

# Freehold A-REITs and Listed Infrastructure Fund

Monthly Investment Update



December 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.



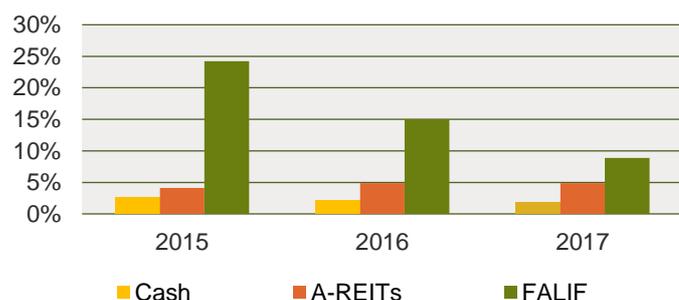
## Investment Performance

Investment Performance	Month	Quarter	1 Year	3 Years	5 Years	Since inception**
Freehold A-REITs & Listed Infrastructure Fund (net of fees)	(2.8%)	0.2%	16.6%	8.5%	10.9%	14.5%
A-REITs Index*	(4.2%)	(0.7%)	19.5%	9.5%	11.9%	12.9%
Listed Infrastructure Index*	(0.9%)	3.6%	31.3%	16.3%	16.1%	18.7%

\*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).

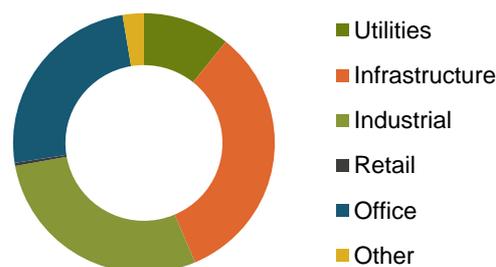
\*\*AREITs/Listed Infrastructure inception date - 1 May 2010. Performance returns assume reinvestment of income and returns greater than 1 Year are expressed as %p.a.

## 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 December, tracking the broader equities market lower. Australian bond yields increased by +34bps to 1.37% during the month, in response to improving US economic conditions, as well as increased macroeconomic certainty with regards to a trade deal between the US and China, and the decisive political victory for Boris Johnson in the United Kingdom. Despite the monthly sell-off in domestic yields, the Australian 10 year bond rate remains significantly below its prior 2.32% rate at the start of 2019.

The month was dominated by a number of capital raisings from groups such as Centuria and Charter Hall, totalling \$700m in aggregate. This placed additional short term pressure on stock prices and took the total amount of capital raised across the A-REIT sector to \$5.9bn for CY19.

During the month, many companies announced independent asset valuations, whereby commercial and industrial portfolios continued to demonstrate capitalisation rate compression and market rental growth, whilst retail assets continue to face headwinds. Within the infrastructure sector, Sydney Airport hosted its investor day, outlining its growth opportunities within the aeronautical and commercial aspects of the business. The stock has been a strong recent performer and the Fund trimmed its position in Sydney Airport during the month upon valuation grounds. Meanwhile, speculation that APA Group is nearing its first offshore expansion deal continues to gain traction given the limited opportunities for growth domestically.

Looking forward, the upcoming reporting season is just around the corner in February, with companies typically in 'blackout' at present. In the interim, macroeconomic factors will continue to influence yields and stock price movements.

## Performance Update

### Contributors

**VCX (not held):** The Group continues to remix its portfolio via the acquisition of an additional factory outlet at Uni Hill, Victoria and the sale of Lennox Village in NSW at a -15% discount to its December 2017 book value

**APA (overweight):** Announced it had entered a new gas transportation agreement with AGL on the East coast grid, extending the existing contract in place.

### Detractors

**GMG (overweight):** Continues to face investor churn following the Group's deletion from the FTSE EPRA NAREIT global property index. The Fund has taken advantage of recent price weakness to build a position in the stock.

**CIP (overweight):** Announced a discounted capital raising to acquire two industrial properties leased to Arnott's during the month at average capitalisation rates of 5.2%.

## Current & Active Weights

Asset Class	Benchmark	Range	Current	Active Weight
<b>A-REITs</b>	70%	40–100%	66.1%	(3.9%)
<b>Listed Infrastructure</b>	30%	0–60%	30.4%	0.4%
<b>Cash</b>	0%	0–20%	3.5%	3.5%

## Top 6 Active Positions

Security	Portfolio Weight	Active Weight*
<b>Centuria Industrial REIT</b>	6.0%	5.1%
<b>Dexus Property Group</b>	17.6%	5.0%
<b>Goodman Group</b>	4.5%	4.5%
<b>Vicinity Centres</b>	-	(7.9%)
<b>SCA Property Group</b>	-	(2.5%)
<b>Charter Hall Long WALE</b>	-	(2.3%)

\*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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