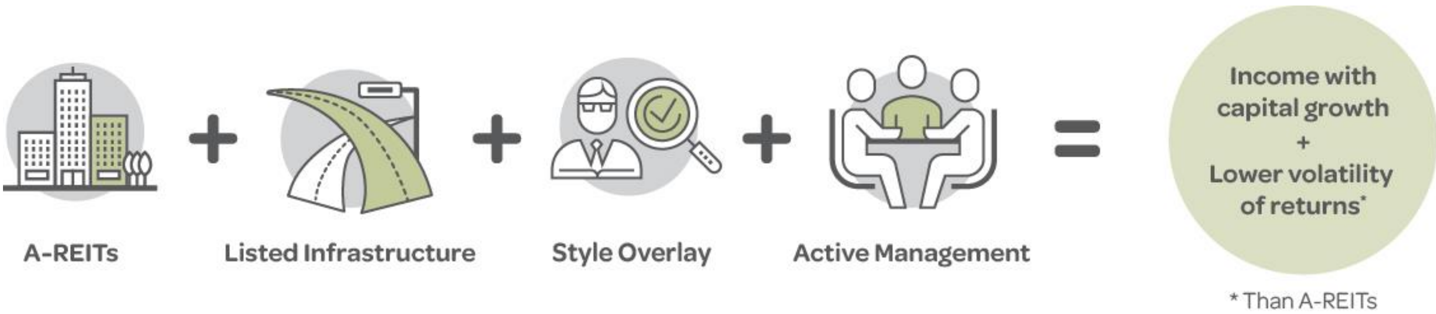
Freehold A-REITs and Listed Infrastructure Fund

Monthly Investment Update

July 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.

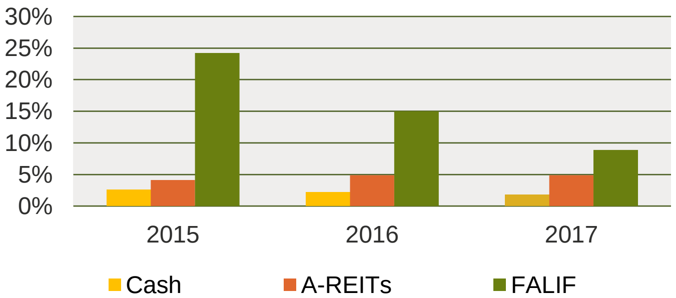


Investment Performance

Investment Performance	Month	Quarter	1 Year	3 Years	5 Years	Since inception**
Freehold A-REITs & Listed Infrastructure Fund (net of fees)	(0.3%)	4.5%	8.3%	7.5%	12.6%	14.9%
A-REITs Index*	1.0%	6.3%	14.5%	9.1%	13.4%	12.9%
Listed Infrastructure Index*	(1.4%)	4.4%	9.8%	11.5%	15.9%	18.4%

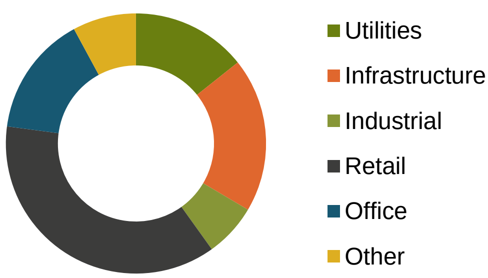
*A-REITs Index is the S&P/ASX 300 AREIT Accumulation index; Listed Infrastructure Index is a subset of S&P/ASX 200 Index infrastructure sub industries, as defined by the Global Industry Classification Standard (GICS).
**AREITs/Listed Infrastructure inception date - 1 May 2010. Performance returns assume 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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FREEHOLD
Investment Management

Commentary

The Fund decreased by 0.3% in July, underperforming the broader market for the period. Australian bond yields generally traced higher, only to close the month flat as a result of ongoing US trade tensions overshadowing its increasingly positive economic data, where underlying US GDP remains over +4% in annual terms. Domestically, the RBA remained on hold and indicated that rates are unlikely to increase for some time, underpinning returns from defensive asset classes such as REITs and infrastructure.

In sector news, Blackstone's ongoing takeover proposal for Investa Office Fund saw the Independent Expert unsurprisingly announce the current offer of $5.15 to be 'not fair but reasonable' given the implied discount to its $5.45 net tangible backing. Given there are no competing bids, Blackstone is unlikely to increase its offer; yet current owners may not support the deal, thus creating a stalemate. Within the residential sector, both Stockland and Mirvac reaffirmed earnings guidance at the top of their respective ranges. In contrast to negative news headlines, we have retained confidence in the earnings outlook for both residential names, and pleasingly these holdings were strong contributors to the Fund's performance during July. Additionally, the ACCC announced a delay to the WestConnex competition review thereby putting uncertainty around Transurban's eligibility in the bid process. It is yet to be seen whether the State Government will remain committed to its original approval time frame.

The month ahead will be dominated by reporting season, which will provide investors with a good assessment as to how underlying businesses are travelling. Given the Fund's defensive positioning and the highly predictable nature of underlying earnings, we are not expecting any major surprises within the portfolio.

Performance Update

Contributors

MGR (overweight): The Group tightened its FY18 earnings guidance and also announced the launch of its Build-to-Rent capability with the Clean Energy Finance Corporation.

SGP (overweight): Despite negative residential sentiment, the stock performed strongly after tightening earnings at the top end of its guidance range.

Detractors

SCG (overweight): Experienced profit taking after a period of strong relative gains. Announced the acquisition of a 50% interest in Westfield Eastgardens at a 4.25% cap rate which further reinforces Scentre's underlying portfolio value given its current implied cap rate is over 5%.

TCL (overweight): WestConnex uncertainty and its potential funding continues to influence short term trading in Transurban.

Current & Active Weights

Asset Class	Benchmark	Range	Current	Active Weight
A-REITs	70%	40–100%	63.8%	(6.2%)
Listed Infrastructure	30%	0–60%	32.2%	2.2%
Cash	0%	0–20%	4.0%	4.0%

Top 6 Active Positions

Security	Portfolio Weight	Active Weight*
Mirvac Group	4.5%	4.5%
Transurban Group	15.8%	2.8%
Spark Infrastructure	4.7%	2.8%
Vicinity Centres	4.0%	(5.0%)
APA Group	2.6%	(3.1%)
Investa Office Fund	-	(2.7%)

*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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