

# Where we took profits and losses in 2020

December 22, 2020 FAT-AUS-1001

## Where we took profits and losses in 2020

In a year that was like none other the number of sell recommendations we issued was less than usual. This was in keeping with the value that we saw following the pandemic induced sell-off, and with a greater number of buy recommendations that would normally be the case. And as the year draws to a close this strategy looks to have been the right call.

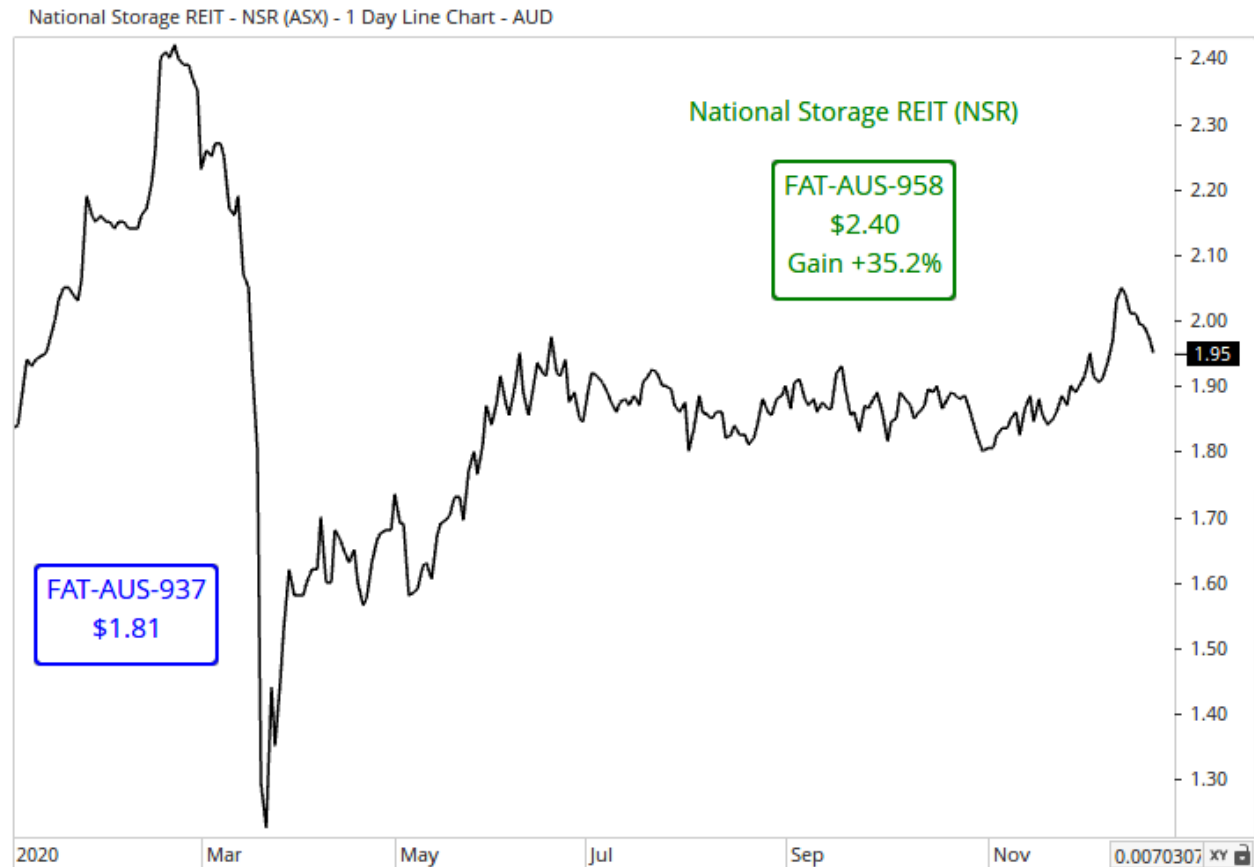
In 2020, we published three sell and sell-half recommendations, with two marking impressive gains and only one registering a slight loss – a consequence of an opportunistic acquisition amidst the COVID-19 pandemic. The relatively few sell recommendations this year reflected the prudence of hanging tight during pandemic driven volatility, and as the market rebounded strongly during the year. In any case, the returns noted below include dividends. Our calls by stock are provided below in chronological order:

### National Storage REIT

The self-storage REIT (Real Estate Investment Trust), **National Storage REIT (NSR)** was initially added in the portfolio back in September 2019 ([FAT-AUS-937](#)) on the back of some supportive tailwinds such as low (and getting lower) interest rates. The REIT occupied an interesting niche exposure in the REIT world with ‘sticky’ customers and relatively few competitors. It also helped that NSR is the largest self-storage provider in the country.

In February ([FAT-AUS-958](#)), however, **NSR received its second takeover bid from a NYSE-listed rival, Public Storage for \$2.40 per security**. Though the bid was non-binding, it did prove the REIT’s ‘credentials’ and validated our investment thesis on the group.

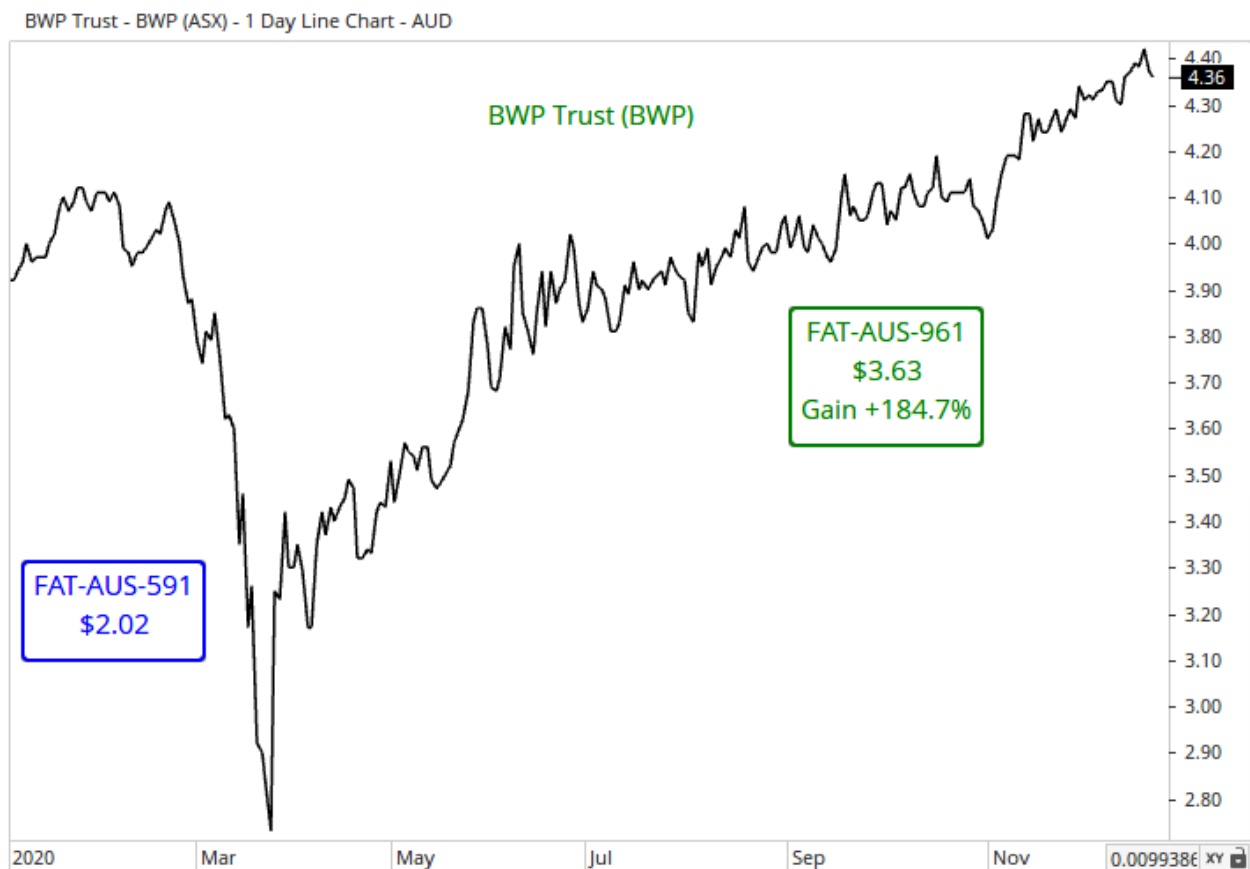
However, instead of holding out and waiting for an actual binding proposal, we opted for a profit-taking manoeuvre in the interest of prudence.



**Our call to take profits proved to be highly prescient** as the shares hit an all-time high and was right before the March collapse and the withdrawal of the takeover offer – a time when COVID-19 had evolved into a pandemic. Members that followed the sell-half recommendation would've made a handsome 35.2% profit and some measure of relief having avoided (about half) of the drop. Pleasingly, since then, NSR has made a gradual climb back up given the robust demand for self-storage, not to mention the steady acquisitions the REIT has made.

### BWP Trust

Next up on the list is **BWP Trust**, another REIT that was added in the Fat Prophets portfolio in 2012 ([FAT-AUS-591](#)) on the back of its exposure towards the Bunnings Group and the then-strong outlook for the home improvement sector. The REIT also demonstrated a solid track record of paying out solid distributions (i.e., dividends) over a long stretch of time. The stock had the markings of a solid long-term investment – a role it has fulfilled in the portfolio over the years.



However, this year in March ([FAT-AUS-961](#)), we felt the REIT’s top-line performance was ‘uninspiring’ following the general uncertainty in the economy which resulted in some property divestments as well as ‘redevelopments’ in some warehouses (thus reduced rents). To be fair, the REIT’s managers did carry out a solid ‘portfolio optimisation’ initiative that should pay off in the long run. We did, ultimately, recommend some profit taking given the share price appreciation and accumulated dividends since.

With the economy recovering, and handling the COVID-19 pandemic well, Bunnings – the REIT’s largest tenant – has staged an impressive recovery and exhibited a solid sales performance. These improvements have also recently buoyed BWP’s shares since.

**OVH**

Finally, the last ‘sell’ recommendation of the year was financial services platform **OneVue** which has been a mainstay of the portfolio since May 2015 ([FAT-AUS-723](#)). We saw the company as offering strong leverage to a sector wide thematic of rising funds under administration.



The shares were not immune to the onset of the pandemic or broader market sell-off unsurprisingly, and this saw an opportunistic bid for the company, with Iress launching a 40c per share offer. With the share price hitting just a penny below the bid we thought it

was time to move on, and follow opportunities elsewhere. We recommended an exit in mid-September ([FAT-AUS-988](#)).

Admittedly, OneVue's performance in the Fat Prophets portfolio had been quite disappointing from peaking at around 90c in mid-2018 and trending down since despite an impressive operational performance. We can only take some solace that we have several other high quality names within the space, including HUB, Praemium, and Mainstream, which have generally fared better on the share price charts.

Interests associated with Fat Prophets hold shares in BWP, Praemium, HUB24, and Mainstream.

#### DISCLAIMER

Fat Prophets has made every effort to ensure the reliability of the views and recommendations expressed in the reports published on its websites. Fat Prophets research is based upon information known to us or which was obtained from sources which we believed to be reliable and accurate at time of publication. However, like the markets, we are not perfect. This report is prepared for general information only, and as such, the specific needs, investment objectives or financial situation of any particular user have not been taken into consideration. Individuals should therefore discuss, with their financial planner or advisor, the merits of each recommendation for their own specific circumstances and realise that not all investments will be appropriate for all subscribers. To the extent permitted by law, Fat Prophets and its employees, agents and authorised representatives exclude all liability for any loss or damage (including indirect, special or consequential loss or damage) arising from the use of, or reliance on, any information within the report whether or not caused by any negligent act or omission. If the law prohibits the exclusion of such liability, Fat Prophets hereby limits its liability, to the extent permitted by law, to the resupply of the said information or the cost of the said resupply. As at the date at the top of this page, Directors and/or associates of the Fat Prophets Group of Companies currently hold positions in: ASX- Listed Australian stocks: AMC, ANZ, APA, ADI, ARF, BOQ, BPT, BHP, BWP, COF, CQE, CHC, CQR, CCL, CKF, CBA, DRR, DXS, DHG, DMP, ECF, ELD, EVN, FPC, FPP, FID, FMG, GOR, GMG, GPT, HUB, IGO, ILU, JHX, MAI, MCR, NAB, NSR, NCM, NEC, NMG, NUF, OSH, ORE, OZL, PAN, PAR, PPS, QAN, QBE, RSG, RIO, SFR, STO, SAR, SCG, SRV, SLR, SHL, S32, SPK, SBM, SGP, SYD, TLS, TRS, TPG, VCX, WES, WSA, WBC, WPL. International stocks: Activision Blizzard Inc, Apple Inc, BNP PARIBAS ACT.A, Cisco Systems Inc, Credit Agricole, Enav, Euro Next, Harmony Gold Mining Co, Intu Properties, LVMH, Nissha, Printing Co. Ltd, Prologis Inc, Samsung Electronics Co Ltd, Sony Corporation, Tanger Factory Outlet Centers Inc, TJX Companies Inc, Vail Resorts Inc, Walt Disney Company (The), Yum China Holdings Inc, AJINOMOTO CO INC, Around Town, Boston Properties Inc, Citigroup Inc, Credit Suisse Group AG, Entra Asa, Eurocommercial, Heineken, Kerry PPT, Meituan Dianping, Nomura Holdings, ProShares Ultra Pro Short 20+ Year Treasury, Sands China Ltd, SPDR Gold Trust, Taubman Centers Inc, Tokyo Tatemono Co, Vaneck Vectors Gold Miners ETF, Warner Music Group Corp, Zhaojin Mining, Alibaba Group Holding Ltd, AvalonBay Communities Inc, Braemar Hotels and Resorts Inc, Coeur Mining Inc, D.R. Horton Inc, ESR Cayman Ltd, Extended Stay America Inc, Hilton Worldwide Holdings Inc, KONE Corporation, Merlin Properties Socimi SA, NorthWest Healthcare Properties REIT, Public Storage, Sanwa Holdings Corp, Spirit Realty Capital Inc, Tencent Holdings Ltd, Tokyu Fudosan Holdings Corporation, Vaneck Vectors Junior Gold Miners ETF, Welltower Inc, Zillow Group Inc, Alphabet Inc, Baidu Inc, Budweiser Brewing Company APAC Ltd, Corning Incorporated, Daikin Industries Ltd, Essex Property Trust Inc, Extra Space Storage Inc, Hongkong Exchanges and Clearing Ltd, LEG Immobilien AG, MGM China Holdings Ltd, Peloton Interactive Inc, Rigd Reliance Industries Limited, Segro Plc, Square Enix Holding, Tencent Music Entertainment Group, Tritax Big Box Reit Plc, Ventax Inc, Wynn Macau, Amadeus It Group Sa, Barrick Gold Corporation, Castellum AB, Cousins Properties, Digital Realty Trust Inc, ETFMG PRIME JUNIOR SILVER MINERS ETF, Fresnillo Plc, Hufvudstaden AB, LG Household & Healthcare Ltd, Mitsui Fudosan Co Ltd, Powerhouse Energy Group Plc, Rightmove Plc, Shangri-La Asia Ltd, Sunlight Real Estate Investment Trust, Terreno Realty Corp, Uber Technologies Inc, Vereit Inc, Wynn Resorts Ltd, American Homes 4 Rent, Bitcoin, China Oilfield Services, Covivio Sa, Diversified Healthcare Trust, Ethereum, Global X Silver Miners ETF, Inmobiliaria Colonial SA, Link Real Estate Investment Trust, Nintendo Co. Ltd, PPHE Hotel Group Limited, Royal Dutch Shell, Simon Property Group Inc, Swire Properties, THK Co. Ltd, UMH Properties Inc, Vornado Realty Trust, Yaskawa Electric Corporation These may change without notice and should not be taken as recommendations.