

Freehold A-REITs and Listed Infrastructure Fund

Monthly Investment Update



August 2017

Overview

The Fund combines Australian Real Estate Investments Trusts (A-REITs) and listed infrastructure securities into a portfolio exhibiting income and growth characteristics. The benchmark allocation for the Fund is 70% A-REITs and 30% listed infrastructure securities. The portfolio is screened for pure property and infrastructure characteristics and has minimal exposure to development, currency risk and other 'active' earnings. Securities suitable for this strategy generally include a minimum of 90% of property rental income, recurring source or contracted/mature infrastructure income and have 75% of their assets located in Australia. The Fund typically holds 12-20 securities in the portfolio.

Investment Performance

Investment Performance	Month	Quarter	1 Year	3 Years	5 Years	Since inception**
Freehold A-REITs & Listed Infrastructure Fund	2.3%	(2.9%)	(3.5%)	12.8%	14.0%	16.0%
Benchmark Index*	3.0%	(2.3%)	(2.0%)	13.5%	15.5%	15.7%
Value Added	(0.7%)	(0.6%)	(1.5%)	(0.7%)	(1.5%)	0.3%
S&P/ASX 300 A-REIT Accumulation Index	1.5%	(3.2%)	(6.7%)	10.3%	13.3%	11.3%

*Benchmark Index is derived as the S&P/ASX 300 AREIT Accumulation index and a subset of S&P/ASX 200 Index infrastructure sub industries, as defined by the Global Industry Classification Standard (GICS), combines on a 70/30 basis.

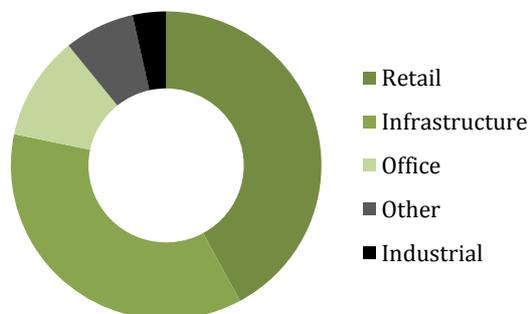
**AREITs/Listed Infrastructure inception date - 1 May 2010: AREITs/Listed infrastructure Customised Benchmark changed from a ratio of 50/50 to 70/30 on 1st December 2010 and from a style based index on 1st December 2016. Performance returns assume reinvestment of income and returns greater than 1 Year are expressed as %p.a.

Monthly Performance Contribution

Fund Details	
Gross Return	2.4%
Benchmark Return	3.0%
Style Return ¹	(1.4%)
Stock selection ²	0.7%
TOTAL ACTIVE RETURN	(0.7%)

1. Screened by investment criteria
2. After application of screens

Sector Allocation



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Market Commentary

The Fund's Benchmark increased by 3.0% in August, significantly outperforming the broader market for the period. Reporting season dominated during August where results across the equities market were relatively lacklustre, with most sectors apart from resources failing to live up to lofty market expectations. The defensive A-REIT and infrastructure sectors fared much better as some investors rotated out of cyclical into defensives, underpinning their strong monthly performance.

Key themes from reporting season included strong NTA growth and the continued resilience of the residential sector. The solid underlying fundamentals remained in place for the major office markets of Sydney and Melbourne, as well as the industrial markets. The increasing structural challenges confronting the retail sector were also evident, with a slowing sales environment potentially putting pressure on earnings growth going forward, despite leases with structured rental growth remaining in place and occupancy levels remaining at close to 100%.

Looking forward, the increasing concerns globally regarding events in North Korea and ongoing macroeconomic headwinds should see defensive sectors remain well supported. While an increase in global bond yields would pose a major headwind for defensive sectors, our base case assumes that this is unlikely given high global debt levels and the benign inflationary environment. Given the current yield of circa 5% and circa 4% EPS growth expected in FY18, A-REIT and Infrastructure sectors offer good relative value in our view and should continue to see support at current levels.

Performance Update

Fund attribution for the month included:

Contributors

VCX (UW): Announced new CEO Grant Kelley during the month. Despite this, the Group delivered a disappointing result while also cutting its distribution payout.

FET (OW): Delivered a very strong result as well as solid distribution guidance. The Group continues to benefit from its triple net lease structure and long term WALE.

MGR (OW): Posted arguably the best result across the sector, with its investment portfolio performing strongly, while also continuing to benefit from the resilient residential market.

Detractors

SCG (OW): Came under pressure despite delivering a result in line with market expectations, with the market more concerned about the change in distribution policy that will see the Group retain part thereof to fund its development pipeline going forward.

Current & Active Weights

Asset Class	Benchmark	Range	Current	Active Weight
A-REITs	70%	40–100%	61.9%	(8.1%)
Listed Infrastructure	30%	0–60%	35.0%	5.0%
Cash	0%	0–20%	3.1%	3.1%

Top 6 Active Positions

Asset Class	Portfolio Weight	Active Weight*
Mirvac Group	4.3%	4.3%
Westfield Corp	3.2%	3.2%
Sydney Airport	11.6%	3.1%
Dexus Group	4.0%	(6.8%)
Vicinity Centres	4.3%	(5.4%)
SCA Property	0.0%	(1.8%)

*Post application of style screens

Fund Details	
Fund Inception Date	Model Portfolio – 1 st May 2010 Fund – 20 th August 2013
Objective	To outperform the broad benchmark index over rolling 3-year periods
Benchmark	Derived as the S&P/ASX 300 A-REIT Accumulation Index and a subset of the S&P/ASX 200 Index infrastructure sub industries, combined on a 70/30 basis.
Investment Timeframe	3-5 Years
Minimum Investment	\$25,000
Income Distribution	Half Yearly
Unit Pricing	Daily
Management Costs	0.85% per annum
Buy / Sell Spread	0.25% / 0.25%
Responsible Entity	Trustee Partners
ARSN	164 098 855
APIR Code	LAM0042AU
Platforms	BT Wrap, Asgard eWrap, Asgard Infinity Wrap