

Freehold Australian Property Fund

Monthly Investment Update



April 2018

Overview

The Fund comprises a hybrid portfolio of listed and unlisted property and infrastructure against a benchmark comprising 50% A-REITs and Listed Infrastructure and 50% Unlisted Property and Infrastructure. Our listed portfolio style overlay screens for pure property and infrastructure characteristics and results in minimal exposure to development, currency risk and other 'active' earnings. The unlisted portfolio comprises institutional-grade assets within a diversified portfolio of internally and externally managed funds that spans the property risk spectrum. The target unlisted allocation is 70% Core, 20% Value Add and 10% Development.



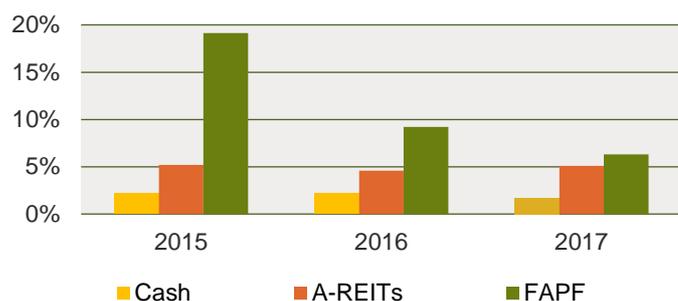
Investment Performance

| Investment Performance | Month | Quarter | 1 Year | 3 Years | 5 Years | Since Inception** |
|--|-------|---------|--------|---------|---------|-------------------|
| Freehold Australian Property Fund | 2.3% | 0.5% | 3.6% | 9.2% | 10.9% | 13.3% |
| A-REITs Index* | 4.3% | 1.1% | 1.6% | 8.8% | 10.7% | 13.9% |
| Listed Infrastructure Index* | 4.1% | 1.5% | 2.3% | 10.3% | 15.4% | 18.0% |
| Unlisted Property Index* | 0.4% | 2.3% | 12.1% | 12.2% | 11.0% | 10.4% |

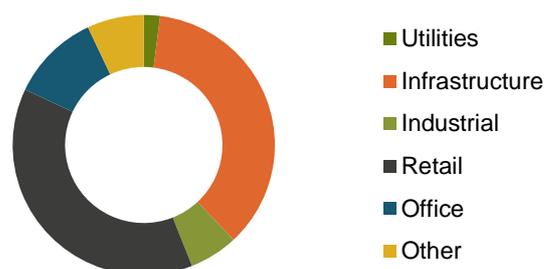
*A-REITs Index is the S&P/ASX 300 AREIT Accumulation index; Listed Infrastructure Index is a subset of S&P/ASX 200 Index infrastructure sub industries, as defined by the Global Industry Classification Standard (GICS); Unlisted Property Index is the Mercer/IPD Australia Core Wholesale Property Fund Index

** Freehold Australian Property inception date – effective 7 November 2011. Performance numbers are NET and assume reinvestment of distributions.

Income Return¹



Sector Allocation



CONTACT DETAILS

Level 29, 259 George Street
Sydney, NSW 2000

P. +61 2 9228 1400
E. enquiries@freeholdim.com.au

www.freeholdim.com.au

Commentary

The Fund increased by 2.3% in April on the back of strong listed market returns for the period. This was despite both US and Australian Bonds selling off during the month by 22bps and 18bps effectively reversing the rally from the previous month as fears of a global trade war between the US and China subsided. Domestically economic conditions remain 'mixed' with weaker than expected employment data and declining consumer and business confidence numbers highlighting the increased caution that continues to hover over the Australian economy.

News flow for the month centred on a raft of quarterly updates from a majority of businesses. Importantly, virtually all stocks either re-affirmed or even tightened full year guidance, reinforcing that underlying property market fundamentals remain sound across all major markets. Pleasingly, retail sales metrics across all names showed signs of improvement, however it is too early to say whether or not this is just temporary or a permanent rebound. Office markets, particularly Sydney and Melbourne also continue to experience tightening vacancy rates and will continue to provide support for current rents. In the infrastructure space, Sydney Airport delivered an extremely strong set of traffic numbers which saw the stock rebound strongly as a result while Transurban hosted an Investor day that was viewed positively by investors.

The strong performance of the defensive stocks during April despite the adverse movement in bonds was surprising. That said, we have been saying for some time that the sector offered good relative value for investors with a significant amount bad news factored into share prices. The upcoming vote at the end of May on whether or not unitholders approve of the potential takeover by Unibail-Rodamco of Westfield Group will be a significant upcoming event for the sector, with indications it will likely go ahead. Should this be the case, the sector could be a key beneficiary of the reinvestment of much of the proceeds as funds look to reinvest the cash received from the deal back into the listed sector.

Listed Portfolio Update

Fund attribution for the month included:

Contributors

SYD (OW): The Company released an extremely positive set of traffic numbers during the month which resulted in some broker upgrades. The company also looks to have benefitted from a strong marketing campaign overseas where their current ownership is relatively low.

WFD (OW): The market is beginning to price the upcoming potential merger with European giant, Unibail-Rodamco as increasingly likely. The stock is also delivering improving retail fundamentals across its global portfolio of shopping centres.

Detractors

SKI (OW): Continues to bounce around with the movement in bond rates given their historical high correlation.

APA (UW): Rebounded after raising \$500m in February to effectively support their balance sheet for future acquisitions. Still has significant regulatory headwinds confronting the Group going forward.

Current & Active Weights

| Asset Class | Benchmark | Range | Current | Active Weight |
|-----------------------|-----------|----------|---------|---------------|
| A-REITs | 35% | 20%-100% | 31.9% | (3.1%) |
| Listed Infrastructure | 15% | 0-60% | 19.5% | 4.5% |
| Unlisted Property | 50% | 0%-80% | 45.1% | (4.9%) |
| Cash | 0% | 0%-20% | 3.4% | 3.4% |

Top 6 Portfolio Positions

| Security / Fund | Portfolio Weight |
|------------------------------------|------------------|
| Scentre Group | 14.2% |
| Transurban Group | 9.3% |
| Heathley DMF No.2 | 7.0% |
| Charter Hall Prime Industrial Fund | 6.5% |
| Sydney Airport | 6.2% |
| Dexus Property Group | 4.4% |

| Fund Details | |
|----------------------|---|
| Fund Inception Date | Model Portfolio – 7 th Nov 2011 Fund – 15 th Feb 2015 |
| Objective | Outperform the Benchmark on a rolling 3-year basis |
| Benchmark | Derived as the A-REITs and Listed Infrastructure Customised Index and the Unlisted Property and Infrastructure Customised Index, combined on a 50/50 basis. |
| Investment Timeframe | 3-5 Years |
| Minimum Investment | \$10,000 |
| Income Distribution | Quarterly |
| Unit Pricing | Daily |
| Management Costs | 0.165% to 1.015% p.a. (incl. GST) |
| Buy / Sell Spread | 0.25% / 0.25% |
| Responsible Entity | Trustee Partners |
| ARSN | 164 098 855 |

Note 1 - Income Return for FAPF is the fund distribution and will include net realised capital gains.

CONTACT DETAILS

Level 29, 259 George Street
Sydney, NSW 2000

P. +61 2 9228 1400
E. enquiries@freeholdim.com.au

www.freeholdim.com.au