fatPROPHETS
GLOBAL PROPERTY FUND

ASX ANNOUNCEMENT

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

April 2020 Monthly NTA Announcement

Key Points:

- **Fund NTA increased 8.9%, significantly exceeding the benchmark increase of 3.0% and the 0.1% global REIT Index (AUD) return during April.**
- **This also follows March outperformance vs the benchmark when the market was in sharp decline.**
- **Cash levels in the Fund ended April at levels which provide the Fund opportunity to continue to selectively invest.**
- **A number of new conviction investments made in late March or early April recorded significant gains of 30-50% during April.**

Dear Unitholders,

April remained a volatile month for equities and for REITs, although both demonstrated a level of recovery from March lows after the sharp first quarter sell off.

The Fund actively repositioned holdings during March and increased conviction of holdings. This allowed the NTA to benefit from 8.9% growth during April in a month when global REIT returns in Australian dollars were flat.

Active repositioning during March plus the strength of the portfolio construction which the Fund entered the downturn with, combined with increased cash levels, have resulted in meaningful outperformance of the Fund at the NTA level.

The substantial impact to Fund NTA growth in April was the significant strengthening in the Australian Dollar (AUD), particularly relative to the US Dollar (USD). Around 60% of the fund is exposed to international currency. We had anticipated the strengthening AUD, and moved from underweight to overweight AUD in March and April to position for this. The Fund consequently benefitted in achieved return.

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

	31-Mar-20	30-Apr-20	Change
Value per unit	$0.7960	$0.8669	+8.9%

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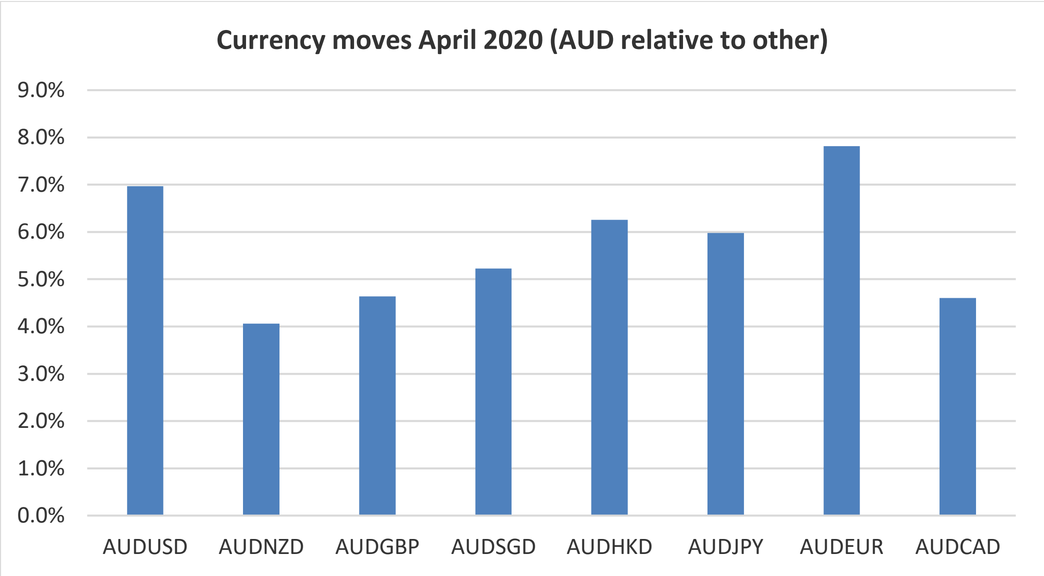
The major strengthening of the Australian dollar again created a significant performance headwind for the fund. The global REIT Index increased 7.1% in USD dollar terms during April, but was flat in AUD terms (+0.14%). The 8.9% Fund NTA growth was achieved despite this major currency headwind.

At the end of March, the Fund increased its exposure to Australian dollar investments. Not only did we see significant value in the local market, we believed the balance of risk to currency is a strengthening AUD and therefore being overweight AUD will be a positive for the return outlook. Both of these views paid dividends in April.

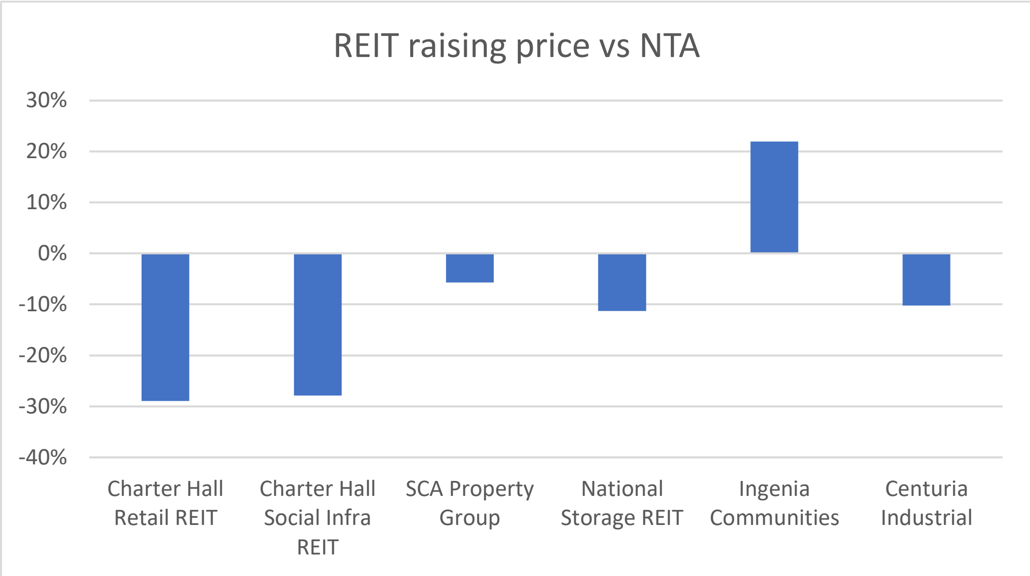
The movement in the AUD vs other currencies during April was material and is summarised below.



The Fund increased cash significantly in the middle of March during a period of high volatility to increase certainty. It entered April with a cash balance of 23.1%, and ended April at 9.3. This continues to present the Fund the flexibility for investment opportunities on price weakness, or to participate in the event of deeply discounted capital raisings being undertaken. The strong NTA growth for the Fund during April was achieved despite the relatively high average cash level.

A number of Australian REITs have undertaken equity raisings over the past six weeks. During the GFC, the freeze in debt funding availability caused the vast majority of Australian REITs to issue equity at very deep discounts to NTA which was highly dilutionary and value destructive. We have been of the view that this wont recur this time. We have also aimed to invest in a portfolio whereby risk to dilutionary raising risk is minimised. There have been six Australian REIT (AREIT) raisings so far. These have been priced at an average 7.7% discount to last price which is deeper than usual but far from desperation levels. Two thirds of those have been placements undertaken within 10% of the last reported NTA citing new capital for opportunistic acquisitions should they occur. There is minimal value impact from these raisings. The two other REITs are both managed by Charter Hall and raised capital at close to a 30% discount to NTA. The Fund held an investment in only one of these REITs which were raising, and we participated in the discounted raising of another of the REITs.

The REIT raising phenomena has been largely contained to Australia. Even with further raisings possible, we expect minimal FPP portfolio value impact from this. We will be seeking to participate where compelling value is presented. The equity raising price of REITs which recently raised equity vs their NTA is shown below.

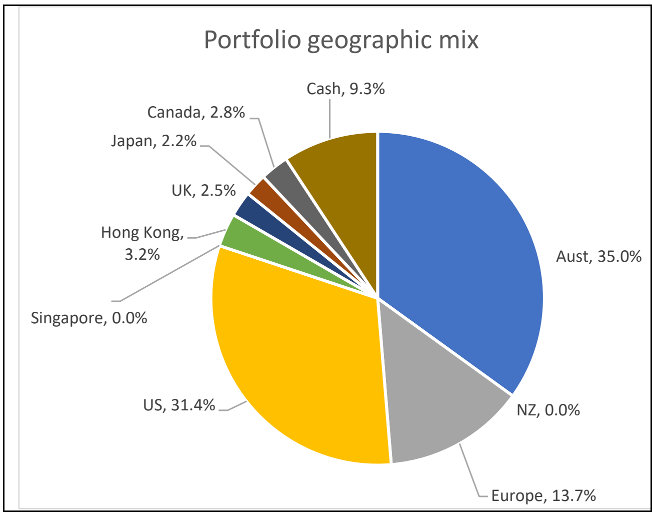


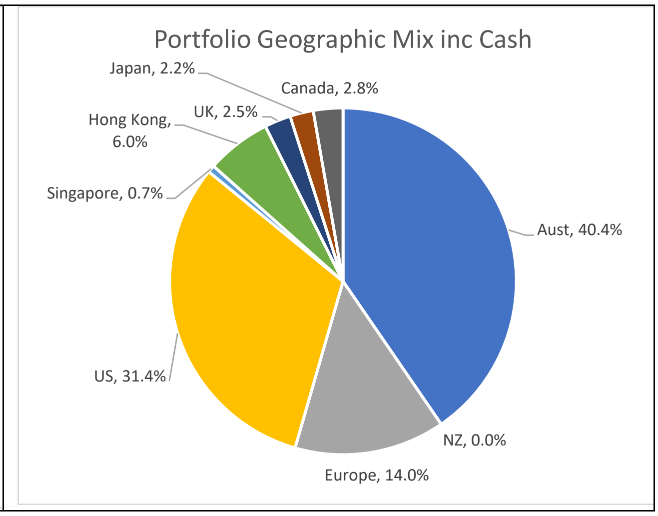
During the prevailing period of uncertainty relating to COVID-19, we continue to closely watch announcements relating to rent collection and distribution announcements. With the short term effect of business shutdowns, it is expected that full rent collections will not occur in April and May which may impact distributions. We have been finding that landlords globally were reporting the following trends;

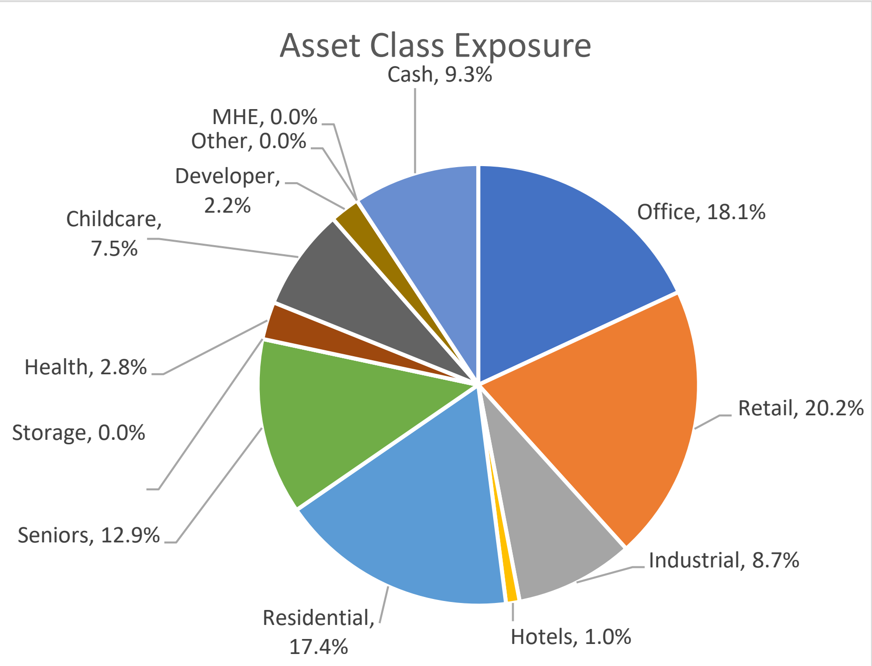
- 95%+ of rent due in April from office tenants had been paid (excluding tenants which were retailers or manufacturers)
- 50-68% of retail rent was typically collected
- 99% of Industrial rent collected
- 94% of apartment REIT rent collected
- 85% of Healthcare REITs rent collected
- 90% of rents received from childcare centres

We will be closely monitoring the outlook for REIT distribution payments. We expect a number of REITs may cut their short term distribution, reflecting lower rent received but also anticipate this to bounce back. We believe the valuation impact of any short term distribution is limited, and will be seeking to capitalise on overselling opportunities in the event of distribution changes.

The current Fund portfolio geographic allocations at the end of April 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. The Fund remains positioned as overweight to Australia and underweight US.



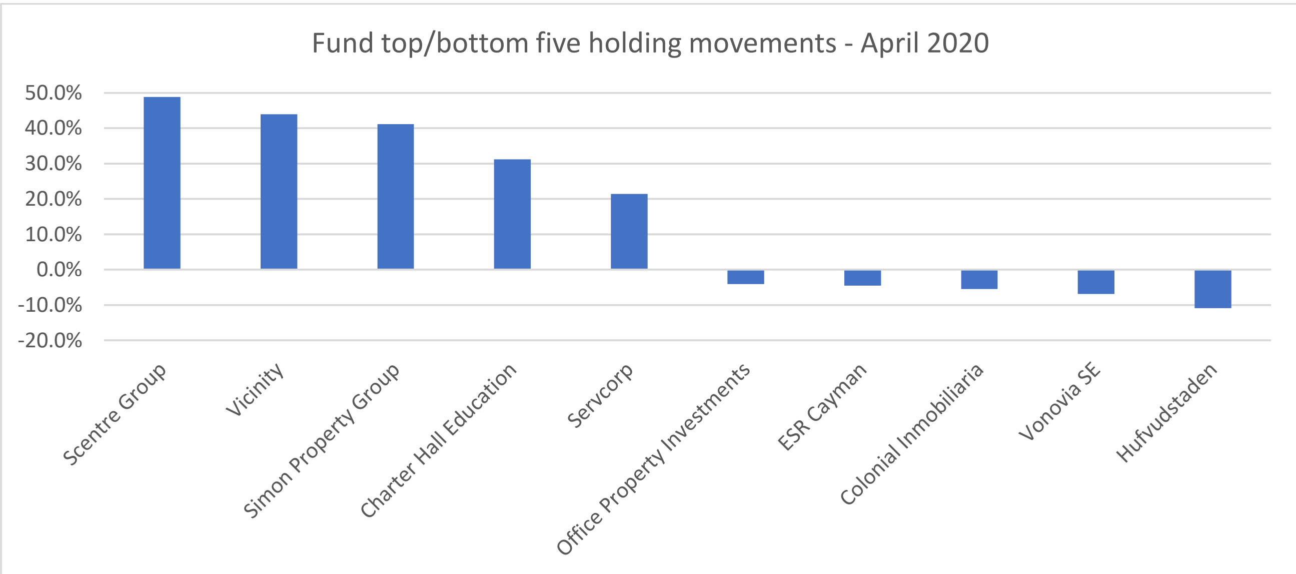




The number of investment positions held by the Fund currently has increased marginally to 39 at April 30, up from 37 at the end of March. Top holdings in the Fund as at the end of the month are summarised in the following chart. The top five holdings are consistent with last month's update. A number of these holdings performed very strongly in April.

The Fund has meaningfully increased exposure to shopping centres as well as aged care and childcare real estate owners over the past six weeks. We see these as essential real estate segments which have been oversold on sentiment. Values have been impacted typically by 50% or more, with current share prices reflecting very deep discounts to NTA. Over the past five decades, the Australian REIT sector has never traded at a sustained discount of more than a 20% discount to NTA. The majority of Fund holdings in Australia are at much deeper discounts than this which we believe offers strong recovery opportunity through the balance of 2021. The average Australian REIT discount to NTA in the Fund at the end of April was a significant 35%.

The best and worst five performers for the month of April are highlighted in the following chart. It contrasts markedly with the March chart with some very significant positive returns. The decliners in the Fund portfolio were typically in European holdings which have been strong long term performers. In early May, European REIT Vonovia SE announced no change to 5% earnings growth guidance, and expectation of 8% valuation increase in its German residential asset base in 1H 2020, highlighting negligible COVID impact and an encouraging backdrop justifying the Fund's holding. The best performers in the following chart accounted for the strong NTA performance contribution to the Fund in April



A good case in point for active management and returns is Vicinity Centres, shopping centre REIT and the owner of the highest value shopping centre in Australia (Chadstone). The Fund's entire position was sold down in February at $2.50 per unit, and repurchased in April at $1.04 per unit; well below the $2.90 NTA. This investment position has already risen over 40% by the end of April, yet is still more than a 50% discount to NTA and we believe more than 70% upside is still possible from current levels.

Outlook

While March was a very challenging period globally, and FPP's unit price and NTA have been impacted accordingly, we have steered the Fund to meaningful excess returns vs the REIT market in terms of NTA performance over this two month period. The emergence from lockdown in Australia and globally is becoming much clearer now than it was four weeks ago. Retailers have announced reopening plans in Australia, Europe, and the US in the past couple of weeks; well ahead of earlier expectation. Many countries and states are already loosening restrictions on movement and gatherings. At the same time, equity market volatility has been reducing. There will be a relatively predictable near term weakness in economies and business profits, however we expect these to be V shaped, and to a degree investors will be able to look through this.

A number of major real estate assets have traded in Australia and globally over the past month across shopping centres, office buildings and industrial property. While some unlisted funds have pre-emptively written down their real estate asset values (eg GPT wrote down its office assets by 2% and shopping centres by 11% in April), the sales evidence is not demonstrating any decline in pricing as yet. Historically wide yield spreads will likely cushion valuation softening.

REITs benefit from their unit prices being underpinned by the hard asset values of the properties they own. We expect to see the very large discounts to asset values (NTA) for REITs to narrow in the coming weeks and months. We continue to position the Fund for this recovery and see meaningful price upside opportunity in many current holdings which we expect to drive a strong rebound and recovery in Fund NTA over the medium term.

We also continue to focus on the commitment to pay distributions to investors in the Fund. So far few REITs have cut their distributions and as such the income derived by the Fund is not at this point appearing significantly impacted.

Finally, the FPP share price ended the month at a 20% discount to NTA. We are focussed on actively reviewing strategies which can reduce the discount the NTA.

While March was challenging, we see the strongest investment opportunity in the REIT sector as the most compelling in a decade and were positioning for this in April.

Fat Prophets Global Property Fund
Chief Investment Advisor
Simon Wheatley
7 May 2020

About Fat Prophets 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.

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[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.

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