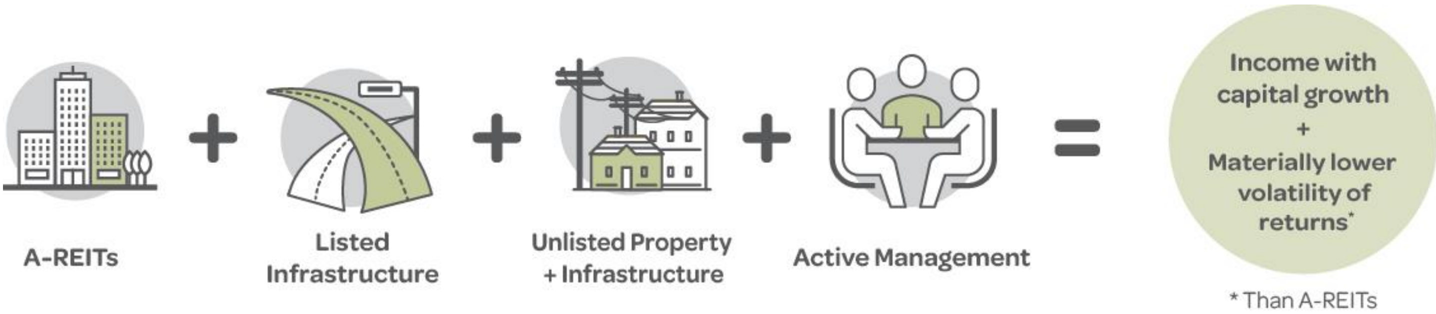
Freehold Australian Property Fund

Monthly Investment Update

October 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.

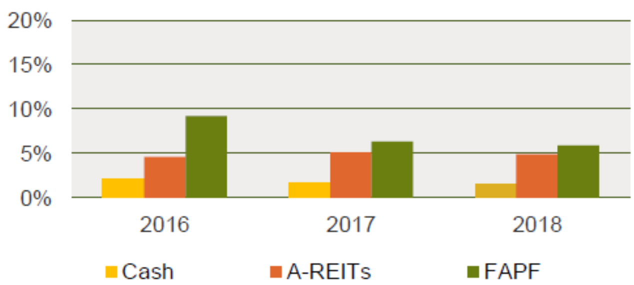


Investment Performance

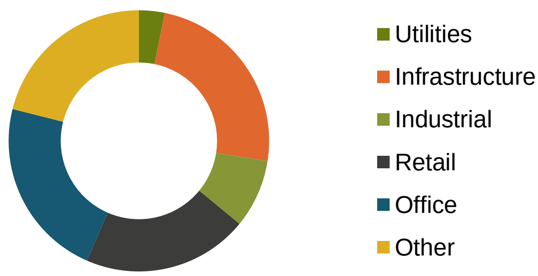
Investment Performance	Month	Quarter	1 Year	3 Years	5 Years	Since Inception**
Freehold Australian Property Fund	1.3%	0.6%	13.6%	10.2%	11.7%	13.0%
A-REITs Index*	1.4%	(0.1%)	23.8%	13.3%	13.2%	14.7%
Listed Infrastructure Index*	2.8%	(0.6%)	32.0%	17.8%	16.9%	18.7%
Unlisted Property Index**	0.4%	1.4%	6.4%	9.9%	10.6%	9.9%

*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 Return[1]



Sector Allocation



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FREEHOLD
Investment Management

Commentary

The Fund increased by 1.3% in October, significantly outperforming the broader equities market for the month. During the period, both the RBA and US Federal Reserve reduced official interest rates by -25bpts to 0.75% and 1.50% respectively, in attempts to stimulate economic activity despite already historically low interest rates.

Domestically, there are emerging signs that the residential market is recovering from its lows with CoreLogic dwelling prices increasing by 1.2% in October, following on from a 0.9% increase in September. These 'green shoots' underpinned solid share price gains in both Mirvac and Stockland given their exposure to the residential sector. Offsetting this strength, retail sales continue to underwhelm with August and September data coming in well below market expectations. This trend was clearly evident in a number of large retail landlords including Scentre Group, Vicinity and GPT Group, where sales growth in their quarterly updates was at the lower end of market expectations.

Looking forward, we expect bond yields to remain low during a sustained period of subdued growth that will be supportive for defensive sectors such as A-REITs and listed infrastructure. Our focus remains on identifying quality companies with earnings stability, given our view that risk has not been priced correctly, and we remain confident that our patience will be rewarded in the future.

Performance Update

Contributors

SYD (OW): The release of the Productivity Commission's final report informed government that Sydney Airport has not been exercising its market power and that there was no justification to alter the current light-handed regulation approach.

CIP (OW): The Group released a solid quarterly update and reaffirmed earnings guidance. We believe that ongoing structural trends will continue to attract capital into the industrial sector.

Detractors

VCX (NH): The Group benefited from expectations that tax refunds would flow through to overall retail sales. We believe the market is not adequately pricing the Group's significant operational headwinds, which will ultimately impact valuations.

BWP (NH): The Group is currently rationalising its portfolio with its major tenant vacating a number of assets. This repositioning process will require capital profits to support the Group's distribution.

Current & Active Weights

Asset Class	Benchmark	Range	Current	Active Weight
A-REITs	35%	20%-100%	27.3%	(7.7%)
Listed Infrastructure	15%	0–60%	15.8%	0.8%
Unlisted Property	50%	0%-80%	52.5%	2.5%
Cash	0%	0%-20%	4.4%	4.4%

Top 6 Portfolio Positions

Security / Fund	Portfolio Weight
Scentre Group	9.4%
Transurban Group	8.3%
Charter Hall Core Plus Industrial Fund	7.5%
Dexus Property Group	7.1%
Freehold Debt Income Fund	4.9%
GPT Group	4.6%

Fund Details	
Fund Inception Date	Model Portfolio – 7th Nov 2011 Fund – 15th 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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