

Freehold A-REITs and Listed Infrastructure Fund

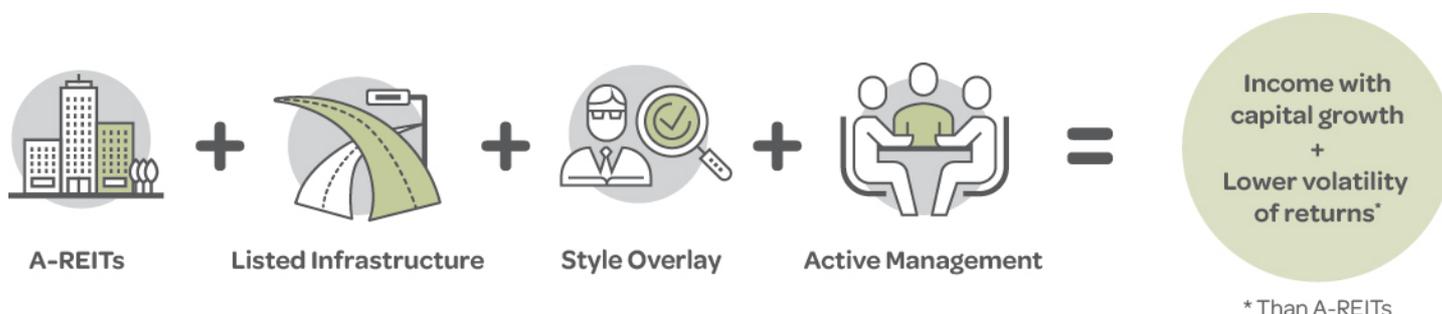
Monthly Investment Update



May 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.



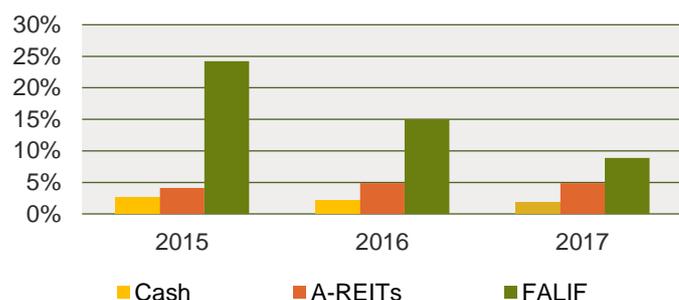
Investment Performance

Investment Performance	Month	Quarter	1 Year	3 Years	5 Years	Since inception**
Freehold A-REITs & Listed Infrastructure Fund (net of fees)	2.1%	5.2%	0.3%	7.0%	11.6%	14.9%
A-REITs Index*	3.0%	7.5%	5.7%	7.7%	11.5%	11.4%
Listed Infrastructure Index*	1.9%	6.0%	0.3%	10.3%	15.6%	13.9%

*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).

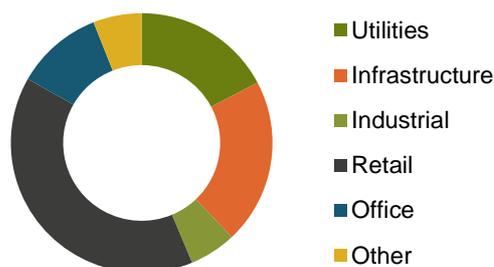
**AREITs/Listed Infrastructure inception date - 1 May 2010. Performance returns assume reinvestment of income and returns greater than 1 Year are expressed as %p.a.

Income Return*



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

Sector Allocation



CONTACT DETAILS

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Commentary

The Fund increased by 2.1% in May, outperforming the broader market for the period. A decline in bond yields by circa 10bps both domestically and in the US during the month provided support for the sector and can largely be attributed to debt concerns in Italy, which resulted in Italian bonds suffering their biggest selloff in 25 years. Domestic conditions are also ensuring investors remain cautious with dwelling prices having stalled and consumer and business confidence numbers remaining anaemic, reflecting the increasing headwinds confronting the Australian economy.

In sector news, unit holders voted overwhelmingly in favour of the Unibail-Rodamco takeover of Westfield Corporation during the month to create the world's premier developer and operator of flagship retail malls. While Unibail-Rodamco is listed in Europe, Australian investors will still have the opportunity to invest in the Group on the ASX. The other major announcement for the month was the 'all cash' bid by Blackstone for Investa Office Fund (IOF.ASX) at \$5.15 reflecting a 13% premium to its last trading price. This came as a surprise to many in the market given the strategic stake owned by the current manager, Investa Commercial Property Fund.

The A-REIT sector will be the beneficiary of the cash component of the Westfield transaction (circa \$7Bn or part thereof) being returned to investors at the start of June. In our view this has the potential to provide significant short-term support to the sector via reinvestment. Should the Investa Office takeover be successful, this would represent an additional cash return to investors of circa \$3.5Bn. As such, these transactions reinforce our view that there is a significant disconnect between the direct market and where listed markets are trading. While we do not expect the volatility to subside, we are of the view that the potential for more corporate activity across the sector is real. Given the current distribution yield of in excess of 5% and visible earnings growth for FY19 of circa 4% we believe the sector offers a sound risk adjusted return at current prices.

Performance Update

Fund attribution for the month included:

Contributors

AST (UW): The increasing regulatory issues confronting utilities, has been a major headwind for the stock.

Detractors

SKI (OW): As per above the stock was impacted by increasing regulatory issues that has the potential to impact the Group's earnings forecasts going forward.

IOF (UW): The announcement by private equity giant Blackstone of an all cash offer at \$5.15 (or a 13% premium to the stocks trading price at the time of the announcement) resulted in the stock being the best performer for the month.

FET (OW): Small cap stocks failed to rally in accordance with the larger caps. Also, the increased supply of childcare spots compared to the expected demand going forward is resulting in increased caution for investors.

Current & Active Weights

Asset Class	Benchmark	Range	Current	Active Weight
A-REITs	70%	40–100%	67.0%	(3.0%)
Listed Infrastructure	30%	0–60%	30.9%	0.9%
Cash	0%	0–20%	2.1%	2.1%

Top 6 Active Positions

Security	Portfolio Weight	Active Weight*
Mirvac Group	4.0%	4.0%
Scentre Grp	27.4%	3.4%
Transurban Group	16.6%	3.3%
Vicinity Centres	4.0%	(5.2%)
APA Group	-	(5.2%)
Investa Office	-	(2.7%)

*Post application of style overlay

Fund Details

Fund Inception Date	Model Portfolio – 1 st May 2010 Fund – 20 th 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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