

# 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.



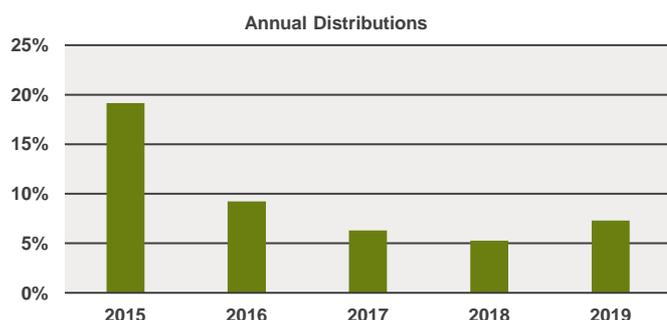
## Investment Performance

Investment Performance	Month	Quarter	1 Year	3 Years	5 Years	Since Inception**
Freehold Australian Property Fund	2.9%	3.1%	11.3%	10.7%	10.2%	13.1%
A-REITs Index*	6.3%	4.1%	19.8%	13.6%	11.7%	14.8%
Listed Infrastructure Index*	2.7%	3.5%	29.9%	17.7%	15.2%	18.6%
Unlisted Property Index**	0.3%	1.3%	5.6%	9.3%	10.3%	9.7%

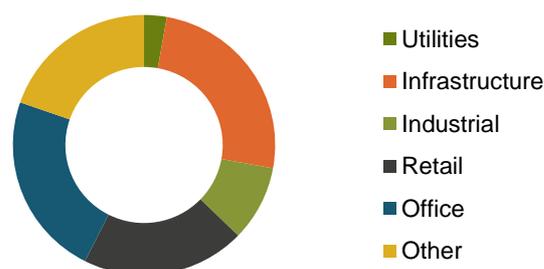
\*A-REITs Index is the S&P/ASX 300 AREIT Accumulation index; Listed Infrastructure Index is a subset of S&P/ASX 200 Index infrastructure sub industries, as defined by the Global Industry Classification Standard (GICS); Unlisted Property Index is the Mercer/IPD Australia Core Wholesale Property Fund Index

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

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



## Sector Allocation



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## Commentary

The Fund increased by +2.9% in January, more than recovering December's losses. There were several major events impacting market returns. Phase One of the trade agreement between China and the US was announced during the month, whereby China has agreed to increase purchases of products and services from the US by at least \$200bn over a two year time frame. Later in the month, the emergence of the Coronavirus increasingly impacted market returns and its unknown impact to global growth. Australian and US bond yields both responded to the uncertainty by sharply rallying during January, which underpinned sector returns from a defensive standpoint.

In stock specific news, National Storage REIT announced that it had received a confidential takeover offer from Hong Kong based Gaw Capital, without disclosing the offer price. The stock rallied +17% in response to the announcement, which in our view is optimistic given the bid's non-binding and opportunistic nature. Starwood Capital Group also announced a conditional all-cash bid for Australian Unity Office Fund at \$2.98. We believe this offer is unlikely to succeed given a previous takeover offer by Charter Hall Group and Abacus Property Group was rejected by unit holders, priced at a similar level when factoring in distributions paid to investors. Within the infrastructure space, passenger numbers at Sydney Airport are anticipated to be impacted by recent domestic bushfires, as well as the ongoing threat from the Coronavirus, given Chinese passengers are the highest foreign nationality that travel through Sydney Airport.

Reporting season will dominate February, where we expect continued strength in national commercial and industrial markets, whilst we expect retail results will reinforce the ongoing deterioration in operating conditions. Any risk-off momentum associated with global pandemic fears should benefit the Fund's defensive strategy and positioning.

## Performance Update

### Best Performers

**NSR (not held):** Received a non-binding confidential takeover offer from Gaw Capital, resulting in the stock rising by over +17% for the month.

**CQR (not held):** Charter Hall Retail REIT's strong monthly performance is contrary to announcements in January that retailers such as Jeanswest, Bardot, EB Games, Bose and Harris Scarfe are either rationalising their store count or entering administration.

### Worst Performers

**SYD (market weight):** As previously mentioned, passenger numbers through the airport are expected to be impacted by domestic bushfires and lower international travellers as a result of the Coronavirus.

**RFF (not held):** The Group's eastern coast properties across six agricultural sectors may be impacted by recent bushfires.

## Current & Active Weights

Asset Class	Benchmark	Range	Current	Active Weight
A-REITs	35%	20%-100%	29.9%	(5.1%)
Listed Infrastructure	15%	0-60%	13.9%	(1.1%)
Unlisted Property	50%	0%-80%	51.2%	1.2%
Cash	0%	0%-20%	5.1%	5.1%

## Top 6 Portfolio Positions

Security / Fund	Portfolio Weight
Scentre Group	9.3%
Dexus Property Group	8.7%
Transurban Group	8.0%
Charter Hall Core Plus Industrial	7.5%
GPT Group Property Trust	5.0%
Freehold Debt Income Fund	4.8%

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>	Sargon
<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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