

# Freehold Australian Property Fund

Monthly Investment Update



November 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

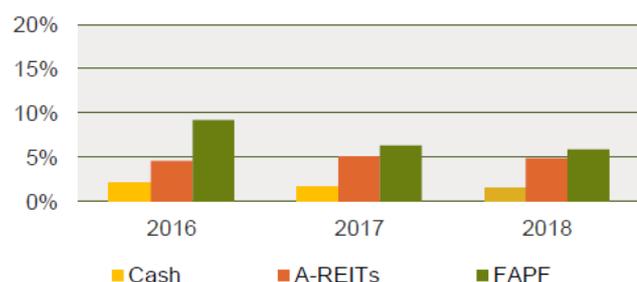
Investment Performance	Month	Quarter	1 Year	3 Years	5 Years	Since Inception**
Freehold Australian Property Fund	0.7%	(0.9%)	4.2%	8.5%	12.6%	12.9%
A-REITs Index*	(0.3%)	(4.9%)	1.6%	8.7%	12.6%	13.3%
Listed Infrastructure Index*	(0.3%)	(5.3%)	(2.4%)	8.2%	14.6%	16.7%
Unlisted Property Index***	0.7%	2.4%	11.3%	11.7%	11.1%	10.3%

\*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

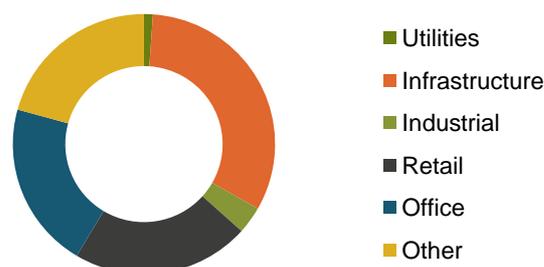
\*\* Freehold Australian Property inception date – effective 7 November 2011. Performance numbers are NET and assume reinvestment of distributions.

\*\*\* Unlisted Property Index includes an estimate of 8% per annum due to the late release of Mercer/IPD Australia Unlisted Wholesale PFI data.

## Income Return<sup>1</sup>



## Sector Allocation



### CONTACT DETAILS

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## Commentary

The Fund increased by +0.7% in November, significantly outperforming both the broader market and AREIT Index for the second consecutive month, reinforcing the portfolio's strong defensive characteristics. Global equity markets continued their retreat as investors increasingly question the global growth outlook, whilst Brexit and the trade dispute between China and the US both remain unresolved. This investor caution was reflected in US bond yields, which fell by 14bps to close November back below the psychological 3% level. Domestic bonds remained unchanged with a barrage of increasingly negative residential sentiment and ongoing political uncertainty impacting consumer sentiment.

During the month, Growthpoint (\$135m) and Cromwell (\$300m) undertook capital raisings for acquisitions and balance sheet support. The Fund does not hold exposure to either company. Stockland Group also successfully announced the sale of two subregional assets for \$113m. This price represents a -5.3% discount to current valuations and confirms the difficulty of selling retail assets in the current environment. Domestically, there is rumoured to be in excess of \$10Bn of retail assets for sale, reinforcing the Fund's underweight bias to the retail sector.

Within infrastructure, the proposed takeover by CK Group for APA Group was terminated following a decision by the Federal Treasurer that the transaction was contrary to the national interest. The Fund was positioned for this decision and benefitted from its underweight holding in APA. Additionally, Sydney Airport reported a continuation of solid international passenger growth, whilst Spark Infrastructure was a strong performer with investors attracted to its strong defensive characteristics.

For the second consecutive month, the Fund's defensive bias and focus on preserving capital was evident by posting a positive monthly return, in comparison to both the broader equity and AREIT markets which declined in absolute terms. Should current market volatility persist, the high level of earnings predictability within the Fund's defensive sectors will remain highly sought after by investors.

## Performance Update

### Contributors

**DXS (overweight):** Announced it had entered into a joint venture with global giant GIC to create a new \$2Bn wholesale logistics trust.

**APA (underweight):** CK Group's takeover offer was terminated following a decision by the Federal Treasurer that it was not in the national interest.

### Detractors

**SCG (overweight):** Despite reporting an increase in annual store sales, the challenging operational and leasing environment weighed on the stock.

**CQR (No holding):** Reiterated guidance at its AGM of +2% earnings growth and found valuation support following recent underperformance.

\*Contributors and detractors are based on October 2018 Mercer/IPD Australia Unlisted Wholesale PFI – Post Fee fund data.

## Current & Active Weights

Asset Class	Benchmark	Range	Current	Active Weight
A-REITs	35%	20%-100%	26.6%	(8.4%)
Listed Infrastructure	15%	0-60%	14.7%	(0.3%)
Unlisted Property	50%	0%-80%	58.4%	8.4%
Cash	0%	0%-20%	0.3%	0.3%

## Top 6 Portfolio Positions

Security / Fund	Portfolio Weight
Scentre Group	10.9%
Heathley Direct Medical Fund No.2	8.0%
Charter Hall Core Plus Industrial Fund	7.8%
Transurban Group	7.6%
Dexus Property Group	6.1%
8 Station Street Property Unit Trust	4.6%

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

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

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