fatPROPHETS
GLOBAL PROPERTY FUND

ASX ANNOUNCEMENT

Fat Prophets Global Property Fund (FPP) announces its NTA pursuant to ASX Listing Rule 4.12i

March 2020 Monthly NTA Announcement

Key Points:

- **Fund NTA declined 26% to $0.796. The US REIT Index declined 22.1%, US Real Estate sector declined 32%, and the Aust REIT sector declined 35.3% during the month of March**
- **Cash levels in the Fund were increased substantially for capital protection**
- **Fund investment rotation has been occurring. We are investing into deep value and conviction opportunities, reflective of the manager's contrarian approach.**
- **Cash at the end of month was 23%, up from 7% at the beginning and well down on peak mid month levels**
- **Smaller number of more concentrated holdings targeted**
- **FPP is trading at an 18% discount to NTA. The majority of FPPs holdings themselves are trading at deep discounts to NTA.**

Dear Unitholders,

The period for the month of March 2020 was challenging for global equities. The REIT sector which is typically recognised as a defensive sector within equities was hard hit globally as the prospect of business slowdowns and furloughs translated into a short term risk that many tenants reduced the rent they were willing or able to pay, and posed risk of a meaningful number of tenants potentially not able to financially survive a downturn. This in turn impacted the outlook for REIT incomes from rent, and associated risk to property values. Whereas REITs were trading at meaningful premiums to NTA at the beginning of 2020 and value was hard to find, many are now trading well below their underlying real estate valuations.

FPP is trading at an 18% discount to its own NTA currently and this was a 30% discount at the end of March. Additionally, the REITs it invests in are also trading at a significant discount. To demonstrate; at the end of March, the Australian REITs held by FPP were on average priced at a 43% discount to their NTA. Similar thematics apply to the global portfolio. This means new investors into FPP are buying in at a substantial NTA discount to own a portfolio of holdings which themselves are at a meaningful discount to their asset value. We believe this 'double discount' to NTA will result in a near term demand increase for FPP.

The decline in REIT sector pricing is something not seen since the 2008/09 GFC. We see a significant difference in markets however. The GFC impact on REITs was due to a deep contraction in the ability to source liquidity and debt finance. A similar recurrence is not evident in this current crisis. Additionally, REITs are on average substantially lower leveraged and more debt diversified than pre GFC. They learnt some major lessons and continue to carry them.

The current crisis relating to the emergence and spread of Co-Vid19 (the coronavirus) and subsequent global social isolation and personal, business and retail lockdowns has meaningfully impacted trade, and businesses which rent space in real estate. The downturn impact has been sudden and sharp. We believe the major effects will also be short.

The Australian government is mandating that rent free periods should be matched with rent deferrals, and that tenants cannot break leases. As such, even if a tenant is on a worst case scenario given a full current rent break, half of this is potentially recoverable in the future through deferral. This recent government initiative is actually a positive vs what we were expecting for retail and shopping centres. Instead of the full rent abatement during shutdown we had anticipated, retail landlords will discount the rent in accordance with the sales decline of a tenant. Half of that rent discount will be rent free, and the balance will be deferred rent to be recovered over not more than the following 24 months. This could result in 75% more rent than we had anticipated.

In terms of relative winners and losers, the most heavily and directly impacted real estate sectors include hotels, retail and shopping centres, and aged care. More resilient sectors include office properties and industrial real estate, with self storage potentially also resilient.

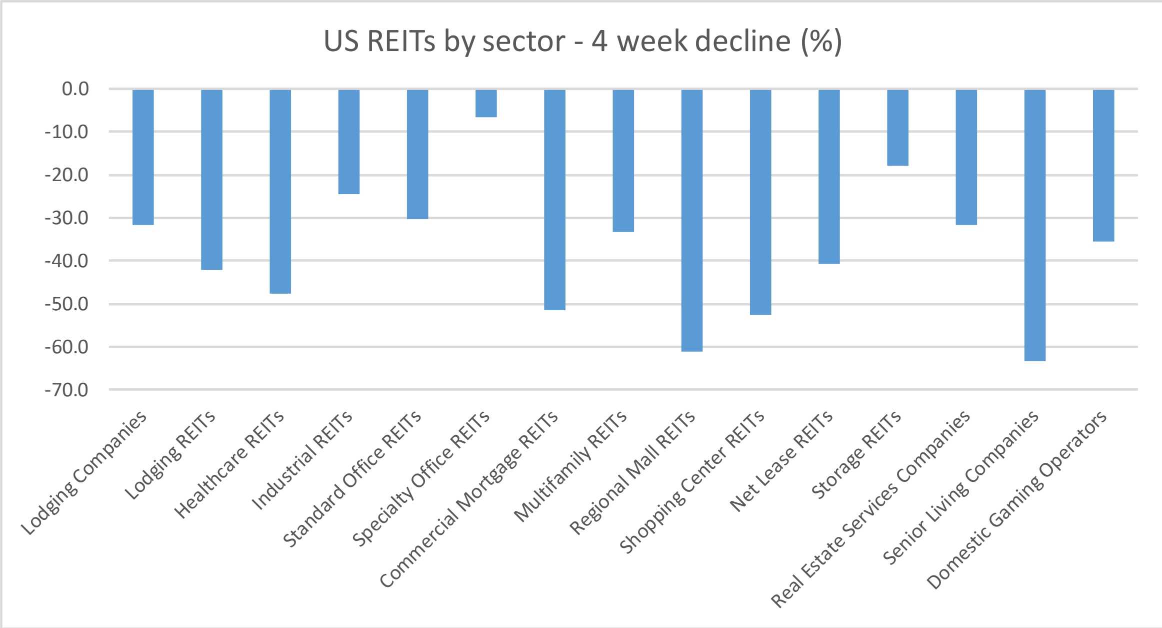
A summary of the change in NTA for the month of March for the Fund is as follows;

	29-Feb-20	**31-Mar-20**	**Change**
Value per unit	$1.0754	$0.7960	-25.98%

Returns for REITs were very challenged during March globally. At their worst, US REITs were down 44% mid month on where they had started. US Real estate ended the month down 31.5%, the second worst performing US GICS sector.

FPP is a long only Fund which cannot take short or hedging positions to protect from downside risk aside from increasing cash holdings. A positive is that global equity market volatility was declining at the end of the month, and recovery gains have been extended into April.

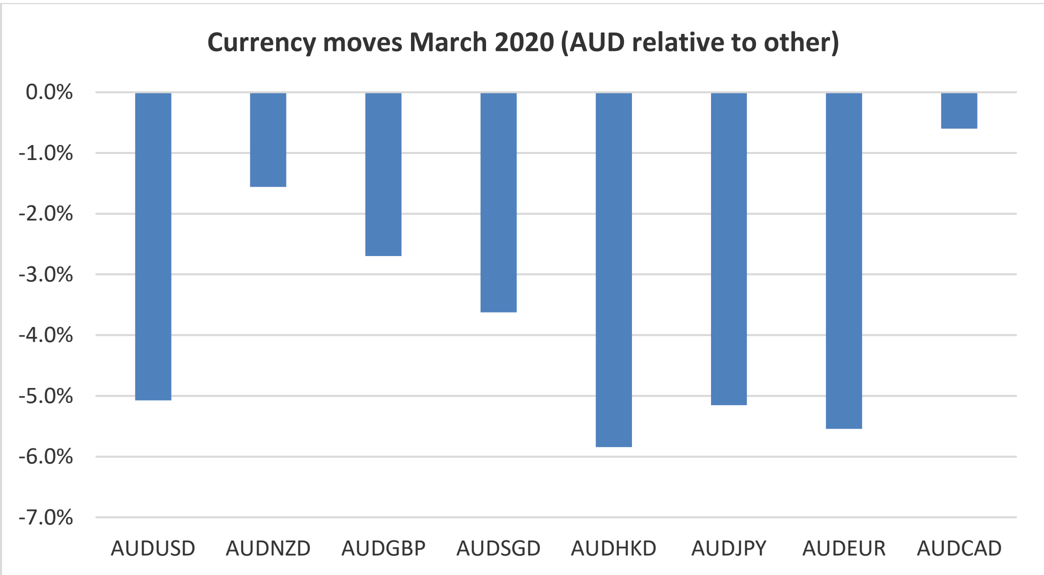
The following chart shows the declines by asset class in the US REIT sector over the month of March. The shopping Mall and Senior living REITs were most heavily impacted. We believe them to be oversold and offering value, and have accordingly taken recent investment positions.



Source: Thomson Reuters

The continued weakening of the Australian dollar again had a mild positive performance benefit for the Fund. During the month of March, the Australian dollar (AUD) weakened against all major currencies which are relative to the Fund. This took the AUD to its lowest levels in over 11 years relative to the USD and mid month it traded as low as $0.574.

The likelihood of further portfolio valuation benefit from continued weakness in the AUD is unlikely from here in our view. At the end of March, the Fund increased its exposure to Australian dollar investments. Not only do we see significant value in the local market, we believe the balance of risk to currency is a strengthening AUD and therefore being overweight AUD will be a positive for the return outlook.

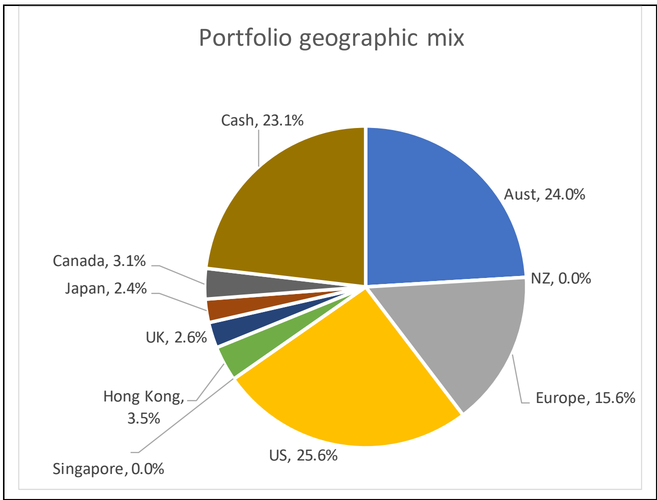


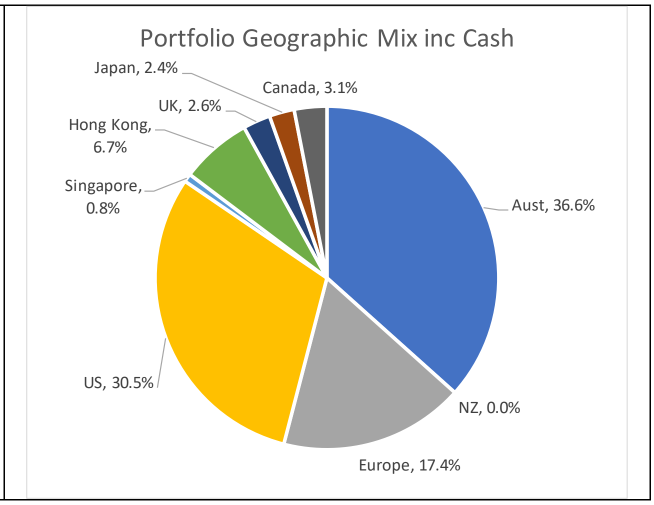
The Fund entered March fully invested. We initially increased cash to 7% early in the month, before more significantly moving to cash mid month as the steep equity market declines continued. The Fund ended the month of March with a cash balance of 23.1%, which was down from the meaningful cash balance raised mid month.

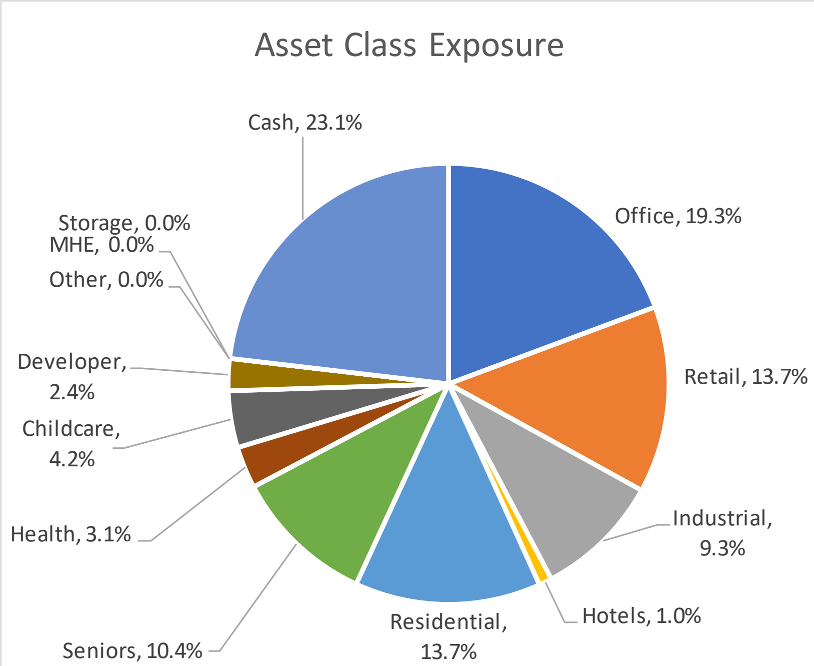
With the investment changes in March from selling and reinvesting, the Fund has recalibrated. We believe the depths of weakness have passed. The Fund as such during March has taken the opportunity to;

1. Reduce the number of holdings by around one third,
2. Increase conviction holdings in preferred investments,
3. Increase exposure to large cap REITs to avoid the risk of dilutionary raisings from smaller, less well capitalised REITs,
4. Increase conviction stakes in contrarian real estate sectors which have been aggressively sold off, and;
5. Pivoted away from US exposure to an Australian overweight.

The current geographic allocations at the end of March are shown in the following graph on the left. The chart below right shows the exposure once the dollar value of cash by geographic allocation is also accounted for. This positions the Fund as overweight Australia and underweight US. The Fund has made its first investment into Canada, investing into NorthWest Healthcare Properties REIT.

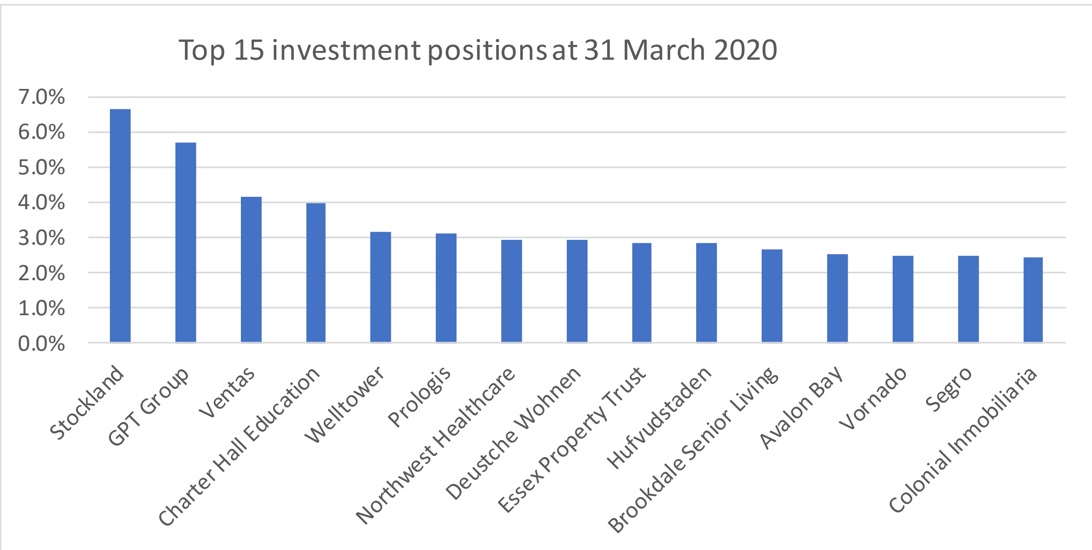






The number of investment positions held by the Fund currently has reduced to 37 from well over 50 last month. Top holdings in the Fund as at the end of the month are summarised in the chart below. The top three holdings have changed relative to the month of February. Whereas Prologis was the largest holding last month, the Fund exposure has reduced as we lightened weighting. Prologis had been outperforming on a relative basis as investors favoured industrial property, and we have taken some of this exposure to reinvest in deeper value opportunities with larger rebound potential.

At the beginning of 2020, National Storage REIT was the Fund's second largest holding. Its share price collapsed more than 40% at its lows of $1.30 in March after multiple takeover bidders walked away including US REIT Public Storage America which had offered $2.40 per unit. FPP exited its combined holding at an average price of around $2.23, locking in significant gains and avoiding the decline.



The Fund's largest exposure at the end of March was Stockland Group. The Fund acquired its SGP position at an average price of $2.43 representing a 41% discount to NTA. Given SGP's residential landbank is held at cost, we believe the NTA is conservative. By the 9th of April, this stake had appreciated by 24%. The Fund was also acquiring exposure to GPT at a 36% discount to its NTA. GPT is only 43% exposed to shopping centres, with the balance exposed to office and industrial. The fourth largest exposure of FPP at the end of March was Charter Hall Social Infrastructure REIT (CQE.AX, formerly Charter Hall Education REIT) which is primarily exposed to childcare centres with an average unexpired lease term of over 11 years. Further investments into CQE were made in early April prior to the governments announcement of major support for the childcare sector.

As at 9th April, CQE was the Funds 2nd largest holding at 6.2%. The average purchase price of $1.77 reflects a 42% discount to NTA, and the current share price already reflects a 25% increase on average investment cost just weeks after investing, benefitting FPP NTA.

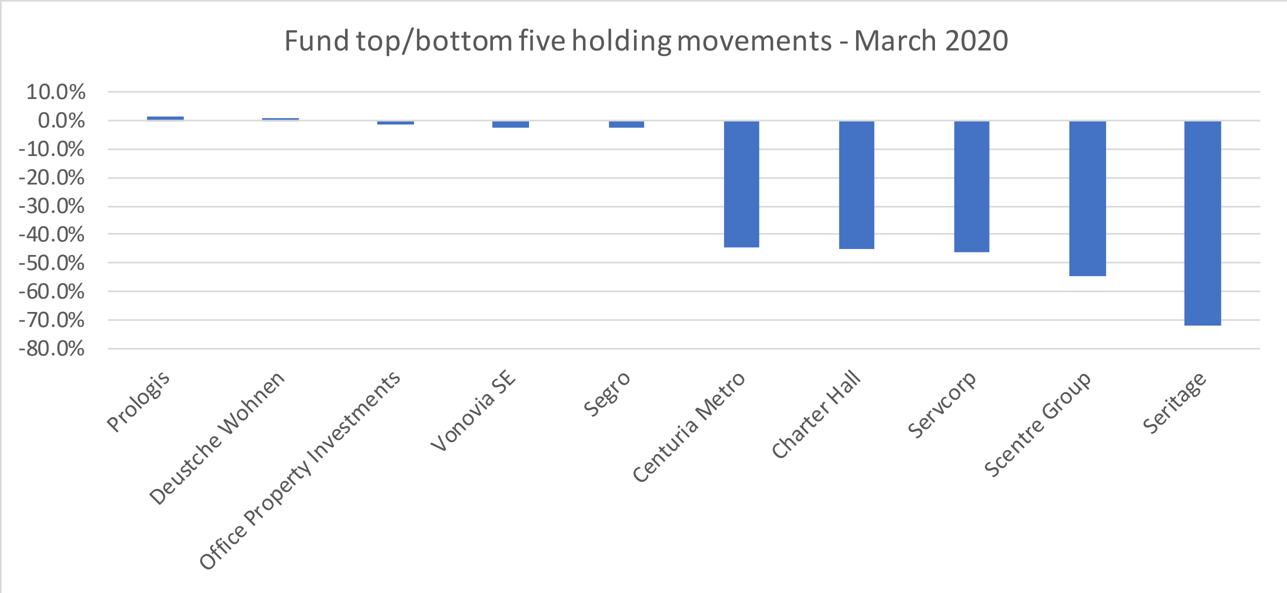
Additional notable investment activity since 31 March includes;

- Acquisition of a 2.5% stake in the largest US Mall REIT, Simon Property Group. Average acquisition cost was US$44 per share. The current share price is already 45% higher than this in just two weeks of holding period.
- Exposure to Australian shopping centre REITs Scentre Group and Vicinity Centres has been at least doubled, taking advantage of discounts to NTA of more than 55%. The initial stake in Vicinity has already yielded 34% upside in the three weeks since purchase.

Thematically, investors have aggressively sold off shopping centre REITs, healthcare and aged care REITs, and hotels. We believe it is too early to invest into hotels and have divested our global exposure over the past two months.

The Fund has meaningfully increased exposure to shopping centres and to aged care and childcare real estate owners. We see these as essential real estate segments. Values have been impacted typically by 50% or more, with current share prices reflecting extraordinary discounts to NTA. There will be a point where these asset classes recover to near their NTA, providing upside which we believe will more than double in some cases.

The best and worst five performers for the past month of March are highlighted in the following chart. There were few holdings globally which were positive during a near major down month. A number of the worst performing stocks have bounced in April. Scentre has rallied 32% in April, Charter Hall has rebounded 15%, Centuria Metro Office has risen 10%, Servcorp is up 26% and Seritage has rallied 25%.



Outlook

March was an unprecedented month for FPP and a significant negative and volatile month for global REITs. The depths of the weakness were tested on 23 March, with some recovery off these levels. At the deepest point, US REITs had declined 41%. However deep value is apparent. We believe there are multiple investment opportunities which can yield more than double upside. Some of these are contrarian themes we are happy to invest in including shopping centres, aged care and childcare. Post recovery, all of these will remain core real estate asset classes underpinned by their real estate value.

While we are disappointed with the decline in FPP NTA which was broadly in line with global real estate sector index declines, we believe an over reaction has occurred. We aim to capitalise on this. Whereas two months ago almost all REITs were trading at a premium to NTA, now we see numerous REITs at 30, 40 and 50% discounts to NTA. REITs historically have traded in a range of up to 20% premium to NTA, and 20% discount to NTA. Anything outside has historically proven to be a strong buy or sell indication. While there may be short term volatility in investment positions, the Fund has taken advantage of the current situation and pivoted to deep value conviction and contrarian investment holdings.

We are optimistic that these will pay off in the near term. While we had some fears that mid year distributions could be cancelled or meaningfully cut, the REIT structures limit the ability for this to occur with a tax effect on the REIT. Distribution reductions rather than cuts are more likely in our view. They will not materially impact our longer term investment views either way.

Fat Prophets Global Property Fund
Chief Investment Advisor
Simon Wheatley
14 April 2020

About Fat Prophet Global Property Fund (FPP.AX)

The Fat Prophets Global Property Fund is an investment trust listed on the Australian stock exchange and managed by Fat Prophets. It invests its capital into Real Estate Investment Trusts (REITs) listed on stock exchanges in developed markets around the world. REITs own real estate assets and generate the majority of their income from rents on their properties, and capital growth from the real estate investments results in increased NTA. FPP's investment weighting benchmark allocation to Australia REITs is around 30%, with the balance in international markets. FPP aims to generate capital growth and distribution income from its investments and has a value bias to its investment strategy.

---

[i] Fat Prophets Funds Management Pty Limited (FPFM) (ACN 615 545 536) has prepared the information in this announcement. One Managed Investment Funds Limited (ACN 117 400 987) (AFSL 297042) (OMIFL) is the Responsible Entity of the Fund. 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.

Anyone receiving this information must obtain and rely upon their own independent advice and enquiries. Investors should consider the Product Disclosure Statement (PDS) issued by OMIFL before making any decision regarding the Fund. The PDS contains important information about investing in the Fund and it is important investors obtain and read a copy of the PDS before making a decision about whether to acquire, continue to hold or dispose of units in the Fund. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund.
Past performance is not indicative of future performance.