fatPROPHETS
GLOBAL PROPERTY FUND

ASX ANNOUNCEMENT

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

July 2020 Monthly NTA Announcement

Key Points:

- **Fund NTA decreased by 3.7%, reflecting weaker global REIT prices in AUD terms largely relating to the currency impact of the continued strengthening of the Australian dollar.**
- **The Fund retains a strong value bias, and July broadly saw growth outperforming value**
- **FPP remains overweight Australia, and underweight US.**

Dear Unitholders,

July continued to be a relatively flat month, with the global REIT index slightly higher in local currency terms, but again meaningfully impacted by currency with the Index in AUD terms declining over the month. The Australian REIT Index declined mildly over the month.

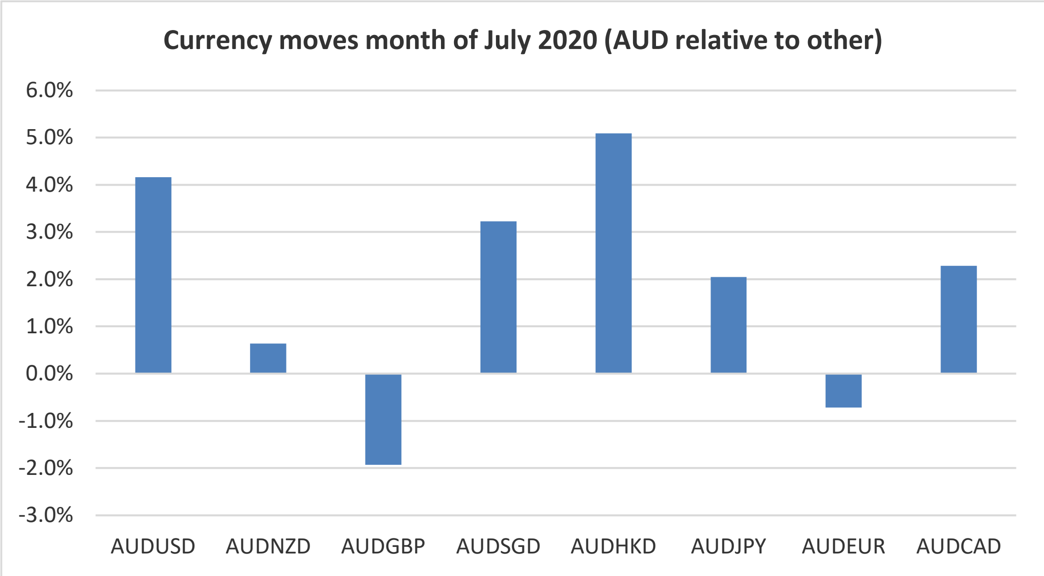
Similarly, FPP's NTA declined during July.

We continue to be overweight AUD assets in anticipation of this strengthening AUD which has been occurring since March. This strategy assisted performance, however the Fund's value bias into heavily discounted REITs, including some with shopping centre exposure, saw limited support during the month. This was driven by the ongoing COVID impact with Australia entering a second phase in Victoria, and the pandemic proving difficult to emerge from in many other global regions. This has impacted businesses which use and operate from commercial real estate properties, and caused increases in rent concessions and lower rent collections as landlords work with tenants through business restrictions.

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

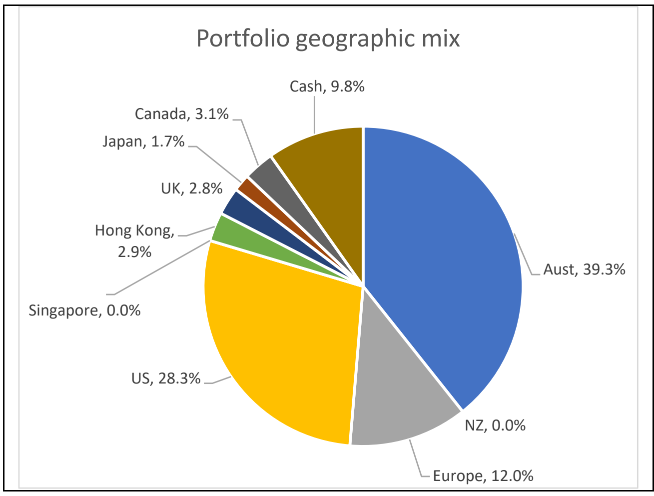
	30-June-20	31-July-20	Change
Value per unit	$0.8694	$0.8371	-3.72%

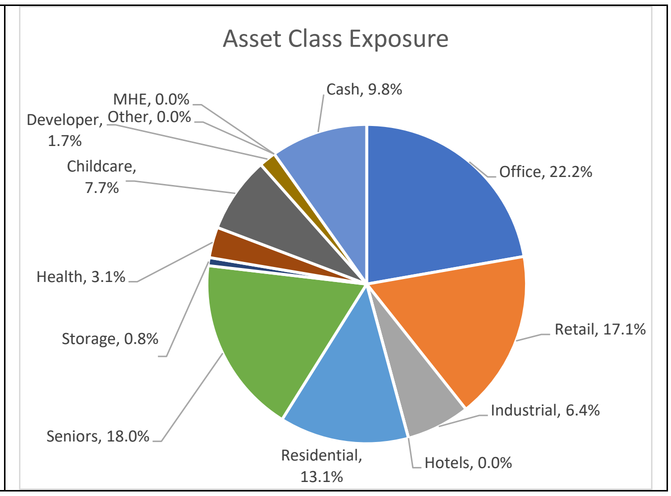
The movement in the AUD vs other currencies during July remained material and is summarised below. The AUDUSD has clearly broken through AUD$0.70 which was seen as a resistance level. We expect to continue to remain overweight AUD in the near term.



The Fund cash balance was 5.7% at the beginning of July. Post some portfolio rotation it ended July at a much higher 9.8% level as a conservative investment approach was increased. This cash increase was taken through the divestment of well priced exposures in industrial and self storage sectors.

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

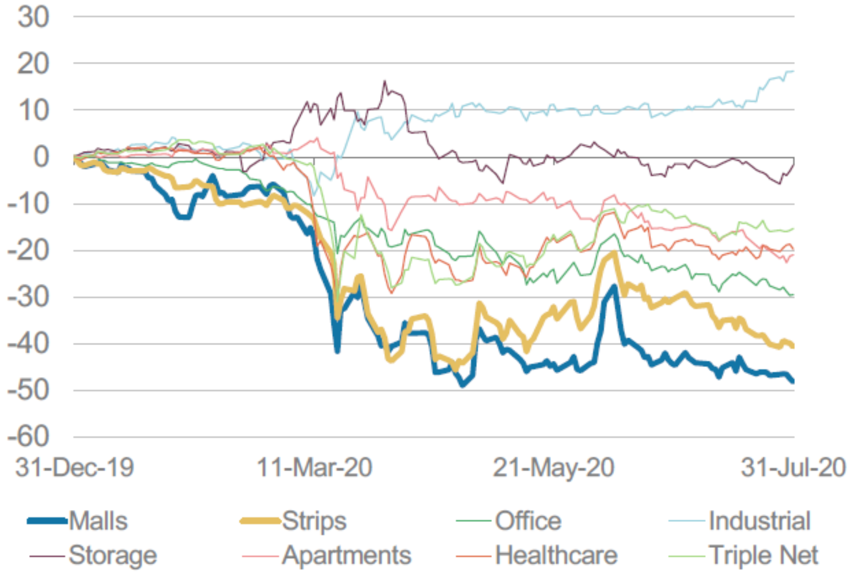




Early COVID focus was not surprisingly on shopping centres which saw impact from population lockdowns and restrictions on free movement, as well as more restricted discretionary spending due to job losses. There has been increasing focus on the office sector more recently. Months of having business employees adopt work from home (WFH) around the globe is seeing an increase in vacant space and sub lease space as corporations 'right size' their space requirements and increase their tolerance to extending longer term WFH opportunities for employees. In Australia, the $15Bn Dexus Property Group which was a strong performer pre COVID, has in early August seen its share price retest mid COVID lows, something even the shopping centre REITs have not done. FPP has no exposure to DXS, but it is a telling price movement. US office REITs where the Fund does have exposure have remained comfortably above COVID lows, albeit we see substantial upside opportunity as economies normalise over time.

The following chart shows the indexed return for US REIT subsectors since the beginning of 2020. Industrial and self storage have been the clear relative leaders while retailing (Malls and strip centers) as well as office have been weak.

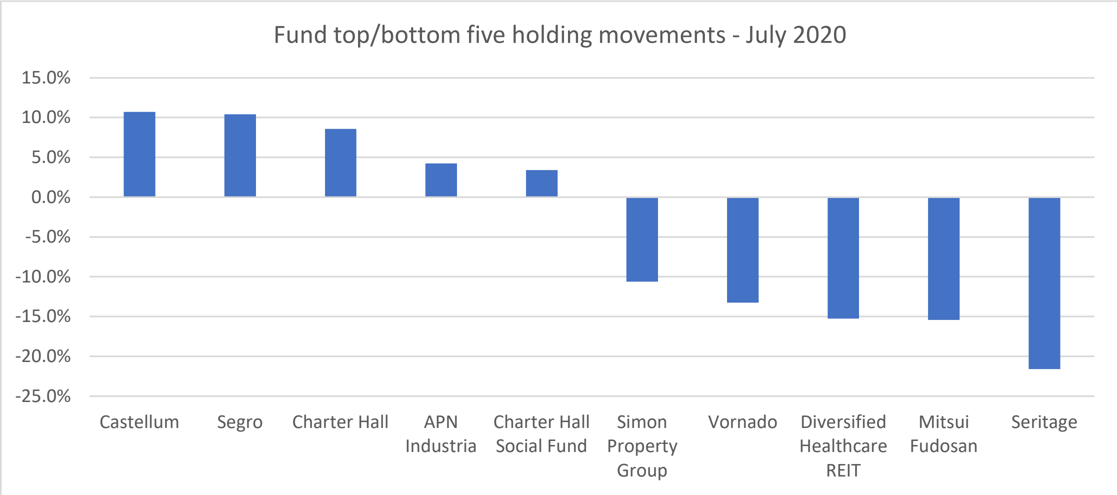
US REIT subsector indexed performance to 31 July 2020



Source: Thomson Reuters, SNL Financial, Morgan Stanley Research. Priced as of July 31, 2020.

The number of investment positions held by the Fund at the end of July was 36. Top holdings in the Fund as at the end of the month are summarised in the following chart. Three of the top five holdings continue to be Australian REITs while the remaining two are US based. Stockland remains the largest position – in the US there has been a clear shift toward single family housing (at the expense of apartments) leading to record prices for US homebuilders; while Australia has less reliance on high density living we see opportunity for developers to surprise on the upside for sales activity during COVID.

The best and worst five performers for the month of July are highlighted in the following chart. The scale of positive and negative movements during the month for the outlying holdings is becoming notably more subdued each month as volatility declines. Seritage has flipped between best and worst performer for months since being the worst performing holding in May, the best in June, worst in July, and already the best in August to date as Amazon looks to take space in vacated US department store boxes.



Outlook

US REITs lagged the S&P500 by 150 basis points and were the 9th worst performing of 11 GICS sectors during July. The return lag continues recent performance trends where REIT relative return vs equities post COVID commencement has been weak. This has been driven by ongoing concern around viability of retailers in shopping malls as well as the medium term for demand for office space as investors consider whether work from home has changed the nature of the way businesses use and demand office space. Manhattan in New York is the epicentre of focus, with increased office and retail vacancies in core locations of 5th Avenue and midtown. There is also a large increase in vacancy and reduction in asking rents for Manhattan apartments, offset by a strong increase in residential sales activity for outer suburban single family homes as people combine the desire to seek out living in lower density locations with the realisation that WFH means less workers need to be living near a CBD.

This is a thematic which is echoed in other international locations. The Fund is looking to invest around the emerging thematics as well as holding deep value positions where they present in assets which have been core for many decades (A grade shopping centres and office buildings).

We believe that the Fund is strongly leveraged to recovery or value buying (as emerged in early August) and has opportunity to respond positively to emergence from COVID and to any positive news regarding release of a vaccine. This does mean that the Fund also will be more aggressively impacted by COVID second waves or an extended COVID lockdown period.

We continue to positively view the Fund's value positioning and remain targeted for investment positioning for further Fund outperformance.

Fat Prophets Global Property Fund
Chief Investment Officer
Simon Wheatley
12 August 2020

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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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