

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 31 March 2019

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

Disclosure Principle

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

Gearing Ratio²

Gearing of SURF 1 was 41.0%. 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 3.70 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 \$29.4m 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 December 2018 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 2018. These are available on line at www.scaproperty.com.au/unlisted/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 \$1.24

Highlights include:

	Actual/Forecast	Same Period FY18
FY19 third quarter distribution cents per unit (cpu)	2.10	2.05
FY19 annualised forecast distribution yield (based on Issue Price of \$1.00)	8.40%	8.20%
Property valuation (as at 31 December 2018)	\$71.0m	\$69.0m
Net tangible assets per unit (as at 31 December 2018)	\$1.24	\$1.17

SURF 1 Property Valuation

	State	Tenants	Occupancy	Capitalisation Rate Dec-18	Valuation Dec-18 \$'m
Burwood Dan Murphy's	NSW	1	100.0%	5.00%	11.0
Fairfield Heights	NSW	3	100.0%	5.50%	23.2
Griffith North	NSW	1	100.0%	5.75%	11.6
Inverell BIG W ³	NSW	2	100.0%	9.25%	17.6
Katoomba Dan Murphy's	NSW	1	100.0%	5.75%	7.6
Total			100.0%	6.42%¹	71.0

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). Unitholders 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. The Investment Manager is awaiting clarification from Woolworths in order that it can properly assess the implications of this announcement.

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:

1300 780 316 (local call cost) Email: SURF@boardroomlimited.com.au
+61 2 8016 2885 (from outside Australia) Website: www.boardroomlimited.com.au

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).

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