Freehold A-REITs and Listed Infrastructure Fund

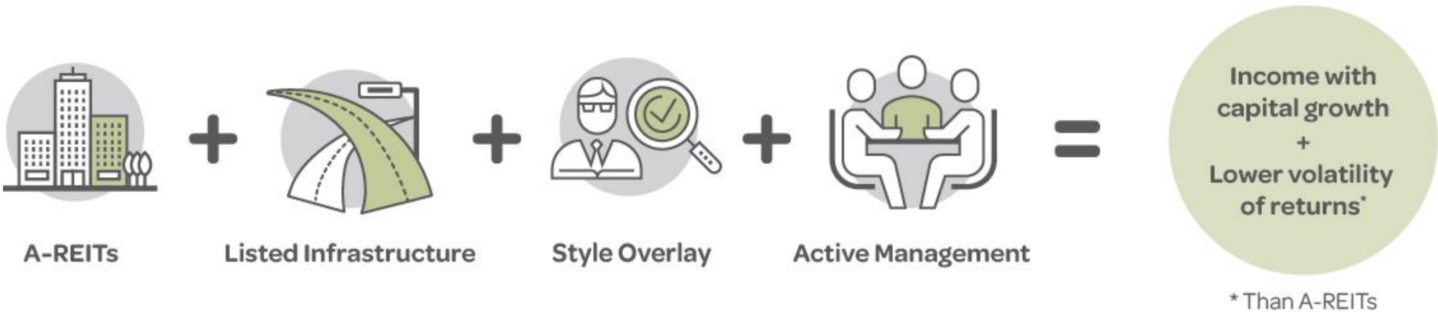
Monthly Investment Update

FREEHOLD
Investment Management

August 2018

Overview

The Fund comprises a portfolio of A-REITs and Listed Infrastructure securities that exhibit income and growth characteristics. Our style overlay screens for pure property and infrastructure characteristics and results in minimal exposure to development, currency risk and other 'active' earnings. Investable securities must generate a minimum 90% of their income via rental income, or recurring, contracted/mature infrastructure income, and have at least 75% of their assets in Australia. The Fund typically holds 12-20 securities in the portfolio.

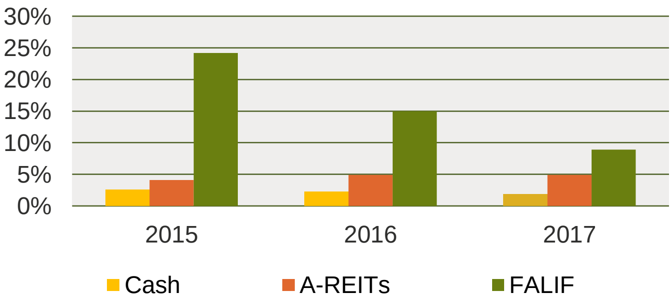


Investment Performance

Investment Performance	Month	Quarter	1 Year	3 Years	5 Years	Since inception**
Freehold A-REITs & Listed Infrastructure Fund (net of fees)	2.0%	4.5%	8.0%	9.0%	13.1%	15.0%
A-REITs Index*	2.6%	5.9%	15.7%	11.2%	14.2%	13.1%
Listed Infrastructure Index*	3.0%	5.5%	6.2%	13.1%	16.6%	18.6%

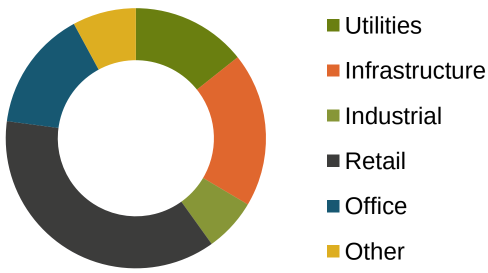
*A-REITs Index is the S&P/ASX 300 AREIT Accumulation index; Listed Infrastructure Index is a subset of S&P/ASX 200 Index infrastructure sub industries, as defined by the Global Industry Classification Standard (GICS).
**AREITs/Listed Infrastructure inception date - 1 May 2010. Performance returns assume reinvestment of income and returns greater than 1 Year are expressed as %p.a.

Income Return*



* Income Return for FALIF is the fund distribution and will include net realised capital gains.

Sector Allocation



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Commentary

The Fund increased by +2.1% in August, outperforming the broader market for the period with global bond yields movements supporting defensive asset classes. The market largely shrugged off significant political events in Canberra, with the focus instead on reporting season.

Broadly speaking, across the AREIT sector results were in line with market expectations with balance sheets in good shape and clear visibility on sustainable earnings profiles going forward. Office was the standout with strong rental and NTA growth evident, especially from Sydney markets. Retail stocks were at the other end of the spectrum with data highlighting an increasingly challenging sales environment and occupancy costs increasing. There was also clear evidence that the residential sales environment is slowing with both Stockland and Mirvac forecasting a reduced number of settlements in FY19 versus FY18, however this should not have come as a surprise to investors with profit margins importantly forecast to be maintained.

Corporate activity was also evident across the sector with the takeover battle for Investa Office Fund between Blackstone and new entrant Oxford Properties Group still unresolved at time of writing. While Blackstone's original bid was below NTA the emergence of Oxford as an alternate bidder has ensured investors will receive 'at least' NTA. Aventus Retail Fund announced its intention to internalise the management platform, whilst Charter Hall Group announced a takeover offer for boutique funds management group Folkstone during the month.

The infrastructure sector also delivered results that contained few surprises, with the focus instead around the $4.2bn entitlement offer to acquire WestConnex. This was highly anticipated by the market and should set up Transurban for long term growth.

Looking forward, the AREIT sector has had a very strong run however we still believe there are some good investment opportunities at current prices. Reporting season reaffirmed the strong defensive characteristics which will prove invaluable should another equity market correction occur.

Performance Update

Contributors

MGR (OW): Delivered a high quality result and solid earnings guidance. The Group continues to benefit from its high quality office portfolio and clear strategy.

DXS (OW): Another stock to benefit from the very strong growth in office markets. A lack of supply in the short term, particularly in Sydney, should continue to be supportive in the short term.

Detractors

SCG (OW): A solid result but is not immune to the slowing sales environment occurring in the retail sector. We believe this has been overdone and represents good value at current prices of circa 10% discount to an understated NTA.

VCX (UW): Despite delivering what we view as one of the worst results of reporting season, the market is backing management to be liquidate its poorer performing assets.

Current & Active Weights

Asset Class	Benchmark	Range	Current	Active Weight
A-REITs	70%	40–100%	60.5%	(9.5%)
Listed Infrastructure	30%	0–60%	33.1%	3.1%
Cash	0%	0–20%	6.4%	6.4%

Top 6 Active Positions

Security	Portfolio Weight	Active Weight*
Mirvac Group	3.4%	3.4%
Transurban Group	16.3%	3.3%
Spark Infrastructure	4.9%	2.9%
Vicinity Centres	4.2%	(5.2%)
APA Group	2.7%	(3.0%)
Investa Office Fund	-	(2.8%)

*Post application of style overlay

Fund Details	
Fund Inception Date	Model Portfolio – 1st May 2010 Fund – 20th August 2013
Objective	To outperform the broad benchmark index over rolling 3-year periods
Benchmark	Derived as the S&P/ASX 300 A-REIT Accumulation Index and a subset of the S&P/ASX 200 Index infrastructure sub industries, combined on a 70/30 basis.
Investment Timeframe	3-5 Years
Minimum Investment	$25,000
Income Distribution	Half Yearly
Unit Pricing	Daily
Management Costs	0.85% per annum
Buy / Sell Spread	0.33% / 0.33%
Responsible Entity	Trustee Partners
ARSN	164 098 855
APIR Code	LAM0042AU
Platforms	BT Wrap, Asgard eWrap, Asgard Infinity Wrap

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