

## ASX ANNOUNCEMENT

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

### October 2018 Monthly NTA Announcement

Dear Unitholders,

During October the REIT sector globally proved its worth as a defensive sector, declining by a far lesser amount than broader equities. While some broader equity markets such as the S&P/ASX200 and the US S&P500 Index declined by more than 6% over the month, the Fund NTA fell by 2.2% to end October at \$1.1074.

	30-Sep-18	31-Oct-18	Change
Value per unit	\$1.1325	\$1.1074	-2.2%

US 30 year treasury yields continued their gradual climb, ending the month at multi year highs of 3.45%. This is substantially above the 3.0% threshold breached earlier this year which some expected to have a meaningful negative impact on real estate asset values, however, this has not occurred and is in line with our expectation.

Currency had a negligible impact on global returns for the Fund and the Index during October, although it continues to be uncertain and was creating a small headwind in early November.

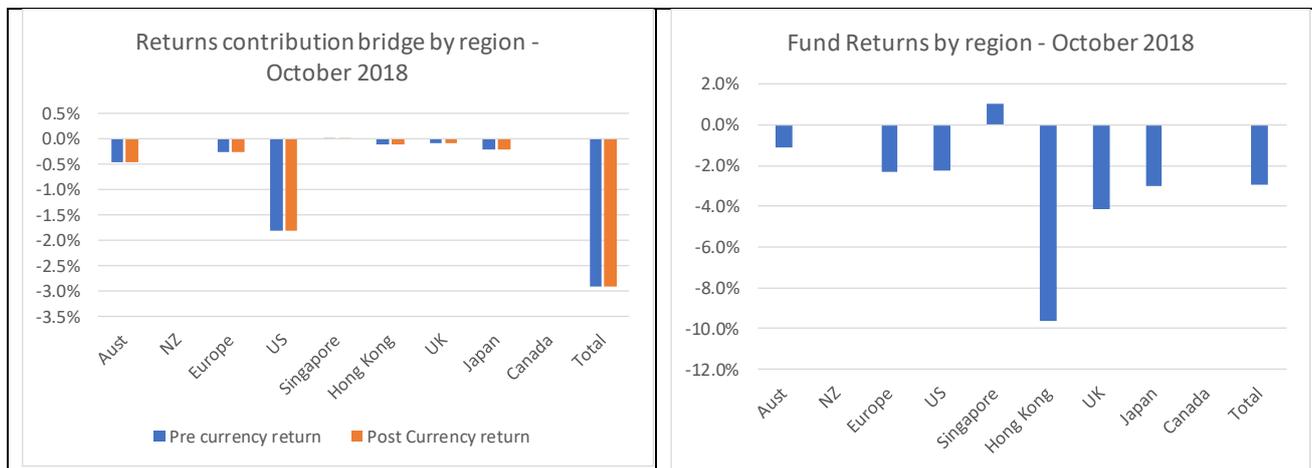
The month of October recorded a significant increase in global equity market volatility. This continued to be driven by US global trade wars and concerns around US mid term elections. This was the second consecutive negative month for the ASX200 Index which declined 7.7% over September and October. REITs have historically provided an element of downside protection in times of equity market declines reflecting the sector's lower beta. The Fund NTA has declined by less than half of the ASX200 Index decline over the same period.

In terms of strategy, the Fund held a reasonably large 10% cash balance through most of the month of October, and deployed this into various cheaper opportunities which became apparent in the market sell off. The large cash holding in a declining market helped provide some value protection for the Fund. As such, in early November the Fund had negligible cash and is now fully invested. The cash was invested into the Australian REIT market, replacing some investment sales and takeovers such as Gateway Lifestyle (GTY.AX) which drove the cash levels up further in September and October.

Key investment actions recently made include;

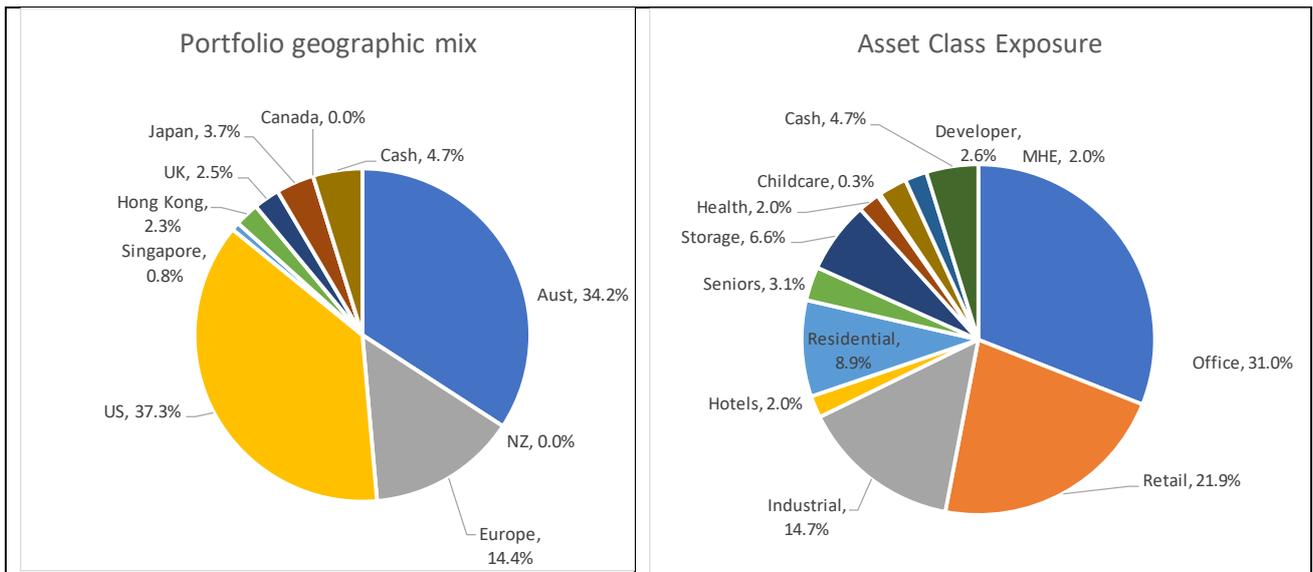
- Acquisition of an initial investment stake in NextDC (NXT.AX), a data centre business which has recently acquired the REIT which owned its assets and has therefore materially morphed into a meaningful asset owner;
- Made an acquisition in Stockland (SGP.AX) which had fallen nearly 20% from the levels we previously sold out at and is now trading meaningfully below NTA;
- Switched our primary US mall exposure from Simon Property Group (SPG) to Taubman Centers (TCO) after the former outperformed very substantially through 2018, while Taubman Center’s most recent results were strong; and
- The Fund also topped up its exposure to Aveo Group (AOG.AX) which is trading at a 45% discount to NTA, increased its stake in National Storage REIT (NSR.AX) on weakness, and also increased its exposure to big box retail REIT Aventus (AVN.AX) which dropped materially after a management internalisation at an arguably expensive cost.

There were relatively few dividends received on investments during the month which is typical for this time of the year.



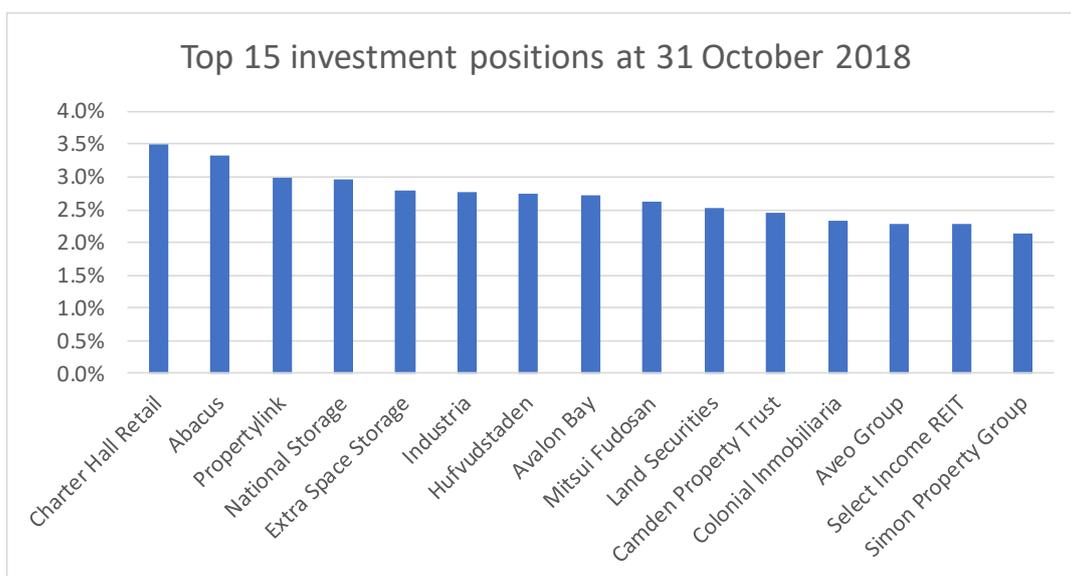
Regionally, performance was negative in most markets with the exception of mild gains in Singapore. The largest decline was for stocks held in Hong Kong; a market meaningfully impacted in October and which is continuing to experience large daily volatility into November but also a market to which the Fund is meaningfully underweight.

The Fund ended October most overweight to Australia and most underweight to Japan and Hong Kong. The Fund has a mild underweight to America, and to other regions except Europe. The Fund continues to have no weighting to Canada or New Zealand, both of which are very small markets by investment weighting.



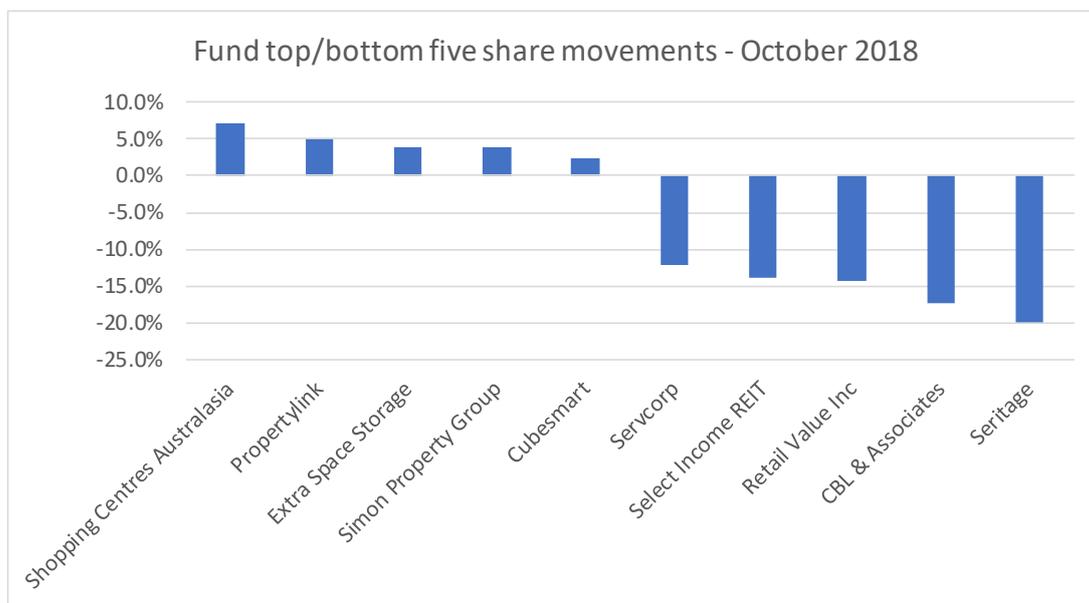
The number of investment positions held by the Fund increased from 49 at the end of September, to 52 positions at the end of October and this has since been further increased slightly in early November. Top holdings in the Fund as at the end of October are summarised in the following chart. Charter Hall Retail REIT which owns predominantly community based convenience shopping centres anchored by supermarkets remains the Fund's largest position. We sold out of the top 5 investment positions of Centuria Metro REIT and Centuria Industrial REIT during the month; the former on price strength prior to a major equity raising which impacted its price, and the latter post a thwarted takeover bid which caused its price to rally.

Propertylink is the Fund's third largest position. After two recent takeover proposals it has engaged with its suitor for diligence. Further upside is likely to be limited and we will assess this position actively in the near term. After doubling the Fund's stake in retired living operator Aveo Group at a 45% discount to NTA during October, the investment position in the stock is now a top 15 holding. Despite the change in larger stock holdings, as at the end of October four of the top five largest investment positions were still in Australian REITs, evidencing a concentration of regional investment positions. Two of the top five positions are in the global self storage evidencing our preference for this sector.



The best returns during October came from a short term spike in the price of Australian convenience shopping centre REIT Shopping Centres Australasia. The increased takeover proposal for Propertylink drove a further positive return, while several US REITs were amongst the better performers and contributed positive returns despite broader market declines.

Weakness was primarily dominated by US REITs with shopping centre and retail exposure; a sector which continues to be volatile.



## Thematics

A focus of the Fund over the past several months has revolved around the impact of a housing downturn in Australia. As a result, the Fund has had zero exposure to stocks directly exposed to residential sales volumes including the likes of Stockland Corporation, Mirvac Group, Peet Group, and Lend Lease Corporation. We believe that Mirvac has larger risk than Stockland yet has outperformed Stockland. The Fund has recently taken a deep value investment in Stockland expecting a short term price return opportunity which will be monitored closely and actively. This entry point is substantially below the level the Fund exited Stockland several months ago. Stockland has announced at its AGM in October that its buyback will be more actively applied, and reported that sales targets for the year remain unchanged based on sales year to date. We also expect that the credit crunch impacting Australian housing will impact on discretionary retail sales. As such our preference is to have minimal exposure to major shopping centres and to be exposed instead to higher yielding, more defensive non discretionary supermarket based shopping centres.

## Loyalty options

The 10<sup>th</sup> October marked one year since the 2017 Initial Public Offering (IPO) of the Fat Prophets Global Property Fund. This also marked the date when the Loyalty Options for eligible investors vested (Vesting Date). The options are issued on a 1 for 1 basis and structured on a loyalty basis. This means that investors who participated in the IPO will be eligible for options at the Vesting Date which reflect how many units they continue to own at Vesting Date up to a maximum of their IPO allocation. Upon Vesting, each Loyalty Option entitles the holder to be issued one Unit in FPP for each Loyalty Option vested and exercised.

The exercise price of the Loyalty Options is \$1.10 each.

The registry provider Link Market Services Ltd have undertaken a register analysis to determine entitlement for loyalty options and are in the process of notification.

## Outlook

The Fund outperformed its index during the month and the significantly better performance than the broader equity market return demonstrated the defensive attributes of the REIT sector across multiple markets. The downturn has also presented some value opportunities which has allowed us to take an active approach to reallocating investment positions to maximise relative return opportunities. Consequently, in early November the Fund is in a fully invested position with negligible excess cash.

Despite the major market downturn of February this year, as well as that just experienced in September and October, the Fund has generated 6.9 upside to total NTA since IPO a year ago (part of which has been paid out as distribution to FPP investors) and NTA is above issue price. The stock is currently trading at a 11 discount to NTA which we believe offers an opportunity for investors and may reflect some concern around the broader market weakness during October which the Fund and the REIT sector was largely able to avoid.

## Fat Prophets Global Property Fund

Chief Investment Officer  
Simon Wheatley  
12 November 2018

### 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.

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<sup>i</sup> 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

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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.