

ASX ANNOUNCEMENT

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

Dear Unitholders,

May 2018 NTA

May was another solid month for the Fat Prophets Global Property Fund. While 30 year US treasury yields were barely changed over the month, and remained above 3.0%, it is evident that REIT investors are more comfortable with the current levels which are having minimal near term impact on the sector. As with previous recent months there was some short term volatility, particularly early in the month, however the latter half of May proved to be generally strong. Fund NTA grew by 2.0% during the month to \$1.083 per unit.

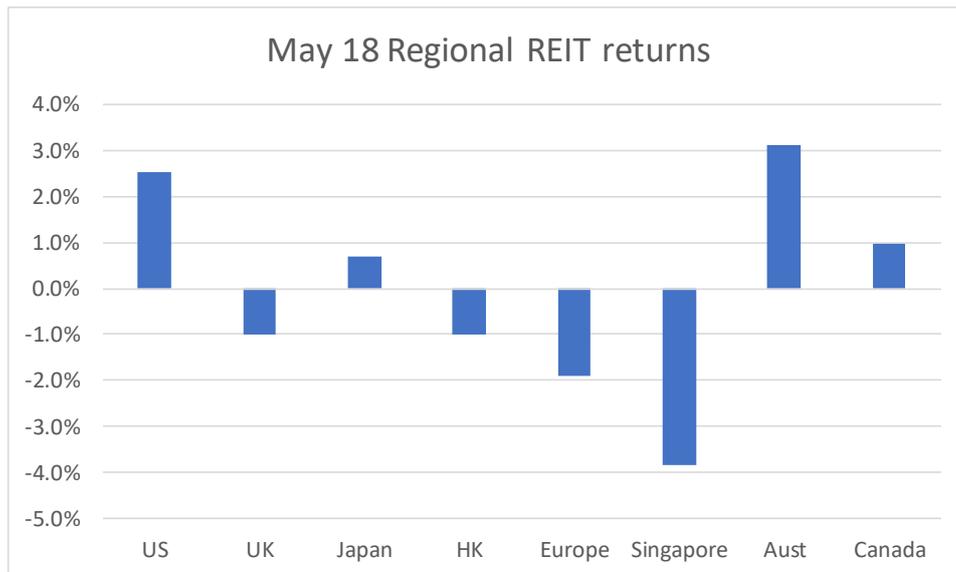
The Australian REIT Index which was relatively flat during March, but was an outperforming region during April, was also strong in May with close to 3% upside. The takeover of Westfield Corporation during the month was a major factor impacting the sector with the stock no longer trading, and some resultant sector rebalancing occurring. The Fund was neutral weighted to Australian REITs in May.

	30-Apr-18	31-May-18	Change
NTA per unit	\$1.062	\$1.083	+2.0%

A handful of REITs held by the Fund traded ex distribution during the month of May. A larger dividend event will occur in the coming month of June, completing the Fund's distribution receipts for the FY18 year and providing an eight month distribution accrual amount which will be payable to investors in the Fund. As we have previously noted, the Fund will pay its first inaugural distribution payment since IPO in early FY19, reflecting the distributions from its investments over the eight months since IPO. Thereafter, the Fund will pay regular six monthly distributions. It is the intention that up to 100% of dividends and distributions which the Fund receives from its investments will be paid out to investors in the Fund.

There were several global announcements of mergers and acquisitions during the month of May. M&A continues to reflect buyers targeting undervalued REITs, a strong investment thematic of FPP. The main M&A announcement which impacted the Fund during May was the offer from Blackstone for an all cash take-over of Australian listed Investa Office Fund (IOF.AX). The Fund sold its entire holding in Investa shortly after the announcement of the takeover proposal.

In early May the Fund also exited its position in Westfield Group which was under takeover offer from Unibail Rodamco after the implied takeover pricing narrowed to less than 2%, suggesting Westfield was fully priced. The Westfield price weakened after the Fund exited, as it became apparent there were unresolved offshore tax issues which would impact trading in the ASX listed new Unibail Rodamco merged entity.



Regionally, performance was a lot more mixed than last month where almost all regions were positive. During May only Australia and the US regions posted positive Index returns.

In terms of news flow, May recorded the back end of some quarterly reporting, however reporting trends were evident in April, and the later reporting companies did little to alter the landscape and market prices. As we noted last month, the reporting season evidenced stronger than expected retail sales growth in many regions including the US and Australia, which positively surprised investors.

One notable factor during May was the resurgence in investor sentiment toward deep value REITs in the shopping centre and senior living space. Various REITs held by the Fund such as DDR Corp, Seritage Growth Properties, CBL & Associates Properties, rallied 25-30% during the month, while Brookdale Senior Living rose 7% and is up an additional 15% so far in June.

Investments during the month for the Fund were relatively actively managed. On the sell side FPP;

- Reduced its position in serviced office operator Servcorp after another downgrade. The company should have good leverage to strong Australian office market rent growth, however offshore expansion mis steps are causing writedown issues.
- Sold its entire holding in Westfield Corporation after taking an investment position recently to arbitrage takeover pricing.
- And finally, sold its small holding in US listed China Lodging Group, reaping close to a 40% price return over a two month holding period.

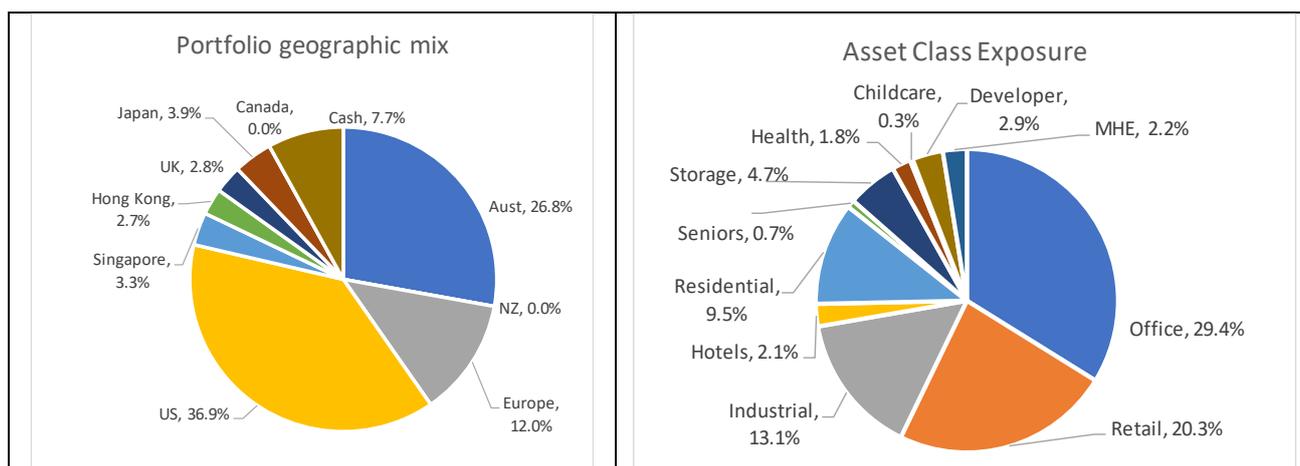
On the buy side FPP;

- Doubled its stake in US shopping centre REIT GGP Inc ahead of its takeover which is pitched at nearly 20% higher than current share price;
- Acquired a stake in French office and business park property group Icade SA;
- Doubled its stake in Australian manufactured home estate business owner Gateway Lifestyle Estates on weakness;
- Increased its stake in major US shopping centre REIT GGP Inc which is currently under takeover offer at \$23.50 per share; and
- Taken initial investment stakes in US REITs Prologis (US Industrial warehouses), Columbia Property Trust (East coast USA class A offices), and American Homes 4 Rent (US single family rental housing).

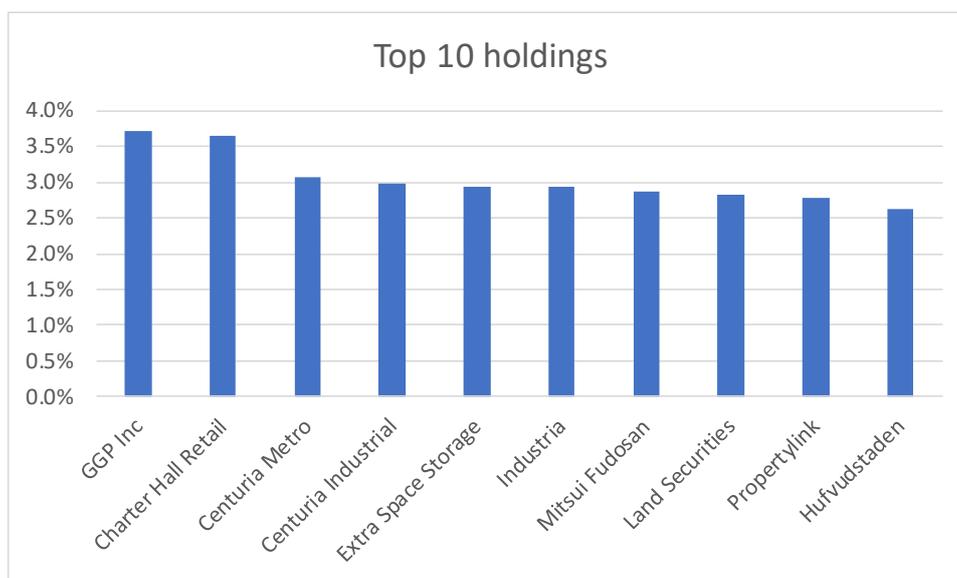
This past month has validated our view that investors will seek out undervalued REITs which are priced well below their fundamental value.

Regionally, the Fund ended May with a small underweight to Australia and to America, overweight to Singapore, and an underweight to Hong Kong and Japan. The Fund is broadly neutrally weighted to UK and Europe. The Fund remains zero weighted to Canada and New Zealand. Cash reduced to 7.7%.

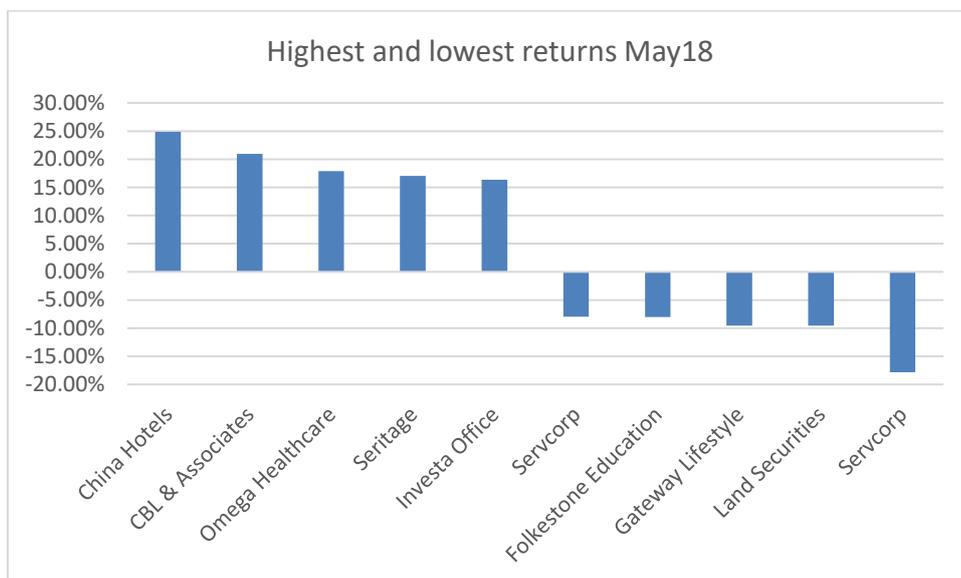
Currency had minimal impact on the Fund during the month with the value of the US dollar essentially flat relative to the A\$. The Australian Dollar strengthened meaningfully during the month relative to the Euro.



The Fund continues to hold around 50 investment positions. Top holdings in the Fund as at the end of May are summarised in the following chart. A number of Australian holdings dominate the top 5 currently. The largest overall investment stake is now in GGP Inc ahead of its proposed takeover. The largest Australian position is in Charter Hall Retail REIT (CQR.AX) giving exposure to Coles and Woolworths based convenience shopping centres around Australia. We expect a lot of the upside has been arbitrated out of CQR with the stock price now trading slightly above NTA per unit. International major holdings include Extra Space Storage in the US where we continue to have strong conviction, Mitsui Fudosan in Japan, Land Securities in the UK and we hold US multifamily residential exposure through Avalon Bay.



The focus is now on the end of financial year, and pending quarterly and half yearly distribution.



The April/May quarterly reporting season is now over and near-term catalysts will be less prevalent. As such we expect a less volatile month in June and note that Real Estate indices have remained well supported into the beginning of the month.

Fat Prophets Global Property Fund

Chief Investment Officer

Simon Wheatley

12 June 2018

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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