

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 March 2020

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

Disclosure Principle

Outcome/Comment (as at 31 December 2019 or for the 12-month period ended 31 December 2019).

Gearing Ratio²

Gearing of SURF 2 was 47.0%. 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)²

ICR was 3.79 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 \$26.6m 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 December 2019 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 2019. 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 for further information.

Net Tangible Assets (NTA)

NTA is \$1.00

COVID-19 Pandemic and Capital Management

The market disruption caused by COVID-19 has been extreme and it is impossible to predict when market disruption will end.

The Fund's shopping centres remain resilient with 95.9% of income continuing to be generated from the Fund's anchor tenant Woolworths Group Limited. However, there is a material risk that deterioration in the broader property market may cause a "flow on effect" and place pressure on the Fund's debt covenants. For this reason, the Fund Manager has recommended that the Board suspend distributions until the market becomes more certain.

Management fees have also been deferred.

Whilst we regret having to make this decision, the Fund Manager and the Board are firmly of the view that the current crisis requires immediate action to strengthen the Fund's balance sheet.

The Board is continuing to monitor market conditions.

Highlights include:

	Actual/Forecast	Same Period FY19
FY20 third quarter distribution cents per unit (cpu)	Suspended ⁴	1.75
FY20 annualised forecast distribution yield (based on Issue Price of \$1.00)	Suspended ⁴	7.00%
Property valuation (as at 31 December 2019)	\$56.6m	\$55.4m ³
Net tangible assets per unit (as at 31 December 2019)	\$1.00	\$0.97 ³

SURF 2 Property Valuation

	State	Tenants	Occupancy	Capitalisation Rate Dec'19	Valuation Dec'19 \$'m
Katoomba Marketplace	NSW	1	100.0%	6.50%	47.0
Mittagong Village	NSW	5	93.6%	7.00%	9.6
Total			98.9%	6.58% ¹	56.6

1. Weighted average property capitalisation rate.
2. 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.
3. As at 31 December 2018.
4. Distribution paid for FY20 year to date totals 3.5cents per unit.

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.

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SURF 2 ARSN 61 418 0237, 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 2. These fees are detailed in the Product Disclosure Statement (PDS) for SURF 2 dated 19 April 2017. 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 2 to differ materially from this expressed or implied.