

SCA UNLISTED RETAIL FUND 3 (SURF 3)

SURF 3 provides investors with an investment in an unlisted property fund with two properties anchored by long term leases to Woolworths and one anchored by a lease to Target Australia.

Quarterly Update as at 30 September 2020

The following information has been prepared for SURF 3 for the purposes of ASIC Regulatory Guide 46.

Disclosure Principle

Outcome/Comment (as at 30 June 2020 or for the period ended 30 June 2020).

Gearing Ratio²

Gearing of SURF 3 was 42.4% as at 30 June 2020. This is less than the required maximum of 55% and the maximum of 50% to make a distribution or additional drawdowns. Gearing also indicates the extent to which SURF 3's assets are funded by interest bearing liabilities.

Interest Cover Ratio (ICR)²

ICR was 3.79 times as at 30 June 2020. The minimum is greater than 1.75 times. ICR measures the ability of SURF 3 to service interest expense.

Interest Capitalisation Policy

SURF 3 does not capitalise interest.

SURF 3 Borrowing

SURF 3's borrowings were \$23.6m as at 30 June 2020 which is less than the facility limit \$28.95m.

Portfolio Diversification

SURF 3 properties are listed including key metrics. SURF 3's valuation policy includes all properties to be valued every 6 months for financial reporting. The June 2020 valuations are outlined in this report.

Related Party Transactions

Related party transactions have been disclosed in the the period ended 30 June 2020. The financial statements for 30 June 2020 are available on line at www.scaproperty.com.au/unlisted/surf3.

Distribution Practices

For the first quarter of FY2021, the distribution is being maintained at 1.775 cents per unit. This distribution will be substantially funded from cash earnings of the Fund with any residual shortfall being funded by debt.

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 is \$0.81 as at 30 June 2020.

Fund and Distribution Update

As previously advised on 30 June 2020 we exchanged contracts to sell the Fund's property at Swansea. The sale of this property completed on 30 July 2020 and the net proceeds from this sale were used to mainly repay a portion of the secured debt facility. After the sale of Swansea the provider of the secured debt facility extended the debt facility expiry from October 2021 to October 2022, and in line with the repayment of debt from the sale of Swansea the facility limit was decreased to \$15.0 million. The debt drawn at 30 September 2020 is \$12.1 million and the gearing on a like for like basis (after the sale of Swansea) is 30%.

The sale of Swansea has reduced the future expected cash earnings of the fund which has been partially offset with the interest expense savings from repaying a portion of the secured debt facility. Additionally property expenses have increased for most of the properties especially in relation to cleaning. Furthermore many of the smaller tenants of the properties owned by the Fund have been impacted by COVID-19 and have been provided with or asked for rental relief. Under the Mandatory Code of Conduct announced by the National Cabinet in April 2020 we are required to provide relief.

We have decided distributions for Q1 FY2021 will be at the same level as FY20 - which is 1.775 cents per unit which is equivalent to 7.10% pa. The distribution for Q2 FY2021 (and following quarters) will be reviewed and may reduce after the full impact of the net reduction of income from the sale of Swansea and / or after the impact of COVID-19 is more certain. This will also mean that the sustainability of distributions will be reviewed each quarter after consideration of a number of matters including the actual underlying cash earnings of the Fund and the debt of the Fund.

Highlights include:

	Actual/Forecast	Same Period FY20
FY21 first quarter distribution cents per unit (cpu)	1.775	1.775
FY21 annualised forecast distribution yield (based on Issue Price of \$1.00)	7.10% ⁵	7.10%
Property valuation (as at 30 June 2020)	\$55.6m	\$59.0m ³
Net tangible assets per unit (as at 30 June 2020)	\$0.81	\$0.93 ³

SURF 3 Property Details - September 2020

	State	Vacant shops	Occupancy ¹	Capitalisation Rate Jun '20	Valuation Jun '20 \$'m
Moama Marketplace	NSW	1	99.3%	7.00%	14.3
Warrnambool Target	VIC	3	96.4%	9.00%	12.3
Woodford Village	QLD	-	100.0%	6.25%	13.4
Total⁴			97.9%	7.36%	40.0

1. Based on vacant gross leaseable area / total leaseable area. Occupancy does not take into account rental assistance requests.

2. Gearing and ICR are measured in accordance with the definitions within the Finance Agreement between SURF 3 and the debt provider. Required maximum gearing and minimum ICR are also in accordance with the Finance Agreement.

3. As at 30 June 2019.

4. Swansea was sold on 30 July 2020 for \$15.6m, the valuation as at 30 June 2020 was \$15.6m. Swansea is therefore not part of the portfolio as at September 2020 and has been removed for the purpose of the same period FY20 to enable like for like comparison.

5. We have decided distributions for Q1 FY2021 will be at the same level as FY20 - which is 1.775 cents per unit which is equivalent to 7.10% pa. The distribution for Q2 FY2021 (and following quarters) will be reviewed and may reduce after the full impact of the net reduction of income from the sale of Swansea and / or after the impact of COVID-19 is more certain. This will also mean that the sustainability of distributions will be reviewed each quarter after consideration of a number of matters including the actual underlying cash earnings of the Fund and the debt of the Fund.

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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SURF 3 ARSN 623 821 689, 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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