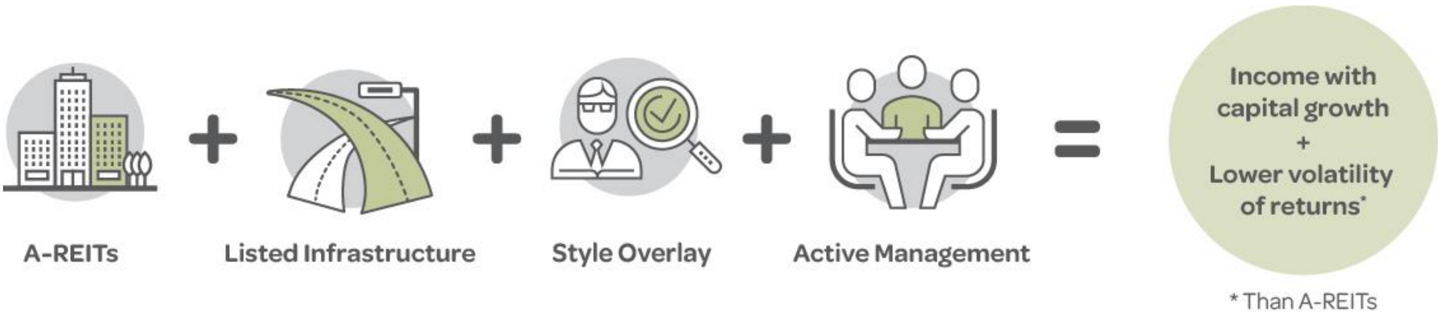
# Freehold A-REITs and Listed Infrastructure Fund

**Monthly Investment Update**

August 2019

**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.

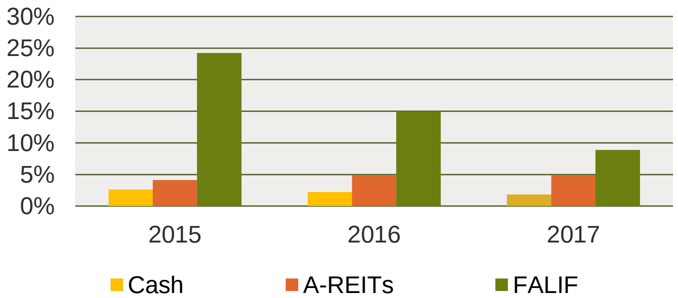



## Investment Performance

| Investment Performance | Month | Quarter | 1 Year | 3 Years | 5 Years | Since inception** |
|---|---|---|---|---|---|---|
| Freehold A-REITs & Listed Infrastructure Fund (net of fees) | 0.6% | 8.3% | 18.5% | 7.3% | 12.9% | 15.4% |
| A-REITs Index* | 1.3% | 8.2% | 19.7% | 9.0% | 13.9% | 13.8% |
| Listed Infrastructure Index* | (1.5%) | 10.9% | 24.2% | 12.8% | 16.6% | 19.2% |

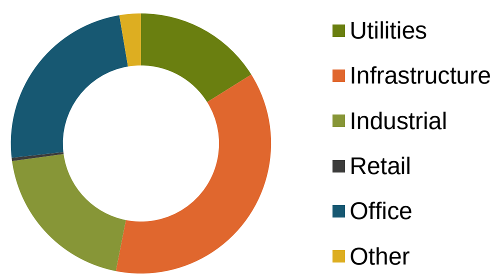
*A-REITs Index is the S&P/ASX 300 AREIT Accumulation index; Listed Infrastructure Index is a subset of S&P/ASX 200 Index infrastructure sub industries, as defined by the Global Industry Classification Standard (GICS).
**AREITs/Listed Infrastructure inception date - 1 May 2010. Performance returns assume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

The Fund increased by +0.6% in August, significantly outperforming the broader equities market over the month. There were several catalysts for this. Firstly, the macroeconomic backdrop continues to deteriorate with no real improvement in the ongoing trade dispute between China and the US and this is impacting global growth expectations. Secondly, the month was dominated by reporting season, which, in many cases only reinforced the increasingly difficult global conditions. This is further evidenced by the continued bond market rally which saw US bond yields decline by 50bpts to 1.50% and domestic 10yr bonds fall by 30bpts to 0.89% over the month. Central Banks around the world are also reacting, with official interest rates continuing a downward trend in the hope of stimulating an increase in economic activity and generate some upwards inflationary pressures. It is hard to say if this has been truly successful to date.

Domestically, the story is much the same. Annualised second quarter GDP came in at just 1.4% – its lowest number since the GFC – continuing its downward momentum from a peak annualised rate of 3.0% just 12 months earlier. With current interest rates at an already historically low of 1%, the market is factoring in further interest rate cuts as a means of providing stimulus. We question just how much more of an impact interest rate cuts can have from current levels, with other levers, in our view potentially needing to be explored.

Looking forward, we remain of the view that we are in for a sustained period of low growth for the foreseeable future. Given this backdrop, we expect bond yields to remain low. This should continue to provide support for the AREIT and infrastructure sectors given their historical high correlation. Furthermore, reporting season only reaffirmed our views with respect to portfolio construction, where both the office and industrial sectors were the standouts in the property sector, with the challenges only increasing for retail landlords. As expected, the infrastructure names delivered no real surprises. We expect these trends to only amplify from here, and remain comfortable with our current portfolio positioning as, in our view, stocks with highly predictable earnings streams generated by high quality assets will outperform going forward.

## Performance Update

### Contributors

**CIP (OW):** Delivered a solid result in line with market expectations. The portfolio has been repositioned and de-risked and currently offers a sound risk adjusted return at current prices.

**VVR (OW):** The stock continues to benefit from its triple net leasing structures in place coupled with a long tenor in the leases.

### Detractors

**CQE (UW):** The Fund sold its overweight holding to zero during the month, concerned about its total change in strategy away from an owner of childcare centres to a much broader mandate, which, in our view is more about growth in FUM than anything else.

## Current & Active Weights

| Asset Class | Benchmark | Range | Current | Active Weight |
|---|---|---|---|---|
| **A-REITs** | 70% | 40–100% | 60.0% | (10.0%) |
| **Listed Infrastructure** | 30% | 0–60% | 36.6% | 6.6% |
| **Cash** | 0% | 0–20% | 3.4% | 3.4% |

## Top 6 Active Positions

| Security | Portfolio Weight | Active Weight* |
|---|---|---|
| **Centuria Industrial REIT** | 4.7% | 4.0% |
| **Viva Energy REIT** | 5.2% | 3.9% |
| **Transurban Group** | 18.4% | 3.4% |
| **Vicinity Centres** | 2.9% | (5.0%) |
| **SCA Property Group** | - | (2.2%) |
| **BWP Trust** | - | (1.8%) |

*Post application of style overlay

| **Fund Details** | |
|---|---|
| **Fund Inception Date** | Model Portfolio – 1st May 2010<br>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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