

FOLKESTONE EDUCATION TRUST (ASX:FET)

FUND PROFILE

FEBRUARY 2018



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PURPOSE

This document has been prepared by Folkestone Investment Management Limited as the Responsible Entity of the Folkestone Education Trust (FET or the Trust). The purpose of this document is to provide a profile of FET's portfolio and financial metrics as at 31 December 2017.

DISCLAIMER

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This document has been prepared for general information purposes only and is not an offer or invitation for subscription or purchase of, or recommendation of, securities. It does not take into account any potential investors' personal objectives, financial situation or needs. All investors are strongly advised to consult professional financial advisors whose role it is to provide professional financial advice, taking into account an individual investor's investment objectives, financial situations and particular needs.

The information in this document has been prepared in good faith and may contain information obtained from third party sources believed to be reliable. No representation or warranty expressed or implied is made as to, and no reliance should be placed on, the fairness, reliability, accuracy, completeness or correctness of such third party information.

Past performance is not a reliable indicator of future performance. Due care and attention has been exercised in the preparation of forecast information, however, forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of FIML. Actual results may vary from any forecasts and any variation may be materially positive or negative.

All information contained in this document is current as at 31 Decemebr 2016 unless otherwise stated.



FET KEY METRICS¹

GROSS ASSETS

\$945.1m

NTA PER UNIT

\$2.67

FY18 FORECAST DISTRIBUTION

15.1cpu

GEARING

26.8%

PROPERTY YIELD

6.5%

WALE

9.2 Years

FET 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 & development profits
- Deliver quality centres with leading edge designs in high demand locations that childcare operators compete for
- Construction of FET 'IP' & 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

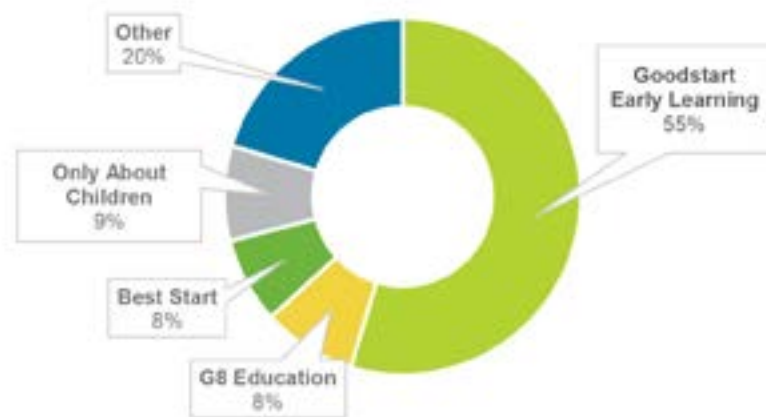
- Maintain strong capital position with a 'through the property cycle approach'
- Maintain balance sheet flexibility to provide capacity to fund new opportunities
- Diversification of maturity risk profile
- Hedging strategy focussed on mitigating of interest rate risk through economic cycles
- Manage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

PORTFOLIO SUMMARY

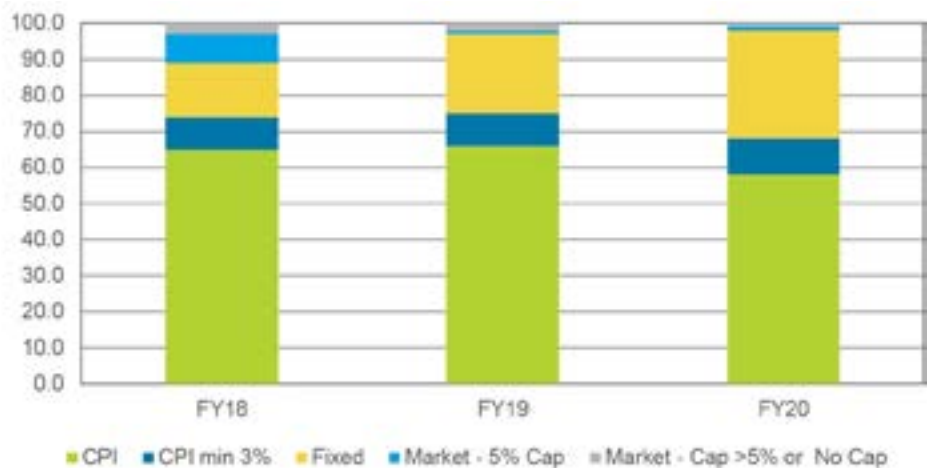
As at 31 December 2017	No of Properties	Carrying Value \$m's	Current Rent (pa) \$m's	Property Yield
Australia - Freehold	301	725.6	45.8	6.3
Australia - Leasehold	33	30.8	5.2 ¹	13.0
New Zealand	51	68.3	4.4 ²	6.4
Development Sites	21	68.1	3.0 ³	-
Medical Centre	1	14.0	0.8	5.7 ⁶
Total Properties	407	906.8	59.2	6.5⁴

- Typical tenant bank guarantee – 6 months gross rent. Total bank guarantees held of \$31.0 million
- 29 tenants (28 early learning tenants and 1 commercial tenant)
- WALE of 9.2 years
- Occupancy of 100%

TENANT PROFILE BY % OF ANNUAL RENT: DECEMBER 2017



ANNUAL RENT REVIEW PROFILE BY % OF RENT⁷: FY18 - FY20



1 Includes head-lease rent on leasehold properties of \$1.2 million

2 Based on NZD rent of \$4.6 million at an exchange rate of 1.0933 as at 31 December 2017

3 Site rent charged on 8 development sites

4 Development sites and head-lease rent are excluded

5 Excludes current development sites

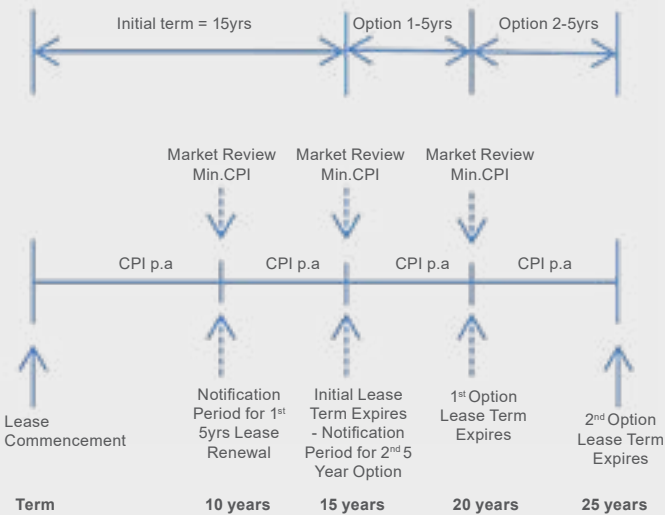
6 Yield excludes vacant land components

7 Excludes current site rent

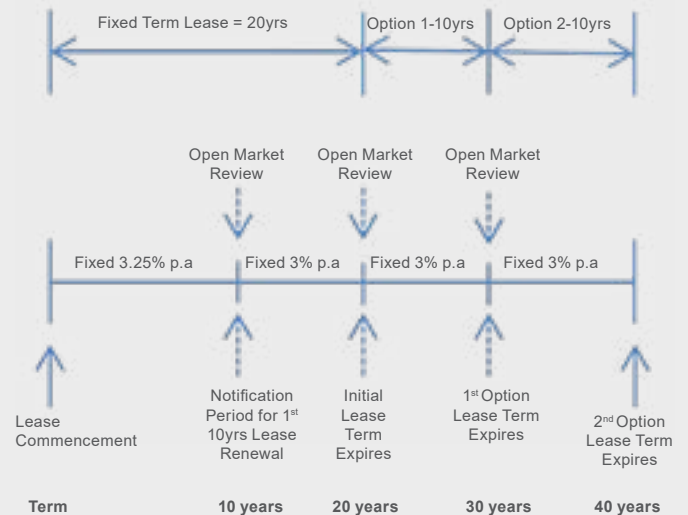
LEASE STRUCTURE

- Majority of leases are triple net with the tenant responsible for 100% of property outgoings, structural repairs and general repairs and maintenance;
- tenant required to redecorate/refurbish the centre once every 5 years as directed by FET (acting reasonably);
- typical lease term from commencement; 15 years plus two 5 year options;
- rental growth indexed annually to CPI with a market review at year 10; and
- most leases have a 5 year notice period regarding option take-up by tenants.

TYPICAL FREEHOLD LEASE



TYPICAL NEW DEVELOPMENT FREEHOLD LEASE



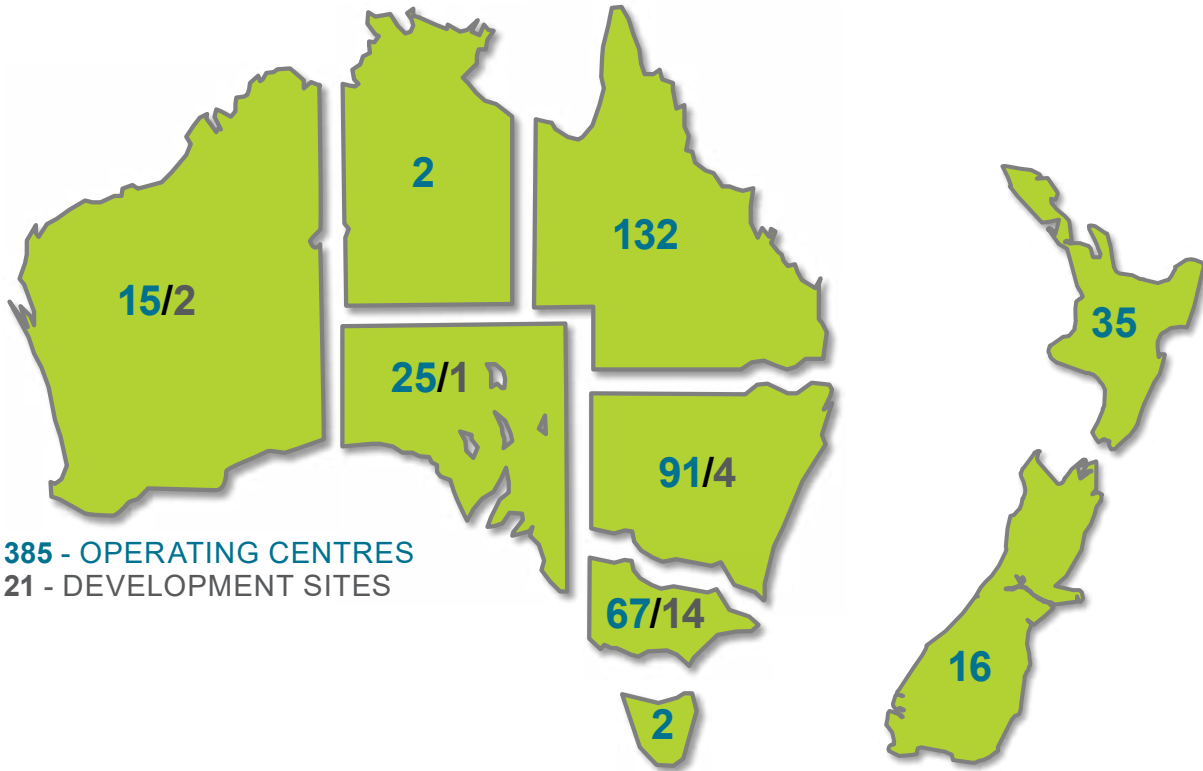
LEASE EXPIRY PROFILE BY % OF ANNUAL RENT: FY18 - FY57



¹As at 31 December 2017

EARLY LEARNING PORTFOLIO

LOCATION OF FET'S EARLY LEARNING PORTFOLIO



334

IN AUSTRALIA¹

Location ¹	No.	% ²
Metropolitan	76	29
Outer Metropolitan	113	35
Major Regional	78	20
Regional	67	16

51

IN NEW ZEALAND

Location	No.	% ²
Metropolitan	24	61
Major Regional	18	25
Regional	6	12
Rural	3	2

TYPICAL CONFIGURATION

- Internal: Up to five children's activity rooms with direct access to external play areas. Feature entry & foyer, central hallway, toilets for varying ages, shower, preparation areas, nursery, kitchen, ancillary staff area, reception, administration area, storage, and disabled toilet.
- External: Shade cloths to sandpits and general play areas, awning covered verandas adjoining external play areas, grass and rubber matting to external play areas, child proof fencing throughout, paving, landscaping, lighting and signage.
- Ancillary: on-site car parking spaces (required by planning regulations) in marked bays (incl. 1 disabled).

REGULATORY COMPLIANCE

All tenants to meet required legislative requirements regarding building services, Occupational Health & Safety and early learning licensing requirements of each State.

LOCATION

Typically within established residential and commercial locations featuring medium to high traffic areas, good accessibility and access to public transport.

BUILDING SIZE (GROSS BUILDING AREA)

- Australian median - 500sqm
- New Zealand median - 230sqm

LAND SIZE

- Australian median - 2,120sqm
- New Zealand median - 1,350sqm

LICENCE DETAILS

- Australian median - 75 places
- New Zealand median - 47 places

UNDERLYING ZONING

- Typically Residential

AGE

- Built post 2000 - 157 properties
- Built prior 2000 - 228 properties

BUILDING TYPE

- Purpose Built - 292 properties
- Conversion - 93 properties

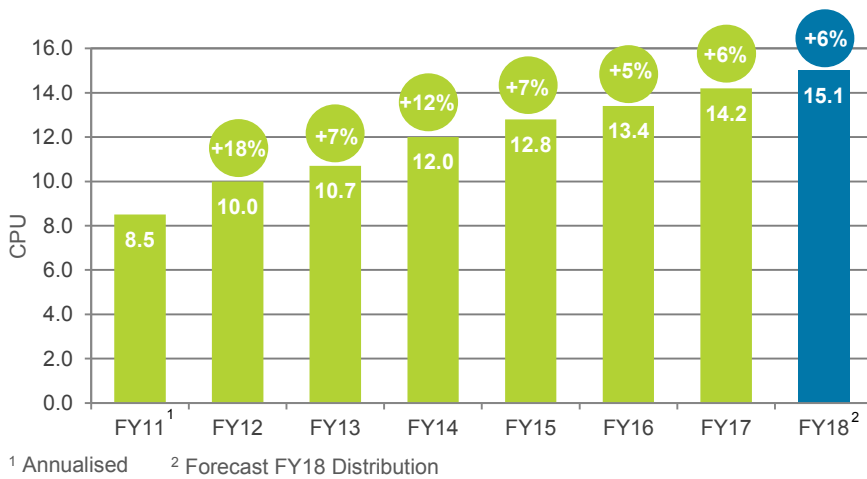
¹ Excludes development sites
² By Value

FET'S PERFORMANCE

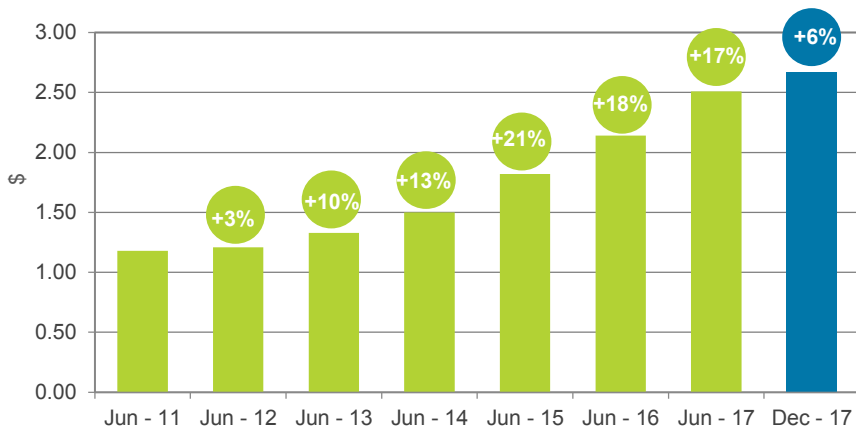
FET TOTAL RETURN PERFORMANCE VS S&P/ASX 300 A-REIT INDEX: TO 31 DECEMBER 2017



DISTRIBUTION GROWTH CPU: FY11– FY18



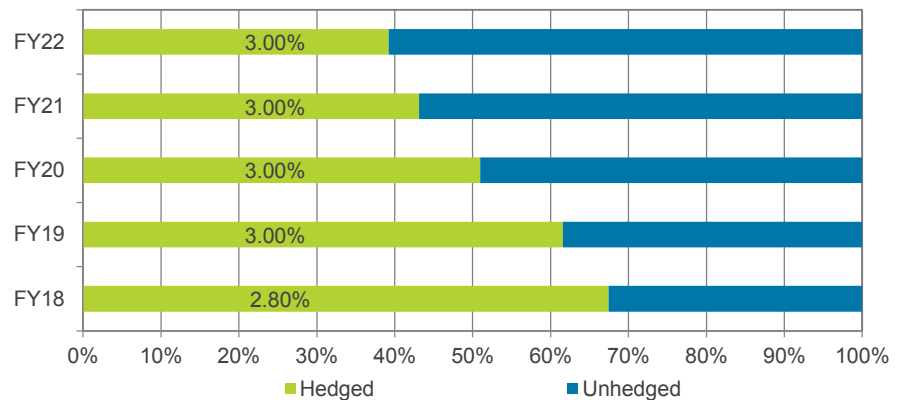
NTA GROWTH \$ PER UNIT: JUNE 2011 – DECEMBER 2017



CAPITAL MANAGEMENT

As at	30 June 2017	31 December 2017
Debt Facilities Limit (\$m)	317.0	317.0
Debt Drawn Amount (\$m)	245.0	255.0
Overdraft Facilities (\$m)	10.0	10.0
Debt Maturity (years)	3.5	3.0
ICR (x)	4.9	5.0
Cost of Debt (% p.a.)	4.2	1.2
All-in Cost of Debt ¹ (% p.a.)	4.5	4.5
Average Interest Rate Hedged (%)	55.0	51.0
Average Hedged Rate (% p.a.)	2.95	2.97
Average Hedging Maturity (years)	2.2	2.7

HEDGING PROFILE: BASED ON DEBT OF \$255.0M AS AT 31 DECEMBER 2017

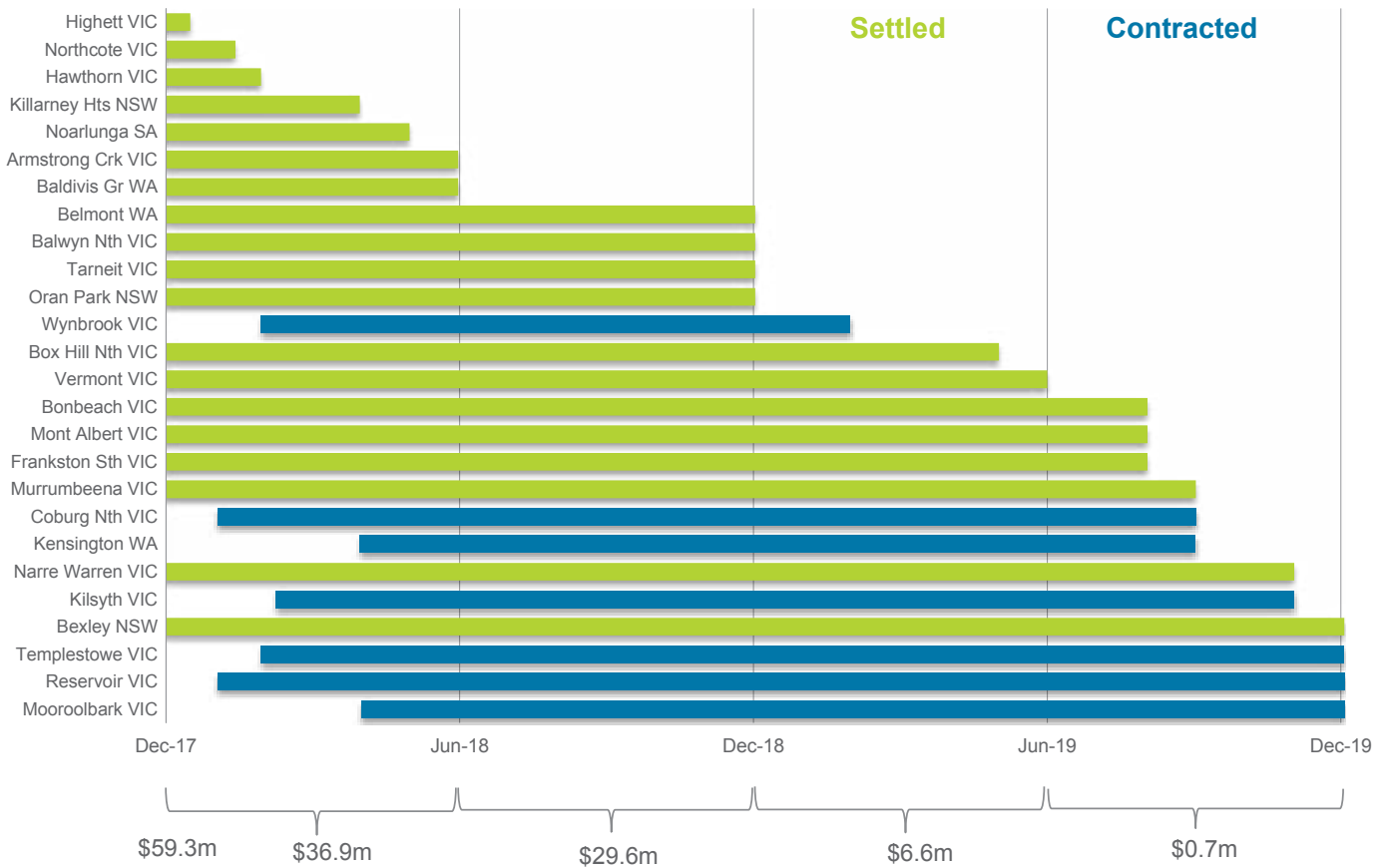


51%
HEDGED THROUGH
TO JUNE 2022

¹ Includes amortisation of deferred borrowing costs

CURRENT DEVELOPMENTS

DEVELOPMENT PIPELINE INCLUDING COST TO COMPLETE AS AT 31 DECEMBER 2017



- In order of expected completion
- Excludes 2 sites not likely to proceed
- Highett and Northcote were completed during January 2018

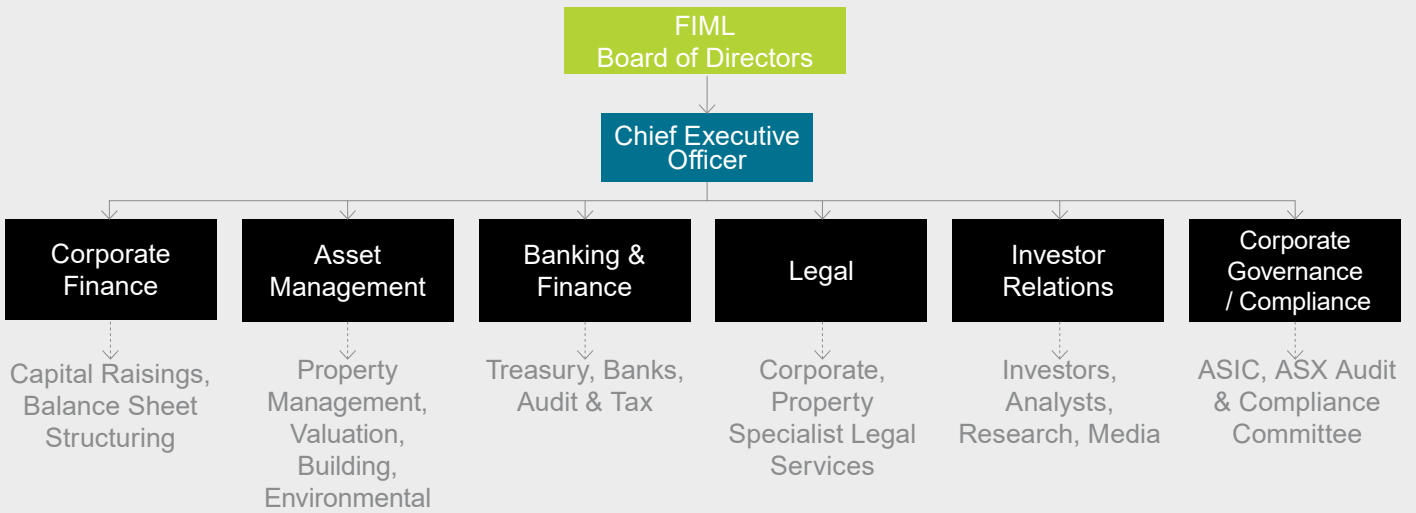
TYPICAL NEW FET CHILDCARE CENTRE



To view videos of recently completed FET centres, including a time-lapse video of our prefabricated centre at South Morang visit: educationtrust.folkestone.com.au



RESPONSIBLE ENTITY



Folkestone Investment Management Limited (FIML) is the Responsible Entity (RE) for the Folkestone Education Trust. FIML is a wholly owned subsidiary of Folkestone Limited, an ASX listed (ASX Code: FLK) real estate funds manager and developer providing real estate wealth solutions. FIML holds an Australian Financial Services Licence (AFSL No. 281544) which allows the RE to administer funds at a retail and wholesale level, produce PDS's and raise funds for property investment purposes. FIML's model is based on independent decision making to ensure a high level of expertise across each investment discipline. Management delivers economies of scale and consistent systems that are aligned with Unitholder performance expectations.

Like other organisations whose core business involves the provision of professional services, FIML's key asset is its people. This means quality and well-trained personnel with proven expertise within the Australian Real Estate Funds Management sector.

The key aspects of our business partnerships are transparency and accountability. We focus on trusted relationships with our partners based on defined deliverables and a long term commitment.



BOARD OF DIRECTORS



GRANT HODGETTS
Chairman & Non-Executive Director

Grant has been involved in real estate and funds management since 1979. He is currently Chairman of Folkestone Funds Management Limited and Folkestone Investment Management Limited, Director of Bethley Group Limited, Executive Director of Knights Capital Group Limited and Principal of Hodgetts and Partners. Between early 2006 and 2010 he held various positions within the Investment and Funds Management Division of Mirvac Limited including that of CEO – Australia for Mirvac Investment Management. Prior to joining Mirvac, he was Head of Property in the Specialised Capital Group of Westpac Institutional Bank; a Division Director of Property Investment Banking at Macquarie Bank; a Director of Richard Ellis (Vic) Pty Ltd; and an executive of the AMP Society's Property Division. Holding a Bachelor of Arts (Legal Studies and Economics) from La Trobe University, an Associate Diploma in Valuations from RMIT and an Advanced Certificate in Business Studies (Real Estate), also from RMIT, he is an Associate of the Australian Property Institute, a licensed real estate agent in Victoria and a member of the Australian Institute of Company Directors. He was a founding Director of the Property Industry Foundation in Victoria.



NICK ANAGNOSTOU
Executive Director & Chief Executive Officer

Nick joined Folkestone in September 2012 following Folkestone's acquisition of Austock's property business (Nick joined Austock in 2006). Nick is the CEO and executive board member for the ASX listed Folkestone Education Trust (ASX:FET), and the Folkestone CIB Fund with funds under management of approximately \$900 million. Nick has more than 25 years of experience in the Australian commercial property and Funds Management industries. Nick holds a Bachelor of Business in Property and is an Associate of the Australian Property Institute and Finsia. He is a Certified Funds Manager, qualified property valuer and a Licensed Estate Agent and was previously a Director of an international real estate agency where he focused on Premium and A-Grade office markets..



MICHAEL JOHNSTONE
Non-Executive Director

Michael was appointed on 22 December 2004. Michael has almost 40 years of global business experience in Chief Executive and General Management roles and more recently in non executive Directorships. He has lived and worked in overseas locations including the USA, has been involved in a range of industries and has specialized in corporate and property finance and investment, property development and funds management. His career has included lengthy periods in corporate roles including 10 years as one of the Global General Managers of the National Australia Bank Group. Michael is currently a Non- Executive Director of a number of companies in both listed and private environments, including board appointments in the not for profit sector.



VIC COTTREN
Non-Executive Director

Vic was appointed on 22 December 2004. Vic has an extensive background in financial planning, life insurance & superannuation and investment management gained with such companies as AMP, Williams Tolhurst, Australian Eagle, Norwich Union, Investors Life Group and National Australia Bank. Vic filled various senior management posts, including chief executive and directorship positions within these companies and their subsidiaries prior to commencing his consulting business in 1995.

RESPONSIBLE ENTITY AND PRINCIPAL PLACE OF BUSINESS OF THE TRUST

Folkestone Investment
Management Limited
Level 14, 357 Collins Street
Melbourne VIC 3000

DIRECTORS OF THE RESPONSIBLE ENTITY

Grant Bartley Hodgetts
(Chairman)
Michael Francis Johnstone
Nicholas James Anagnostou
Victor David Cottren

SOLICITORS

Clayton Utz
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Sydney NSW 2000

UNIT REGISTRY

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Ph: 1300 737 760

AUDITORS/TAXATION ADVISORS

PricewaterhouseCoopers
2 Riverside Quay
Southbank VIC 3006

BANK

HSBC Bank Australia Limited
Tower 1 - 100 Barangaroo
Avenue
Sydney NSW 2000

Australia & New Zealand
Banking Group Limited
Level 2, 100 Queen Street
Melbourne VIC 3000

CUSTODIAN

The Trust Company Limited
Level 18, 123 Pitt Street
Sydney NSW 2000

JOINT COMPANY SECRETARIES

Scott Martin / Travis Butcher
Level 14, 357 Collins Street
Melbourne VIC 3000

INVESTOR RELATIONS

Lula Liossi
Level 14, 357 Collins Street
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Responsible Entity:

Folkestone Investment Management Limited
ABN 46 111 338 937 AFSL 281544