

FOLKESTONE MAXIM A-REIT SECURITIES MODEL PORTFOLIO

QUARTERLY REPORT



31 December 2018

The Folkestone Maxim A-REIT Securities Model Portfolio is a Managed Discretionary Account.

MARKET AND PORTFOLIO REVIEW

Over the December quarter, A-REITs outperformed Australian equities, with the S&P/ASX 300 A-REIT Accumulation Index delivering -1.7% compared to -8.4% for Australian equities.

At the A-REIT sub-sector level, Specialised A-REITs were the best performer with a return of +4.7%, led by National Storage REIT (NSR +7.7%). The next best sub-sector was Industrial A-REITs which returned +3.9%, followed by Healthcare A-REITs with +3.5%, Office A-REITs with +2.0%, Residential A-REITs with 0.0%, Diversified A-REITs with -2.9% and Retail A-REITs with -4.7%.

The three best performing securities in the S&P/ASX 300 A-REIT Accumulation Index for the December quarter were SCA Property Group (SCP +9.2%) following its recent \$259 million capital raising and portfolio acquisition, Charter Hall Retail (CQR +8.9%) following a noticeable improvement at the August result, and BWP Trust (BWP +8.3%) on no material news flow. Interestingly, these are all retail sector securities, albeit non-discretionary retail, which despite a weaker retail backdrop, have performed well.

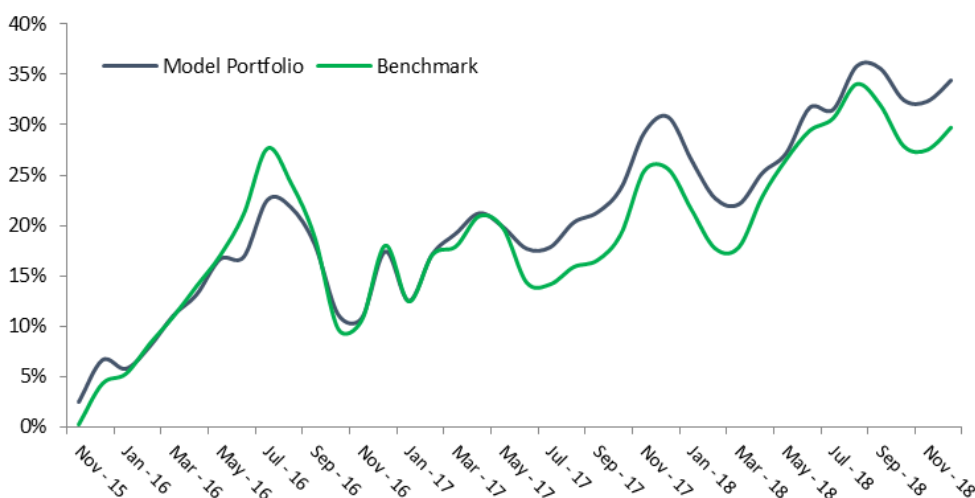
The three worst performing securities for the December quarter were Unibail Rodamco Westfield (URW -24.2%) as investors balked at weaker retail data offshore and questioned the long term listing potential on the ASX as a CDI security, Stockland (SGP -12.0%) with negative sentiment surrounding both housing markets, and Cromwell Group (CMW -5.2%) as investors continue to struggle with the complexity and strategy of the business.

Positive contributions to returns during the quarter came from the Fund's zero weight exposure to Unibail Rodamco Westfield (URW -24.2%), and overweight positions in Charter Hall Education Trust (CQE +6.4%) and Australian Unity Office Fund (AOF +3.4%). Negative contributions to returns during the quarter came from zero weight holdings in Vicinity Centres (VCX +2.2%) and Dexus (DXS +3.1%), and an overweight position in Carindale Property Trust (CDP -8.9%).

PERFORMANCE SUMMARY¹

Period	Model Portfolio	Benchmark	+/- Return
1 month	1.57%	1.73%	-0.16%
3 months	-0.87%	-1.71%	0.83%
1 year	2.77%	3.27%	-0.50%
Annualised return since inception (pa)	8.52%	7.47%	1.04%

Performance Since Inception



Top Five Holdings

Security	%
Scentre Group (SCG)	15.5
Goodman Group (GMG)	14.2
Mirvac Group (MGR)	9.4
Rural Funds Group (RFF)	6.0
Industria REIT (IDR)	5.7

¹ The Portfolio's benchmark is the S&P/ASX 300 A-REIT Accumulation Index. Past performance is not a reliable indicator of future performance and may not be achieved in the future. All information provided in this Report is correct at the date of this report. Returns are calculated net of management, administration, custody and transaction fees, and assume the reinvestment of all income (but not franking credits). Inception date of the Portfolio is 22 May 2015. Actual individual returns of each client's portfolio will differ depending on factors such as date of initial investment, timing of transactions, inflows and outflows, other fees and any customisations. Please refer to the relevant Investment Mandate for full information on product specifics, including all fees and costs.

INVESTMENT OBJECTIVE & STRATEGY

The Folkestone Maxim A-REIT Securities Model Portfolio aims to outperform the S&P/ASX 300 A-REIT Accumulation Index by 1.5% over rolling three year periods whilst also aiming to achieve a balance between growth in value of units as well as income from the investment.

Folkestone Maxim utilises a disciplined investment process combining in-depth fundamental research with disciplined portfolio construction and risk controls to add consistent value over time.

With both global and local research, Folkestone Maxim uses its own proprietary model as well as the services of other analysts to identify investments it considers worthwhile.

KEY FEATURES

FEATURE	DETAIL
Investment universe	Securities in the S&P/ASX 300 Index and any other real estate related securities listed on the ASX with a market capitalisation greater than A\$50m.
Benchmark	S&P/ASX 300 A-REIT Accumulation Index
Number of investments	10-20
Min. cash weighting	2%
Maximum individual security weighting	20% (excluding Westfield Corporation & Scentre Group)
Rebalancing	Program Adviser discretion
Minimum investment	\$25,000
Suggested timeframe	3 years+

Further information about the Portfolio, including fees and costs, is outlined in the Folkstone Maxim A-REIT Securities Model Portfolio Investment Mandate.

PORTFOLIO MANAGEMENT

Mason Stevens Limited, as the Managed Discretionary Account Provider, will administer and implement the Model Portfolio on the instructions of Folkestone Maxim Asset Management as the Program Adviser.

ABOUT FOLKESTONE MAXIM

Folkestone Maxim Asset Management is a boutique real estate investment manager, specialising in A-REIT securities and real estate debt. It was founded in 2003 and acquired by Folkestone Limited in April 2014.

ABOUT MASON STEVENS

Mason Stevens provides a multi-asset and multi-currency investment administration and managed account service to help produce tailored investment outcomes for Advisers and their clients.

Clients benefit from efficient portfolio administration, secure online access to their investments, as well as comprehensive reporting.

CONTACT INFORMATION

Investors

Speak to your Adviser

Advisers

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