



Dear SCA Unlisted Retail Fund 2 Investor,

Since the sale of Mittagong in June 2020, the Fund has received unsolicited offers from various investors wishing to purchase Katoomba Marketplace from the Fund. Due to market interest in the property, the Fund engaged agents to market the property for sale and solicit formal offers from qualified buyers.

The sales method utilised to sell Katoomba has been an off-market campaign, primarily through agents who regularly deal in this asset class. A number of reputable agents who have experience in dealing with similar properties have assisted the Fund in marketing Katoomba Marketplace and in obtaining offers. An off-market sales approach through reputable property agents dealing in similar assets was considered by Management to be the superior sales method for this particular asset class and value.

The Fund has carefully evaluated the various offers it has received for Katoomba Marketplace and has entered into a contract to sell Katoomba Marketplace to the party offering superior terms being SCA Property Group at \$55.1 million. The contract with SCA Property Group is only conditional on consent from Council to the assignment of two leases which comprise part of the property. We do not foresee any material impediments in obtaining that consent.

Katoomba Marketplace was independently valued at \$47.0 million in December 2019 and the book value of this property at June 2020 remained at \$47.0 million. The Fund commissioned an independent current market valuation of the asset as at December 2020 and the property was valued at \$55.0 million.

In addition to obtaining an independent valuation, BDO Corporate Finance (East Coast) Pty Ltd was engaged to independently review the sale process. BDO concluded that the sale methodology undertaken by the Fund was appropriate and thorough.

In June 2017, the Fund purchased Katoomba Marketplace from SCA Property Group for \$44.7 million. A successful sale at \$55.1 million constitutes a capital value uplift of 23% above the Fund's acquisition price in June 2017 and 17% above the June 2020 book value. After repayment of the secured debt facility, selling costs and other liabilities, the return to unitholders is equivalent to around \$1.20 per unit with an internal rate of return of around 12% per annum.

We believe that the Fund's returns have been attractive, particularly after taking into account the difficulties faced in the retail industry since the Fund was launched in June 2017.

When the Katoomba Marketplace sale completes, SURF 2 will have no assets except sale proceeds and will be wound up when those proceeds have been distributed to unitholders and all expenses of the Fund have been paid.

The sale of Katoomba Marketplace is currently expected to complete by early 2021. An update will be provided by February 2021 on this timing, as well as the timing of distribution of unitholder capital and returns.

Thank you for investing in SURF 2.

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