

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 Sept 2018

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 2018 or for the 12-month period to 30 June 2018).

Gearing Ratio²

Gearing of SURF 1 was 40.6%. 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 3.61 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 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 (details page 2) for further information.

Net Tangible Assets (NTA)

NTA is \$1.23.

Highlights include:

	Actual/Forecast	Same Period FY18
FY19 first quarter distribution cents per unit (cpu)	2.10	2.05
FY19 annualised forecast distribution yield	8.40%	8.20%
Property valuation (as at 30 June)	\$71.0m	\$67.3m
Net tangible assets per unit (as at 30 June)	\$1.23	\$1.13

SURF 1 Property Valuation

	State	Tenants	Occupancy	Capitalisation Rate Jun-18	Valuation Jun-18 \$'m
Burwood Dan Murphy's	NSW	1	100.0%	5.00%	11.0
Fairfield Heights	NSW	3	100.0%	5.50%	23.0
Griffith North	NSW	1	100.0%	5.75%	11.5
Inverell BIG W	NSW	2	100.0%	9.00%	18.0
Katoomba Dan Murphy's	NSW	1	100.0%	5.75%	7.5
Total			100.0%	6.38%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.