

# SCA UNLISTED RETAIL FUND 3 (SURF 3)

**SURF 3 provides investors with an investment in an unlisted property fund with a portfolio of three properties anchored by long term leases to Woolworths and one anchored by Target Australia.**

## Quarterly Update as at 31 Dec 2018

The following information has been prepared for SURF 3 for the purposes of ASIC Regulatory Guide 46.

### Disclosure Principle

Outcome/Comment (in accordance with PDS).

#### Gearing Ratio<sup>4</sup>

Gearing of SURF 3 was 42.7%. This is less than the required maximum of 55% and the maximum of 50% to make a distribution or additional drawdowns. Gearing also indicates the extent to which SURF 3's assets are funded by interest bearing liabilities.

#### Interest Cover Ratio (ICR)<sup>4</sup>

ICR was 3.73 times. This is greater than the required minimum of 1.75 times. ICR measures the ability of SURF 3 to service interest expense.

#### Interest Capitalisation Policy

SURF 3 does not capitalise interest.

#### SURF 3 Borrowing

SURF 3's borrowings are \$24.7m which is less than the facility limit \$28.95m.

#### Portfolio Diversification

SURF 3 properties are listed including key metrics. SURF 3's valuation policy includes all properties to be valued every 6 months. The Dec valuations are outlined in this report.

#### Related Party Transactions

Related party transactions have been disclosed in the PDS dated April 2018 and the financial statements for the period ended 30 June 2018. These are available on line at [www.scaproperty.com.au/unlisted/surf3](http://www.scaproperty.com.au/unlisted/surf3).

#### Distribution Practices

Distributions are paid with cash from operations. It is anticipated that distributions will continue to be funded by cash from operations.

#### Withdrawal Practices

Investors are unable to redeem their units. Subject to conditions, investors may privately arrange to transfer their units to third parties at any time using an off market transfer form. Please contact the registry (details page 2) for further information.

#### Net Tangible Assets (NTA)

NTA is \$0.95.

## Highlights include:

	Actual/Forecast	PDS <sup>1</sup>
FY19 second quarter distribution cents per	1.77	1.77
FY19 annualised forecast distribution yield	7.10%	7.10%
Property valuation (as at 31 Dec)	\$59.4m	\$57.9m
Net tangible assets per unit (as at 31 Dec)	\$0.95	\$0.91

## SURF 3 Property Valuation

	State	Tenants	Occupancy <sup>2</sup>	Capitalisation Rate Dec-18	Valuation Dec-18 \$'m
Moama Marketplace	NSW	7	100.0%	7.00%	14.3
Swansea Woolworths	NSW	5	100.0%	6.00%	15.7
Warrnambool Target	VIC	11	100.0%	8.25%	16.0
Woodford Village	QLD	5	100.0%	6.25%	13.4
Total			100.0%	6.90% <sup>3</sup>	59.4

- As at date of the Product Disclosure Statement (PDS) dated April 2018.
- Include rental guarantee capped at \$400,000
- Weighted average property capitalisation rate.
- Gearing and ICR are measured in accordance with the definitions within the Finance Agreement between SURF 3 and the debt provider. Required maximum gearing and minimum ICR are also in accordance with the Finance Agreement.