

Freehold A-REITs and Listed Infrastructure Fund

Monthly Investment Update



September 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.



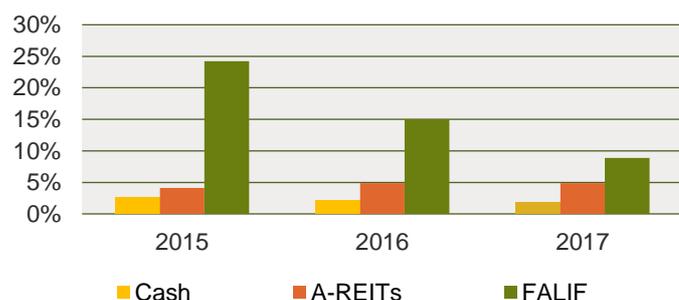
Investment Performance

Investment Performance	Month	Quarter	1 Year	3 Years	5 Years	Since inception**
Freehold A-REITs & Listed Infrastructure Fund (net of fees)	(2.8%)	(1.1%)	5.7%	7.9%	12.6%	14.5%
A-REITs Index*	(1.5%)	2.0%	13.2%	10.6%	14.0%	12.8%
Listed Infrastructure Index*	(3.5%)	(2.0%)	6.1%	11.3%	15.2%	17.9%

*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).

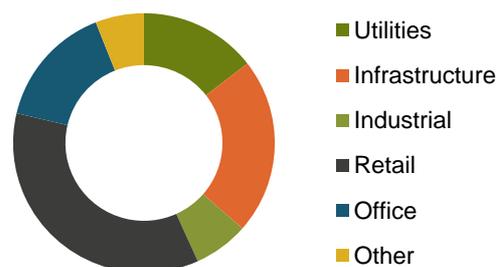
**AREITs/Listed Infrastructure inception date - 1 May 2010. Performance returns assume reinvestment of income and returns greater than 1 Year are expressed as %p.a.

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 decreased by -2.8% in September, underperforming the broader market for the period impacted by an increase in US bond yields by 20bpts as a result of increasing inflationary concerns. Domestic bonds also increased by 13bpts to 2.53% as part of the global rotation out of bonds with the impact flowing through into defensive asset classes such as A-REITs and infrastructure.

News flow was relatively light on as expected given the recent reporting season. Macroeconomic themes continued to drive stock returns with retail stocks coming under the most pressure following what could best be described as the most underwhelming set of results versus market expectations. Corporate activity surrounding Investa Office Fund continued with Canadian Group Oxford being granted due diligence following its indicative and non-binding proposal to acquire all shares for \$5.60 cash. In our view, this puts Oxford in the box seat. The other significant corporate activity was around PropertyLink's offer to acquire Centuria Industrial REIT following the acquisition of a significant line of stock on market. This has become more complicated however with ESR Australia submitting a non-binding indicative offer to acquire all PropertyLink shares for \$1.15 cash and subject to not proceeding with its bid for Centuria Industrial REIT.

Across infrastructure, the main news flow centred around the ACCC's decision to approve CK Group's current takeover offer for APA Group. Despite this, the stock still trades at circa 10% below the current offer price given it still requires Federal Government approval, which many believe will be unsuccessful given the significant exposure CK Group would have to Australia's main energy market of gas and electricity.

Recently, both the A-REIT and infrastructure sectors have been subject to profit taking following strong gains and increasing bond yields. Earnings growth however, remains intact which should underpin sector pricing given the forward distribution yield is appearing increasingly attractive.

Performance Update

Contributors

FET (OW): Posted another strong monthly return on the back of Charter Hall's proposal to acquire the parent company Folkestone and its 12% economic interest in FET.

VCX (UW): Was the worst performing stock within the sector, driven by expectations that its \$1bn non-core asset sale programme may require heavy price discounting.

Detractors

IOF (UW): It appears the takeover battle for Investa Office Fund is approaching finalisation, after Oxford delivered a near knockout blow with its \$5.60 all-cash proposal.

BWP (UW): No material news during the month. BWP has benefitted from passive investor flows and M&A in the broader industrial sector.

Current & Active Weights

Asset Class	Benchmark	Range	Current	Active Weight
A-REITs	70%	40–100%	61.5%	(8.5%)
Listed Infrastructure	30%	0–60%	35.2%	5.2%
Cash	0%	0–20%	3.3%	3.3%

Top 6 Active Positions

Security	Portfolio Weight	Active Weight*
Transurban Group	18.3%	4.4%
Scentre Group	26.1%	3.6%
Mirvac Group	3.5%	3.5%
Vicinity Centres	4.0%	(4.9%)
GPT Group	6.9%	(3.0%)
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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