FOLKESTONE SOCIAL INFRASTRUCTURE TRUST (ASX:FST)

Financial Results Presentation
For the Year Ended 30 June 2014

Folkestone
SOCIAL INFRASTRUCTURE TRUST

CONTENTS

Mark Stewien
Fund Manager

Travis Butcher
Chief Financial Officer

Jindalee Early Learning Centre

PERFORMANCE OVERVIEW

ABOUT FST

- Folkestone Social Infrastructure Trust ("FST or the Trust") aims to provide Unitholders with a secure, growing income stream and long-term capital growth through primarily investing in direct property in the social infrastructure sector.

FY14 KEY HIGHLIGHTS

- Distributable income of $6.1 million, an increase of 22.0% on the previous corresponding period ("pcp")
- Distributions paid to investors of 20.0 cpu, an increase of 13.6% on pcp
- NTA per unit of $2.80 as at 30 June 2014 (30 June 2013: $2.48 per unit)
- 100% occupancy across direct property portfolio

FY15 FORECAST DISTRIBUTION

- FY15 distribution forecast of 21.0 cpu (20.0 cpu in FY14)

FINANCIAL RESULTS TO 30 JUNE 2014

Key Financial Metrics

For the year ended June	2014	2013	Change %
Operating Revenue ($m)	11.0	10.5	4.8
Operating Expenses ($m)	3.0	3.2	-6.3
Finance Costs ($m)	1.9	2.3	-17.4
Distributable Income ($m)	6.1	5.0	22.0
Distribution (cpu)	20.0	17.6	13.6
Net Profit ($m)	11.1	8.1	37.0

As at June	2014	2013	Change %
Total Assets ($m)	116.1	107.3	8.2
Debt (Gross) ($m)	34.3	34.8	-1.4
NTA per unit ($)	2.80	2.48	12.9
Gearing (%)	29.5	32.4	-2.9

Key points to note:

- Operating revenue increased by 4.8% due to:
  - annual rental growth of 2.6% across property portfolio offset by sale of a property in July 2013
  - distribution growth in securities predominantly re-commencement of Folkestone CIB distributions
- Finance costs decreased by 17.4% due to both lower hedged and variable interest rates
- Net profit increased by 37.0% due to increase in distributable income and positive revaluation increments of $4.7 million
- Increase in NTA per unit (12.9%) due to positive revaluation increments on investment properties of $0.17 per unit and securities of $0.13 per unit

CAPITAL MANAGEMENT

BANKING

Based on amended facility effective 16 July 2014

Term Facility Limit	$34.3 million (fully drawn) - 30 June 2014
Overdraft	$2 million (zero drawn) - 30 June 2014
Facility Maturity	July 2017
LVR Covenant	50% (reduced from 52.5%)
ICR Covenant	2.00x (increased from 1.60x)
Cost of Debt	All in cost of debt of 4.7% pa (reduced from 5.3% pa as at 30 June 2014) based on existing swap arrangements, bank margin and amortisation of establishment fees

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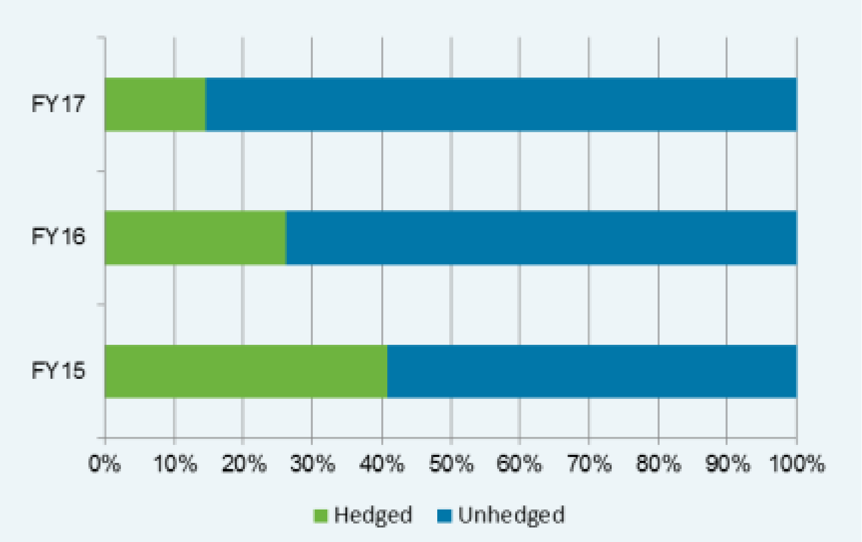
CAPITAL MANAGEMENT

HEDGING

- The Trust has 41% of its debt hedged for FY15 at an average rate of 3.42% pa
- Trust's policy is to hedge on a rolling staggered basis with a focus on certainty of interest costs in the short term with current hedging as shown:

Period	Hedged Amount $'m	Hedged Rate pa %	% of Debt Hedged
FY15	14.0	3.42	41
FY16	9.0	3.10	26
FY17	5.0	3.06	15

Hedging Profile



Melton Medical Centre


Jindalee Early Learning Centre


Frankston Courts (Folkestone CIB Fund)

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PROPERTY PORTFOLIO

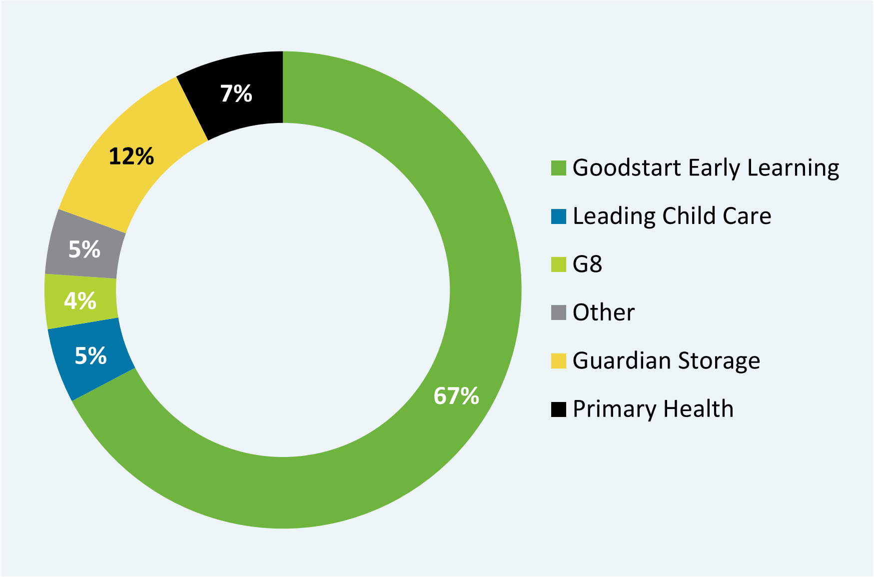
- 100% occupancy across direct property portfolio
- 6.8 year weighted average lease expiry (WALE) (by rental income)
- Triple net leases
- Rental growth averaged 2.6% during the year
- Average portfolio yield of 9.0% (based on passing rent and most recent valuation)
- 9 early learning centres independently valued - increase of $1.4 million or 10.5%. Improvement shown in Queensland after extended period of stagnation
- Directors valuations adopted for 38 early learning properties – increase of $3.3 million or 6.0%

Glen Iris Self-Storage Facility

Direct Property by Sector

As at 30 June 2014	No. of Properties	Carrying Value $m's	Current Rent (pa) $m's	Average Property Yield %
Early Learning	47	72.1	6.5	9.1
Medical / Self-Storage	2	17.7	1.6	8.9
Total	**49**	**89.8**	**8.1**	**9.0**

Tenant by Income



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EARLY LEARNING PROPERTY MARKETPLACE

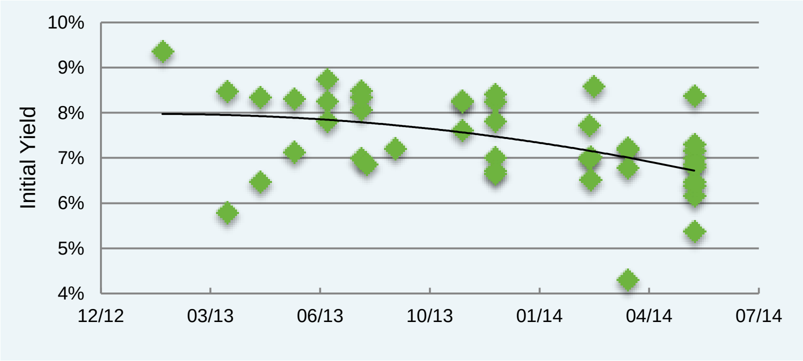
Drivers of the strong activity in the market have included:

- growing confidence in the underlying businesses including increased consolidation amongst operators of centres, in particular from listed operators G8 Education (ASX:GEM) and Affinity Education (ASX:AFJ)
- increased demand for places and higher rental levels
- lack of comparative investments that offer similar lease term characteristics
- greater investor confidence and recognition of the importance of childcare

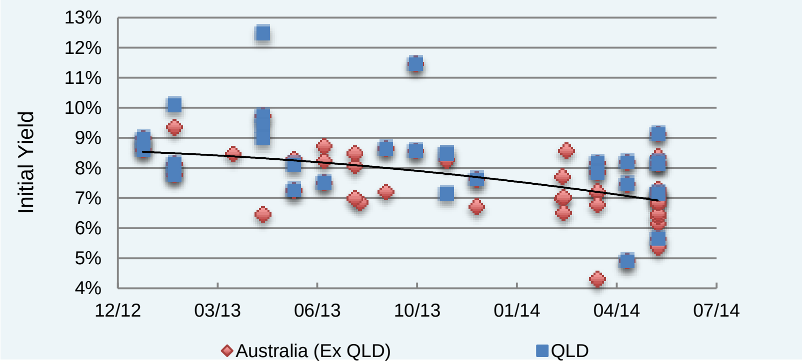
FY14 early learning property market has seen significant compression in average yields:

Year	Reported Sales*	Value* $m's	Average Initial Yield %
FY12	61	$101	8.76
FY13	55	$84	8.64
FY14	57	$119	7.60
Total	**173**	**$304**	

Metropolitan Yields 2012-2014 (Aust)*



Queensland v Australian Yields 2012-2014*



* Source: Various sources compiled by Folkestone Asset Management

PRODUCTIVITY COMMISSION

DRAFT REPORT JULY 2014

- Productivity Commission ("PC") has issued a draft report, with a final report due in October 2014
- Forty-one recommendations to be considered by the Federal Government
- Report identified key drivers for childcare such as:
  - approximately 165,000 parents with children under 13 years of age could join the workforce but have opted not to due to the cost and accessibility of childcare
  - 46% of mothers with children under 5 are not in the workplace. This compares to 21% for mothers with children at least 10 years of age
- Key recommendations include:
  - existing subsidies (the Childcare Rebate & Benefit) be merged and means tested into one new subsidy, the Early Care and Learning Subsidy (ECLS)
  - ECLS would be 90% of the 'deemed cost' for families with household income below $60k reducing to 30% for families with an income over $300k
  - the 'deemed cost' (similar to the aged care funding model, initially estimated at $7.53 per hour or $90.36 per day), to be calculated annually. Parents contributions to be the difference between the deemed cost and their percentage subsidy, plus any fees charged above the deemed hourly rate
  - ECLS would be extended to include informal care, including qualified nannies. Cost to parents of a nanny is typically from $23 per hour. Potentially attractive to parents with two or more children in long day care. National Quality Framework standards to apply
  - payroll tax exemption for not-for-profit operators should be abolished
  - relaxation of the mandatory 12 hour day, allowing operators flexibility and reducing wage costs

PRODUCTIVITY COMMISSION

- Potential outcomes include:
  - it estimated that if its recommendations were accepted, labour supply would be likely to increase by 47,000 or 0.4% and as such, demand for childcare would rise
  - new funding of $1.2bn proposed by the Commission would be partially offset by increased taxes and related government revenue
  - operator profitability may improve in areas with lower family incomes through increased occupancies driven by greater affordability
  - opening hour flexibility will reduce costs for operators by matching opening hours to demand
- To be noted:
  - Commission did not support tax deductibility of childcare expenses
  - public hearings are scheduled in August
  - final report is due in October
  - Federal Government is not obliged to accept any of the recommendations

SECURITIES PORTFOLIO

- Portfolio of holdings in four property securities with book value of $25.2 million - 22% of FST's total assets
- Increase in carrying value of the Folkestone Education Trust units reflects both unit price appreciation of $2.2 million and an additional investment made during the year of $2.0 million that yielded a total return of 14.1% to June 2014
- Folkestone CIB Fund re-commenced cash distributions in second half of FY14 contributing $0.4 million to Trust income during the year

Securities Portfolio	No. of Units 000's	Carrying Value June 2014 $m's	Carrying Value June 2013 $m's	Movement %
Listed Securities				
Folkestone Education Trust (ASX:FET)	9,035	14.8	10.6	39.6
Unlisted Securities				
Stockland Direct Retail Trust No.1	3,000	2.2	1.5	46.7
Folkestone CIB Fund	4,092	8.0	7.2	11.1
Australian Property Growth Fund	*	0.2	0.5	(60.0)
Total		**25.2**	**19.8**	**27.3**

* This comprises of 2,309,245 Stapled Securities and 3,886,792 Preference Shares

MARKET PERFORMANCE

- The 12 month total return for FST was 29.0%, compared to a 11.1% total return for the S&P/ASX 200 A-REIT Index and 17.4% total return for the S&P/ASX 200 Index.
- FST's market capitalisation has increased steadily since listing in February 2011:
  - June 2011 - $40m
  - June 2012 - $51m
  - June 2013 - $61m
  - June 2014 - $73m

FST Unit Price v S&P/ASX 200 and A-REIT Index – 12 months to 30 June 2014

FST Total Return v S&P/ASX 200 and A-REIT Index – 12 months to 30 June 2014

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FY15 OUTLOOK

Distribution Growth (CPU)

NTA Growth

- Distribution forecast for FY15 of 21.0 cpu, an increase on the pcp of 5.0%
- All of FST's portfolio properties and each security (aside from the small APGF holding) are now producing income for the Trust
- Future increases will predominantly be derived from CPI based annual indexation of rent
- Unit price backed by NTA of $2.80 up 12.9% from June 2013
- Debt facility amended in July 2014 with an extended maturity of July 2017 and a reduced cost of debt
- Continue to explore opportunities for disciplined and sensible acquisitions of social infrastructure assets to enhance the portfolio and as a catalyst for future growth
- Aim to further diversify portfolio away from present focus on income from Queensland early learning centres including to assess opportunities to recycle capital into new assets in the social infrastructure space

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APPENDICES

Providing investors with stable and predictable cash-flows

Dandenong Court Complex (Folkestone CIB Fund)

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APPENDIX 1

DIRECT PROPERTY PORTFOLIO

LOCATION PROFILE

- Goodstart Early Learning, a not-for-profit organisation, is the tenant of 39 of the Trust's early learning centres. Goodstart is the largest operator of early learning centres in Australia with around 641 centres
- Properties spread throughout Australia with a focus on Queensland
- The Trust holds bank guarantees from its tenants to the value of approximately $4.8 million
- The Trust's medical centre and self storage facility are located in Victoria

State	No. of Properties	% of Income
QLD	37	67
VIC	3	22
WA	3	4
NSW	3	3
NT	2	3
SA	1	1
Total	**49**	**100**

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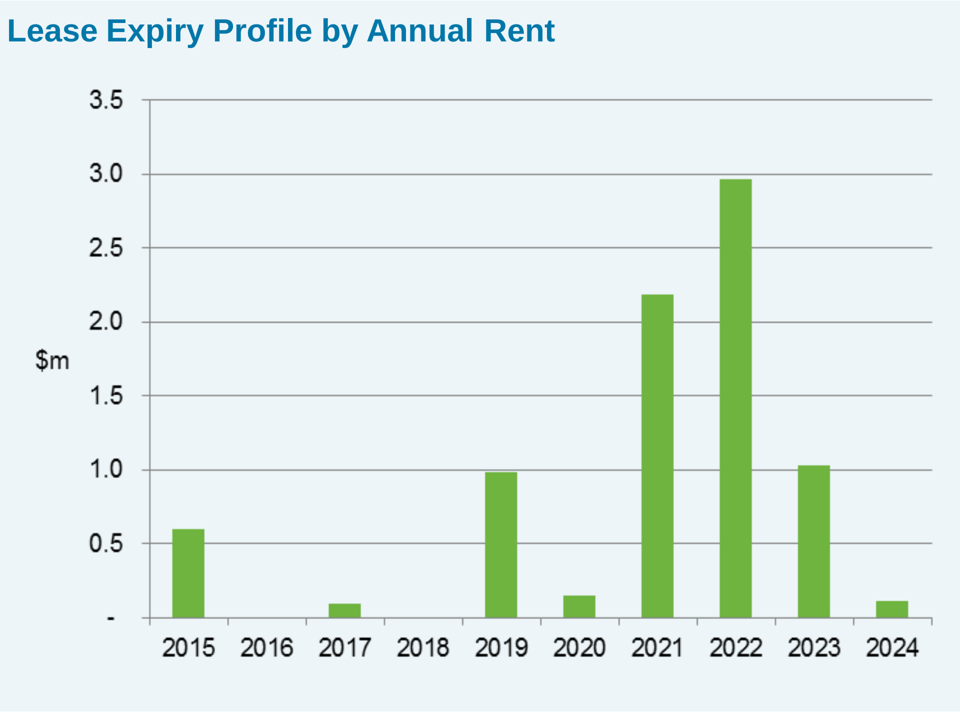
APPENDIX 2

PROPERTY PORTFOLIO

LEASE EXPIRY PROFILE



- Triple net leases with limited capital expenditure exposure for the Trust
- Rental growth typically indexed annually to CPI - average increase of 2.6% across portfolio for the year
- Occupancy of 100%
- Initial lease term for the early learning centres was typically 20 years (an initial 10 year term and a 10 year option exercisable by either party). These leases typically have now commenced that further 10 year option term
- 6.8 year weighted average lease expiry (WALE) (by rental income)
- The expiry noted in 2015 is for the Melton Medical Centre lease for which the current term runs until August 2015. Tenant has renewal options available for exercise

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Folkestone Limited
Level 10, 60 Carrington Street
Sydney NSW 2000
T: +612 8667 2800
www.folkestone.com.au

Folkestone Real Estate Management Limited
Level 12, 15 William Street
Melbourne, VIC 3000
T: +613 8601 2092
office@folkestone.com.au

DIRECTORY

Folkestone Social Infrastructure Trust
ASX Code: FST
Website: www.sitrust.folkestone.com.au

Responsible Entity:
Folkestone Real Estate
Management Limited
ABN: 29 094 185 092 AFSL: 238506
Level 12, 15 William Street
Melbourne Vic 3000

Independent Board of Directors:
Vic Cottren - Chairman & Independent Non-Executive Director
Michael Johnstone - Independent Non-Executive Director
Warner Bastian- Independent Non-Executive Director

Senior Management:
Mark Stewien - Fund Manager
Travis Butcher - Chief Financial Officer

Company Secretary:
Scott Martin
T: +61 3 8601 2050

Investor Relations:
Lula Liossi
T: +61 3 8601 2668
E: lliossi@folkestone.com.au

Registry:
Boardroom Pty Limited
PO Box R67, Royal Exchange NSW 1223
T: 1300 737 760 or +61 2 9290 9600
E: enquiries@boardroomlimited.com.au
W: www.boardroomlimited.com.au

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