

Fund Update - Commencement of Property sale(s):

The Fund's term is 5 years, commencing on 1 October 2015 (refer to Product Disclosure Statement (PDS), dated 16 July 2015, section 6.3) and the Fund's term is expected to end in late 2020. In accordance with the PDS, SURF RE has initiated a sales process for the SURF 1 portfolio prior to the expected Fund expiry. This may result in properties being sold for the same as or more or less than their respective book values and may take 6 -18 months beyond the initial term of SURF 1. Sales of properties may result in the proceeds being used to reduce debt or for distribution to unitholders.

As the sales process may take some time to complete, the debt facility was extended in June 2019 to expire in July 2021. As at 30 June 2019, the valuation of the Inverell property held by the Fund declined to \$14,000,000 from \$18,000,000 as at 30 June 2018. The June 2019 valuation of the Inverell property was undertaken by an independent external valuer and the valuation took into consideration the decision by Woolworths Group Limited to close a number of Big W stores around Australia. This decision was announced on 1 April 2019, by Woolworths Group Limited, as part of a Big W network review update. A copy of this announcement is at https://www.woolworthsgroup.com.au/page/media/Press_Releases/woolworths-group-market-update/.

During July 2019, SURF RE entered into a contract to sell Burwood for \$12,000,000 and an option, exercisable by the Fund, to sell Inverell for \$15,000,000. Completion of the Burwood contract is conditional on the prior or simultaneous completion of the sale of Big W Inverell (if the Fund elects to exercise its option to sell Big W Inverell).

If the Fund elects not to exercise its option to sell Big W Inverell for the agreed price of \$15,000,000, the Burwood contract becomes unconditional and due for completion 14 days after expiry of the Inverell option (which expires on 14 November 2019).

Burwood's carrying value at June 2019 was \$11,000,000 and it was independently valued in July 2019 for \$11,000,000. Inverell's carrying value at 30 June 2019 was \$14,000,000 and it was independently valued in June 2019 for \$14,000,000. Accordingly, these assets have been sold for \$2,000,000 above the book value. The remaining 3 properties are being marketed by an expression of interest campaign which will close at the end of August 2019. More details on the sale of Burwood, Inverell and other properties in the portfolio can be found on our website at <https://www.scasurf.com.au/surf1/>.

FY19 Fourth Quarter Distribution and FY19 AMMA Statements:

The FY19 fourth quarter distribution will be 2.10 cents per unit and will be paid 31 July 2019.

Additionally the FY19 AMIT Member Annual (AMMA) Statements will be sent to unit holders also on 31 July 2019.



Inverell BIG W



Burwood Dan Murphy's



Griffith North



Katoomba Dan Murphy's



Fairfield Heights

SURF 1 ARSN 606 126 934, Responsible entity and issuer: SCA Unlisted Retail Fund RE Limited. ACN 604 416 284, AFSL 473 459. SCA Unlisted Retail Fund RE Limited is a wholly owned subsidiary of the Shopping Centres Australasia Property Group. Shopping Centres Australasia Property Group comprises the Shopping Centres Australasia Property Management Trust (ARSN 160 612 626) and Shopping Centres Australasia Property Retail Trust (ARSN 160 612 788).

Important Information: This document has been prepared by and issued by SCA Unlisted Retail Fund RE Limited (ACN 604 416 284, AFSL 473 459) (SURF RE) for general information purposes only. It does not take into account your investment objectives, financial situation, or your particular needs. We recommend that before an investment decision is made you should consult your financial or other professional advisor. Entities which are part of the SCA Property Group do not receive fees in respect of general financial advice they may provide, however they will receive fees from SURF 1. These fees are detailed in the Product Disclosure Statement (PDS) for SURF 1 dated 16 July 2015. The PDS and this document contain information which may include statements that include or consider forward looking statements. Forward statements are subject to known and unknown risk which may cause the actual results or performance of SURF 1 to differ materially from this expressed or implied.

SCA UNLISTED RETAIL FUND 1 (SURF 1)

SURF 1 provides investors with an investment in an unlisted property fund with a portfolio of five properties anchored by long term leases to Woolworths.

Quarterly Update as at 30 June 2019

The following information has been prepared for SURF 1 for the purposes of ASIC Regulatory Guide 46.

Disclosure Principle

Outcome/Comment (as at 30 June 2019 or for the 12-month period to 30 June 2019).

Gearing Ratio²

Gearing of SURF 1 was 43.4%. This is less than the required maximum of 60% and the maximum of 55% to make a distribution or additional drawdowns. Gearing also indicates the extent to which SURF 1's assets are funded by interest bearing liabilities.

Interest Cover Ratio (ICR)²

ICR was 3.7 times. This is greater than the required minimum of 1.75 times. ICR measures the ability of SURF 1 to service interest expense.

Interest Capitalisation Policy

SURF 1 does not capitalise interest.

SURF 1 Borrowing

SURF 1's borrowings are \$29.1m which is less than the facility limit of \$30.45m.

Portfolio Diversification

SURF 1 properties are listed including key metrics. SURF 1's valuation policy includes all properties to be valued every 6 months. The June 2019 valuations are outlined in this report.

Related Party Transactions

Related party transactions have been disclosed in the financial statements for the period ended 30 June 2019. These are available on line at <https://www.scasurf.com.au/surf1/>.

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 for further information.

Net Tangible Assets (NTA)

NTA is \$1.18

Highlights include:

	Actual	Same Period FY18
FY19 fourth quarter distribution cents per unit (cpu)	2.10	2.05
(cpu) FY19 annualised forecast distribution yield (based on Issue Price of \$1.00)	8.40%	8.20%
Property valuation (as at 30 June 2019)	\$68.4m	\$71.0m
Net tangible assets per unit (as at 30 June 2019)	\$1.18	\$1.23

The Net Tangible Assets immediately after SURF 1 commenced operations was estimated at \$0.95 per unit.

SURF 1 Property Valuation

	State	Tenants	Occupancy	Capitalisation Rate	Valuation \$'m
Burwood Dan Murphy's	NSW	1	100.0%	June'19 5.00%	June'19 \$11.0
Fairfield Heights	NSW	3	100.0%	5.50%	\$23.8
Griffith North	NSW	1	100.0%	5.75%	\$11.9
Inverell BIG W ³	NSW	2	100.0%	11.75%	\$14.0
Katoomba Dan Murphy's	NSW	1	100.0%	5.75%	\$7.7
Total			100.0%	6.77% ¹	\$68.4

1. Weighted average property capitalisation rate.
2. Gearing and ICR are measured in accordance with the definitions within the Finance Agreement between SURF 1 and the debt provider. Required maximum gearing and minimum ICR are also in accordance with the Finance Agreement.
3. The anchor tenant at Inverell is Big W. The lease with Big W expires in January 2028 and includes 4 times 10 year options (at the lessee's option). Unit holders should be aware that Woolworths Group on 1 April 2019 announced a Big W network review update. A copy of this announcement is at https://www.woolworthsgroup.com.au/icms_docs/195509_woolworths-group-market-update.pdf. Inverell has been independently valued at June 2019 and the Investment Manager has considered the independent valuation and this announcement in forming its view of the valuation.

CONTACT OUR REGISTRY

Contact our registry, Boardroom Limited, for enquiries regarding your accounts details, banking instructions, distribution payment notices or changing your address or contact details.

Contact Details - Investor Services:

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