

# 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.

## Fund Update - Commencement of Property sale(s):

The Fund's nominal term is 5 years, ending in October 2020. As permitted by the PDS, SURF RE has recently initiated a sales process for the SURF 1 portfolio, which 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. Proceeds of sale may be used to reduce debt or for distribution to unitholders.

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.

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 their book value. The remaining 3 properties are being separately marketed by an expression of interest campaign. Details on the progress of the sale of Burwood, Inverell and the other properties in the portfolio will be updated on our website at <https://www.scasurf.com.au/surf1/>.



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.

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## Quarterly Update as at 30 September 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 Ratio<sup>2</sup>

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)<sup>2</sup>

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/ Forecast	Same Period FY19
FY20 first quarter distribution cents per unit (cpu)	2.10	2.10
FY20 annualised forecast distribution yield (based on Issue Price of \$1.00)	8.40%	8.40%
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 June'19	Valuation \$'m June'19
Burwood Dan Murphy's	NSW	1	100.0%	5.00%	\$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 <sup>3</sup>	NSW	2	100.0%	11.75%	\$14.0
Katoomba Dan Murphy's	NSW	1	100.0%	5.75%	\$7.7
<b>Total</b>			<b>100.0%</b>	<b>6.77%<sup>1</sup></b>	<b>\$68.4</b>

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 consecutive 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](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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