

# Freehold A-REITs and Listed Infrastructure Fund

Monthly Investment Update



December 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.



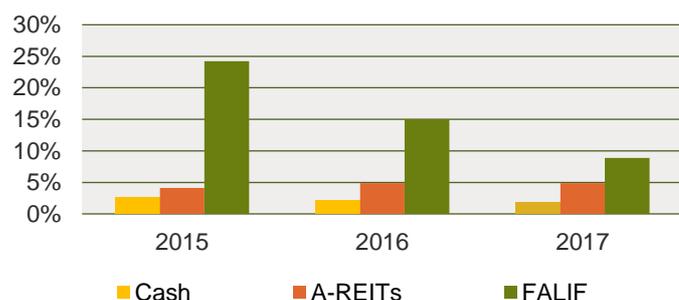
## Investment Performance

Investment Performance	Month	Quarter	1 Year	3 Years	5 Years	Since inception**
Freehold A-REITs & Listed Infrastructure Fund (net of fees)	2.4%	1.4%	1.8%	6.2%	12.2%	14.2%
A-REITs Index*	1.7%	(1.7%)	3.3%	7.8%	13.2%	12.2%
Listed Infrastructure Index*	1.6%	(0.3%)	0.7%	8.5%	14.6%	17.3%

\*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).

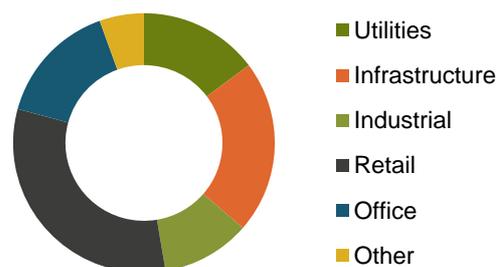
\*\*AREITs/Listed Infrastructure inception date - 1 May 2010. Performance returns assume reinvestment of income and returns greater than 1 Year are expressed as %p.a.

## 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 2.4% in December, significantly outperforming both the broader market and AREIT Index for the third consecutive month. Equity markets continued to remain under pressure as global growth concerns, Brexit uncertainty and the US Government partial shutdown continue to weigh on risk assets. These concerns were highlighted by the extreme moves in bond markets with US and Australian bond yields declining by 35bpts and 30bpts respectively during December. This was also despite the US Federal Reserve increasing official interest rates by 0.25% to 2.5% during the month, which was also a headwind for equity markets. Domestically, market concerns continue to increase around the slowing housing market which has seen prices start to decline – in particular within Sydney and Melbourne – and home sales slow. This has resulted in an increasingly cautious consumer given the significant wealth most people have in the residential market.

In stock specific news, a number of AREITs released their most recent valuation updates. Strong gains continue to be experienced across the office sector in particular, driven by both cap rate compression and income growth. Across the retail sector however, asset revaluations look as though they are near peak levels, with anecdotal evidence suggesting rents are coming under increasing pressure despite cap rates remaining firm. This ties in to our portfolio positioning where the Fund is overweight office and heavily underweight the retail sector given our increasing concerns around the leasing market and asset values over the medium to longer term.

Across the infrastructure sector, the rally in bond yields underpinned strong relative gains for the month, given their historical high correlation. We expect this sector to continue to remain in focus for equity investors should market volatility continue and cyclical stocks come under pressure.

The strong recent performance of the Fund has coincided with increasing caution in the market. This comes as no surprise to us as the Fund design is very much to protect investor's capital by investing in high quality companies with highly predictable earnings profiles. Looking forward into 2019, volatility is unlikely to dissipate and holding a defensive strategy as part of a diversified portfolio remains a prudent option for investors, in our view.

## Performance Update

### Contributors

**VVR (OW):** Rallied strongly, more than offsetting its underperformance the month prior. The stock offers highly structured growth underpinned by long term leases and a blue chip covenant.

**VCX (UW):** The market is increasingly cautious with respect to the outlook for retail property. There is also increasing scepticism surrounding the Group's ability to create a \$1Bn wholesale fund with Singapore's Keppel Capital, as previously announced to the market.

### Detractors

**SKI (OW):** The final report by the Australian Energy Regulator was released during the month, which was broadly in line with market expectations. These changes will impact Spark's earning profile for the five year period beginning in late 2020.

## Current & Active Weights

Asset Class	Benchmark	Range	Current	Active Weight
A-REITs	70%	40–100%	59.5%	(10.5%)
Listed Infrastructure	30%	0–60%	34.0%	4.0%
Cash	0%	0–20%	6.4%	6.4%

## Top 6 Active Positions

Security	Portfolio Weight	Active Weight*
Viva Energy REIT	4.4%	3.3%
Transurban Group	17.8%	3.1%
Spark Infrastructure	4.6%	2.8%
Vicinity Centres	2.9%	(6.2%)
GPT Group	6.3%	(4.2%)
APA Group	2.3%	(2.5%)

\*Post application of style overlay

### Fund Details

<b>Fund Inception Date</b>	Model Portfolio – 1 <sup>st</sup> May 2010 Fund – 20 <sup>th</sup> August 2013
<b>Objective</b>	To outperform the broad benchmark index over rolling 3-year periods
<b>Benchmark</b>	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.
<b>Investment Timeframe</b>	3-5 Years
<b>Minimum Investment</b>	\$25,000
<b>Income Distribution</b>	Half Yearly
<b>Unit Pricing</b>	Daily
<b>Management Costs</b>	0.85% per annum
<b>Buy / Sell Spread</b>	0.33% / 0.33%
<b>Responsible Entity</b>	Trustee Partners
<b>ARSN</b>	164 098 855
<b>APIR Code</b>	LAM0042AU
<b>Platforms</b>	BT Wrap, Asgard eWrap, Asgard Infinity Wrap

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