



19 February 2021

Dear SCA Unlisted Retail Fund 2 (SURF 2) Investor,

We refer to our Fund Update of 12 February 2021 regarding SURF 2 where we advised that we expected that the sale of SURF 2's final asset, Katoomba Marketplace, would be completed in mid-February 2021.

We are pleased to confirm that the sale of Katoomba Marketplace for \$55.1 million (before selling costs) was completed on 16 February 2021. The price received for the property is 17.2% above the independent valuation at December 2019 (\$47.0 million) and the carrying value at June 2020 (\$47.0 million). This represents a gain of 23.3% above the original purchase price of \$44.7 million, paid in 2017. After repayment of debt, selling costs and other liabilities, this is expected to be at least \$1.20 per unit and an internal rate of return of around 12% per annum.

Following the sale of Katoomba Marketplace, the Board of SCA Unlisted Retail Fund RE Limited, as responsible entity of SURF 2, resolved to wind up SURF 2 in accordance with the terms of its constitution.

### **WHAT DOES TERMINATION OF THE FUND MEAN FOR YOU?**

The proceeds from the sale of Katoomba Marketplace, less all of the Fund's liabilities (**Net Proceeds**), will be distributed to members in proportion to the number of SURF 2 units held. Below is the expected timeframe for the distribution of the Net Proceeds:

1. Payment of liabilities (including the secured debt facility) and expenses associated with the sale of SURF 2's final property – February 2021
2. Payment of Distribution (including return of capital) of \$1.20 per unit – 11 March 2021
3. Payment of performance fee to Fund Manager – April 2021
4. Final residual distribution to Unitholders – April 2021 / May 2021
5. Completion of the Fund accounts – June 2021 / July 2021

The Constitution of SURF 2 provides that all Units in the Fund will be cancelled and taken to be redeemed from the date the final distribution of the Net Proceeds is made. The final distribution is expected to be much smaller. This distribution is expected to occur in April or May 2021. The final wind up and de-registration of SURF 2 is expected to be completed by the end of calendar year 2021.

You will receive your Attribution Managed Investment Trust Member Annual Statement for FY21 by August 2021.

### **Performance of SURF 2**

As you will recall, SURF 2 was established on 22 August 2016. As indicated in the PDS, the key reasons for investing were:

- Attractive yield of 7.0%
- Secure lease covenants backed by Woolworths Limited
- High Quality Retail properties, skewed to non-discretionary categories
- 5 Year Term
- Experienced Manager

We expect that the distributions following completion of the sale of Katoomba Marketplace and finalisation of costs associated with the disposal and winding up of the fund is expected to be over \$1.20 for each \$1.00 invested. Including the income return, it is anticipated that the total internal rate of return on your investment in SURF 2 will be around 12%.

A comparison of PDS (at establishment of SURF 2) and Actual Results, follows.

	<b>PDS</b>	<b>Actual / Expected</b>
Term of Fund	5 years	4 years
Net Tangible Assets per unit (NTA)	\$0.96	Over \$1.20
Annual Distribution	7.0%	7.0%
IRR (annual)	7.0% income	Around 12.0% total IRR

We believe that the SURF 2 returns (subject to finalisation of expenses) have been compelling, taking into account the difficulties faced in the Retail Industry since SURF 2 was launched.

The achieved prices for the assets of SURF 2 were:

	<b>Purchase Price \$'m</b>	<b>Achieved Sales Price \$'m</b>	<b>% increase / (decrease) of sale price compared to purchase price</b>
Mittagong Shopping Village	10.4	9.7	(6.7%)
Katoomba Marketplace	44.7	55.1	23.3%
<b>Total</b>	<b>55.1</b>	<b>64.8</b>	<b>17.6% or \$9.7m</b>

In total the properties are expected to be sold for \$9.7 million more than the purchase price in 2017 when the Fund commenced operations.

Thank you for investing in SURF 2.

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