



Tom Ashworth
Manager
Macau Property Opportunities Fund

FUND FACTS

Listed: 2006 (Aim)
2010 (Main Market)

Fund size:
\$453 million

Price: 200p
NAV: 250p

SIGNIFICANT SHAREHOLDERS

Invesco Asset Management: 27.8%

Lazard Asset Management: 14.3%

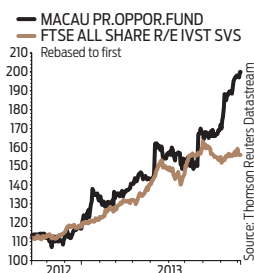
Universities Superannuation Scheme: 11.8%

Sniper Investments: 7.5%

Apollo Multi-Asset Management: 5.2%

Miton: 3.0%

Source: Macau Property Opportunities Fund



The Macau opportunity

Property fund targets housing for gaming industry

MARK DUNNE

From nothing more than an idea a decade ago the **Macau Property Opportunities Fund (MPO)** is now worth US\$453 million, having grown a stunning 28% in the year to July 2013 alone. It has a portfolio of residential, retail and logistics properties in the Chinese special administrative region in addition to assets on mainland China's western Pearl River Delta.

Macau is the only gaming jurisdiction under Chinese rule. More than a decade after deregulation, gaming in the territory has been transformed from an industry generating \$2 billion in revenues to one that is expected to take \$45 billion this year from its 33 casinos. During this period GDP has grown five times and the population has expanded by 30% to 570,000 people.

GOING IT ALONE

Macau Property Opportunities' net asset value per share stands at 250p. The intention is to expand this by 15% to take it to 300p a share. The fund, which moved from Aim up to the Main Market in 2010, has also built up a comfortable debt profile with a 27% loan to value ratio. It is carrying \$125 million of bank debt, which it recently re-financed, extending maturities by

five years to 2020.

When Tom Ashworth, principal at Sniper Capital, manager of the fund, first began investing in Macau's property market it was very under-developed. There was little information available in English and practically nothing in the way of advertising properties for sale. 'All of our sourcing has been done through our own network. We have hired our own teams. No one knew these assets were for sale, until we bought them. It was difficult to get hold of them so it took a lot of hard work and focus.'

In the seven years since the fund tapped Aim for \$200 million in 2006 it has bought a mix of assets. It has had a development bias, but now that available land and existing assets are scarce the fund has moved into a phase where it is focusing on maximising its existing properties. Macau has since become a sellers' market. Indeed, in August Ashworth agreed to sell Zhuhai properties, which comprises APAC Logistics Centre & Cove Residence, for \$64 million, versus a \$45.4 million book value.

'The good news is we have some great assets, which are unrepeatable,' he says. 'These are the sort of conditions you want to be exiting into, but we believe there are quite a few years left in terms of upside potential.'

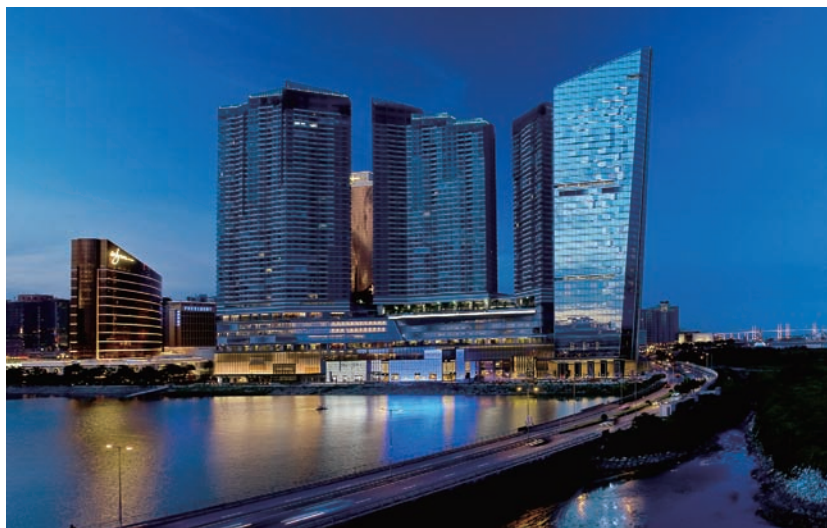
BRIDGING THE OPPORTUNITY

Part of this potential could come from the fund being well placed to benefit from a second event that could shake up the territory, 11 years after de-regulation. The authorities are building a bridge that would link Macau to Hong Kong, cutting the travelling time between the two in half to 30 minutes. 'Think of Macau as a teenager – still growing rapidly,' Ashworth says. 'Give it another five years and it will be an adult.'

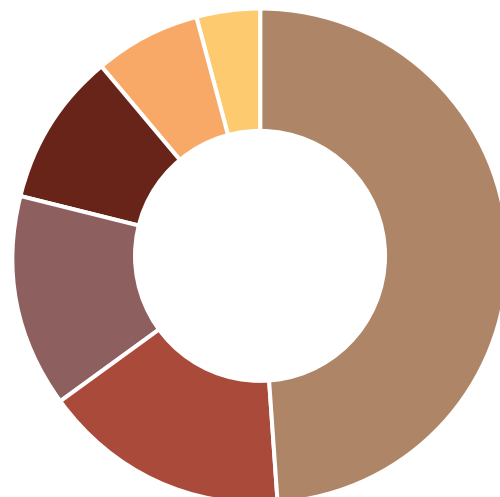
The city looks set to come of age when the Hong Kong-Zhuhai-Macau Bridge opens in 2016. For Ashworth the dynamics of the city are changing as he believes the bridge will drive growth in its convention market, just as it has been strong in Las Vegas since the 1970s.

The fund has had the luxury of not having any competition to worry about. It is difficult for the big portfolios to throw money at a project in Macau because the vehicle has benefited from being on the ground and getting to know the market. The region's smaller developers are equally deterred from tackling projects in the territory due to the need from the authorities to create buildings in its Portuguese colonial style

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Portfolio breakdown



Assets

- 49% The Waterside – \$221.1 million
- 16% Senado Square – \$73.4 million
- 14% The Fountainside – \$65.1 million
- 10% APAC Logistics Centre & Cove Residences – \$45.4 million*
- 7% One Central – \$31.4 million
- 4% The Green House – \$16.1 million

* Under offer
Source: Macau Property Opportunities Fund

heritage. The fund has taken the best assets and there is a limited pipeline of projects available.

‘We buy extreme value,’ Ashworth says. ‘Investors will say this market has gone up 356% and it cannot go any more. But this is what happens in markets where you have picked them early and you find value and create value.’

The cream of Macau’s real estate market has gone and the opportunities Ashworth found when he first established the fund will never be seen again. But the fund is looking at other markets to find similar opportunities that it can get into before anyone else sees the opportunity. This could be country or region specific or a particular sector. Until then, the team is focused on managing its existing assets.

‘It [Macau] is the world’s greatest growth story,’ Ashworth says. ‘It is like being in America in the 1880s.’

RETURN (%)	6m	1 year	3 years	5 years
Macau Property Opportunities Fund	39.1	76.6	56.9	133.2
FTSE All-Share Real Estate Investment & Services	18.7	39.5	51.7	34.3

Source: Datastream

Number of new residential units transacted

