution (%)	8.0
FY15 Forecast Distribution (%)	8.0
Fund Expires	April 20

#### FOLKESTONE REAL ESTATE INCOME FUND AT OXLEY



The Folkestone Real Estate Income Fund at Oxley was established in April 2014 and is the fourth in the real estate income fund series. The Fund has acquired a 7,094 square metre neighbourhood shopping centre in the inner Brisbane suburb of Oxley. The Centre is anchored by a 3,200 square metre Woolworths supermarket and the Queensland Government's Department of Communities, Child Safety and Disability Service which occupies 2,400 square metres of office space on level 1 of the Centre. The Centre was completed in July 2013.

The Centre was acquired for \$34.6 million in April 2014 and was revalued at 30 June 2014 at \$35.0 million – a 1.1 per cent increase on the acquisition price.

## FOLKESTONE CIB FUND



The Folkestone CIB Fund is a closed wholesale unit trust that owns nine 24-hour police stations and two law court complexes. During the past 12 months, the Fund has undertaken an extensive capital works program across its portfolio. Discussions are underway with the Victorian Government in relation to an extension of the leases.

All of the Fund's properties were independently valued as at 30 June 2014 which resulted in an increase of \$3.75 million or 5.8 per cent. The Fund's NTA increased 9.1 per cent from \$1.76 to \$1.92 at 30 June 2014. During the year, \$1.6 million of debt was repaid and no further debt was drawn down, reducing the Fund's gearing to 23.0 per cent.

# 9.1%

 INCREASE  
IN NTA

Type	Unlisted
Sector	Police Stations and Courthouses
Location	Victoria
No of Properties	11
Gross Assets (\$m)	71.9
NTA (\$)	1.92

## TIVOLI DEVELOPMENT FUND



The Fund was established to invest in a residential development in joint venture with Urban Inc, at 141-149 Roden Street, West Melbourne. Practical completion was completed in October 2013. All 65 apartments have settled and the Fund will be wound-up in October 2014 when the 12 month defect liability period has ended.

Investors in the Fund have received a 43 per cent return on their investment to date.

# 43%

 RETURN ON  
INVESTMENT  
TO DATE

Type	Unlisted
Sector	Residential Apartment Development
Location	Victoria
No of Properties	1
No of Apartments	65
Forecast Return on Equity (% pre-tax, post fees)	43.0%



## PRIVATE FUNDS

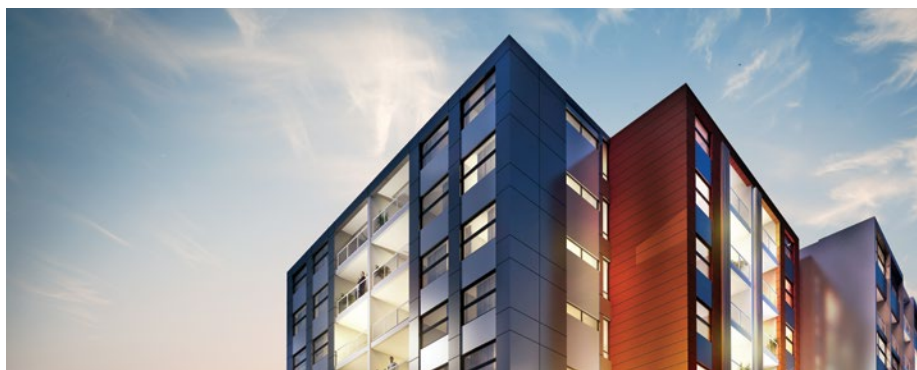
# \$17.4 M

TOTAL EQUITY RAISING FOR THE FUND

Type	Unlisted
Sector	Residential Apartment Development
Location	West Ryde
No of Apartments	229 <sup>1</sup>
Fund Expires	May 2016
JV Partner	Toga
Forecast Return on Equity (% pre-tax, post fees)	32.0

<sup>1</sup> Subject to planning approval.

### FOLKESTONE WEST RYDE DEVELOPMENT FUND



The Fund is undertaking, in joint venture with the Toga Group, a residential development located at 7-19 Chatham Road, West Ryde ("Project"). The Project comprises 205 residential apartments, 22 commercial suites and 259 car parking spaces over 7 levels on a rooftop stratum above a Coles supermarket. The joint venture has applied for an S96 variation to have the commercial suites converted to residential and to change the mix of apartments to increase the number of apartments from 205 to 229. As at August, two of the three S96 applications have been approved.

The Project was launched in November 2013. As at 30 June, there have been a total of 215 pre-sales, which represent 93.9 per cent of the total residential apartments under the revised scheme. Construction is underway and is forecast to be completed in mid 2015. Folkestone has co-invested 50 per cent of the Fund (\$8.7 million).

# 680

LOT LAND  
SUB-DIVISION<sup>1</sup>

Type	Unlisted
Sector	Residential Land Sub-division
Location	Truganina, VIC
No of Lots	680 <sup>1</sup>
Fund Expires	2019
JV Partner	ID_Land

<sup>1</sup> Approximate – subject to final planning approval.

<sup>2</sup> The Town Centre may be on-sold rather than developed by the Joint Venture.

### FOLKESTONE TRUGANINA DEVELOPMENT FUND



In August 2014, Folkestone announced that it had established the Folkestone Truganina Development Fund to acquire an 80 per cent interest in a 52.5 ha residential master planned community in Truganina ("Project"), one of Melbourne's fastest growing areas. The Fund will develop, in joint venture with ID\_Land (20 per cent of the Project), approximately 680 residential lots and a 3.1ha town centre on land at Doherty's Road, Truganina<sup>2</sup>. Truganina is located approximately 20 kilometres west of the Melbourne CBD in the Western Growth Corridor.

The Project is located within the Truganina Precinct Structure Plan ("PSP") which is awaiting approval by the Metropolitan Planning Authority and the Victorian Minister for Planning. The Project is being acquired on a staged settlement basis with a series of payments required between now and 2016. Folkestone is underwriting the Fund offer of \$18.25 million. Folkestone will retain a co-investment of 20 per cent of the Fund (\$3.65 million) following completion of the third party capital raising which will commence once the PSP has been approved by the Minister.

## ACQUISITION OF MAXIM ASSET MANAGEMENT

In April 2014, Folkestone acquired Maxim Asset Management (now renamed Folkestone Maxim Asset Management), a boutique real estate funds management business that specialises in investing in listed real estate securities and high yield real estate debt. Maxim was co-founded by Winston Sammut in 2003. Winston has more than 30 years' experience in investment management, including more than 10 years of investing in listed real estate securities. Maxim manages the Maxim Property Securities Fund (now renamed Folkestone Maxim A-REIT Securities Fund) which invests in Australian listed real estate securities and the Maxim Income Fund (now renamed Folkestone Maxim Income Fund) which provides finance at the senior-subordinated level to non-bank commercial real estate lending platforms.

**OVER 30  
YEARS**  
EXPERIENCE IN  
INVESTMENT MANAGEMENT

## FOLKESTONE MAXIM A-REIT SECURITIES FUND

The Folkestone Maxim A-REIT Securities Fund provides access to a diversified portfolio of quality ASX listed real estate securities which owns office, retail industrial, residential and real estate related social infrastructure assets. The Fund employs a high conviction active investment strategy, which focuses on building a portfolio based on individual merit and not by benchmark weights.

The Fund generated a total return of 12.1 per cent (after fees, before tax) in the year to 30 June 2014 outperforming the S&P/ASX300 A-REIT Accumulation Index which returned 11.1 per cent.

## FOLKESTONE MAXIM REAL ESTATE DEBT FUND

The Folkestone Maxim Income Fund invests at the senior-subordinated level of non-bank commercial lending platforms. The Fund currently invests in two pools of commercial mortgages managed by Think Tank.

As at 30 Jun 2014 these pools held 450 commercial loans value at more than \$250 million of which the Fund had invested approximately \$9 million into the pools.

In the 12 months to 30 June 2014, the Fund generated a total return of 11.4 per cent (after fees, before tax) and since inception in June 2010, the Fund has generated an annualised return of 13.0 per cent.

"THE ACQUISITION OF  
MAXIM ASSET MANAGEMENT  
ALLOWS US TO BROADEN  
OUR PLATFORM OF REAL  
ESTATE OPPORTUNITIES  
FOR OUR INVESTORS."



## DIRECT INVESTMENTS

# STAGE 1

PRESOLD

Sector	Large Format Retail / Industrial
Location	Altona North, VIC
Area	13.9 ha
Folkestone Share (%)	100

## ALTONA NORTH



Millers Road, Altona North was acquired in December 2007 and is a 13.9 hectare parcel of land, located approximately 13 kilometres from the Melbourne CBD.

In November 2013, Folkestone announced the commencement of Stage 1 of the Millers Road, Altona North development and the sale of the development to a new unlisted fund – the Folkestone Real Estate Income Fund at Altona North. The Stage 1 development comprises a 21,553 square metre large format retail centre which is 100 per cent pre-committed and is anchored by Bunnings and includes Officeworks, together with JB Hi-Fi Home, Repco, PETstock and petVET. The Stage 1 development is being constructed by FDC Construction and Fitout with the centre expected to be fully opened by 1 October 2014.

Folkestone has also entered into a contract of sale for 8,063 square metres of land to Aldi Stores for a 1,600 square metre supermarket which Aldi will develop. Folkestone continues to explore opportunities for the 7.0 hectares of development land remaining after completion of the Stage 1 development.

# 2.2

HECTARE SITE

Sector	Accommodation
Location	Karratha, WA
Area/Size	Stage 1 – 2.2 ha Stage 2 – 7.1 ha
Total Lots	108
% of Lots Sold	54.6
Folkestone Share (%)	25
JV Partner	Various Parties
Forecast Gross Revenue (\$m)	Stage 1 – 58.0

## THE RANGES, KARRATHA



Stage 1 of The Ranges comprises 2.2 hectares with a "Tourism" zoning and DA approval for 108 single level, one bedroom villas with pool and BBQ facilities in Karratha, WA. The first 41 dwellings in Stage 1a opened for occupation in December 2012. The opening of The Ranges has provided much needed accommodation for business travellers to Karratha.

As at 30 June 2014, all 41 dwellings in Stage 1a had settled. The marketing campaign for Stage 1b is ongoing with 18 of the 32 villas in this stage contracted for sale with construction anticipated to commence in late 2014.



## POTTERS GROVE, OFFICER



Potters Grove, Officer is a 14.1 hectare site located in the Cardinia Shire, in south-east Melbourne. Potters Grove is a 50/50 joint venture between Folkestone and ID\_Land. As at 30 June 2014, 98 lots had settled – 55 of these lots settled during the year. A further 55 lots were contracted for sale but yet to settle. Development of Stage 3a (31 lots) also commenced during the reporting period and as at 30 June 2014, works had reached practical completion.

In August 2014, the joint venture secured a construction facility to allow commencement of Stage 3b.

As at 21 August, a further 31 lots have settled taking the total number of lots settled across the entire project to 129 lots (54.7 per cent of total lots to be developed) and 45 lots (19.1 per cent of the total) had been contracted for sale but not yet settled. Folkestone expects the balance of the remaining lots in the project to be developed and sold by late 2015.

# 74%

 OF LOTS SOLD<sup>1</sup>

Sector	Land Sub-division
Location	Officer, Vic
Area	14.1 ha
Total Lots	236
% of Lots Sold	74 <sup>1</sup>
Folkestone Share (%)	50
JV Partner	ID_Land
Forecast Gross Revenue (\$m)	44.0

<sup>1</sup> As at 21st August 2014.

## BAYVIEW, OFFICER



In August 2014, Folkestone announced that it had acquired, in a 50/50 joint venture with ID\_Land, a call option over 8 hectares of land in Officer, south-east Melbourne. The land is located on the northern side of the Princes Highway in Officer, diagonally opposite Folkestone and ID\_Land's current 236 lot residential land sub-division project known as Potters Grove. Officer is located in the Cardinia Shire which is in the south-east growth corridor of Melbourne and one of the fastest growing areas in Melbourne.

The circa \$30 million end value project is Folkestone's third joint venture with ID\_Land, who specialise in land sub-division and medium density development. The joint venture has acquired the land on deferred terms providing a capital efficient structure and we will be able to leverage our existing brand and marketing in Officer to achieve good speed to market once development approval is obtained.

# 8.0

 HECTARE SITE

Sector	Land Sub-division
Location	Officer, Vic
Area	8 ha
Total Lots	Circa 140
% of Lots Sold	–
Folkestone Share (%)	50
JV Partner	ID_Land
Forecast Gross Revenue (\$m)	30.0

# DIRECTORY

## FOLKESTONE LIMITED

ABN 21 004 715 226  
ASX Code: FLK

## RESPONSIBLE ENTITIES

Folkestone Real Estate  
Management Limited  
ABN 29 094 185 092 AFSL 238506

Folkestone Investment  
Management Limited  
ABN 46 111 338 937 AFSL 281544

Folkestone Funds  
Management Limited  
ABN 99 138 125 881 AFSL 340990

Folkestone Maxim  
Asset Management  
ABN 25 104 512 978 AFSL 238349

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## FURTHER INFORMATION

For more information about Folkestone including our latest financial information, announcements, news and corporate governance, visit our website at [www.folkestone.com.au](http://www.folkestone.com.au)

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