FAT PROPHETS
Global Property Fund

Fat Prophets Global Property Fund (FPP.AX)

20 March 2019

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IPO plans deliver results

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- The Fat Prophets Global Property Fund is a listed investment trust (FPP.AX) which invests in listed REITs and real estate companies in developed markets around the world

- FPP plans at listing have been executed
  - ✓ DIVERSIFY: Provide asset class diversification which protect portfolios
  - ✓ GROWTH PLUS INCOME: Deliver capital growth for the Fund plus 6 monthly distributions
  - ✓ GLOBAL: Provide exposure to global REIT markets
  - ✓ AUST ANCHOR: Underpin with 25-30% exposure to Australia
  - ✓ VALUE: Target investment in undervalued REITs
  - ✓ ACTIVE: Altering positions and positioning for opportunity

= 10% NAV growth PLUS distributions in a challenging market

FPP – positive returns since IPO

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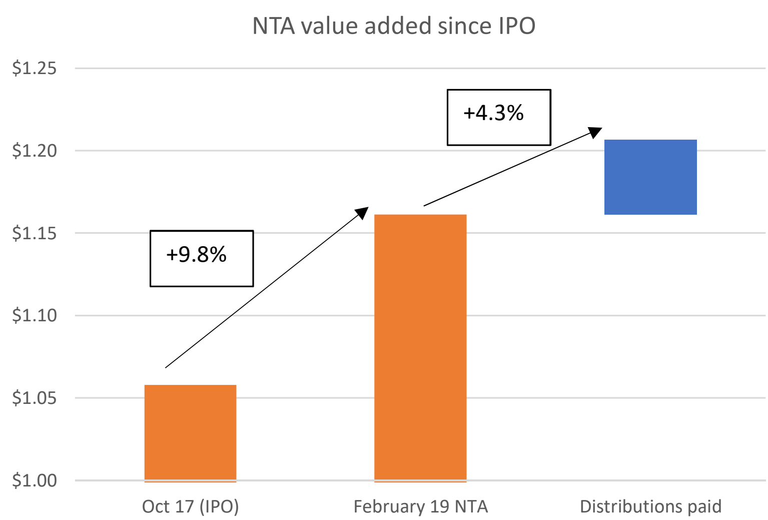
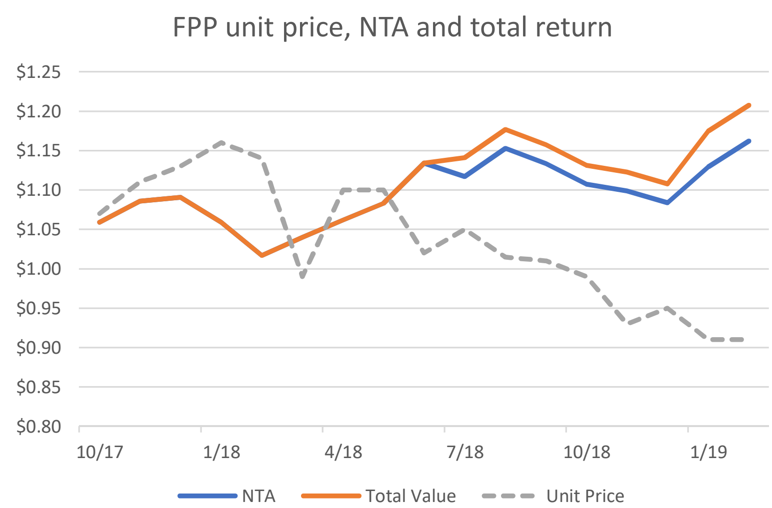
- NTA and distributions deliver 14%+ total positive returns
- Unit price has not matched NTA performance





FPP Overview – unlocking value

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- NTA peaked at $1.156 in August 2018 before declining to $1.0621 at 31 December 2018 (ex distribution) and then rallying to an all time high of $1.1612 at the end of February 2019.
- Currency movement has broadly benefited the Fund since IPO. The Fund does not hedge currency.
- The Fund carried a meaningful cash position through November and December 2018 which assisted returns in a declining market. Some of this cash was put to work in the US in January 2019, although we remained with 9.4% cash at the end of February.
- Although holding a large cash element in early 2019, overall returns have been strong, with various stocks delivering more than 30% upside.
- More than 10% of Fund holdings since IPO have been subject to takeover. This validates our view that undervalued investments will be arbitraged out.
- The Fund declared a distribution of approximately 2.16c for the Dec 18 period.

Top investments

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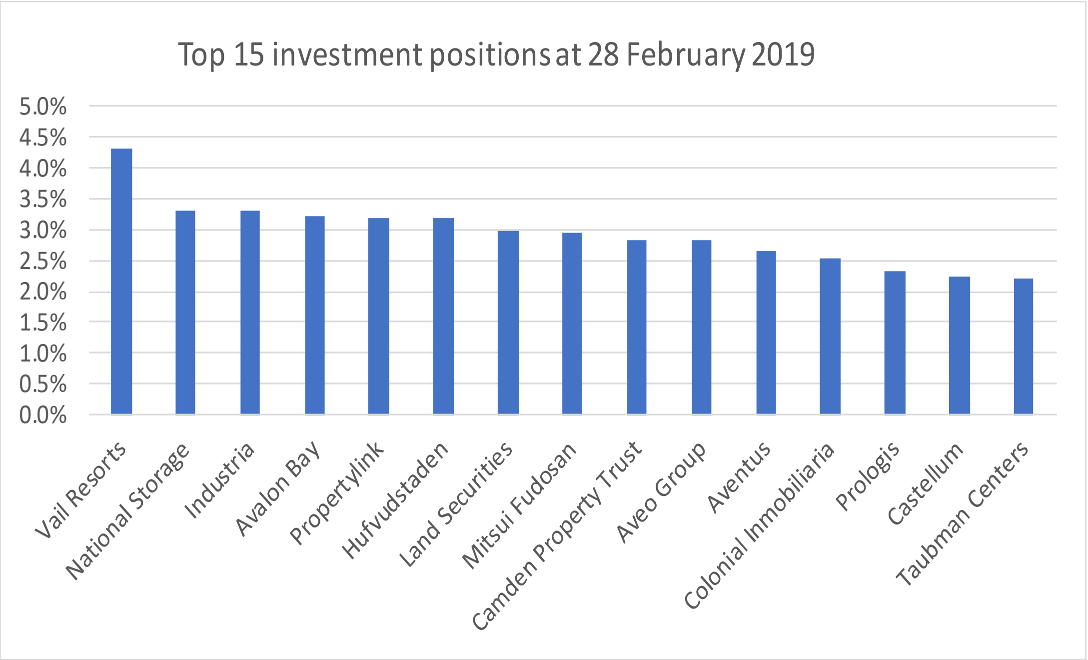
- Global mix – the top 15 holdings reflect holdings across all of Asia, Europe and the US
- Value in Vail – The top Fund holding is Vail Resorts; a recent addition
- There is no major stock holding overweight in the top 15 positioning
- Top holdings do not align with any particular asset specific focus. They are stock specific rather than thematic.



Allocation key points

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Geographic allocation

- We have been broadly market neutral in Australia and US excluding cash. Recent moves are seeing us underweight Australia on valuation grounds and reallocating this to global opportunities, within mandate constraints.
- The Fund remains overweight European stocks which have been a continuing source of outperformance.
- We remain underweight Asia, including Singapore, Hong Kong and Japan.

Sub Sector allocation

- Sub sector exposures have varied by region. Historically, the focus has been on office exposure, but increasingly the Fund has had a small cap bias in Australia which has performed well and been subject to takeover focus. We have not owned the strongly performing Dexus Property Group to our detriment, believing at 25x PE it is overpriced. We remain interested in the storage sector thematic.
- Shopping centre REITs offer substantial discounts to NAV and NTA however headwinds remain and this is impacting their performance. In Australia we opted for exposure to Vicinity Centres rather than Scentre Group which initially proved positive however has been a recent underperforming pairs trade. We also sold our US exposure to Simon Property Group to reinvest into Taubman Centres several months ago after a 20% relative underperformance by the latter however the gap has yet to narrow.

FPP portfolio allocation – 28 Feb 2019

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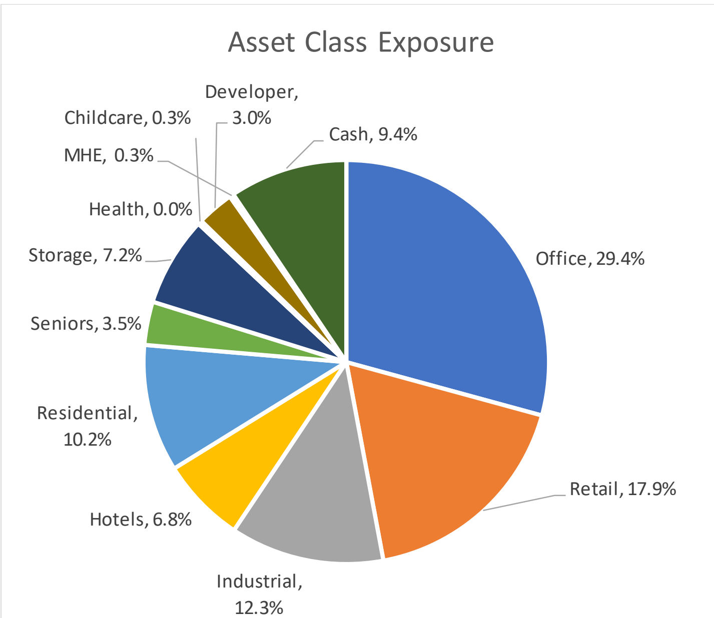

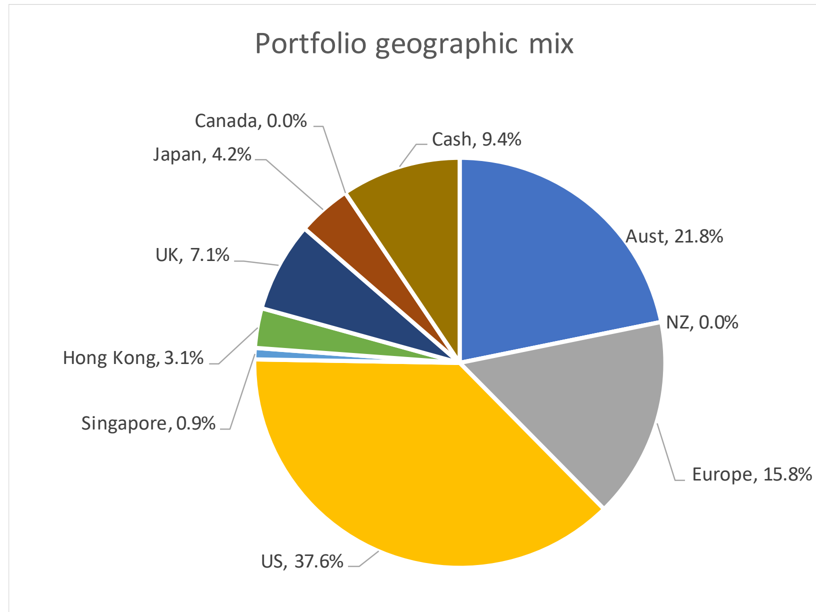

Diversification from REITs

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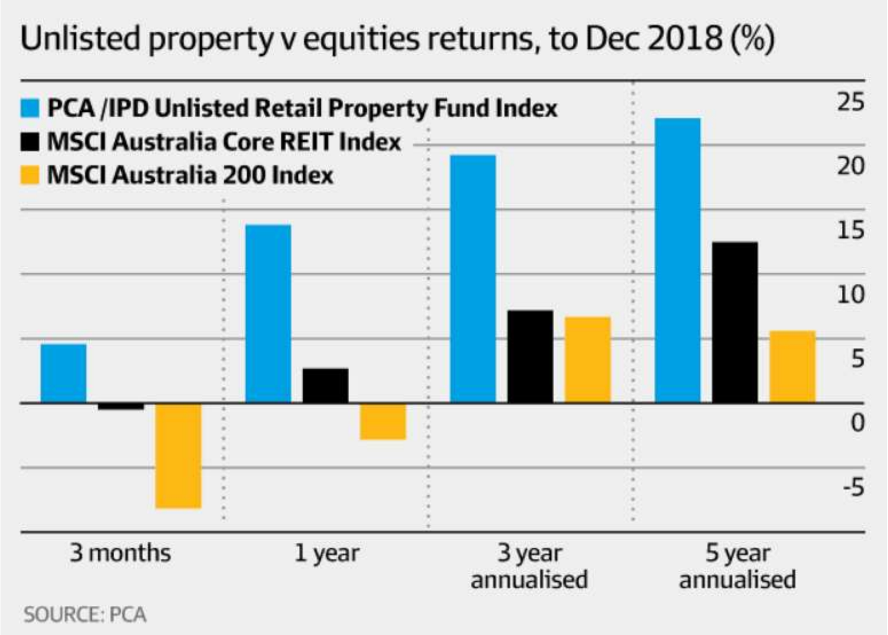

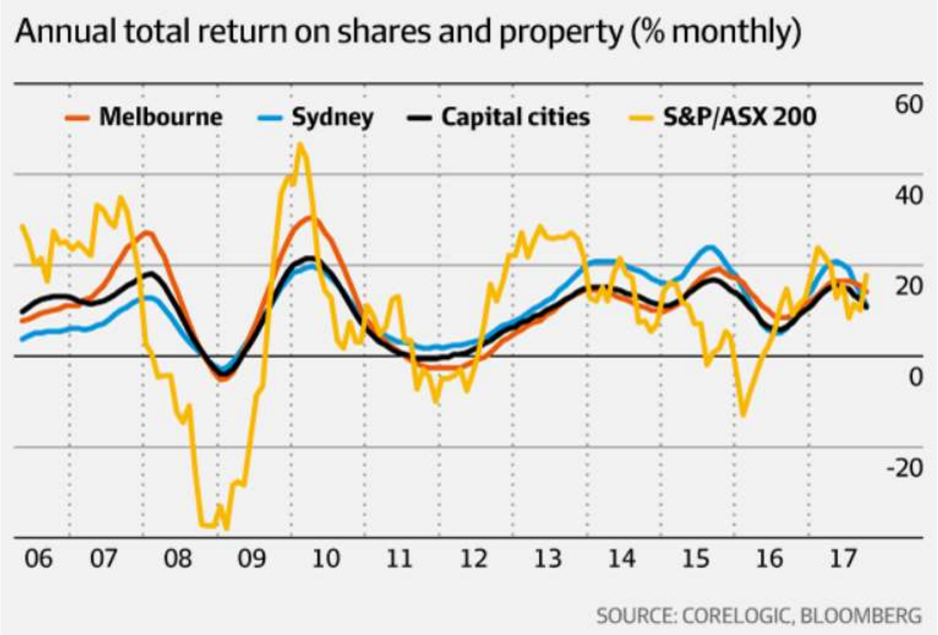

Regional/Index returns – to 28 February 2019

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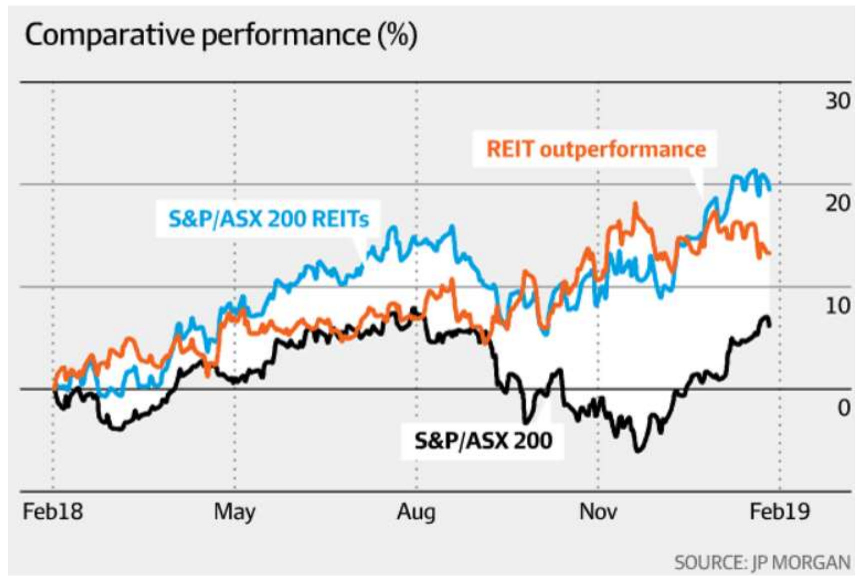
			1 month percent change	3 month percent change	12 months percent change
Equity	**Index**	**Code**			
US	S&P 500 Index - CBOE	.SPX	3.32%	1.22%	4.34%
UK	FTSE 100 Index	.FTSE	2.62%	2.45%	-0.34%
Japan	TOPIX Stock Price Index	.TOPX	3.17%	-3.01%	-7.07%
HK	Hang Seng Index	.HSI	2.97%	8.55%	-7.32%
Europe	Euronext 100 Index	.N100	4.63%	4.84%	3.12%
Singapore	MSCI International Singapc	.dMISG00000P	2.24%	4.62%	-7.18%
ASX	ASX All Ordinaries Index	.AORD	4.50%	8.14%	2.60%
Real Estate					
US	MSCI US Reit Index	.rmz	0.81%	2.59%	16.53%
UK	FTSE EPRA Nareit UK GBP F	.FTELUK	1.29%	5.81%	0.11%
Japan	Tokyo Stock Exchange REIT	.TREIT	0.28%	2.15%	10.37%
HK	Hang Seng Property Index	.HSNP	1.33%	14.74%	3.06%
Europe	IEIF REIT Europe	.REITE	0.22%	5.60%	-2.05%
Singapore	iEdge SG Real Estate Index	.SGXRE	1.89%	9.53%	9.45%
Australia	S&P/ASX 200 Reit (GIC)	.AXPJ	1.78%	7.94%	13.59%
Canada	S&P/TSE Canadian Real Est	.GSPTTRE	0.64%	1.46%	7.41%

- REITs beat all global equity sectors except for Europe over the past 12 months
- REITs have comfortably outperformed Australian equities



Australia - Residential vs commercial

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Australian housing drivers and commercial property drivers and price directions are very different

Residential

- Substantial growth in land values
- High value to income ratios
- Reduction in IO loan availability
- IO loans rolling to P&I
- Tightening of bank credit assessments
- Ultimately highlights that availability of credit drives asset values
- Apartments are the major area of risk due to oversupply – commodity
- **We are avoiding residential exposed stocks such as Stockland and Mirvac except for trading opportunities**

Commercial

- Asset valuation cap rates continue to decline, driving asset values higher
- Cap rates are at record levels
- Demand for office real estate is compounded by low vacancy, driving rent growth higher
- Industrial warehousing is hot as internet retailing grows exponentially.
- Shopping centres are the exception – values started to decline in 2019
- **We see value in small cap industrial, mid cap office, and large cap retail**