

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 Target Australia.

Quarterly Update as at 30 September 2021

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 2021, for the period ended 30 June 2021).

Gearing Ratio²

Gearing of SURF 3 was 23.1% as at 30 June 2021. 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 8.76 times as at 30 June 2021. 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 \$11.6m at 30 June 2021 which is less than the facility limit \$15.0m.

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 30 June 2021 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 2021. These are available online at www.scaproperty.com.au/unlisted/surf3.

Distribution Practices

During 1H FY22, as determined by the Investment Manager distributions are expected to be maintained at 1.775 cents per unit per quarter. This is subject to review as noted above.

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 \$1.10 as at 30 June 2021.

Fund Update

Distributions for 1H FY2022 are expected to be maintained at 1.775 cents per unit per quarter. The sustainability of distributions will be reviewed in line with the actual underlying cash earnings of the Fund and it is possible that the distributions could be reduced in the future. In particular it is noted that management fees are currently being deferred, applications for COVID rent relief are expected to be received from several tenants, Warrnambool has two significant leases with tenants expiring in the current year and significant capital expenditure is expected at Warrnambool over the upcoming 12 to 18 months (including for air conditioning (refer also the Product Disclosure Statement)).

Since the sale of Swansea property, the property market has remained strong with strengthened buyer demand particularly for properties similar to those held by SURF 3. This has been evidenced by recent transactions in the market and is reflected in the improved external independent property valuations, which saw the value of SURF 3's remaining properties increase from \$40.0m at 30 June 2020 to \$50.2m at 30 June 2021 on a like for like basis. This is an increase of over 25% in one year and we are unlikely to see this magnitude of per annum growth in subsequent years. As outlined in the Product Disclosure Statement of the Fund, and permitted by the Fund's Constitution and the Corporations Act 2001 (Cth), the RE of the Fund may sell the Fund's remaining properties prior to the end of the Fund's nominal term (which ends in 2024).

The RE of the Fund has appointed a sales agent for the sale of the properties and expressions of interest are due to close on Thursday 14 October 2021. Should a property be sold, unitholders will be notified in due course.

Highlights include

	Actual/Forecast	Q1 FY21
FY22 first quarter distribution cents per unit (cpu)	1.775	1.775
Property valuations (as at 30 Jun 2021)	\$50.2m	\$40.0m ³
Net tangible assets per unit (as at 30 Jun 2021)	\$1.10	\$0.81

SURF 3 Property Details

	State	Occupancy ¹	Capitalisation Rate Jun'21	Valuation Jun'21 \$'m	Valuation Jun'20 \$'m
Moama Marketplace	NSW	100.0%	5.00%	22.0	14.3
Warrnambool Target	VIC	98.3%	9.00%	12.3	12.3
Woodford Village	QLD	100.0%	5.50%	15.9	13.4
Swansea Woolworths	NSW	-	-	-	15.6
Total		99.4%	6.14%	50.2	55.6

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. Property valuations as at 30 June 2020 included Swansea which was valued then at \$15.6m. Swansea was sold in July 2020 and the value of Swansea has been excluded to enable like-for-like valuation comparison of the remaining properties.

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).

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 3. These fees are detailed in the Product Disclosure Statement (PDS) for SURF 3 dated April 2018. 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 3 to differ materially from this expressed or implied.