

## ASX ANNOUNCEMENT

### Fat Prophets Global Property Fund (FPP) announces its NTA pursuant to ASX Listing Rule 4.12<sup>i</sup>

Dear Unitholders,

The Fat Prophets Global Property Fund (the **Fund**) had another strong month in December with NTA rising from \$1.0857 to \$1.0908 reflecting an increase of 0.49% over the month. This was the first month the Fund was fully invested, and it beat its benchmark by 1.77% or 177 basis points over the month.

	30-Nov -17	31-Dec-17	Change
<b>NTA per unit</b>	\$1.0857	\$1.0908	0.49%

The Fund entered December with active positions and an underweight to the US which was the weakest performing region for the month, thereby benefitting the return of the Fund. The Fund overweighted its Australian exposure late in the month of December to take advantage of the fact that many REITs trade ex distribution. This has two strategic benefits to the Fund.

Firstly the Investment Manager is actively seeking to maximise distributions which can be paid to investors in the Fund. The distributions payable are directly related to the distributions the Fund receives from its investments.

Secondly, our research of the REIT sector over the past two decades demonstrates that REITs typically hold a portion of their distribution when they trade ex, and their unit price typically recovers the distribution quickly which provides for excess return in the 6-8 week period around half yearly distributions. This is especially so for high yielding REITs. As this strategy comes to fruition, we intend to neutralise our Australian overweight and reallocate to North America.

The Fund ended the month of December with only a small cash balance representing less than 3% of total capital.

Key events impacting the Fund and relative returns during the month included:

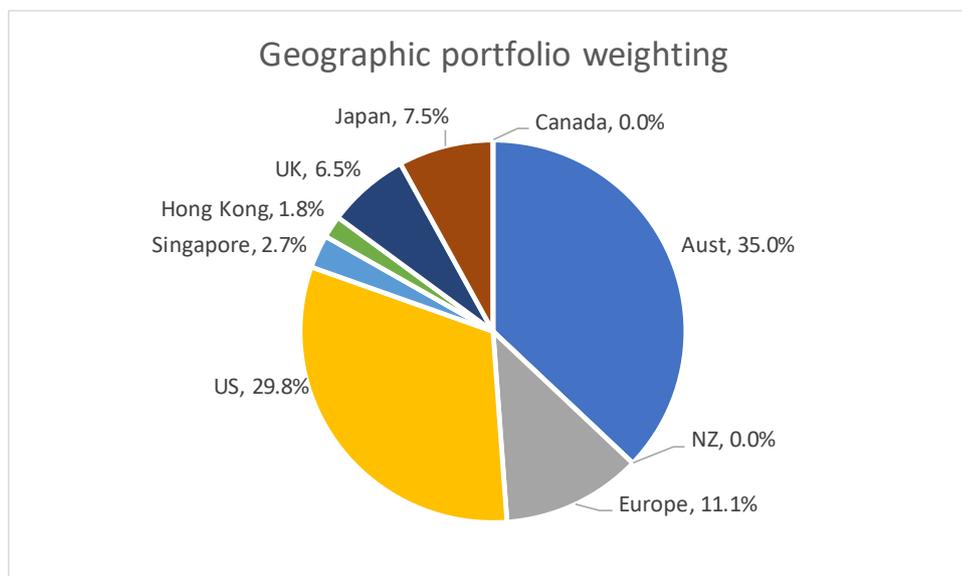
- One of the Funds largest UK stock holdings, Shopping Centre REIT Intu Properties PLC (INTUP.L) was subject to a board agreed takeover proposal from Hammerson at a 27% premium to create one of the largest UK/European REITs with over £21bn of assets. FPP continues to hold the position as at the end of December;
- Another major holding was US large format shopping centre REIT DDR Corp (DDR) which announced a restructure to address its weak market pricing and this resulted in a 15% rally in the stock price;
- Finally, a meaningful headwind for the relative return of the Fund was the agreed takeover proposal for Westfield Group (WFD.AX) by French shopping centre REIT Unibail (UNBP.AS) which was at a

substantial premium of 15%, and this was after a 10% pre bid rally by Westfield. With Westfield being such a large proportion of the Australian REIT Index, it was a large driver of the strong AREIT sector return for the month. FPP had zero exposure to Westfield, believing it to be expensive vs global peers and structurally challenged.

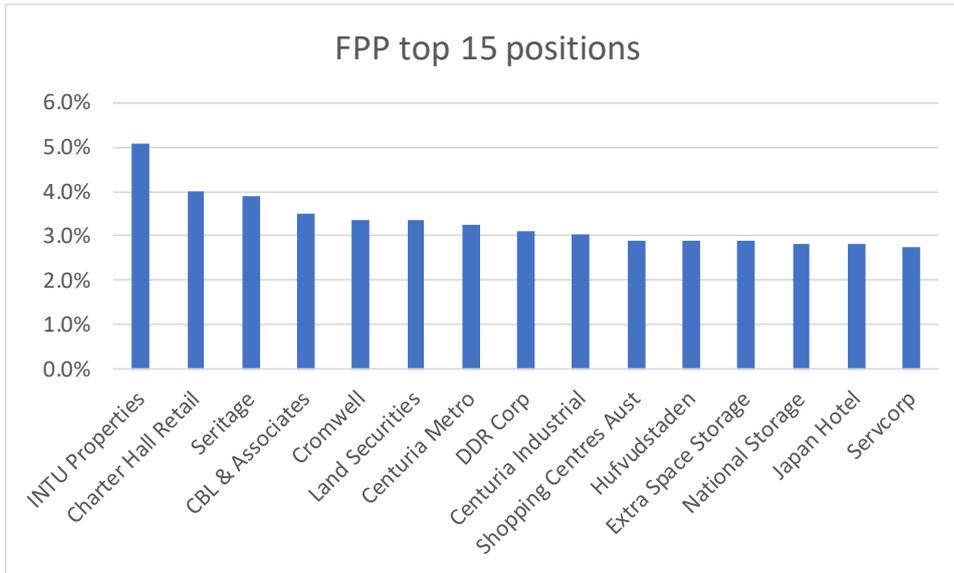
The continued strong activity in the shopping centre REIT space globally (takeover proposals for Westfield, Intu, Macerich, and GGP, and restructure of DDR Corp) in the Investment Manager's view continues to vindicate the Funds overweight position to this oversold and undervalued sub sector.

Thematically the Fund remains invested strongly in shopping centre REITs, and storage REITs in global markets.

Regionally, the Fund ended December underweight the US, overweight UK and Europe, and is overweight Japan while being neutral Asia and underweight Hong Kong. The Fund overweighted its exposure to Australia during December. Movements during the month saw the UK and Japan overweight exposures reduced.



The Fund continues to hold around 50 investment positions. The top 15 positions are highlighted in the following chart and demonstrate an overweight to shopping centre REITs. The top positions reflect a diversified mix of investments across US, Australia, Europe and UK.



While currency made a small positive contribution to the Fund return during November, this reversed meaningfully in December and the uplift in NTA was despite a currency headwind. During December the Australian Dollar appreciated meaningfully, particularly toward the end of the month, benefitting the Fund's underweight US exposure. This will also strategically benefit the planned upweighting of exposure to the US in January 2018. As at the end of December the Fund was overweight Australia and underweight US, softening the currency impact to a degree.

Key stocks the Fund traded out of during November included

- Big Yellow Group (UK) was sold after a 16% return
- Aeon Mall (Japan) was sold after a short term hold delivering a 10.3% return
- Ingenia (Australia) was sold after a small gain as it doesn't fit with the Fund's core long term strategy of owing REITs below NTA.

The top 5 positive contributors to Fund return since inception in October have been;

- Intu Properties (UK)
- DDR Corp (US)
- Tanger Factory Outlets (US)
- Land Securities (UK)
- GLP J-REIT (Japan)

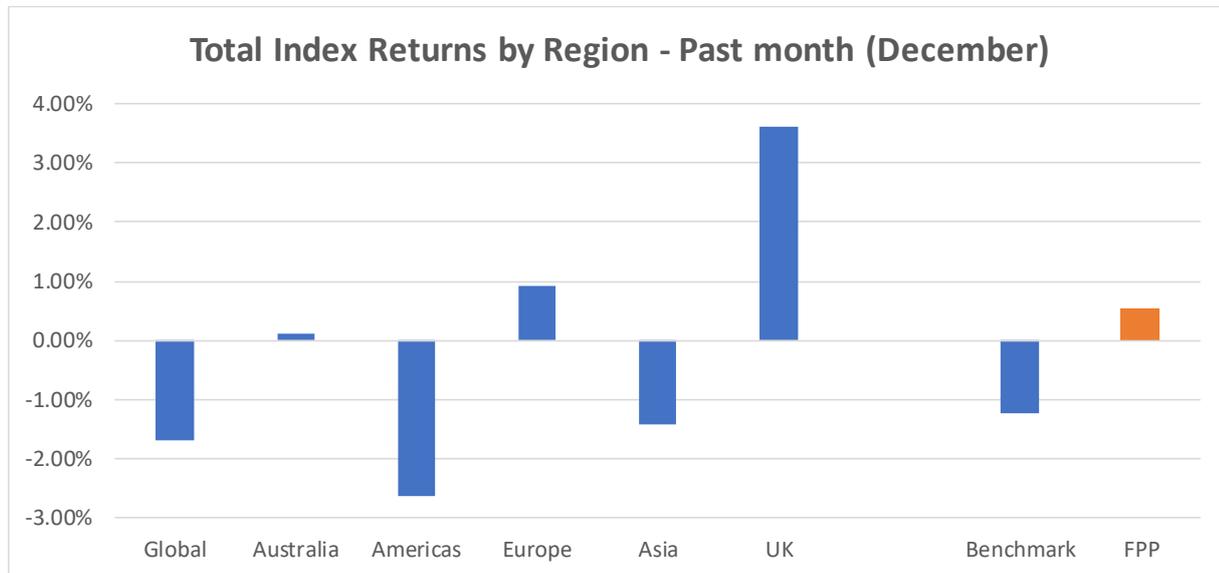
It is interesting to note that last month it was reported that DDR was one of the top 3 worst performers in the portfolio. It is now the second largest positive contributor to return and is a key conviction position of the Fund.

The Bottom 3 negative contributors to Fund return since inception in October have been;

- Avalon Bay (US)
- Mitsui Fudosan (Japan)
- Brookdale Senior Living (US)

Regionally, in contrast to the Fund return in December, the Global Index was down during December, and the US market which is the largest segment of the Global Index recorded a -2.65% return. The benchmark

which the Fund is measured against recorded a negative return during December. The best performing region was the UK.



### Fat Prophets Global Property Fund

Chief Investment Officer

Simon Wheatley

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<sup>i</sup> Fat Prophets Funds Management Pty Limited (ACN 615 545 536) has prepared the information in this announcement. The information contained in this announcement was not prepared by One Managed Investment Funds Limited (ACN 117 400 987) (**OMIFL**). While OMIFL has no reason to believe that the information is inaccurate, the truth or accuracy of the information in this document cannot be warranted or guaranteed by OMIFL. This announcement has been prepared for the purposes of providing general information only and does not constitute an offer, solicitation or recommendation with respect to the purchase or sale of any units in the Fund nor does it constitute financial product advice and does not take into account your investment objectives, tax or financial situation or needs.