

Freehold Australian Property Fund

Monthly Investment Update



January 2019

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

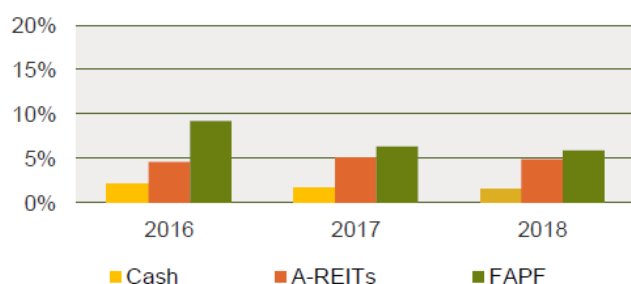
Investment Performance	Month	Quarter	1 Year	3 Years	5 Years	Since Inception**
Freehold Australian Property Fund	2.1%	5.3%	10.3%	8.5%	13.5%	13.3%
A-REITs Index*	6.0%	7.5%	13.1%	9.3%	14.4%	14.1%
Listed Infrastructure Index*	3.8%	5.2%	9.0%	9.2%	15.1%	17.1%
Unlisted Property Index***	0.7%	2.4%	10.0%	11.3%	11.2%	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

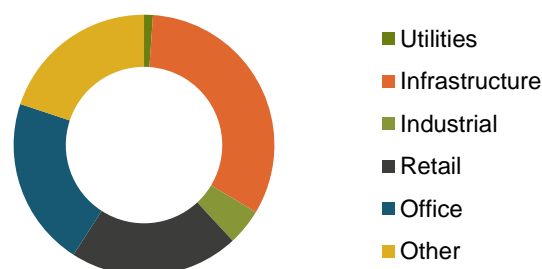
** Freehold Australian Property inception date – effective 7 November 2011. Performance numbers are NET and assume reinvestment of distributions.

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

Income Return¹



Sector Allocation



CONTACT DETAILS

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Commentary

The Fund increased by 2.1% in January, slightly underperforming the broader market which rebounded from a very difficult December quarter. Defensive sectors continued to benefit from increased global caution that saw the US Federal Reserve soften its global growth expectations. Bond yields in the US and domestically declined by -6bpts and -8bpts respectively as a result. In the UK, Prime Minister Theresa May's Brexit plan was overwhelmingly rejected by the UK parliament which further fuelled equity market volatility and global growth concerns. Domestically, the focus continues to centre around the housing market with dwelling prices continuing to fall nationally and its impact on consumer sentiment.

Stock specific news was relatively limited during the month given companies are in blackout ahead of reporting season in February. That said, the latest valuations release by Vicinity Centres was topical given it highlighted an NTA decline, with sub-regional and neighbourhood shopping centres bearing the brunt of the devaluations. This is not unexpected, in our view, with the Fund having a significant underweight position across the retail sector given the increasingly challenging trading conditions tenants are encountering. The infrastructure sector also continued to be supported by the low bond yield environment, however Sydney Airport came under pressure as a result of slowing Chinese passenger growth and increasing concerns surrounding the outcome of the Productivity Commission Draft Report on the economic regulation of airports. The Fund took this opportunity to 'top up' its position as it believes this selloff was overdone.

Looking forward, despite the recent strong rally in defensive sectors the macroeconomic environment remains cautious and as a result we expect bond yields to remain supportive. With reporting season upon us, we expect our defensive sectors to deliver a strong set of results, albeit with cautious forward looking statements. Heading into 2019, the Fund remains defensively positioned with a focus on capital preservation, as we do not expect market volatility to dissipate over the near term.

Performance Update

Contributors

VCX (Underweight): Released their latest round of valuations which saw their NTA decline. The market is also questioning their ability to sell assets as they have highlighted given current market conditions.

SCP (Underweight): Like Vicinity, the market is becoming increasingly cautious on the outlook for retail shopping centres given the cautious consumer sentiment.

SKI (Overweight): Rebounded after a period of underperformance. Given its highly regulated cashflows to stock always tends to perform well in risk off environments.

Detractors

GPT (Underweight): The Group saw good buying support from equity funds seeking defensive exposure given the significant volatility recently being experienced across equity markets.

Current & Active Weights

Asset Class	Benchmark	Range	Current	Active Weight
A-REITs	35%	20%-100%	25.8%	(9.2%)
Listed Infrastructure	15%	0-60%	14.6%	(0.4%)
Unlisted Property	50%	0%-80%	55.7%	5.7%
Cash	0%	0%-20%	3.9%	3.9%

Top 6 Portfolio Positions

Security / Fund	Portfolio Weight
Scentre Group	9.9%
Transurban Group	7.8%
Heathley Direct Medical Fund No.2	7.5%
Charter Hall Core Plus Industrial Fund	7.4%
Dexus Property Group	6.4%
AMP Capital Wholesale Office Fund - Class A units	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.

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