Freehold A-REITs and Listed Infrastructure Fund

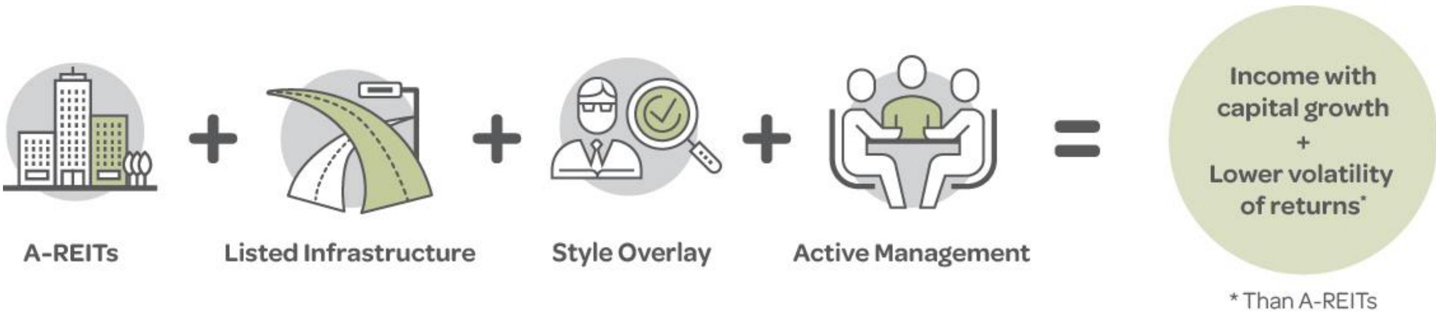
Monthly Investment Update

FREEHOLD Investment Management

May 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.

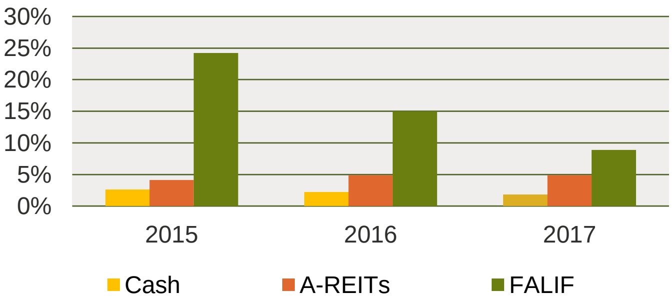


Investment Performance

Investment Performance	Month	Quarter	1 Year	3 Years	5 Years	Since inception**
Freehold A-REITs & Listed Infrastructure Fund (net of fees)	1.3%	3.8%	14.3%	6.1%	12.8%	14.8%
A-REITs Index*	2.3%	6.0%	17.2%	8.1%	14.2%	13.2%
Listed Infrastructure Index*	2.3%	6.7%	18.2%	10.3%	15.6%	18.5%

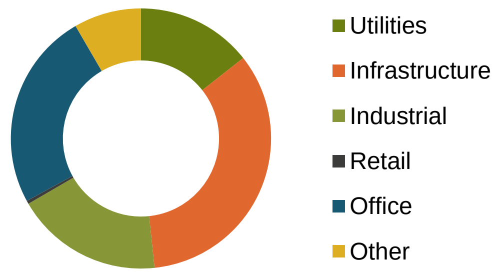
*A-REITs Index is the S&P/ASX 300 AREIT Accumulation index; Listed Infrastructure Index is a subset of S&P/ASX 200 Index infrastructure sub industries, as defined by the Global Industry Classification Standard (GICS).
**AREITs/Listed Infrastructure inception date - 1 May 2010. Performance returns assume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



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Commentary

The Fund increased by +1.3% in May, driven by an ongoing decline in bond yields due to a deteriorating global growth outlook and ongoing trade disputes. This decline in yields continues to drive investors' appetite for interest rate sensitive asset classes such as AREITs and listed infrastructure.

Domestically, the Federal election result and its absence of changes to negative gearing and capital gains taxation buoyed the broader equity market, and in particular residentially exposed names re-rated sharply during May. The broader backdrop however remains challenging, characterised by low core inflation, persistent slack in employment and a housing market constrained by lending restrictions. As a result, the Reserve Bank cut the cash rate to 1.25% as widely expected, addressing spare capacity in the labour market to progress towards the inflation target.

In sector news, both Dexus and Mirvac undertook significant capital raisings of $964m and $750m respectively to drive growth initiatives. Despite the size of these raisings, these were absorbed seamlessly, indicating the depth of capital seeking exposure to the asset class.

Additionally, the first significant regional retail transaction was completed by Scentre Group selling a 50% stake in Westfield Burwood to Perron Group at a slight premium to book value, which brought relief to other retail names by demonstrating price discovery. This compares to Vicinity's October 2018 transaction of sub-regional and neighbourhood shopping centres at a -5% headline discount, and the Group's recent June valuation update which posted net declines within these categories. This weakness within the retail category is in stark contrast to commercial office and industrial valuations, where direct market transactions indicate further valuation gains driven by income growth and capitalisation rate compression.

Looking forward, the Fund is defensively positioned with an overweight bias to both office and infrastructure, with a significant underweight weighting towards the retail sector. Global headwinds continue to build and the yield curve continues to imply a negative outlook, which is supportive of defensive sectors such as AREITs and listed infrastructure. With both sectors going 'ex distribution' in late June, this should provide further support heading into the August reporting/confession season.

Performance Update

Contributors

CQR (UW): The market is becoming increasingly cautious on the outlook for lower tier retail assets, with sales and rents both under pressure.

VVR (OW): The stock continues to see good support from investors, attracted to its long term triple net leases and highly predictable earnings profile.

Detractors

CQE (OW): Experienced reversion from the previous month's strong outperformance.

Current & Active Weights

Asset Class	Benchmark	Range	Current	Active Weight
A-REITs	70%	40–100%	63.4%	(6.6%)
Listed Infrastructure	30%	0–60%	33.6%	3.6%
Cash	0%	0–20%	3.0%	3.0%

Top 6 Active Positions

Security	Portfolio Weight	Active Weight*
Dexus	18.3%	4.1%
Charter Hall Education Trust	4.6%	3.6%
Centuria Industrial REIT	4.1%	3.6%
Vicinity Centres	4.4%	(4.0%)
GPT Group	7.7%	(2.9%)
SCA Property Group	-	(2.3%)

*Post application of style overlay

Fund Details	
Fund Inception Date	Model Portfolio – 1st May 2010 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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