Freehold A-REITs and Listed Infrastructure Fund

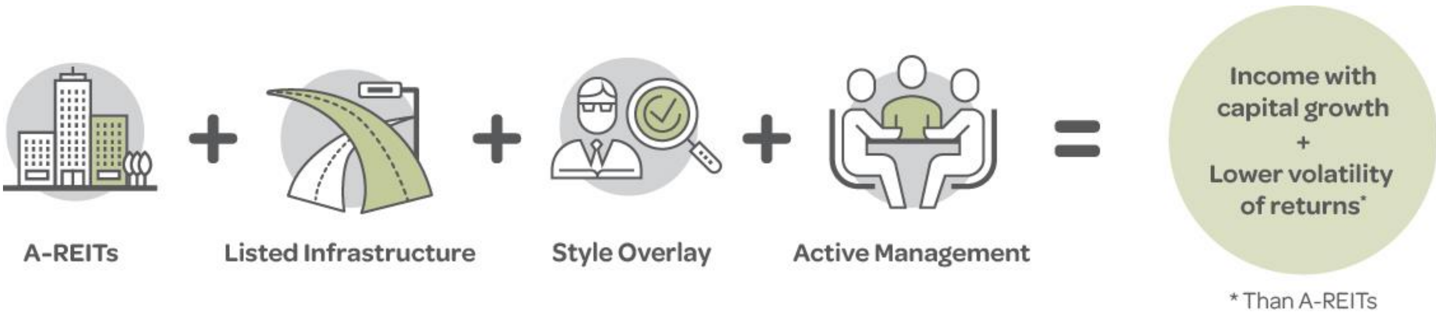
Monthly Investment Update

FREEHOLD Investment Management

September 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.

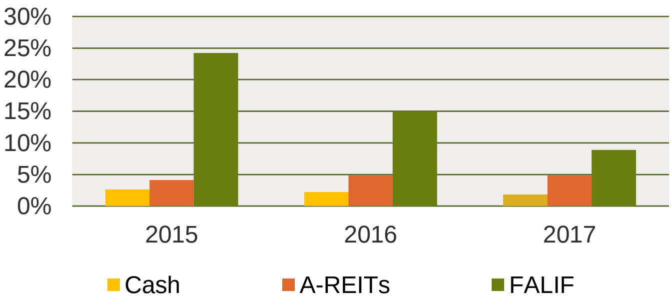


Investment Performance

Investment Performance	Month	Quarter	1 Year	3 Years	5 Years	Since inception**
Freehold A-REITs & Listed Infrastructure Fund (net of fees)	(3.2%)	0.4%	18.0%	7.8%	13.0%	14.9%
A-REITs Index*	(2.7%)	1.0%	18.3%	9.7%	14.4%	13.4%
Listed Infrastructure Index*	(1.8%)	0.2%	26.4%	13.5%	17.2%	18.8%

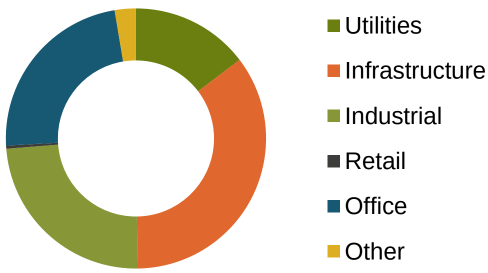
*A-REITs Index is the S&P/ASX 300 AREIT Accumulation index; Listed Infrastructure Index is a subset of S&P/ASX 200 Index infrastructure sub industries, as defined by the Global Industry Classification Standard (GICS).
**AREITs/Listed Infrastructure inception date - 1 May 2010. Performance returns assume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

Level 8, 25 Bligh Street
Sydney NSW 2000

P. +61 2 9228 1400
E. enquiries@freeholdim.com.au

www.freeholdim.com.au

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Commentary

The Fund declined by -3.2% in September, underperforming the broader equities market for the month. The increase in bond yields both domestically (+13bpts) and in the US (+16bpts) was a key driver of the Fund's underperformance, given its long term correlation. Bond yields at the long end of the curve rose despite the US Federal Reserve cutting its official cash rate by -25bpts to 1.75% and the RBA cutting to 0.75%. These increasingly aggressive actions by central banks are responses to stimulate economic activity, however, it is questionable whether these actions have so far proved to be successful amid a backdrop of global geopolitical tensions.

Domestically, the economy continues to face headwinds with GDP reporting its fifth consecutive quarterly decline. Retail sales continue their downward trajectory, with the annualised growth rate having now declined for nine consecutive quarters. News headlines citing ongoing store closures continue to impact overall retailer sentiment. Whilst declining bond yields and a lack of transactional evidence are yet to materially impact retail asset valuations, the Team continues to anticipate that a rebasing of valuations is inevitable. As a result, the portfolio remains heavily underweight retail landlords.

Looking forward, we continue to anticipate a period of sustained low growth for the foreseeable future. This environment will be supportive for defensive equity sectors that display a high level of earnings visibility. At this stage in the cycle, the Team believes that risk has not been priced correctly, and that the valuation gap between prime and secondary grade assets will widen from current levels.

Performance Update

Contributors

APA (OW): The market continues to be attracted to the Group's strong free cash flow and highly predictable earnings profile.

RFF (UW): The Group's accounting practices have been brought into question by activist hedge funds.

Detractors

DXS (OW): Performance during the month was impacted by general economic headwinds and a moderation in domestic business conditions.

VCX (UW): The stock offers one of the highest yields in the sector, however we believe the market is not adequately pricing the Group's significant operational headwinds, which will ultimately impact valuations.

Current & Active Weights

Asset Class	Benchmark	Range	Current	Active Weight
A-REITs	70%	40–100%	62.6%	(7.4%)
Listed Infrastructure	30%	0–60%	35.2%	5.2%
Cash	0%	0–20%	2.2%	2.2%

Top 6 Active Positions

Security	Portfolio Weight	Active Weight*
Transurban	19.0%	4.0%
Viva Energy REIT	5.3%	4.0%
Dexus Property Group	16.4%	3.8%
Vicinity Centres	3.0%	(5.1%)
SCA Property Group	-	(2.2%)
BWP Trust	-	(1.9%)

*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	Sargon
ARSN	164 098 855
APIR Code	LAM0042AU
Platforms	BT Wrap, Asgard eWrap, Asgard Infinity Wrap

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