



**One Managed Investment Funds Limited**  
**as responsible entity for Fat Prophets Global Property Fund**  
**ARSN 619 970 786 ASX Code: FPP**

**ASX ANNOUNCEMENT**

12 January 2021

**FPP NTA December 2020**

Please find attached the FPP NTA for December 2020

Authorised for release by One Managed Investment Funds Limited ACN 117 400 987 AFSL 297042 (**Responsible Entity**), the responsibility entity of the Fat Prophets Global Property Fund and Fat Prophets Funds Management Pty Limited ACN 615 545 536 AFSL 229183, the investment manager of FPP.

For additional information on FPP, please refer to:  
[www.fpproperty.com.au](http://www.fpproperty.com.au)

For any enquiries please contact the Responsible Entity on 02 8277 0000.

## ASX ANNOUNCEMENT

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

### December 2020 Monthly NTA Announcement

Key Points:

- **Fund NTA materially increased vs last month**
- **The cash level was reduced, as invested positions in the US were increased**
- **A weaker USD during December was again a material headwind to returns in AUD terms.**

Dear Unitholders,

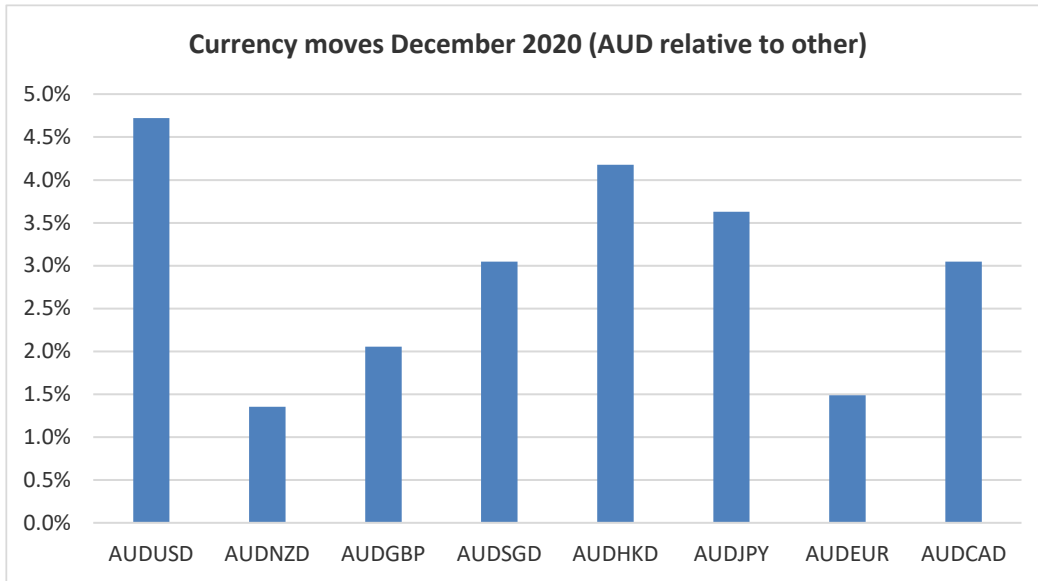
The finalisation of 2020 marked the end of a significant year with incredible volatility. The Fund NTA declined slightly during December, essentially attributable to the currency strength of the Australian dollar relative to other global currencies; particularly the US dollar. On a pre currency basis, the NAV is estimated to have marginally increased during the month. The Fund unit price closed the year at \$0.94, reflecting a shallow discount to NTA of less than 4%.

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

	30-Nov-20	31-Dec-20	Change
<b>Value per unit</b>	\$0.9917	\$0.9751	-1.67%

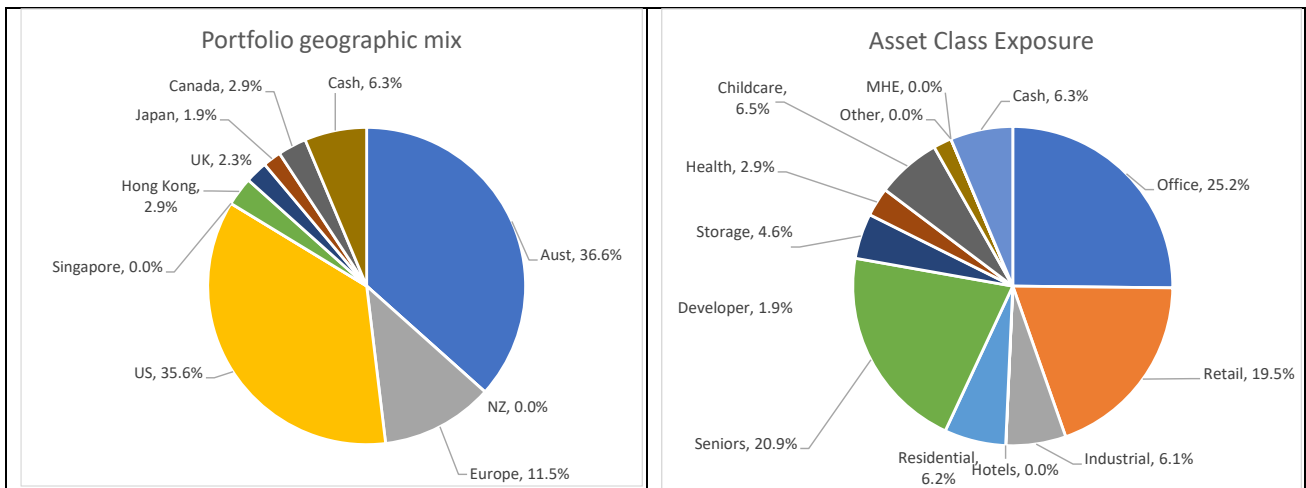
The Australian dollar (USD) rallied against all major currencies once again during December. This continues the AUD strength over the past six months and this has been a material headwind to fund NTA growth. The following chart summarises the monthly currency moves relative to the AUD during December. The AUD appreciated another 4.5% during the month alone.

We have been positioning the portfolio overweight Australian exposure to overweight the fund to AUD investments for some time in expectation of a strengthening AUD and this positioning has clearly benefitted Fund performance through 2020. During December we started increasing weighting into US REITs to begin to neutralise the currency weighting relative to the index.



The Fund cash balance was 10.4% at the beginning of November. This was reduced to 6.3% by the end of December as we made the reallocation into increased US exposure. We made two new investments in the US being shopping centre REIT Kimco and into Equinix, the worlds largest data centre operator.

The current Fund portfolio geographic allocation at the end of December is shown in the following graph on the left. The chart below right shows the exposure by asset class. The Fund has meaningful exposure to office, retail and seniors.



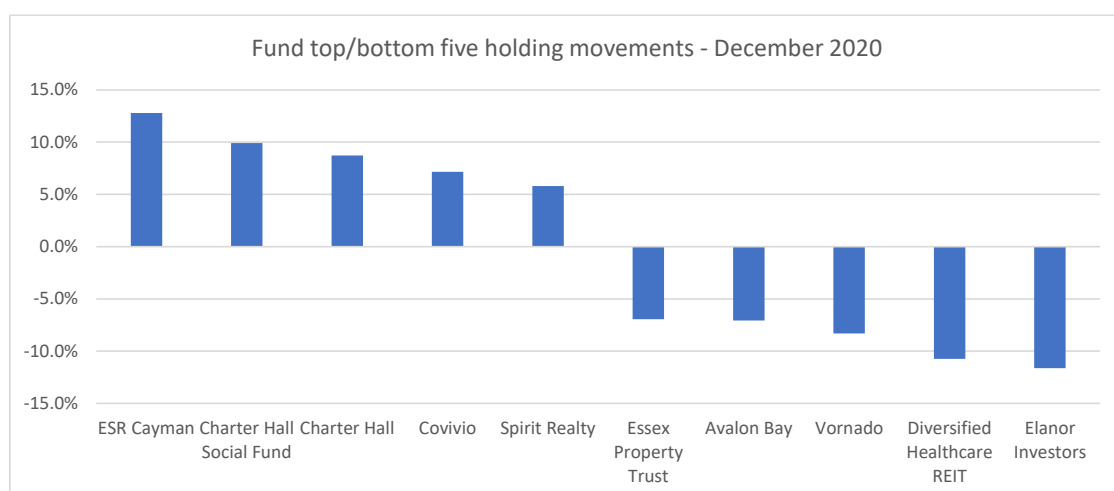
The number of investment positions held by the Fund at the end of December was 36. Top holdings in the Fund as at the end of the month are summarised in the following chart. The Charter Hall Social Infrastructure Fund which primarily owns childcare centres had another strong month, rising 10% and has moved to be the largest holding of the Fund. By contrast, Diversified Healthcare in the US had a weak month, declining 6.5% in price plus additional currency impact as investors continued to worry that the substantial increase in COVID infections impacting the associated near term demand for aged care facilities. We continue to see very substantial medium term upside opportunity to this investment holding.

We commented last month that we were seeing the Australian recovery for REITs outpacing the US and European recovery which correlates with the current status of COVID and the more advanced recovery in fundamentals (consumers returning to shopping centres, workers returning to offices, etc) here which supports commencement of a value based rotation toward a lower overall exposure to Australian REITs.



During the month of December, a half yearly distribution for the Fund was announced equating to 1.4 cents per unit. The distribution relates largely to distributions received from Fund investments for the half year to 31 December 2020, which were typically paid around August. Dividends and distributions for REITs globally for the 6 months to 31 December were significantly impacted, with many REITs meaningfully reducing or even cancelling their half year distributions to conserve cash and reflect lower rent receipts. This reflected the fact that tenants were disrupted and in many cases unable to use their tenancies or derive income resulting in mandated reductions in rent required in some markets. The announced Fund NTA of 97.5c is before the distribution allowance.

The best and worst five performing Fund holdings for the month of December are highlighted in the following chart. US REITs dominated the weaker performers as currency impact was factored in. Elanor was the worst performer for the month, giving up some of its substantial recent rally. Regardless, it has delivered a return of over 50% in the several months it has been held.



## 2020 Review

During 2020 there was substantial impact to, and underperformance of, global REITs vs global equities. REITs underperformed the S&P 500 by -26%. Only 2013 (-29.9%) and 1998 (-45.5%) were worse relative underperforming years. While REITs have typically trailed equities for the past 5 years, the 2020 underperformance is notably wide.



Source: Thomson Reuters, SNL Financial, Company Data, Morgan Stanley Research

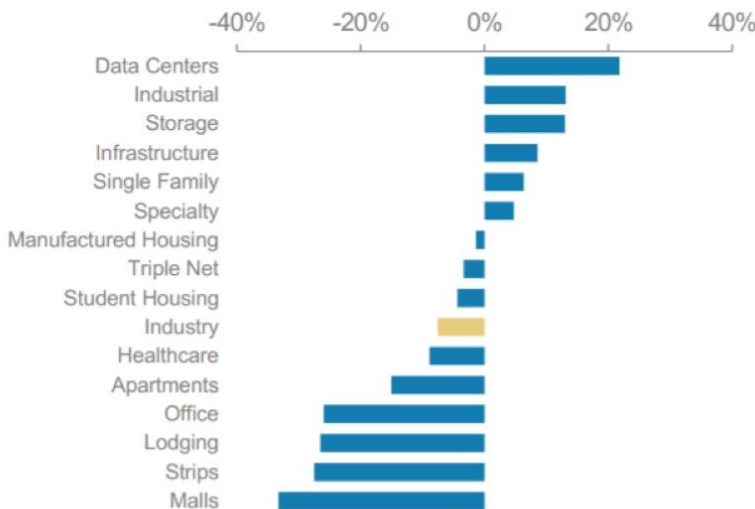


Source: Thomson Reuters, SNL Financial, Company Data, Morgan Stanley Research

In the US REIT sector, there was meaningful dispersion of returns by asset class. Investors favoured data centres as demand increased due to information moving faster to cloud based working due to work from home, and industrial benefitted as e-commerce retailing grew substantially during lockdowns when consumers were unable to physically shop. The weakest returns were from strip retail (small open air shopping centres), shopping malls, hotels, and office properties. Each of these were meaningfully impacted by ability for tenants to occupy them and generate income to pay rents. The opposing themes relate to whether demand will normalise in time, or whether COVID has caused a structural change to retail (higher e-commerce, lower sales from shopping centres) or office (increased work from home resulting in less office space required by businesses). The outcomes of this will take a meaningful period to resolve.

The Fund has taken a deep value approach post COVID declines and this benefit was evident in November 2020 when the Fund NTA increased by more than 16% while the index return was only high single digits. We expect continued recurrence of this theme for ongoing NTA upside and outperformance in 2021.

### US REIT sector returns for CY 2020



Source: Thomson Reuters, SNL Financial, Company Data, Morgan Stanley Research.

## Outlook

During November and December, the seeming containment of COVID globally was broken down as a major increase in infections in UK and Europe led to aggressive lockdowns in major cities and regions. A continued inability to contain the spread of the virus in the US is an ongoing challenge for retail and office markets recovering. Retailers in the US often achieve 50% or more of their annual profit from the short period between thanksgiving and New Year and this was severely impacted in 2020 with customer traffic visibly lower. By contrast, Australian consumers have been spending above expectations, with sales rising more than 7.0% in November 2020.

Separately, lower dividend yields appear to be the norm and as such the distribution outlook for the Fund also appears to more muted in 2021 than it was pre COVID. Lower distribution yields reflect a combination of low interest rates having driven asset pricing higher (and yields lower) in recent years, and weaker rent cashflow through COVID as tenants pay less rent, stop paying rent, or experience business failure with associated increases in vacancies. Average US REIT yields are currently 4% vs 2% for the S&P500.

We are however optimistic around the continuing recovery in REIT prices. In the years following significant relative underperformance, US REITs have historically staged substantial rebounds. By way of example, in 2014 they generated returns of +30.4% in 2014, +26.8% in 2000 and +35.9% in 1996 after underperforming equities by -30% in 2013, -26% in 1999, and -25% in 1995. While many analysts have muted target price expectations on REITs we believe this is too pessimistic and underestimates the pathway to normalisation as vaccines begin to benefit globally. It is clear in 2020 that there were essentially no meaningful commercial property transactions which demonstrated declines in asset values which in turn means NAV's remain relatively robust.

As prefaced last month, a shift away from the overweight Australia exposure to a more neutral currency stance has commenced as we increase investment into offshore opportunities which we believe still have meaningful opportunity to benefit from the release of a vaccine.

### **Fat Prophets Global Property Fund**

Chief Investment Officer

Simon Wheatley

12 January 2021

### 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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<sup>i</sup> Fat Prophets Funds Management Pty Limited (FPPM) (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

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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.