

Fat Prophets Global Property Fund

“ A listed Australian first – Unique ASX opportunity for diversification into listed equities backed by physical real estate around the world. ”

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Overview of Global Property Fund

- ***Fat Prophets Global Property Fund will be an ASX listed investment fund, holding a portfolio of listed international equities which focus on ownership of real estate and which pay regular dividends.***
- The Fat Prophets investment style has a long term history of seeking out deep value. This fund will also target investments where the value of the stock invested in implies significant under valuation of the real estate assets it owns. This strategy will target capital growth opportunity.
- FPP will be the first ASX listed Investment Fund with a focus on Real Estate Equities
- Australian institutional investors have shifted their real estate exposure from domestic to international real estate investment over the past decade.
- The Fat Prophets Global Property Fund will provide investors with opportunity for diversification exposure to a professionally managed portfolio of global real estate listed companies (primarily REITs)
- Yield will play an important part of return; 5-6% p.a. minimum yield targeted
- The fund will raise between \$27.5m to \$220m for investment, with listing expected in September 2017.

About the manager

**Fat Prophets is an
International Research &
Wealth Management
company**

- International footprint with offices in Sydney, Auckland, and London and ~60 staff
- Extensive research team covering equities Australia, NZ, US, Europe, Asia
- Fat Prophets has a 17 year history of providing investment research, advice, and has funds under management of ~A\$140m
- Long term track record across multiple domestic and international equity portfolios and solid record of outperformance
- Fat Prophets is more than 95% owned by staff
- Extensive base of existing clients with high retention rate reflecting trusted advisor status
- Over 10,000 subscribers to research newsletter

Overview of Global Property offering

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What is a **REIT?**

And why might I
want to own one?



REITs Are simple

Real Estate Investment Trusts (REITs) are simple.

- They own real estate assets and collect the rent from those properties.
- After expenses of management and interest cost, all left over income is typically paid to investors as distributions
- As such, REITs often have relatively high yields and predictable income



*Assets owned
by the REIT
pay rent*



*All annual
earnings from
income
typically
distributed to
investors*



Attributes of REIT ownership

- **Asset diversification**- Real estate assets are well known as having a differing investment cycle to other assets such as equities and therefore are an important asset class allocation for diversification
- **Yield** – REITs pay a high proportion of their earnings as yield, providing an underlying investment return
- **Volatility** – AREITs have a beta of 0.6x vs the ASX200 Index meaning they are defensive with lower price volatility
- **Different return composition** – Property typically gains half of its total return from yield, more than many other asset classes
- **Comparative long term returns** – Despite lower volatility, Australian and US REITs have delivered returns which are comparable to equities, and have outperformed equities nearly 50% of the time over the long term.
- **Tangible asset value underpins share price** – REITs share prices are underpinned by the value of assets they own. Their share prices typically reflect one of the highest levels of underlying tangible asset value of any equity class.

Fund Mandate overview

- The Fund will hold an actively managed Portfolio
- 90% – 100% of the Portfolio will be invested in global listed real estate securities;
- 0% – 10% of the Portfolio invested in real estate related investments such as ETF's.
- Up to 15% can be held in cash
- The target portfolio will typically hold 70 – 90 global real estate opportunities
- The fund will weight ~30% of its equity investments to Australian REITs and the balance to global listed Real Estate Companies, providing a global exposure with a core domestic underpinning.

LIC Name	Fat Prophets Global Property Fund
Management	Externally managed by Fat Prophets Funds Management Pty Limited
ASX Code	FPP
Expected Company Size	\$27.5-\$220m
No of Board of Directors	3
Chairman of Investment Committee	David Kivell (Independent)
Responsible Entity	One Investment Funds Management Ltd
IPO Price	\$1.10
Structure	Listed Investment Trust
Equity Structure	Free loyalty option on a 1 for 1 basis, vesting after 1 year and exercisable at \$1.10 for the following 12 months
Management fee	1.0% of NAV
Performance Fee	17.5% of outperformance of the benchmark net of fees

Investment thesis

Strong and clear Investment thesis

- ✓ Conviction investing targeting oversold undervalued ideas
- ✓ Highly specialised REIT sector expertise
- ✓ Oversight by experienced external chairman of Investment Committee
- ✓ Long term fund manager with history of excess performance and global strategies
- ✓ Simple structure; long only equities with no leverage
- ✓ Targeting Yield + Capital Growth for investors
- ✓ No other similar product available in the Australian LIC market

Experienced Portfolio Managers

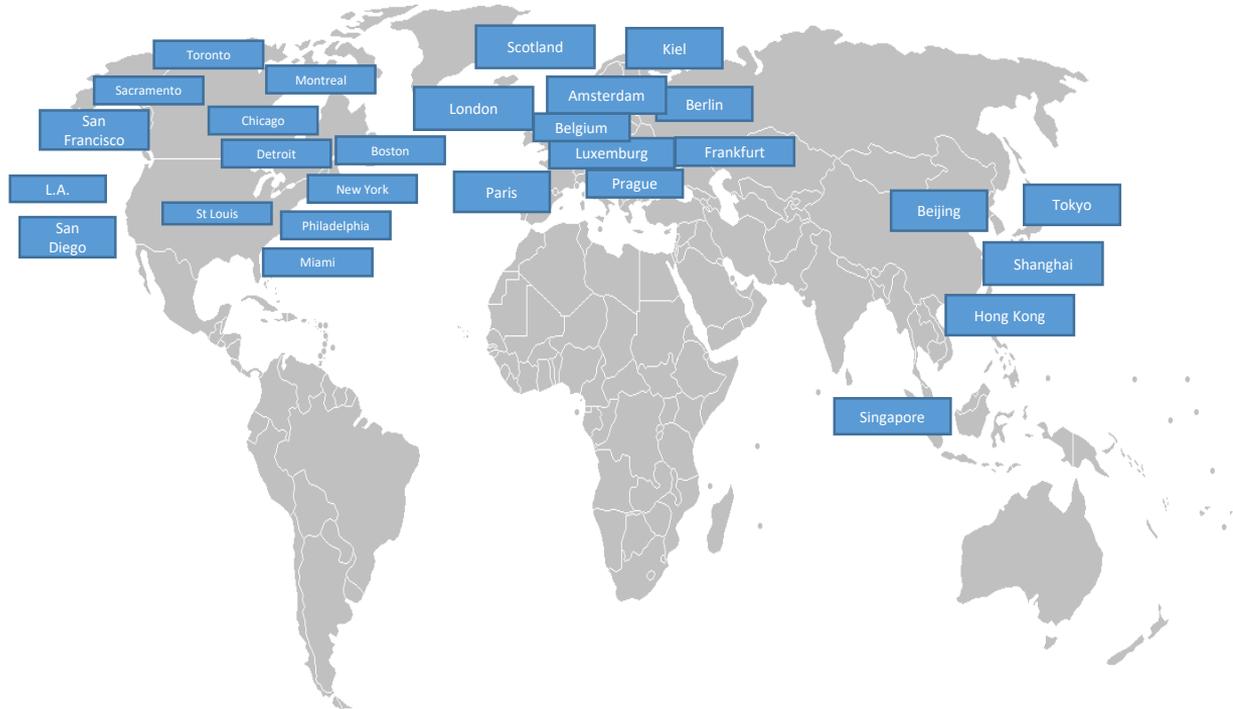
Simon Wheatley – CIO of the Global Property Fund

With over 20 years of listed real estate equity experience, Simon moved into real estate equity research in 1996, before heading equity research teams for JB Were and Goldman Sachs from 1999. Simon was head of international equity research for Goldman Sachs JBWere based in New York, was a member of the Australian investment review committee, was a long term partner at GSJBW, commenced his career in direct real estate as a corporate valuer for Jones Lang LaSalle, and most recently headed Real Estate Investment Banking for Australia and New Zealand for Goldman Sachs. Simon joined Fat Prophets in 2016. Simon has a Bachelor of Business Degree majoring in Land Economics and has undertaken the Securities Institute of Australia Graduate Diploma program, and presented as an experienced real estate equity specialist at many conferences, industry events and lectured post graduate courses.

Angus Geddes - Portfolio manager and Group CEO

Angus founded Fat Prophets in 2000 after moving from JB Were and Bankers Trust where he was a financial advisor and broker. He has evolved Fat Prophets to an international platform with a very wide spread of clients, significant assets under management, and a long track record in value added strategies for investment portfolios on both a domestic and global basis across multiple asset classes. Angus has over 12 years of funds management experience, steering \$130m of AUM and being CIO of the recently listed \$50m Fat Prophets Global Contrarian Fund (FPC.AX)

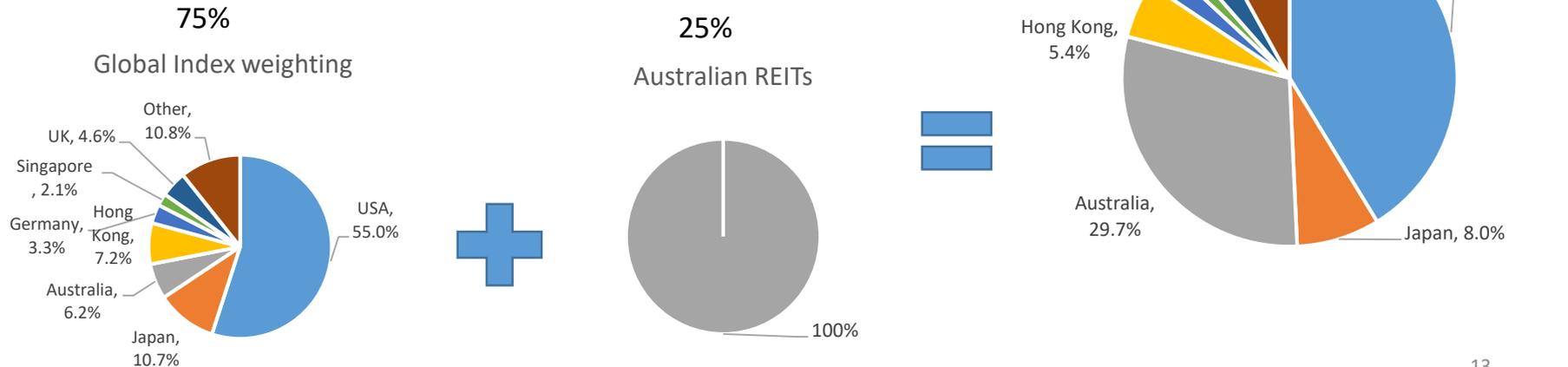
Global operations exposure



Simon has been on real estate company lead site visits of many real estate locations around the globe with REIT managements showcasing assets, market dynamics and real estate economics in these locations for sectors such as Office, Shopping Centres, Industrial, Seniors Living, Medical, Gaming, Hotels, German Residential and others. A small selection of locations ex Australia where Simon has toured with companies is shown on the adjoining map.

Custom portfolio benchmark weighting

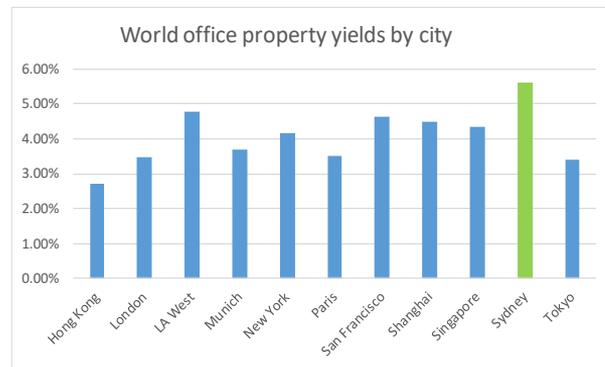
- The global index has over 50% weighting to USA and less than 10% exposure to Australia
- FPP will benchmark 75% to the Global Index and 25% to the Australian REIT Index, providing a unique exposure with around ~30% allocation to AREITs



Why overweight Australia

- ✓ AREITs are relatively high yielding
- ✓ Australian asset cap rates have a high yield spread over bonds
- ✓ We know it very well and will exploit this
- ✓ Provides a partial currency hedge for investors
- ✓ Solid fundamentals - Core Australian asset classes of office, retail and industrial have close to full economic occupancy
- ✓ Provides core Australian asset underpinning for investors in the ASX listed entity.

“Residential property has another 3 years of upside”
Mark Steinert, CEO Stockland, 18 August 2016



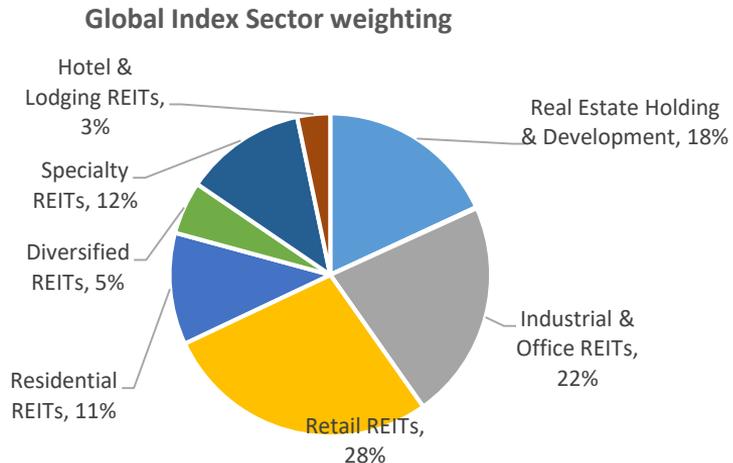
“Commercial property yields will continue to tighten”
Shane Oliver, AMP Chief Economist, 15 June 2017

“Australian commercial real estate is too cheap”
Professor Andrew Baum, Chairman CBRE Global Real Estate Investors, 24 August 2016

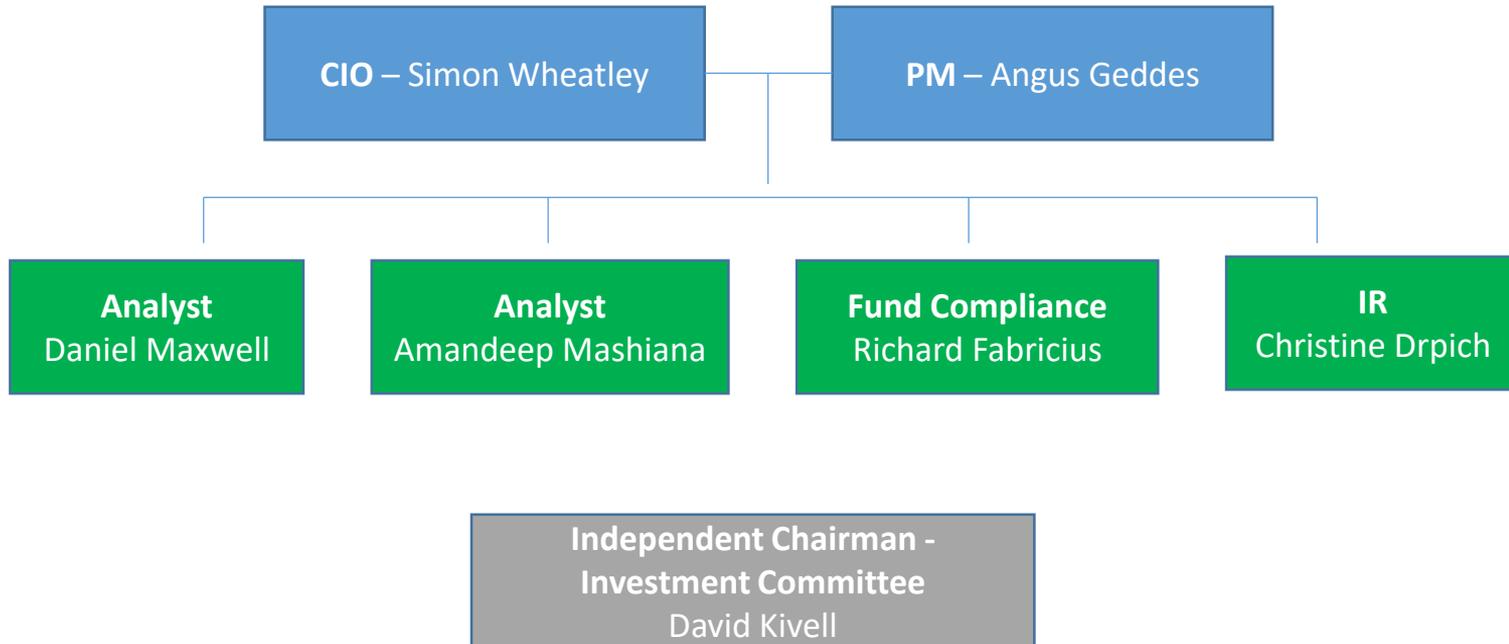
Global Real Estate Index Overview

- The benchmark index is to developed countries only
- The majority of assets owned by entities in the index are core office, shopping centre and industrial properties
- The balance of assets are a mix of residential, hotels, and specialised sectors such as hospitals and self storage.

“Deutsche Bank is recommending Australian equity investors seek shelter in offshore income stocks” The Australian, 13 June 2017



Experienced Management team



External sector expertise – Investment Committee

INDEPENDENT CHAIRMAN OF INVESTMENT COMMITTEE – David Kivell

David is a highly experienced global fund manager. He has over 25 years' experience in the finance industry and prior to this was a chartered accountant with KPMG. In real estate equities he has worked with companies such as Lend Lease, and run global investment teams with substantial assets under management for the likes of major funds run by Macquarie Bank, Perennial and CBRE Global Investors.

David will chair the Fat Prophets Global Property Fund Investment Committee.

Investment Style

- The Fund Portfolio will be constructed using the Investment Manager's process for analysing and identifying value opportunities utilising an approach focussing on global top down macro analysis relating to geographic and real estate sub sector opportunities, supplemented by research driven bottom up analysis of screened investment opportunities.
- The company will be total return driven, underpinned by yield which is typical of REITs, and targeting the overlay of capital growth opportunities. The flexibility to hold up to 15% cash if investment opportunities are not identified is part of the mandate.
- Currency will be unhedged, providing Australian investors with the natural currency exposure they would experience by investing into offshore exchanges. The overweight Australian sector exposure provides a higher than normal level of natural currency protection vs the standard global fund exposure, thereby protecting Australian investors in the ASX listed fund.
- The fund will not be able to short stocks and will not employ leverage. It will be a long only investment strategy.

Real Estate Opportunities - examples



Shopping centres



Office buildings



Warehouses



Healthcare Properties



Hotels



Residential multi family

Why Now

- ✓ Property has been relatively highly priced, however the risk of disruption from higher bond yields or other factors such as the change to retailing offer price disruption which we intend to take advantage of.
- ✓ Key reasons why we are launching this particular LIT now include;
 - ✓ Offers first ASX listed exposure to global real estate securities
 - ✓ Concentrated portfolio allows for select investment positions to be advantageously taken to benefit from geographic pricing opportunities rather than simply following the index trend
 - ✓ Yield spreads in the overweight market of Australia continue to be amongst the highest in the world
 - ✓ Significant opportunities arising from volatility in certain markets such as US Mall sector
 - ✓ Any rise in interest rates globally will be driven by growth and inflationary pressures, to which real estate has historically been well leveraged
- ✓ Real Estate has proven over multiple interest rate and equity cycles to be a long term asset class providing competitive and attractive returns along with diversification and lower volatility.

How we value REITs

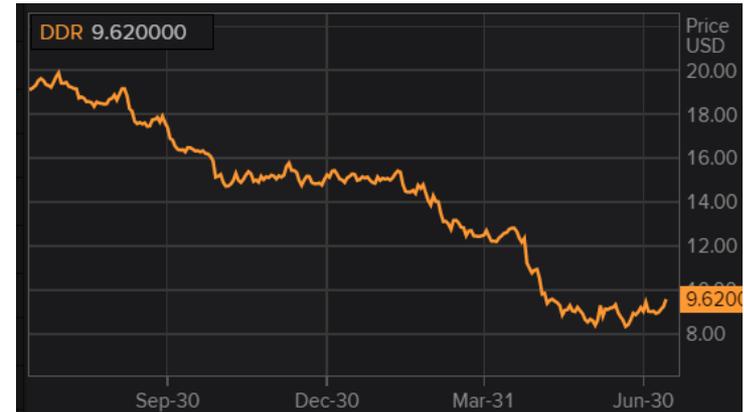
- Long term it is demonstrated that REIT stock prices typically revert to their underlying net asset backing.
- We assess value of REITs using various valuation methods including Discounted Cashflow (DCF), Dividend Discount Model (DDM), and Net Asset Value (NAV).
- Simplistically however, we really focus on whether the market value of the stock (REIT) is implying cheap exposure to the underlying real estate it owns.
- A key process is 'Sum of the Parts' (SOTP) Analysis. It is simple and effective. We analyse the implied asset capitalisation rate.
- A complicating factor is that many REITs are now not simply an investment holding Trust, but combine other activities such as development or funds management. The value of these not property businesses must be adjusted out of the share price to estimate the underlying real estate value and how the share price reflects this.

Implied Cap Rate scenario example

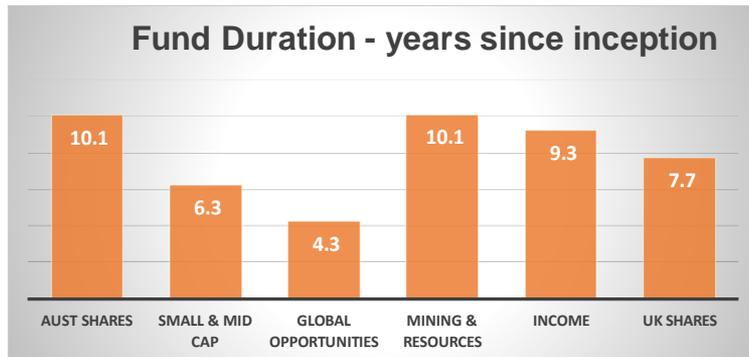
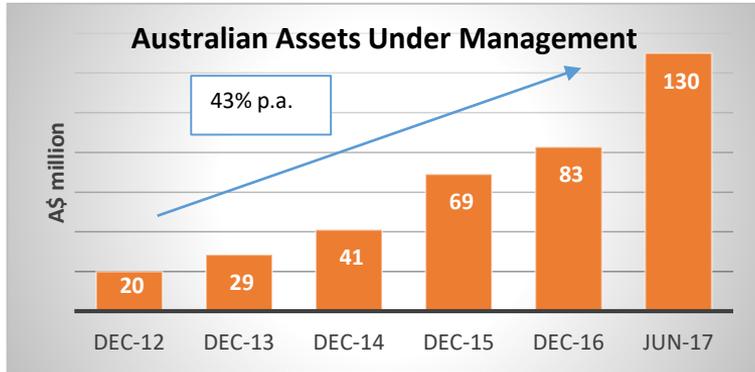
Ticker	Current IOF	Example IOF
NTA/Share	\$4.49	\$4.49
Current Stock Price	\$4.54	\$4.00
Prem /Disc to NTA	1.1%	-10.9%
Securities Outstanding (m)	614	614
Market Cap (A\$m)	\$2,788	\$2,456
Net Debt (\$m)	1128	1128
Other liabilities	80	80
Enterprise Value (\$m)	\$3,996	\$3,664
NAV/Share	\$4.49	\$4.49
Implied platform value (\$m)	0	0
Implied Portfolio Value (\$m)	\$3,996	\$3,664
Portfolio Value (\$m)	\$3,967	\$3,967
Stated Cap Rate	6.40%	6.40%
Estimated NOI (\$m)	\$253.89	\$253.89
Implied cap Rate	6.35%	6.93%
BP Difference between implied & actual Cap Rate	-0.05%	0.53%

Deep value Example - US Shopping Centres

- US Shopping Centre and Mall REITs have declined substantially over the last twelve months.
- Fear of store closures, migration to on line retail, and weak department store trends have driven weakness.
- An example of a key investment idea we have been following and reporting on in the daily report is DDR Corp in the US.
- It is the largest owner of “Big Box” shopping centres in the US with 298 shopping centres.
- Stock price has more than halved in the past year, despite EPS and sales growth remaining positive.
- Current stock pricing (10x earnings) implies current investors are buying the underlying real assets at significantly below their asset value and their replacement value



Experience and Strong AUM

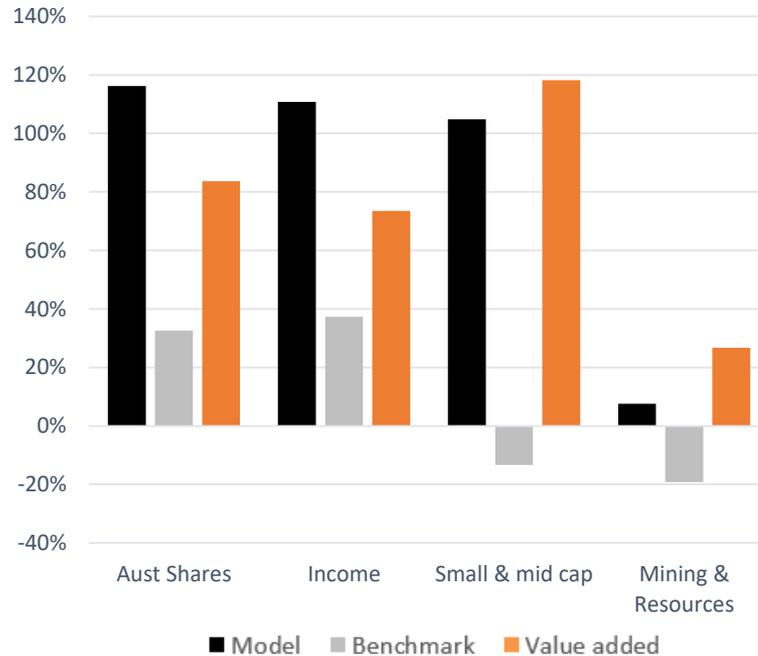


Fat Prophets has extensive funds management experience:

- ✓ Multi strategy funds
- ✓ Managed two LIC's
- ✓ Combination of domestic and global investment exposure and experience
- ✓ Long period of track record with several funds close to a decade since inception
- ✓ Strong value add track record

Strong performance track record

Performance vs Benchmark – Since Inception



Value added for investors

- ✓ Long term track record of managing investors capital
- ✓ Significant track record of near term and long term value added across various portfolio strategies and timeframes
- ✓ Value add style targets long term gains

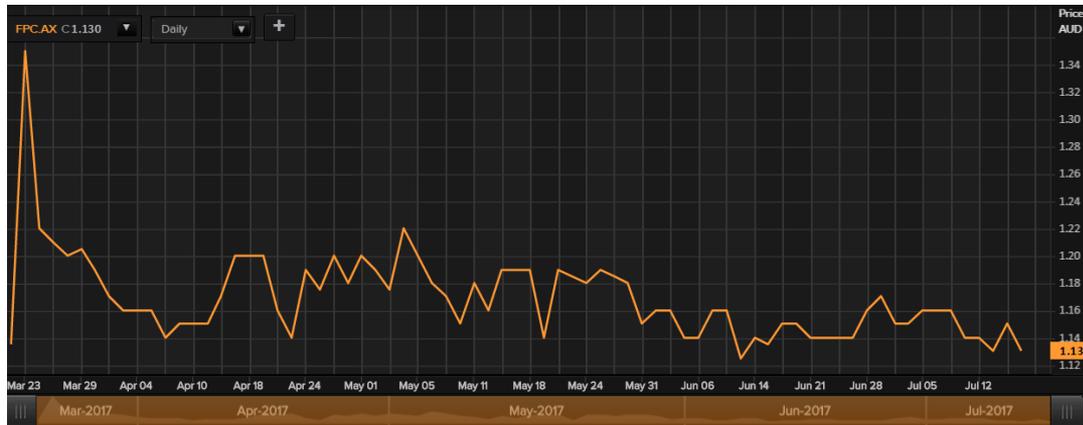
*** Returns shown are gross and before fees and costs*

Recent LIC is enjoying post IPO support

Trading above NTA and IPO price

- ✓ The Fat Prophets Global Contrarian Fund (FPC.AX) was listed in March 2017 as a high conviction global hedge fund style LIC.
- ✓ Since IPO the LIC has consistently traded above the \$1.10 issue price and above NTA per share
- ✓ With significant capital raised from Fat Prophets internal investor base at no stamping fee, the costs and subsequent NTA dilution from IPO were low, benefitting investors and aligning objectives.

FPC Performance
Since IPO



What the Fat Prophets Global Real Estate Fund will offer

Experienced funds manager	<ul style="list-style-type: none">✓ An experienced and proven Investment Manager underpinned by an international operating platform, combining with specialisation in the global real estate markets to target excess returns from global real estate
Active approach with sector expertise	<ul style="list-style-type: none">✓ An active investment approach from the manager with strong sector expertise targeting a conviction and value bias✓ Listed real estate investments which are backed by, and should reflect, the underlying asset value and rental growth attributes of the real estate owned
Trust Structure	<ul style="list-style-type: none">✓ Listed Trust Structure will allow pass through of dividends to investors pre tax which best reflects the structure of the underlying investments
Global platform	<ul style="list-style-type: none">✓ Access to in house global research team
Market Fees	<ul style="list-style-type: none">✓ Base and performance fees are in line with or at lower end of recent market LIC precedents
Established process	<ul style="list-style-type: none">✓ An established investment approach that has been developed over more than a decade.✓ Process has delivered consistent short and long term outperformance

Key Information – proposed timetable

Prospectus lodgement	11 July 2017
Offer opens	18 July, 2017
Priority Offers close	18 August, 2017
Offer closes	1 September, 2017
Allotment of shares	8 September, 2017
First day of trading on the ASX	13 September 2017



Appendices



Experienced Management

Simon Wheatley – Detailed background

- Licenced commercial real estate valuer without restriction from 1995
- Bachelor Of Business (Land Economy) - Winner of Colonial Funds Management University award for funds management
- Worked in direct real estate for four years before becoming real estate equities analyst in 1996.
- Moved to JB Were in 1999 to head a large Australian Real Estate Equities team.
- Became partner of Goldman Sachs JB Were in 2004
- Promoted to New York based Head of International Equity Research for GSJBW in 2005
 - Was broker dealer licensee of the US business and had US and UK analysts and supervisory analysts reporting in.
 - Held multiple regulatory US licences for research and equities supervision (FINRA Series 7, 23 and 24, 63 and 86 and 87)
- Returned to Australia in 2009 as head of Real Estate and Developers equity research for GSJBW Australia when full offshore integration between US Goldman Sachs and GSJBW offices occurred.
- Long term Member of the Australian Investment Review Committee (IRC) where all proposed changes in stock recommendation had to be pitched in detail and approved by all Australian and New Zealand analysts.
- Promoted to head of Real Estate Investment Banking for Australia and New Zealand for Goldman Sachs in 2013
- Commenced with Fat Prophets in 2016
- Associate member of the Australian Institute of Valuers and Land Economists (AIVLE)

- Presented at numerous major conferences and sat on expert panels, lecturing at Macquarie Graduate School of Management, Securities Institute of Australia and UWS courses, appearing on TV and quoted in domestic and international print press.

Investment Process

INVESTMENT PROCESS

Component	Overview
Style	Capital growth with value and dividend bias
Benchmark	Blend 25% ASX/S&P300 AREIT TRI, 75% EPRA NAREIT Global Developed Real Estate TRI
Leverage	No - Long only
Typical number of stocks	70-90
Stock constraint	Maximum single exposure 5% of fund
Sector constraint	No hard constraints
Region constraint	+/- 25% vs benchmark
Currency management	Unhedged
Strategy inclusions	Listed equities, ETF's

INVESTMENT APPROACH

Component	Overview
Research philosophy	Value with growth and dividends
Target Equities	Real Estate Cycle opportunity, and value relative to replacement cost.
Minimum market capitalisation	A\$150m
No of stocks in universe	350
No of stocks fully modelled	Opportunity dependent
Research Inputs	Quantitative screening, management meetings, company reports, broker research, industry research
Broker research inputs	Consensus estimates, recommendations
Valuation overview	DCF, price to NAV

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