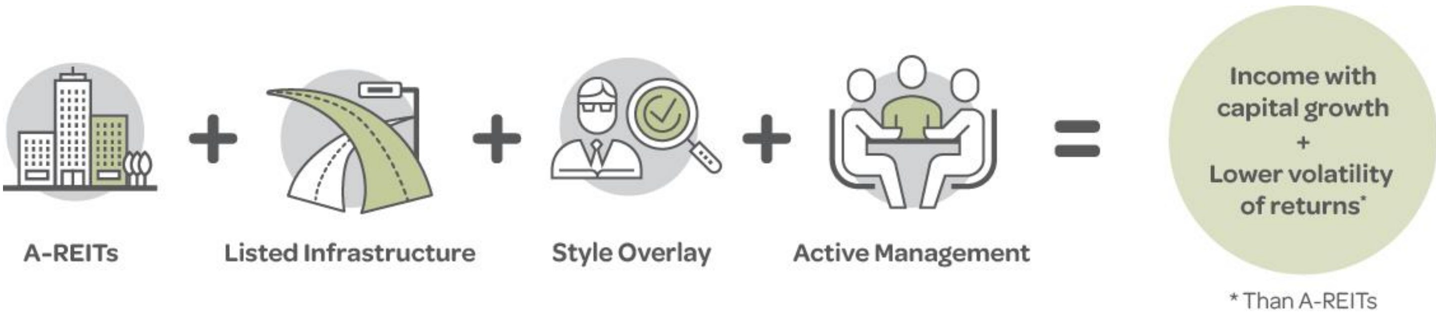
Freehold A-REITs and Listed Infrastructure Fund

Monthly Investment Update

February 2020

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.

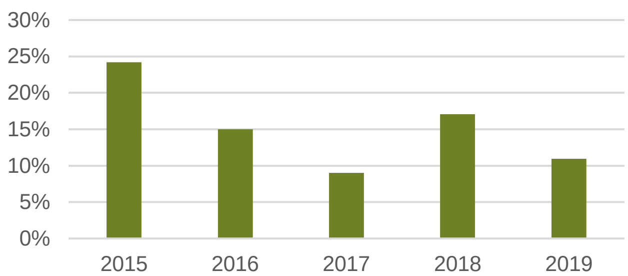


Investment Performance

Investment Performance	Month	Quarter	1 Year	3 Years	5 Years	Since inception**
Freehold A-REITs & Listed Infrastructure Fund (net of fees)	(4.7%)	(3.2%)	8.7%	8.5%	8.6%	14.2%
A-REITs Index*	(4.7%)	(3.0%)	12.2%	10.3%	9.8%	12.8%
Listed Infrastructure Index*	(5.4%)	(3.7%)	16.9%	14.2%	13.2%	18.0%

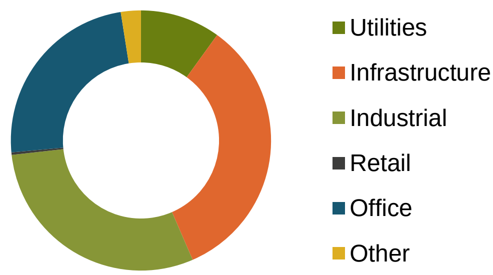
*A-REITs Index is the S&P/ASX 300 AREIT Accumulation index; Listed Infrastructure Index is a subset of S&P/ASX 200 Index infrastructure sub industries, as defined by the Global Industry Classification Standard (GICS).
**AREITs/Listed Infrastructure inception date - 1 May 2010. Performance returns assume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

Commentary

The Fund declined by -4.7% in February and offered superior downside protection by outperforming the broader market return of -8.2%. February can be viewed as a period of two halves; the first half of the month was dominated by reporting season, where stocks for the most part reported solid results in line with market expectations resulting in ongoing price gains. The later part of the month saw Coronavirus fears take hold, with sharp market declines overshadowing underlying stock fundamentals.

The February reporting season reiterated the Team's bullish views on both office and industrial markets, whilst our long held cautious view on retail landlords was similarly vindicated, as evidenced by the earnings downgrade by Vicinity Centres. Sydney Airport guided to an uncertain 2020 earnings outcome, given the travel impact of the Coronavirus. In our view, fundamentally this is a great business but will be susceptible to fluctuating passenger numbers and short term share price volatility. The Fund neutralised its exposure during the month and will be seeking opportunities to take advantage of future mispricing.

With regards to corporate activity, both Gaw Capital and Warburg Pincus dropped out of the process to acquire National Storage REIT (NSR). Only the US listed Public Storage REIT remains active in the bidding process and given current market dislocations, we would not be surprised to see a revised bid tabled to NSR lower than the current indicative, non-binding offer of $2.40. The other major transactional event during February was the selldown by Viva Energy REIT's corporate parent Viva Energy. Interestingly, the acquisitive Charter Hall Group and its affiliates acquired a 10% stake during the selldown process, suggesting that the portfolio of 469 service station and convenience retail properties may now also be "in play".

Looking forward, we expect markets to remain volatile given the unprecedented impact from the Coronavirus on global economies, business supply chains and consumer spending patterns. The landscape is rapidly evolving, and it remains to be seen whether the direct impacts will prove to be transient or longer lasting. Navigating through this challenging environment, our portfolio construction process will continue to favour high quality businesses with strong balance sheets and predictable, recurring cash flows.

Performance Update

Contributors

VCX (Not held): Downgraded full year guidance at its half yearly result, citing the impact of the Coronavirus is having on retail foot traffic and sales. We remain very cautious on the stock.

VVR (Overweight): Viva Energy sold down its 35% stake in the Viva Energy REIT during the month, with Charter Hall raiding its share register. Aside from corporate activity, VVR benefits from its strong defensive cash flows in the current uncertain investment climate.

Detractors

NSR (Not held): The Group's share price was underpinned by live takeover offers from three separate bidders, however now only one remains.

Current & Active Weights

Asset Class	Benchmark	Range	Current	Active Weight
A-REITs	70%	40–100%	65.2%	(4.8%)
Listed Infrastructure	30%	0–60%	32.4%	2.4%
Cash	0%	0–20%	2.4%	2.4%

Top 6 Active Positions

Security	Portfolio Weight	Active Weight*
Viva Energy REIT	7.9%	6.6%
Goodman Group	4.9%	4.9%
Dexus Property Group	18.1%	4.8%
Vicinity Centres	-	(7.0%)
Charter Hall Long WALE	-	(2.4%)
BWP Trust	-	(1.8%)

*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	0.25% / 0.25%
Responsible Entity	Responsible Entity Partners Ltd
ARSN	164 098 855
APIR Code	LAM0042AU
Platforms	BT Wrap, Asgard eWrap, Asgard Infinity Wrap

CONTACT DETAILS

Level 8, 25 Bligh Street
Sydney NSW 2000

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

www.freeholdim.com.au

FREEHOLD
Investment Management

Important Notice

This report has been prepared by Freehold Investment Management Limited (Freehold), AFSL 339008. Freehold have been appointed as the investment managers of the Freehold Australian Property Fund ARSN 169 952 738 (FAPF) and Freehold A-REITs & Listed Infrastructure Fund ARSN 164 098 855 (FALIF) to provide information on the funds to wholesale investors. This report is not and does not constitute an offer, invitation or recommendation to subscribe for, or purchase any security and neither this presentation nor anything contained in it shall form the basis of any contract or commitment. Reliance should not be placed on the information or opinions contained in this report.

This report is intended to be general advice only to wholesale investors and does not take into consideration the investment objectives, financial situation or particular needs of any particular investor. We strongly recommend any retail client seek the advice of a suitably qualified adviser for personal financial advice before making any decision to make an investment decision in relation to the Fund. The product disclosure statement (PDS) for FAPF is dated 5 December 2019 and contains important information which you should read before any investment decision is made. The PDS for FALIF is dated 4 September 2017 and contains important information which you should read before any investment decision is made. The PDS for FAPF and FALIF has been issued by the responsible entity, Responsible Entity Partners Ltd ABN 11 119 757 596 AFSL 304542, and is available at www.freeholdim.com.au or by contacting the investment manager by phone on 02 9228 1400 or emailing enquiries@freeholdim.com.au. Responsible Entity Partners Ltd has not prepared this report and does not assume any liability nor provide any warranties, representations or assurances on the accuracy, reliability or completeness of the information in this report.

To the maximum extent permitted by law, Freehold and Responsible Entity Partners Ltd, and their affiliates and related bodies corporate, and their respective officers, directors, employees and agents disclaim any liability (including, without limitation, any liability arising from fault or negligence) for any loss arising from any use of this report (or its content) or otherwise arising in connection with it.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this report. Where this report contains past performance information you should be aware that past performance is not a reliable indicator of future performance.

Freehold's forward-looking statements, intentions, forecasts, prospects, returns, expectations or other statements in relation to future matters contained in this report may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. They are based on a number of estimates, assumptions that are subject to business, scientific, economic and competitive uncertainties and contingencies, with respect to future business decisions, which are subject to change and, in many cases, are outside the control of Freehold and the directors. Freehold, nor the directors give any assurance that the forecast performance in the forecasts or any forward-looking statement contained in this presentation will be achieved.