



MARKET UPDATE

- **ACQUISITIONS**
- **DEBT FACILITY INCREASED AND EXTENDED ON IMPROVED TERMS**
- **CAPITAL REDEPLOYMENT**

Folkestone Investment Management Limited as Responsible Entity of Folkestone Education Trust ("FET" or the "Trust") is pleased to provide investors with an update with respect to the Trust's activities.

ACQUISITIONS

On 30 June 2014, FET acquired five sites to be developed as early learning centres and operated under long-term leases by leading childcare operator, Only About Children. The sites are in prime Sydney and Melbourne metropolitan locations of Balmain and Turramurra in Sydney and Armadale, Highett and Cheltenham in Melbourne. The sites conform to FET's strategy of selecting quality locations and operators, backed by FET standard leases. The acquisitions are matched to development agreements that include a fund-through formula delivering immediate income to the Trust during the development period.

The total value on an "upon completion" basis of the five properties is expected to be approximately \$28.6 million. Underlying land values are approximately \$15.6 million for residential sites that may otherwise be suitable for medium density housing. The average initial yield on this transaction is 7.72%. Construction is expected to occur in FY15 and FY16.

The transactions increase FET's exposure to high demand areas for early learning services and quality real estate in prime locations, further diversifying FET's portfolio. The acquisitions are accretive to FET's earnings and distributions. Upon completion, the centres will add to FET's weighted average lease expiry profile as well as provide the benefits of introducing new centres to the portfolio. The acquisitions have been funded using the significant capacity within FET's amended debt facility (see below).

DEBT FACILITY INCREASED AND EXTENDED ON IMPROVED TERMS

On 30 June 2014, FET amended its syndicated debt facility with ANZ and NAB to better reflect the Trusts' existing and forecast banking requirements.

The key features of the amended facility include:

- an extension of the facility's maturity through to June 2017;
- an increase in the facility limit of \$50 million from \$123 million to \$173 million. This will allow for the funding of new acquisitions and developments, including the re-financing of the \$9.2 million of debt assumed as part of last year's Folkestone Childcare Fund acquisition; and
- significantly improved pricing.



Key covenants regarding LVR and ICR remain unchanged. The improved terms are a validation of FET's strong financial metrics, sound gearing policy and solid financial performance of its property portfolio.

FET is pleased to continue its association with both the ANZ and NAB and recognises their continued support.

As part of The Trust's interest rate management policy, additional hedging positions will be taken out to reflect the increased quantum of debt and to extend the hedge profile through to June 2019.

CAPITAL REDEPLOYMENT

As previously advised, FET's capital management plan includes the sale of a small number of investment properties. Sale proceeds will be redeployed to new asset purchases, ensuring the Trust maintains a strict adherence to its target gearing policy.

The Trust has entered into contracts to sell six properties. Two properties recently sold at auction and four further properties, including three in New Zealand have been contracted for sale. Subject to some conditionality, the sales are expected to settle in the September quarter. The total value of the sales, subject to final exchange rate adjustment for the New Zealand transactions, is approximately A\$8.45 million. The weighted average yield of the property sales was 6.85%.

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FURTHER INFORMATION

Folkestone Education Trust

The Folkestone Education Trusts' (ASX:FET) internet site is a source of information for Unitholders. It includes details of FET and its Manager, announcements, current activities and historical information. The site provides access to annual and half-year reports and also FET updates covering matters of relevance to investors.

www.educationtrust.folkestone.com.au

About Folkestone

Folkestone (ASX:FLK) is an ASX listed real estate funds manager and developer providing real estate wealth solutions. Folkestone's funds management platform, with more than \$765 million under management, offers listed and unlisted real estate funds to private clients and select institutional investors, while it's on balance sheet activities focus on value-add and opportunistic (development) real estate investments. www.folkestone.com.au