

SCA UNLISTED RETAIL FUND 2 (SURF 2)

SURF 2 provides investors with an investment in an unlisted property fund with a portfolio of two properties anchored by long term leases to Woolworths.

Quarterly Update as at 31 Dec 2018

The following information has been prepared for SURF 2 for the purposes of ASIC Regulatory Guide 46.

Disclosure Principle

Outcome/Comment (as at 31 Dec 2018 or for the 12-month period ended 31 Dec 2018).

Gearing Ratio⁴

Gearing of SURF 2 was 48.2%. This is less than the required maximum of 55%. Gearing also indicates the extent to which SURF 2's assets are funded by interest bearing liabilities.

Interest Cover Ratio (ICR)⁴

ICR was 3.24 times. This is greater than the required minimum of 1.75 times. ICR measures the ability of SURF 2 to service interest expense.

Interest Capitalisation Policy

SURF 2 does not capitalise interest.

SURF 2 Borrowing

SURF 2's borrowings are \$26.55m which is less than the facility limit of \$27.1m.

Portfolio Diversification

SURF 2 properties are listed including key metrics. SURF 2'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 19 April 2017 and in the financial statements for the period ended 30 June 2018. These are available on line at www.scaproperty.com.au/unlisted/surf2.

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 \$0.97.

Highlights include:

	Actual/Forecast	PDS ¹
FY 19 second quarter distribution cents per	1.75	1.75
FY 19 annualised forecast distribution yield	7.00%	7.00%
Property valuations (as at 31 Dec)	\$55.4m	\$55.1m
Net tangible assets per unit (as at 31 Dec)	\$0.97	\$0.96

SURF 2 Property Valuation

	State	Tenants	Occupancy	Capitalisation Rate Dec-18	Valuation Dec-18 \$'m
Katoomba Marketplace	NSW	1	100.0%	6.50%	44.7
Mittagong Village	NSW	6	100.0% ²	6.25%	10.7
Total			100.0%	6.45% ³	55.4

1. As at date of the Product Disclosure Statement (PDS) dated 19 April 2017.
2. Includes the rental guarantee for Shop 6 in Mittagong .
3. Weighted average property capitalisation rate .
4. Gearing and ICR are measured in accordance with the definitions within the Finance Agreement between SURF 2 and the debt provider. Required maximum gearing and minimum ICR are also in accordance with the Finance Agreement.