

# The prizefight is over. And the winner is...



NOVEMBER 2018

In investing, there's real value in knowing how much something is actually worth. And nothing better illustrates that fact than the three-year tussle for control of Investa Office Fund (IOF), a now former holding in APN AREIT Fund.

We have previously likened the saga to the Anglo-French 100-year war. It certainly felt like it was taking that long. In the end, the contest was more a prize fight featuring two global real estate heavyweights slugging it out.

In the blue corner was the world's largest real estate investment firm, New York-based Blackstone, weighing in at A\$630b in assets under management (A\$165b in real estate). In the red corner was Oxford Properties Group, the real estate arm of the giant Canadian pension fund OMERS which has A\$100b in assets under management.

Blackstone threw the first punch with an offer of \$5.15 a share. It wasn't well received, especially by us.

At the time, we argued that, "the primary figure on which this deal rests – net tangible assets per share - is out of date, understating the true value of IOF's assets as a result." We went on to say that a "figure of at least \$5.60 per share would be more reasonable."

The opportunistic, low ball offer looked like it might succeed despite our protestations. Dexus and Cromwell had previously made unsuccessful bids and shareholders understandably wanted an end to hostilities. The smart money was on Blackstone.

Then Oxford Properties stepped into the ring. In August, it entered a Sale Deed enabling it to purchase 9.99% of IOF's shares from the Investa Commercial Property Fund (ICPF) at a price of \$5.25. It was a fierce blow to Blackstone's ambitions.

To their detriment, not all former suitors actually opened their wallets. Oxford's bid showed real commitment. Blackstone knew it was in a fight, upping its bid to \$5.35 a share. Oxford countered at \$5.50, then Blackstone went for the knockout at \$5.52 a share.

Could Oxford recover, and fight off the global heavyweight of real estate investment? It certainly gave it everything. Oxford's next offer came in at \$5.60 per share (along with an agreement with ICPF to acquire 19.99% of IOF), exactly the price we thought would be "more reasonable" when we urged shareholders to reject Blackstone's initial bid.

Blackstone didn't want to concede, waiting until the very end of the standing count, no doubt checking its numbers to see if it could go higher.

It was all to no avail. The towel was thrown in on the 18th of October with the champions belt to be presented to Oxford on the 4th of December. This is when IOF investors get to vote for a champion that has been unanimously recommended by its Board – in the absence of any superior proposal of course!

This was a great result for IOF shareholders (and the APN AREIT Fund), who got a far better price for their stock than they might have originally expected.

There's an added benefit, too. We have happily invested the proceeds into new, recent higher yielding placements and stocks that have come under pressure as a result of the recent market sell-off. The APN AREIT Fund is achieving more income as a result of this prize-fight.

Neither of those things would have been possible without a clear understanding of what IOF was actually worth, and then having the courage to wait for a reasonable price when others might have been tempted to accept.

It doesn't always work out as well as this but it's great to see when it does. Congratulations to Oxford Properties for knocking out Blackstone, the global heavyweight, and to our team for their great work in delivering such a good result for our investors.

*This article has been prepared by APN Funds Management Limited (ACN 080 674 479, AFSL No. 237500) for general information purposes only and without taking your objectives, financial situation or needs into account. You should consider these matters and read the product disclosure statement (PDS) for each of the funds described in this article in its entirety before you make an investment decision. The PDS contains important information about risks, costs and fees associated with an investment in the relevant fund. For a copy of the PDS and more details about a fund and its performance, visit our website at [www.apngroup.com.au](http://www.apngroup.com.au).*



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Established in 1996, APN's listed on the ASX and manages \$2.8 billion (as at 30 June 2018) of real estate and real estate securities. APN trades on the ASX under the code 'APD'.

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