fatPROPHETS
GLOBAL PROPERTY FUND

ASX ANNOUNCEMENT

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

May 2020 Monthly NTA Announcement

Key Points:

- **Fund NTA increased 1.4%, while the global REIT Index (AUD) return during May was -1.1%.**
- **This also follows March and April outperformance vs the benchmark when the market was in sharp decline and rebound.**
- **Cash levels in the Fund ended May at relatively low levels which reflect a near fully invested position.**

Dear Unitholders,

May proved to be another month of volatility for global REITs with large swings in the value of estimated NTA and portfolio during the period.

The Fund pivoted to a deep value approach during the COVID driven downturn and this has lead to 3 consecutive months of Fund outperformance from the start of COVID. At the end of March we took the view that bearish investors had significantly oversold many REITs. Our approach took advantage of concern REITs were going to follow the GFC path and issue highly dilutionary equity raisings to ensure funding certainty. We were of the view that the situation this time was markedly different because;

a) REIT leverage was substantially lower than pre GFC

b) Debt diversification is much broader than in the past, and

c) Debt markets were not showing evidence of closing down

Consequent outperformance for the Fund in April alone was over 500 basis points.

Our investment view allowed us to arbitrage those who did not fully appreciate or understand the global REIT landscape. A handful of Australian REITs have raised capital, and predominantly rallied strongly afterward. For example we invested meaningful into the National Storage REIT raising off a prior zero weighting and the Fund's investment is already up 24% within a month. Major dilutionary rights issues have been rare, and value destructive raisings very limited.

In contrast to Australia, very few global REITs have raised equity. Several major REIT investments we have made in the US including mall REIT giant Simon Property Group, and healthcare focussed Diversified Healthcare REIT have generated more than 100% gains in a little over two months. We are not sellers of our holding, believing they could double again from current levels.

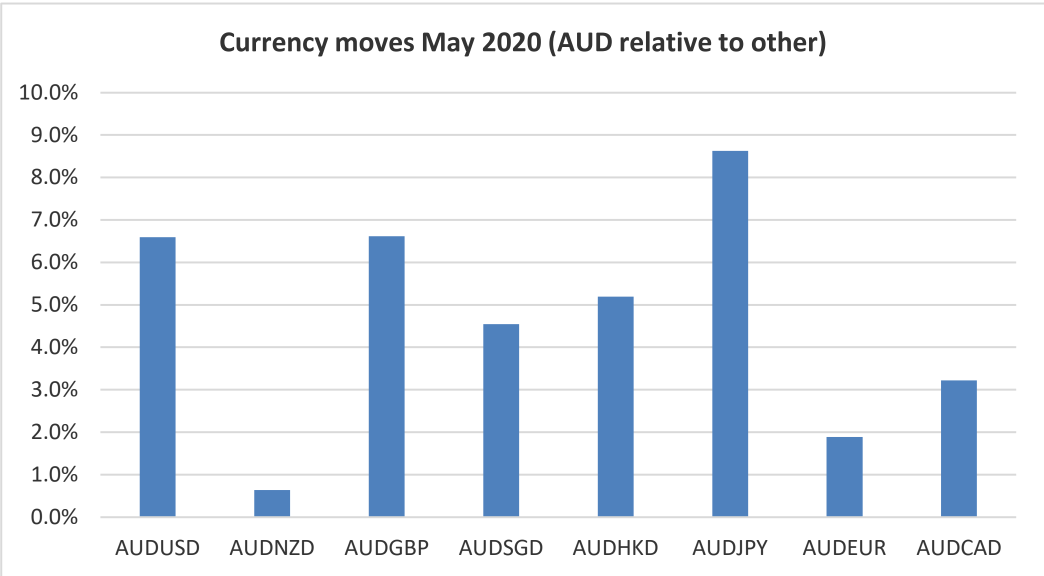
Long term history shows that REITs revert to pricing in line with their NTA over the medium term. Having the opportunity to buy various REITs at up to 75% discounts to NTA is likely an opportunity we will not see again for at least another decade.

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

	30-Apr-20	31-May-20	Change
Value per unit	$0.8669	$0.8786	+1.35%

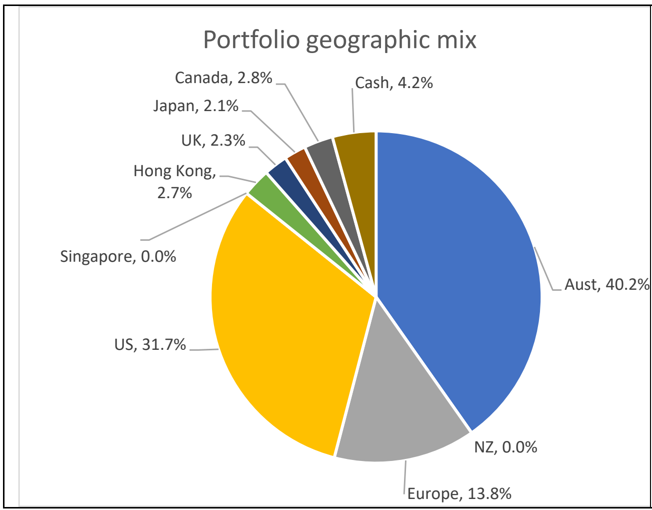
A substantial impact to Fund NTA growth in May was the continued significant strengthening of the Australian Dollar (AUD), particularly relative to the US Dollar (USD). Around 60% of the Fund is exposed to international currency. FPP dies not hedge its currency exposure. As noted in recent months, we had anticipated the strengthening AUD, and moved from underweight to overweight AUD in March to position for this and remain overweight. The Fund consequently benefitted in achieved post currency impacted return – although the global returns were nonetheless materially held back by the weakening USD. This view paid dividends for the Fund in April as well as May.

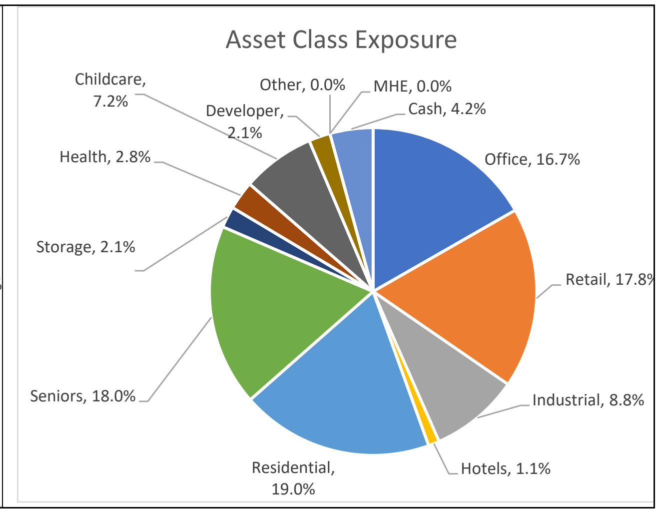
The movement in the AUD vs other currencies during May was material and is summarised below. The Australian dollar strengthened vs all major currencies over the month.



The Fund cash balance was 9.3% at the beginning of May, and post further investment allocation it ended May at 4.2%. We consider this close to fully invested.

The current Fund portfolio geographic allocation at the end of May is shown in the following graph on the left. The chart below right shows the exposure by asset class.

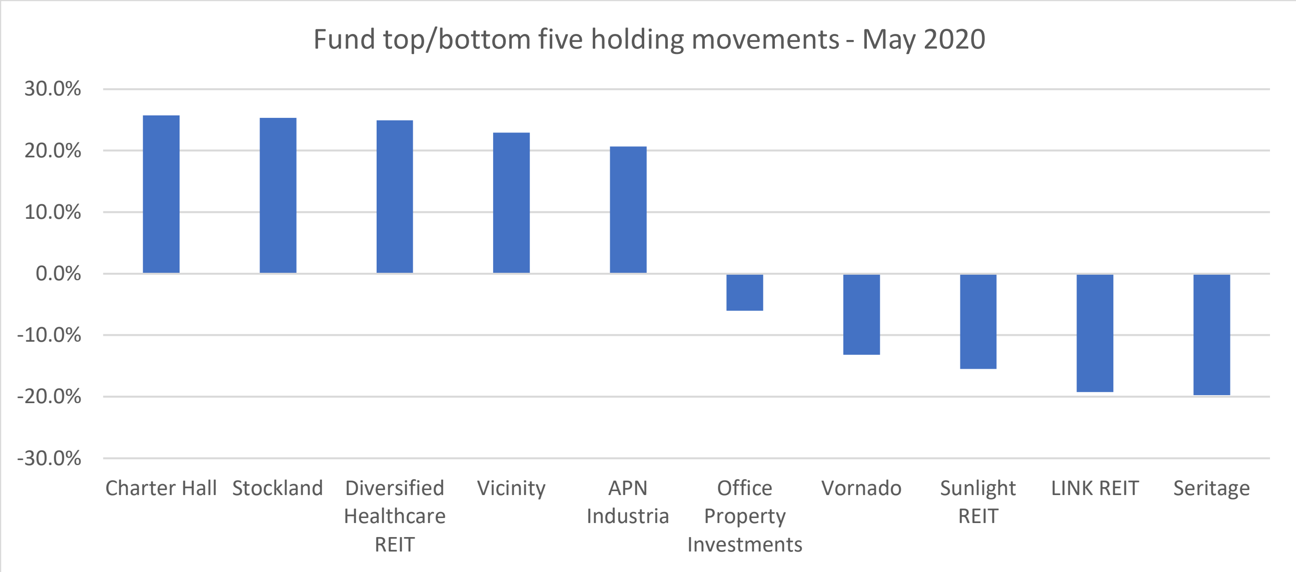




The number of investment positions held by the Fund currently at the end of May was 38. Top holdings in the Fund as at the end of the month are summarised in the following chart. The top five holdings are primarily Australian REITs which were trading at very substantial discounts on entry. A number of these holdings performed very strongly in May. Relative to our entry price, the top 4 holdings are up by more than 50% on average over the past two months.

The Fund has meaningfully increased exposure to shopping centres as well as aged care and childcare real estate owners since the major market decline. We see these as essential real estate segments which have been oversold on sentiment. This has proven an attractive strategy, with investors in May and continuing into June aggressively buying these value exposures.

The best and worst five performers for the month of May are highlighted in the following chart. Positive and negative movements during the month for the outlying holdings were substantial. These continue to change rapidly. For example, the worst performing holding in May (Seritage; -20%), has seen its share price already more than double in the first week and half of June.



Outlook

REITs continued to stage a recovery rally in May. The effect of this to FPP was largely negated due to currency impact from the major strengthening of the A$ over the month and as such there was only a mild NTA increase of 1.35%. At the same time, the global REIT index (in AUD) declined 1.1%.

Into early June the REIT recovery gained momentum. There have been material price gains for a number of major holdings in the Fund. The AUD has again meaningfully strengthened vs USD which dents some of NTA gain however despite this we expect that NTA has significantly increased in early June. We continue to retain the view that many of the Fund's investments present healthy further price upside risk even from current levels and will actively manage the portfolio to exploit opportunities.

Fat Prophets Global Property Fund
Chief Investment Advisor
Simon Wheatley
11 June 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.

[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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