

Freehold A-REITs and Listed Infrastructure Fund

Monthly Investment Update



October 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.



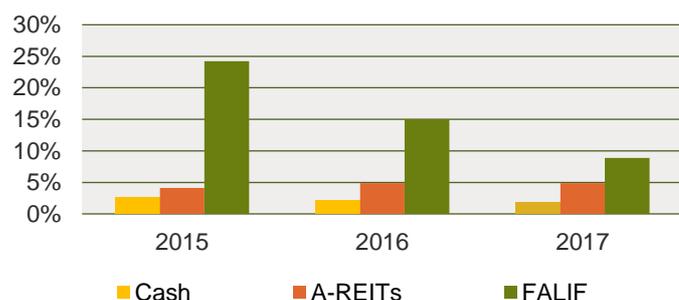
Investment Performance

Investment Performance	Month	Quarter	1 Year	3 Years	5 Years	Since inception**
Freehold A-REITs & Listed Infrastructure Fund (net of fees)	(1.3%)	(2.1%)	2.9%	5.3%	11.4%	14.2%
A-REITs Index*	(3.1%)	(2.1%)	7.3%	7.5%	12.2%	12.2%
Listed Infrastructure Index*	(1.6%)	(2.2%)	2.4%	8.2%	14.1%	17.5%

*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).

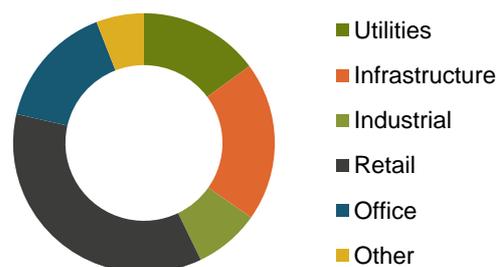
**AREITs/Listed Infrastructure inception date - 1 May 2010. Performance returns assume reinvestment of income and returns greater than 1 Year are expressed as %p.a.

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 decreased by -1.3% in October, significantly outperforming both broader equities and the AREIT Index. Global markets sold off due to fears of a moderation in global growth, unresolved trade wars and the potential for higher US interest rates. This saw US bonds yields finish the month up 9bps, in what was a volatile month. This wasn't reflected in Australia however, with domestic bonds declining by 5bps amid an increasingly gloomy housing market and an increasingly cautious consumer.

A number of A-REITs provided quarterly updates during the period. Some major themes included the continued strength in key office markets of Sydney and Melbourne, with declining vacancy rates continuing to drive rental growth. Retail sales are showing increased resilience after a subdued period, while the slowdown in residential markets is clearly evident from those stocks that have exposure. In corporate news, SCA Property Group raised \$259m in new equity to acquire a portfolio of assets from listed peer Vicinity Centres, while a number of stocks including Mirvac Group, Stockland and Vicinity Centres all continued to aggressively buy back their own shares.

Within infrastructure, APA shareholders approved Hong Kong based CK Group's current takeover offer, however the bid is still subject to Federal Government approval. Current rhetoric suggests the Treasurer is far from convinced that the transaction is in Australia's best interests given the significant exposure CK Group would have to Australia's main energy markets.

The Fund's inherent defensive characteristics served investors well during October, whilst the recent market de-rating has resulted in many stocks within our universe to trade at attractive discounts to underlying valuations. With volatility expected to remain ever-present, the sector's strong free cash flow yield and highly visible earnings growth represents an attractive risk-adjusted proposition in the current investment climate.

Performance Update

Contributors

SKI (OW): Investors were attracted to its highly regulated income streams which provide certainty to investors in periods of market volatility.

APA (UW): Despite gaining shareholder approval to accept the current takeover offer from CK Group, the market is increasingly discounting the likelihood of Federal Government approval

Detractors

MGR (OW): Despite owning one of the highest calibre office portfolios, the stock came under pressure as a result of its exposure to the slowing residential market.

SCP (UW): Experienced good support following its \$259m capital raising to acquire ten assets from Vicinity Centres on a 7.5% yield.

Current & Active Weights

Asset Class	Benchmark	Range	Current	Active Weight
A-REITs	70%	40–100%	63.4%	(6.6%)
Listed Infrastructure	30%	0–60%	33.8%	3.8%
Cash	0%	0–20%	2.8%	2.8%

Top 6 Active Positions

Security	Portfolio Weight	Active Weight*
Scentre Group	27.0%	4.5%
Dexus Property Group	14.8%	3.9%
Viva Energy REIT	4.4%	3.4%
Vicinity Centres	4.1%	(4.9%)
GPT Group	5.9%	(3.9%)
Investa Office Fund	-	(2.9%)

*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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