

PORTFOLIO UPDATE

Atlas High Income Property Fund

Monthly Report August 2018



- In August, the Fund gained +0.8%. This return is around expectations given our conservative positioning towards higher yielding rent collectors with recurring income and away from Trusts relying on development profits.
- The Australian Listed Property had a strong month in August though this was primarily driven by those Trusts with a large proportion of development earnings, which historically expand earnings towards the end of a housing boom. As developers such as Goodman are trading on 20 times forward earnings, the market is effectively assuming that this source of profits will both grow and continue indefinitely. We view that as a heroic assumption, given the visibly cooling Australian residential market.

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	12m rolling	Incep*
Atlas High Income Property Fund	1.6%	0.8%	3.6%	0.6%	-2.7%	-2.7%	-0.2%	3.4%	3.0%	1.4%	0.7%	0.8%	10.4%	5.1%
ASX 200 A-REIT TR Index	0.5%	2.2%	5.2%	0.2%	-3.3%	-3.3%	0.1%	4.5%	3.1%	2.2%	0.9%	2.8%	15.8%	7.6%
Active return	1.0%	-1.5%	-1.6%	0.4%	0.6%	0.6%	-0.3%	-1.1%	-0.1%	-0.8%	-0.2%	-2.0%	-5.4%	-2.5%

Portfolio Objective

Our approach to investing in Australian listed property is founded on the principles of quality, value and sensible risk management. The objective is to build a portfolio of high-quality Property Trusts that are able to deliver consistent and growing distributions with easily forecastable earnings.

The Fund seeks to capture returns by investing in some of Australia's ASX listed property securities, with the objective of increasing the income generated by implementing a call option selling (writing) strategy. A proportion of the income received from selling the call options may be used to purchase put options to reduce capital risk.

Performance Update

The S&P/ASX 200 A-REIT Accumulation index gained 2.8% over the month as all Trusts reported their results. In August, the biggest driver of index performance were those trusts with development earnings. Whilst 2018 was a banner year for these trusts, they are likely to face a tougher macroeconomic environment in 2019.

In August, the top performing trusts were Goodman (+11%) Mirvac (+7%) and Charter Hall Group (+6%) all of which reported good profit growth driven by development and trading income. The bottom performing trusts were Abacus (-7%), Bunnings Warehouse (-2%) and Unibal-Rodamco-Westfield (-2%).

Portfolio Performance

The Fund gained +0.8% over the month, which was ahead of our expectations given the Fund's low beta, high cash weight and defensive positioning.

In the month of August, positions in Investa Office (+3%) and Vicinity (+4%) added value. Investa Office received a higher takeover offer from Blackstone from the USA. Pleasingly in September several other higher offers have been received, after the entrance of a Canadian Pension Fund has created a bidding war to take control of this office trust.

On the negative side of the ledger, performance was hurt by positions in Unibal-Rodamco-Westfield (-2%), but the main driver was not owning the trusts with development earnings.

Trading

Over the month we added to positions in Industria, SCA Property and sold Scentre Group October 2018 expiry call options to generate additional income.

Top Portfolio Holdings as at August 2018

Stock

Scentre

Stockland

UNIBAIL-RODAMCO-WESTFIELD CDI

Shopping Centres Australia

Investa Office Trust

Portfolio Characteristics

	Index	Atlas High Income Prop Fund
Price Earnings Ratio	16.8x	14.3x
Premium/discount to NTA	+34%	0%
Recurring Income	82%	96%
Distribution Yield	5.2%	8.0%*
Beta	1.00	0.61

Fund Information

Unit Price	\$2.4316
APIR Code	OMF9290AU
ASX Code	AFM01
Inception	10 th May 2017
Responsible Entity	One Managed Investment Funds Limited
Index	S&P ASX 200 A-REIT Accumulation Index
Unit Pricing	Daily available on ASX website
Management Fee	0.95% per annum
Distributions*	Aim to deliver at least 2% per quarter
Buy/sell spread	+/- 0.2%
Applications	Units can be acquired by the current Product Disclosure Statement Or via ASX mFunds
Redemptions	Daily via the share registry or via ASX mFunds
Platform Availability	ASX mFunds and Hub24

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