



FORTIUS

FORTIUS GLOBAL VALUE PROPERTY FUND

SEPTEMBER 2020

The Fortius Global Value Property Fund retreated 0.1% in September.

NAV AUD \$0.8952**PERFORMANCE AS AT 30 SEPTEMBER 2020[#]**

Total Return (AUD)	Sep 20	Since Inception* (May -17)
Fortius Global Value (Post Fees)	(0.1%)	1.5%
MSCI World RE (Net)	0.0%	11.6%
FTSE/EPRA NAREIT Global Developed (Net)	(0.2%)	2.1%
Dow Jones Global Real Estate Securities (Net)	(0.1%)	(3.6%)

^{*}Including 6 monthly distributions paid to investors

[#]Portfolio Performance is calculated after fees and costs, including the investment management fee and performance fee, but excludes the buy/sell spread. All returns are on a pre tax basis.

TOTAL RETURNS (LOCAL CURRENCY)

	1M	3M	1Y
Fortius Global Value Property (\$AUD)	(0.1%)	(1.6%)	(23.2%)
US REITs (EPRA)	(3.1%)	0.9%	(20.8%)
UK REITs (EPRA)	(5.5%)	(2.6%)	(16.8%)
ASX200 A-REITs	(1.5%)	7.0%	(16.6%)
FTSE Europe REITs	(1.6%)	1.7%	(12.5%)
Emerging Markets Real Estate (MSCI)	(2.3%)	0.9%	(7.8%)
Singapore Real Estate EPRA	(0.6%)	2.5%	(4.6%)

"Win small, win early, win often"

Gary Hamel (Professor at Michigan, Harvard and London Business Schools – Change Management, Awarded by WSJ as one of the world's most influential business thinkers).

SEPTEMBER 2020 UPDATE

Equity and listed real estate markets retreated in September driven by rapidly escalating Covid-19 cases in Europe and the United States. The United Kingdom was one of the poorest performing regions in September with UK REITs falling ~6%. With an ineffective Covid-19 test and trace program and practically non-existent border testing or control, the UK faces a bleak up coming winter with daily confirmed cases over 3x the peak in April. Contrast this to China who rapidly tested all 9 million residents in the city of Qingdao within a week following a minor outbreak from an imported case.

The UK also faces growing discontent from Scotland due to the handling of Covid-19 and Brexit. If the current Tory government are unable to secure a functional agreement with the European Union expect Scotland to push forward with an independence vote. Uncertainty is providing plenty of opportunities in listed real estate in the UK with many of the REITs continuing to trade at sizeable discounts to attractive and irreplaceable real estate portfolios. Interestingly the direct market continues to hold up well with Brookfield announcing the sale of 1 London Wall (mins from Moorgate tube station) at a yield of 3.8% and at a small valuation premium to last year.

Across the portfolio notable moves in September include Land Securities and Derwent London declining 10% and 9% respectively in AUD terms. While Wereldhave Nc in the Netherlands rose 12% following the announcement of new borrowing facilities which will assist liquidity.

Singapore: An Innovation Outlier

Singapore has proven to be highly innovative with its use of real estate, repurposing of areas to higher and better use and providing citizens with a comprehensive housing program. The majority of residential housing developments in Singapore are managed by the Housing and Development Board (HDB). HDB is the acronym often used by Singaporean's reflecting ownership of subsidized apartments. The benefits of this has seen Singaporeans move up the per capita GDP measure through a special mix of **Urbanization and Suburbanization at the same time.**

Singapore recently celebrated its 55th birthday having been "abandoned" so to speak from Malaysia in 1965. In 1965 they were largely considered a trading hub or a large Kampung – "A Malaysian enclosure or more commonly known as a village". At this time broader families existed within Kampung's on both sides of the border, when suddenly overnight on 9th August 1965 they became citizens and residents of 2 different countries.

Fast forward 55 years and Singapore has developed into one of the most advanced nations in the world with globally recognised building structures mirroring the most prominent globally. Despite this rapid development, many places in Singapore refer themselves fondly as a kampung existing within a first world city. Most of these kampungs are home to many of the country's suburban Malls. This despite being in a world of increasingly e-commerce driven existence where the long term viability of malls continues to unravel, exacerbated by the COVID 19 pandemic.

The reason for Singapore's continued successful evolution is simple. Within a largely urban island the growth in suburbanization, as populations and GDP per capita rise, drives demand for progressively higher end product and service offerings. The outcomes are no accident. While innovation is harnessed wholeheartedly, the degree of urban, economic and regulatory planning or planning in general is second to none. At any point in time the country is working off plans comprising;

The Concept Plan – this guides Singapore's development over the next 40 to 50 years, and covers strategic land use and transportation. The Concept Plan is reviewed every 10 years and aims to optimise Singapore's limited land, and to ensure the current and future needs of the people are met. This long-term planning involves broad strategies, identifying land for various needs, and establishing Singapore's overall development pace. These then lead into planning for the necessary infrastructure and resources to support the proposed land use.

TOP 5 HOLDINGS

Brixmor Property Group Inc (United States)
Cairn Homes Plc (Ireland)
Gaming And Leisure Properties (United States)
Physicians Realty Trust (United States)
Prologis Property Mexico Sa (Mexico)

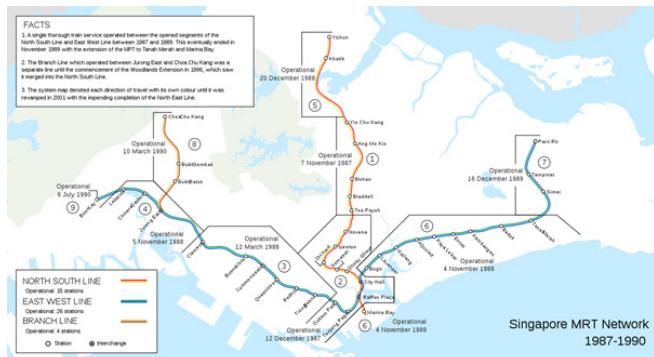
BONDS & CURRENCY

	SEP 20	1M Prior	3M Prior	1Y Prior
Australian Dollar Spot	0.716	0.738	0.690	0.675
Eur-Aud X-Rate	1.636	1.618	1.627	1.615
Gbp-Aud X-Rate	1.804	1.813	1.796	1.821
10Y US Treasury	0.69%	0.71%	0.66%	1.67%
10Y Aust Govt Bond	0.79%	0.98%	0.87%	1.02%

The Master Plan – This translates the Concept Plan into more detailed plans for implementation. It specifies permissible land use and densities, with the aim of guiding development over the next 10 to 15 years. The Master Plan is reviewed every 5 years.

In 1998, yours truly arrived in Singapore and boarded with his future in-laws. Living within a cluster of newly built HDB's, the nearest MRT (London tube equivalent) station (Admiralty) was a short walk and one station further along the line was a larger named Woodlands. Within Woodlands station, a prominent bus distribution hub lay underneath and attached to the station an 8 storey mall covering all the typical layers of amenities one would find in downtown Sydney, Singapore or London. Cinemas on the 8th floor, dining on the 7th, very affordable "food courts" scattered across other floors, amongst an array of traditional / ever changing specialty shops and non discretionary convenience based supermarket type offerings.

Back to Admiralty station though, in 1998 the amenities were much more of the basic needs, bargain type offerings, small convenience stores and the like. \$2 for a bowl of healthy fish soup within a basic food court set up and a McDonalds were the main dining options. A decent bike rack for HDB commuters partaking in the daily MRT work related travels, a small bank branch and a medical clinic rounded out the offerings. Most of the MRT peak hour traffic pointed toward the central business district around Raffles Place via only 2 MRT lines – The North South and East West lines.



Seloloving - Own work, CC BY-SA 4.0,

<https://commons.wikimedia.org/w/index.php?curid=85432502>

A snapshot of Admiralty station surroundings in 2005 shows the small “block of services” attached to the station, having changed little from 1998.



Admiralty Station – 2005

Fast forward 2020 (the following picture is taken from the other side of the station) and the vacant 2005 land is well covered, while the small block of services has become a much deeper mixed use development incorporating new residential buildings and a much broader offering of services.



Admiralty MRT Station – October 2020

Supermarkets, high end fish, seafood and meat specialists, a very popular Japanese burger offering (MOS Burger) and Starbucks stamping their approval on neighbouring per capita income levels.



Services surrounding Admiralty MRT Station – October 2020.

All the while keeping a firm link to its Kampung Roots. The point is this trait of suburbanization is occurring across nearly every non main MRT station and is being magnified across new MRT lines, creating multiple urban hubs across Singapore. Throw in almost year round humidity and suburban / urban malls are firmly here to stay.



Admiralty Kampung surrounding Admiralty MRT Station – October 2020.

All linked together by a forever growing maze of MRT lines comprising as of January 2020, 122 operating stations.



New MRT Map launched with Circle Line as Focal point –
www.channelnewsasia.com/991X557

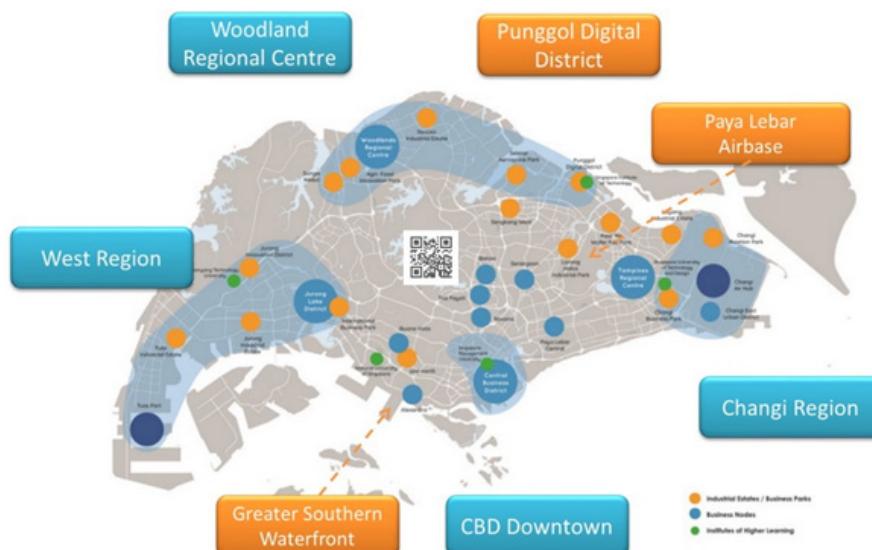
Within our portfolio we are invested in ESR REIT, a Singaporean focussed Industrial, Logistics, Business Park owner who have consolidated and continue to consolidate the industrial sector over the past few years. We were initially invested in one of the firms which was eventually merged with ESR REIT.

Singapore is well regarded as a global financial centre which continues to grow and strengthen. The funds management industry is a case in point, as they continue to open up new investment vehicles to win funds from competing global fund management destinations such as UK, HK, Cayman island, British Virgin Islands to name a few. Matched by a first class regulatory framework placing a heavy emphasis on AML (anti-money laundering) and KYC (know your client) processes, Singapore will remain a sought after and trusted destination for this critical trustworthy sub industry. As fund managers ourselves we continue to remain excited around the future of Singapore.

Overall, Singapore's constant metamorphosis is set to continue with the likes of the ESR group navigating the ongoing transformation in land use. Optimally via shifts toward higher value add sectors benefitting from progressively higher use functions, such as growth in Data centres, business parks and the evolution of more sophisticated logistics and supply chain regions.

A glimpse into the existing master plan highlights the growth in business districts – many already underway and being expanded around new MRT stations already built. Peak hour direction in commuting will increasingly be all directions at any time of the day, ensuring maximum use of limited resources.

Major Economy Gateways & Key Growth Areas



Source: <https://newlaunchguru.sg/2019-singapore-master-plan-economic-gateways-growth-areas/>

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Ragavan has over 20 years experience in investment analysis, execution and portfolio management. Prior to Fortius, Ragavan held senior roles with AMP Capital, Maple-Brown-Abbott and BT Funds Management.

Ragavan completed a Master in Business Administration from Macquarie Graduate School of Management during which time he undertook a research paper on the persistence of value in real estate equities.



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David has 25 years experience in investment analysis, execution, private equity and portfolio management. Prior to Fortius, David held senior roles with Spinnaker Capital Group, Alliance Capital Management and BT Funds Management.

After 10 years with BT Funds Management in Australia, David joined Alliance Capital in Singapore in 2003, where he was responsible for managing a global equity fund.

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Important information

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