

# Wholesale Australian Property Fund

Interim Portfolio Update

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## Wholesale Australian Property Fund

The Wholesale Australian Property Fund (the Fund) aims to provide investors with income and long-term capital growth by currently investing in 26 quality commercial properties in major metropolitan markets throughout Australia. The Fund has a long track record of paying a reliable income distribution and achieving solid returns using low debt. Since its inception in March 1985, the average net return to investors through to 30 June 2020 has been 8.7% per annum<sup>1</sup>.

The following portfolio update on the Wholesale Australian Property Fund is provided as at 30 June 2020.

## Distribution

The Fund's quarterly distribution has been fixed at 1.81 cents per unit for the remainder of the calendar year. Using the 30 June 2020 unit price, this equates to an annual distribution rate of 5.90%.

#### **Capital Management**

The Fund currently has immediate access to the forms of capital below. In addition, the Fund remains open for investment and continues to receive applications on a daily basis.

Sources of liquidity immediately available as at 30 June 2020 include:

Source	\$
Debt – undrawn	\$335.0 million
A-REITs	\$122.3 million
Cash	\$17.2 million
Total	\$474.5 million

Furthermore, the Fund currently owns interests in 26 properties and may elect to sell one or more of these to enhance liquidity, should this be required. The Fund's property at Rose Hill, Sydney, is subject to a compulsory acquisition order from the NSW State Government (to facilitate the construction of the western Sydney metro). We currently expect the property to be acquired and the proceeds to be received in H2 2020. The Fund's interest in the property is currently valued at \$16.75 million.

The Wholesale Australian Property Fund is currently open to applications and withdrawals. The Specified Withdrawal Date for redemptions received from 17 March – 15 June 2020 (under the revised terms communicated in April) has now closed. Approximately 50% of withdrawal requests received were for amounts up to or less than 20% of the unit holder's balance and these amounts are currently scheduled to be paid on 6 August 2020. This will be funded from a combination of AREITs and existing credit lines, with debt anticipated to rise towards the top of the target band of 0-15%. The interest rate on this debt is currently 1.30%.

## **Portfolio occupancy**

Portfolio occupancy as at 30 June 2020 is 96% and continuing to work co-operatively with our tenants, in order to maintain this occupancy level, is the highest priority of the investment management team. The Fund's weighted average lease expiry is currently sitting at 4.3 years.

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<sup>&</sup>lt;sup>1</sup> Note that past performance is not a reliable indicator of future performance.

# **Portfolio Positioning**

In a relative sense, at this time we believe the Fund's portfolio continues to be well positioned consisting of retail, office, industrial and business park assets.

Within the retail portfolio, three of the four retail properties are anchored by supermarkets and 52% of the retail portfolio revenue is paid by: supermarkets (Coles, Woolworths, Aldi); fresh food (butchers, bakers, grocers etc); healthcare (chemists, pharmacists etc); essential services (banks and Australia Post); or major corporate tenants or government (Kmart, local government). The total retail portfolio currently accounts for approximately 28.5% of the Fund's revenue.

Nearly all stores in the retail portfolio, which temporarily closed in March/April, have now re-opened.

Within the office and industrial portfolios: 35% of tenants are international businesses; 15% of tenants are government; and 9% are ASX-listed companies. These tenants – which collectively make up nearly 70% of the revenue in the office/industrial portfolio – are less likely to require rent relief. Major tenants within the portfolio include: Commonwealth Government, ACT Territory Government, Queensland State Government, Dentsu Aegis, Kone Elevators, Jaguar Land Rover, Lendlease Engineering, ConocoPhillips and Dulux.

## Valuation update

The Fund switched from quarterly valuations to monthly valuations in March 2020 and has now been independently valued five times since the onset of the COVID-19 crisis. In this time the valuers have:

- softened assumptions relating to growth rates and releasing times;
- softened the cap rates on the properties on average by 20 basis points;
- made allowances for rental relief to tenants affected by the pandemic, and
- adjusted market rents within the retail portfolio to reflect lower demand from tenants at the present time.

In June, all 25 properties that were valued were either flat or rose in value.

The Fund's occupancy rate has been maintained at 96% through the crisis and with interest rates now having fallen 50 basis points and the prospect of rates rising seemingly even more remote, in our view commercial property values look attractive compared to historical benchmarks. For example, the Fund's average cap rate is now 5.8% which is approximately 490 basis points over the 10-year Australian Government Bond yield. This margin is historically very high.

The table below summarises the valuations and key valuation metrics applied as at 30 June 2020. It also provides a comparison to other valuations conducted this year.

VALUATIONS      UAULATIONS      UAULATIONS      UAULATIONS      Display      D	WHOLESALE AUSTRALIAN PROPERTY F	UND													Jun-2020
Property      Sector      31-Dec 2019      31-Mar-2020      30-Apr-2020      31-Mar-2020      30-Apr-2020      31-Mar-2020      No      Sm      Sm <th< th=""><th>PORTFOLIO SUMMARY</th><th></th><th colspan="6">VALUATIONS</th><th colspan="6"></th></th<>	PORTFOLIO SUMMARY		VALUATIONS												
Sm      Sm<				Draft	Final					Cap.	Disc.		Date of	Occupancy	
Casula Mail      Retail      214.0      215.0      210.0      200.0      197.0      197.0      5.75%      6.75%      Urbis      Jun-2020      99.7%      4.6        Stud Pirks Shoping Centre      Retail      136.5      138.5      138.0      128.0      122.0      1.5      5.75%      6.75%      Urbis      Jun-2020      99.7%      4.6        Saworks Pirza      Retail      137.0      137.4      135.1      128.0      122.5      12.2      1.4%      5.50%      6.60%      Wrbis      Jun-2020      99.7%      4.6        Derd Walker Sharth Sydney      Office      124.0      145.0      137.2      136.5      135.8      135.8      156.0      5.00%      6.30%      M3      Jun-2020      99.7%      4.6        Bord Once, Walch Bay      Office      12.8      122.3      117.3      116.3      116.9      0.7%      5.00%      6.30%      M3      Jun-2020      99.7%      4.6        425 Collins Sh, Mabourne      Office      12.0      43.4      42.5      93.7      84.0      93.7      93.0% </td <td>Property</td> <td>Sector</td> <td>31-Dec-2019</td> <td>31-Mar-2020</td> <td>31-Mar-2020</td> <td>30-Apr-2020</td> <td>31-May-2020</td> <td>30-Jun-2020</td> <td>Variance</td> <td>Rate</td> <td>Rate</td> <td>Valuer</td> <td>Valuation</td> <td>Rate</td> <td>WALE</td>	Property	Sector	31-Dec-2019	31-Mar-2020	31-Mar-2020	30-Apr-2020	31-May-2020	30-Jun-2020	Variance	Rate	Rate	Valuer	Valuation	Rate	WALE
Stud Park Shopping Cantre      Retail      154.6      154.7      151.3      146.2      143.6      143.6      57%      6.75%      Ubits      Jun2020      98.9%      2.5        Gasworks Plaza      Retail      137.0      137.4      135.1      127.3      124.8      124.2      5.50%      6.50%      Ubits      Jun2020      98.9%      6.6        Dend One, Walker SL, Noth Sydney      Office      124.5      137.5      135.8      125.5      127.2      1.44      6.50%      M3      Jun2020      98.9%      6.6        Bord One, Walker SL, Noth Sydney      Office      142.0      143.0      142.5      123.5      133.8      1.55.0%      6.50%      M3      Jun2020      92.2%      1.3        425 Collins SL, Melbourne      Office      124.0      43.4      42.5      39.4      39.7      0.7%      5.00%      6.25%      M3      Jun2020      99.9%      2.5        425 Collins SL, Melbourne      Office      98.5      98.0      38.5      7.0      7.75      6.00%      7.25%      M3      Jun2020      90.0			\$m	\$m	\$m	\$m	\$m	\$m							years
Caseworks Plaza    Retail    138.5    138.5    138.1    128.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0    122.0 <td>Casula Mall</td> <td>Retail</td> <td>214.0</td> <td>215.0</td> <td>210.0</td> <td>200.0</td> <td>197.0</td> <td>197.0</td> <td></td> <td>5.75%</td> <td>6.75%</td> <td>Urbis</td> <td>Jun-2020</td> <td>99.7%</td> <td>4.6</td>	Casula Mall	Retail	214.0	215.0	210.0	200.0	197.0	197.0		5.75%	6.75%	Urbis	Jun-2020	99.7%	4.6
Encleworks    Retail    137.0    137.4    135.1    127.3    124.8    124.8    124.8    550%    7.00%    Ubis    Jun-2020    184.4%    4.0      124 Warke St, North Sydney    Office    142.0    143.0    128.3    125.5    127.2    1.4%    5.50%    5.50%    M3    Jun-2020    100.0%    2.7      Band One, Warks Bay    Office    142.0    143.0    137.2    135.5    133.8    153.8    5.50%    6.50%    M3    Jun-2020    83.2%    1.3      363 Stikids Af Mebourne    Office    121.0    123.4    142.5    39.4    39.4    39.7    0.7%    5.00%    6.50%    M3    Jun-2020    83.1%    2.6      99 Groy St, Brishane    Office    182.0    73.0    77.5    77.0    77.5    0.6%    6.25%    7.00%    M3    Jun-2020    100.0%    3.6      128 hark Abishane    Office    31.5    31.5    31.5    30.8    30.6    30.6    0.3%    5.50%    7.00%    M3    Jun-2020    100.0%    3.4      128 har	Stud Park Shopping Centre	Retail	154.6	154.7	151.3	146.2	143.6	143.6		5.75%	6.75%	Urbis	Jun-2020	98.5%	2.5
124 Waker St, North Sydney    Office    128.5    131.0    128.3    128.3    125.5    128.5    127.2    1.4%    5.89%    6.50%    M3    Jun-2020    100.0%    2.7      Bond One, Waish Bay    Office    142.0    145.0    137.2    135.5    135.8    135.8    135.8    135.8    135.8    5.50%    6.50%    M3    Jun-2020    92.20%    1.3      124 Oros St, Caberan    Office    122.0    130.0    48.5    39.4    39.4    39.4    39.4    39.5    -    6.50%    M3    Jun-2020    93.5%    2.3      129 Gerls St, Brisbane    Office    78.0    79.0    77.0    77.0    77.7    77.6%    6.00%    7.25%    M3    Jun-2020    91.1%    2.5      328 park RJ, Brisbane    Office    31.5    31.5    30.8    31.0    30.5    30.6    0.3%    5.56%    7.00%    M3    Jun-2020    100.0%    4.8      Connect Corporate Centre B1, Mascot    Industrial    48.0    50.0    47.0    47.0    47.0    47.5    5.5%    6.75% </td <td>Gasworks Plaza</td> <td>Retail</td> <td>138.5</td> <td>138.5</td> <td>135.1</td> <td>128.0</td> <td>122.0</td> <td>122.0</td> <td>-</td> <td>5.50%</td> <td>6.50%</td> <td>Urbis</td> <td>Jun-2020</td> <td>93.0%</td> <td>5.6</td>	Gasworks Plaza	Retail	138.5	138.5	135.1	128.0	122.0	122.0	-	5.50%	6.50%	Urbis	Jun-2020	93.0%	5.6
Bond One, Walsh Bay    Office    142.0    145.0    137.2    135.5    135.8    135.8    -    5.50%    6.69%    M3    Jun-2020    100.0%    6.3      12 Moore St, Canberra    Office    52.0    50.0    48.5    48.7    44.4    44.5    0.2%    6.75%    7.0%    M3    Jun-2020    92.2%    1.3      425 Collins St, Melbourne    Office    42.0    43.4    42.5    39.4    39.7    0.7%    5.00%    6.59%    M3    Jun-2020    89.1%    2.5      Gasworks Workspace, Brisbane    Office    78.5    77.0    77.6    0.6%    6.25%    7.00%    M3    Jun-2020    100.0%    3.6      Starley House, South Brisbane    Office    73.5    77.0    77.6    0.6%    6.25%    7.00%    M3    Jun-2020    100.0%    3.6      Cornect Corporate Centre B1, Mascot    Industrial    49.0    50.0    49.2    47.0    47.5    1.1%    5.75%    7.0%    M3    Jun-2020    100.0%    4.8      Cornect Corporate Centre B1, Mascot    Industrial    186.7<	Brickworks	Retail	137.0	137.4	135.1	127.3	124.8	124.8	-	5.50%	7.00%	Urbis	Jun-2020	98.4%	4.0
12 Moore St, Carberra    Office    52.0    50.0    44.5    47.7    44.4    44.5    0.2%    6.75%    7.0%    M3    Jun-2020    92.2%    1.3      GS6 St Kida Rd, Melbourne    Office    121.8    112.3    111.3    111.6.9    117.2    0.7%    5.25%    6.50%    M3    Jun-2020    93.5%    2.3      199 Grey St, Brishane    Office    98.5    98.9    93.7    94.0    93.5    93.5    -6.00%    7.25%    M3    Jun-2020    91.1%    2.5      Gasworks Workspace, Brishane    Office    77.0    77.0    77.5    0.60%    6.25%    7.00%    M3    Jun-2020    86.2%    1.18      Stardly House, South Brishane    Office    31.5    30.8    31.0    30.5    30.6    0.3%    5.50%    7.76%    M3    Jun-2020    86.2%    110.0%    3.4      Connect Corporate Centre B2, Mascot    Industrial    110.0    110.0    110.0    100.5    107.5    0.3%    5.50%    6.75%    M3    Jun-2020    90.3%    5.60      Connect Corporate Centre B2,	124 Walker St, North Sydney	Office	126.5	131.0	128.3	125.5	125.5	127.2	1.4%	5.38%	6.50%	M3	Jun-2020	100.0%	2.7
636 St Kilda Rd, Melbourne    Office    121.8    122.3    117.3    116.3    116.9    117.2    0.3%    5.25%    6.50%    M3    Jun-200    89.5%    2.3      425 Callins St, Melbourne    Office    42.0    43.4    42.5    33.4    33.7    0.7%    5.0%    6.25%    M3    Jun-200    89.1%    2.5      Gasworks Workspace, Birbane    Office    78.0    77.0    77.0    77.5    6.0%    7.25%    7.7%    M3    Jun-200    88.2%    1.8      Stanley House, South Brisbane    Office    47.2    47.9    43.6    44.0    43.7    43.7    -    7.25%    7.7%    M3    Jun-200    88.2%    1.8      Connect Corporate Centre B1, Mascot    Industrial    49.0    50.0    49.2    47.0    47.0    47.5    1.1%    5.57%    6.7%    M3    Jun-202    90.0%    4.8      Connect Corporate Centre B3, Mascot    Industrial    118.7    188.7    188.1    177.5    177.0    177.5    0.3%    5.50%    6.75%    M3    Jun-202    90.0%    2.6	Bond One, Walsh Bay	Office	142.0	145.0	137.2	135.5	135.8	135.8	-	5.50%	6.50%	M3	Jun-2020	100.0%	6.3
425 Collins St, Melbourne    Office    42.0    43.4    42.5    39.4    39.4    39.7    0.7%    5.00%    6.25%    M3    Jun-2020    89.1%    2.6      199 Grey St, Brisbane    Office    96.5    98.9    93.7    94.0    93.5    93.5    -    6.00%    7.25%    M3    Jun-2020    190.0%    3.5      33 Park Rd, Brisbane    Office    47.2    47.9    43.6    44.0    43.7    43.7    -    7.25%    7.75%    M3    Jun-2020    86.2%    1.8      Stanley House, South Brisbane    Office    31.5    31.5    30.8    31.0    30.5    30.6    0.3%    5.50%    7.00%    M3    Jun-2020    93.0%    6.8      Connect Corporate Centre B2, Mascot    Industrial    110.0    110.0    106.0    106.5    107.5    0.9%    5.50%    6.75%    M3    Jun-2020    93.0%    6.8      Hiltose Business Park, Rosshill    Industrial    16.7    16.7    17.70    17.5    0.7%    5.50%    6.75%    M3    Jun-2020    100.0%    2.2 <td>12 Moore St, Canberra</td> <td>Office</td> <td>52.0</td> <td>50.0</td> <td>48.5</td> <td>47.7</td> <td>44.4</td> <td>44.5</td> <td>0.2%</td> <td>6.75%</td> <td>7.00%</td> <td>M3</td> <td>Jun-2020</td> <td>92.2%</td> <td>1.3</td>	12 Moore St, Canberra	Office	52.0	50.0	48.5	47.7	44.4	44.5	0.2%	6.75%	7.00%	M3	Jun-2020	92.2%	1.3
199 Grey St, Brisbane    Office    98.5    98.9    93.7    94.0    93.5    93.5	636 St Kilda Rd, Melbourne	Office	121.8	122.3	117.3	116.3	116.9	117.2	0.3%	5.25%	6.50%	M3	Jun-2020	93.5%	2.3
Gasworks Workspace, Brisbane    Office    78.0    79.0    78.5    77.0    77.0    77.5    0.6%    6.25%    7.0%    Utbis    Jun-2020    86.2%    1.8      33 Park Rd, Brisbane    Office    47.2    47.9    43.6    44.0    43.7    43.7    -    7.25%    7.75%    M3    Jun-2020    86.2%    1.8      Stanley House, South Brisbane    Office    41.5    31.5    30.8    31.0    30.5    30.6    30.6    30.6    30.6    30.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6    3.6	425 Collins St, Melbourne	Office	42.0	43.4	42.5	39.4	39.4	39.7	0.7%	5.00%	6.25%	M3	Jun-2020	89.1%	2.6
33 Park Rd, Brisbane    Office    47.2    47.9    43.6    44.0    43.7    43.7    7.25%    7.75%    M3    Jun-2020    86.2%    1.8      Stanley House, South Brisbane    Office    31.5    31.6    30.8    30.6    0.3%    5.60%    7.0%    M3    Jun-2020    100.0%    3.6      Connect Corporate Centre B1, Mascot    Industrial    110.0    110.0    109.0    105.0    106.5    107.5    0.9%    5.50%    6.75%    M3    Jun-2020    93.0%    8.8      Connect Corporate Centre B3, Mascot    Industrial    186.7    186.7    186.7    167.7    177.0    177.5    0.3%    5.50%    6.75%    M3    Jun-2020    99.3%    5.6      Milliose Business Park, Rosshill    Industrial    16.7    16.7    16.7    16.7    16.7    17.5    4.3%    6.00%    7.00%    KM3    Jun-2020    100.0%    2.2      CentralWest DC, Laveton North    Industrial    25.5    59.8    59.4    56.7    56.8    56.8    -    6.00%    7.00%    Urbis    Jun-2020 <t< td=""><td>199 Grey St, Brisbane</td><td>Office</td><td>98.5</td><td>98.9</td><td>93.7</td><td>94.0</td><td>93.5</td><td>93.5</td><td>-</td><td>6.00%</td><td>7.25%</td><td>M3</td><td>Jun-2020</td><td>91.1%</td><td>2.5</td></t<>	199 Grey St, Brisbane	Office	98.5	98.9	93.7	94.0	93.5	93.5	-	6.00%	7.25%	M3	Jun-2020	91.1%	2.5
Stanley House, South Brisbane    Office    31.5    31.5    30.8    31.0    30.5    30.6    0.3%    5.5%    7.0%    M3    Jun-2020    100.0%    3.6      Connect Corporate Centre B1, Mascot    Industrial    49.0    50.0    49.2    47.0    47.0    47.5    1.1%    5.5%    7.00%    M3    Jun-2020    93.0%    8.8      Connect Corporate Centre B2, Mascot    Industrial    110.0    110.0    109.0    105.0    106.5    0.0%    5.50%    6.75%    M3    Jun-2020    93.0%    8.8      Connect Corporate Centre B3, Mascot    Industrial    118.6.7    1186.7    116.7    116.7    107.5    0.3%    5.50%    6.75%    M3    Jun-2020    93.3%    5.6      Arndell Park Industrial    16.7    16.7    16.7    16.7    16.7    16.7    17.5    4.3%    6.00%    7.00%    CBRE    Jun-2020    100.0%    2.2      CentralWest DC, Lawerton North    Industrial    43.5    43.3    41.2    41.3    41.3    -    6.00%    6.75%    Urbis    Jun-2020	Gasworks Workspace, Brisbane	Office	78.0	79.0	78.5	77.0	77.0	77.5	0.6%	6.25%	7.00%	Urbis	Jun-2020	100.0%	3.6
Connect Corporate Centre B1, Mascot    Industrial    49.0    50.0    49.2    47.0    47.0    47.5    1.1%    5.7%    7.0%    M3    Jun-2020    93.0%    4.4      Connect Corporate Centre B2, Mascot    Industrial    110.0    110.0    109.0    105.0    106.5    107.5    0.9%    5.50%    6.75%    M3    Jun-2020    93.0%    8.8      Connect Corporate Centre B3, Mascot    Industrial    166.7    186.7    186.7    186.8    16.8    16.8    16.8    16.8    16.8    16.8    16.8    16.8    16.8    16.7    10.0    2.9      Amdell Park Industrial    16.7    16.7    16.7    16.7    16.7    17.5    4.3%    6.00%    7.00%    CBRE    Jun-2020    100.0%    2.9      Amdell Park Industrial    57.5    59.8    59.4    56.7    56.8    56.8    -    5.50%    C.00%    7.00%    Ubis    Jun-2020    100.0%    2.2      CentralWest Dc, Laverton North    Industrial    22.0    22.0    21.8    21.0    21.0    21.0    5.00%	33 Park Rd, Brisbane	Office	47.2	47.9	43.6	44.0	43.7	43.7	-	7.25%	7.75%	M3	Jun-2020	86.2%	1.8
Connect Corporate Centre B2, Mascot Industrial    Industrial    110.0    110.0    109.0    105.0    106.5    107.5    0.9%    5.50%    6.75%    M3    Jun-202    93.0%    8.8      Connect Corporate Centre B3, Mascot Hillrose Business Park, Rosehill    Industrial    166.8    186.7    184.1    177.5    177.5    0.3%    5.50%    6.75%    M3    Jun-2020    93.0%    8.8      Amdell Park Industrial Estate, Andell Park Industrial    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    5.9%    6.50%    6.75%    M3    Jun-2020    100.0%    2.2      CentralWest DC, Laverton North    Industrial    45.7    58.8    59.4    56.7    56.8    56.8    6.50%    7.00%    Urbis    Jun-2020    100.0%    2.3      704-744 Lorimer St, Port Melbourne    Industrial    29.1    29.8    29.6    28.4    28.4    28.4    6.00%    7.00%    Urbis    Jun-2020    100.0%    2.7      202-228 Greens Rd, Dandenong    Industrial    29.1    29.8    29.6    28.4    28.4    2.0    <	Stanley House, South Brisbane	Office	31.5	31.5	30.8	31.0	30.5	30.6	0.3%	5.50%	7.00%	M3	Jun-2020	100.0%	3.6
Connect Corporate Centre B3, Mascot    Industrial    186.7    186.7    184.1    177.5    177.0    177.5    0.3%    5.5%    6.75%    M3    Jun-2020    99.3%    5.6      Hillrose Business Park, Rosehill    Industrial    16.8    16.8    16.8    16.8    16.8    16.8    6.5%    6.75%    CBRE    Jun-2020    100.0%    2.9      Amdell Park Industrial    16.7    16.7    16.7    16.7    16.7    5.68    6.68%    7.00%    CBRE    Jun-2020    100.0%    2.2      CentralWest DC, Laverton North    Industrial    43.5    43.3    41.2    41.3    41.3    -    6.00%    7.00%    Urbis    Jun-2020    100.0%    2.3      20-4744 Lorimer St, Port Melbourne    Industrial    29.1    29.8    29.6    28.4    28.4    28.4    -    6.00%    6.75%    Urbis    Jun-2020    100.0%    2.6      202-228 Greens Rd, Dandenong    Industrial    20.6    20.6    20.4    20.1    20.5    2.0%    7.50%    8.00%    Urbis    Jun-2020    100.0%    3.8	Connect Corporate Centre B1, Mascot	Industrial	49.0	50.0	49.2	47.0	47.0	47.5	1.1%	5.75%	7.00%	M3	Jun-2020	100.0%	4.4
Hillrose Business Park, Rosehill    Industrial    16.8    16.8    16.8    16.8    16.8    16.8    16.8    16.8    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    1	Connect Corporate Centre B2, Mascot	Industrial	110.0	110.0	109.0	105.0	106.5	107.5	0.9%	5.50%	6.75%	M3	Jun-2020	93.0%	8.8
Arndeil Park Industrial    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    16.7    10.0%    10.0%    10.0%    10.0%    10.0%    10.0%    10.0%    10.0%    10.0%    10.0%    10.0%    10.0%    10.0	Connect Corporate Centre B3, Mascot	Industrial	186.7	186.7	184.1	177.5	177.0	177.5	0.3%	5.50%	6.75%	M3	Jun-2020	99.3%	5.6
CentralWest DC, Laverton North    Industrial    57.5    59.8    59.4    56.7    56.8    56.8    56.8    7.0%    Urbis    Jun-2020    100.0%    2.3      704-744 Lorimer St, Port Melbourne    Industrial    43.5    43.3    41.2    41.3    41.3    -    5.75%    7.25%    Urbis    Jun-2020    53.6%    1.9      20-222 Greens Rd, Dandenong    Industrial    29.1    29.0    21.8    21.0    21.0    21.0    6.00%    6.75%    Urbis    Jun-2020    100.0%    2.3      202-228 Greens Rd, Dandenong    Industrial    29.1    29.6    28.4    28.4    28.4    28.4    -    6.00%    7.0%    Urbis    Jun-2020    100.0%    6.3      121 Evans Rd, Salisbury    Industrial    20.6    20.6    20.4    20.1    20.1    20.5    2.0%    7.50%    8.00%    Urbis    Jun-2020    100.0%    3.8      Acacia Gate Industrial    23.7    23.7    23.6    23.7    23.7    2.3    6.00%    7.00%    Wrbis    Jun-2020    100.0%    9.6    2.6	Hillrose Business Park, Rosehill	Industrial	16.8	16.8	16.8	16.8	16.8	16.8	-	6.50%	6.75%	CBRE	Jun-2020	100.0%	2.9
704-744 Lorimer St, Port Melbourne    Industrial    43.5    43.3    41.2    41.3    41.3	Arndell Park Industrial Estate, Arndell Park	Industrial	16.7	16.7	16.7	16.7	16.7	17.5	4.3%	6.00%	7.00%	CBRE	Jun-2020	100.0%	2.2
2 Pound Rd West, Dandenong    Industrial    22.0    21.8    21.0    21.0    21.0    6.00%    6.75%    Urbis    Jun-2020    100.0%    2.7      202-228 Greens Rd, Dandenong    Industrial    29.1    29.8    29.6    28.4    28.4    28.4    28.4    6.00%    6.75%    Urbis    Jun-2020    100.0%    6.3      121 Evans Rd, Salisbury    Industrial    33.0    35.4    35.2    34.7    35.0    35.1    0.3%    7.50%    8.00%    Urbis    Jun-2020    100.0%    6.3      Acacia Gate Industrial    20.6    20.4    20.1    20.1    20.1    20.1    20.1    20.1    20.1    20.5    2.0%    7.50%    8.00%    Urbis    Jun-2020    97.8%    2.6      7.9 French Ave, Brendale    Industrial    23.7    23.6    23.7    23.7    23.7    23.7    6.00%    7.00%    8.00%    Urbis    Jun-2020    100.0%    10.0%    10.5      2 Second Ave, Mawson Lakes    Industrial    35.0    36.2    36.0    36.3    36.3    5.79%    6.85%    V	CentralWest DC, Laverton North	Industrial	57.5	59.8	59.4	56.7	56.8	56.8	-	6.50%	7.00%	Urbis	Jun-2020	100.0%	2.3
202-228 Greens Rd, Dandenong    Industrial    29.1    29.8    29.6    28.4    28.4    28.4    -    6.00%    7.00%    Urbis    Jun-2020    100.0%    6.3      121 Evans Rd, Salisbury    Industrial    33.0    35.4    35.2    34.7    35.0    35.1    0.3%    7.50%    8.00%    Urbis    Jun-2020    100.0%    6.3      Acacia Gate Industrial Estate, Acacia Ridge Industrial    20.6    20.6    20.4    20.1    20.1    20.5    2.0%    7.50%    8.00%    Urbis    Jun-2020    100.0%    3.8      7.9 French Ave, Brendale    Industrial    23.7    23.7    23.6    23.7    23.7    23.7    -    6.00%    7.00%    Urbis    Jun-2020    100.0%    3.6      2 Second Ave, Mawson Lakes    Industrial    35.0    36.2    36.0    36.3    36.3    -    7.00%    8.00%    Urbis    Jun-2020    100.0%    10.5      Variance:    2,027.1    2,045.7    1,997.1    1,937.0    1,920.7    1,926.9    0.3%    5.79%    6.85%    96%    4.3 <t< td=""><td>704-744 Lorimer St, Port Melbourne</td><td>Industrial</td><td>43.5</td><td>43.5</td><td>43.3</td><td>41.2</td><td>41.3</td><td>41.3</td><td>-</td><td>5.75%</td><td>7.25%</td><td>Urbis</td><td>Jun-2020</td><td>53.6%</td><td>1.9</td></t<>	704-744 Lorimer St, Port Melbourne	Industrial	43.5	43.5	43.3	41.2	41.3	41.3	-	5.75%	7.25%	Urbis	Jun-2020	53.6%	1.9
121 Evans Rd, Salisbury    Industrial    33.0    35.4    35.2    34.7    35.0    35.1    0.3%    7.50%    8.00%    Urbis    Jun-2020    100.0%    3.8      Acacia Gate Industrial Estate, Acacia Ridge Industrial    20.6    20.6    20.4    20.1    20.1    20.5    2.0%    7.50%    8.00%    Urbis    Jun-2020    97.8%    2.6      7-9 French Ave, Brendale    Industrial    23.7    23.7    23.6    23.7    23.7    23.7    -    6.00%    7.00%    Urbis    Jun-2020    97.8%    2.6      2 Second Ave, Mawson Lakes    Industrial    35.0    36.2    36.0    36.3    36.3    -    7.00%    8.00%    Urbis    Jun-2020    100.0%    9.6    2.6      7 cold - Direct Property Portfolio    2.027.1    2.045.7    1.997.1    1.937.0    1.920.7    1.926.9    0.3%    5.79%    6.85%    Urbis    Jun-2020    100.0%    100.0%    100.0%    100.0%    100.0%    100.0%    100.0%    100.0%    100.0%    100.0%    100.0%    100.0%    100.0%    100.0%    100.	2 Pound Rd West, Dandenong	Industrial	22.0	22.0	21.8	21.0	21.0	21.0	-	6.00%	6.75%	Urbis	Jun-2020	100.0%	2.7
Acacia Gate Industrial    20.6    20.6    20.4    20.1    20.1    20.5    2.0%    7.50%    8.00%    Urbis    Jun-2020    97.8%    2.6      7-9 French Ave, Brendale    Industrial    23.7    23.7    23.6    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7<	202-228 Greens Rd, Dandenong	Industrial	29.1	29.8	29.6	28.4	28.4	28.4	-	6.00%	7.00%	Urbis	Jun-2020	100.0%	6.3
7-9 French Ave, Brendale    Industrial    23.7    23.7    23.6    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7    23.7	121 Evans Rd, Salisbury	Industrial	33.0	35.4	35.2	34.7	35.0	35.1	0.3%	7.50%	8.00%	Urbis	Jun-2020	100.0%	3.8
2 Second Ave, Mawson Lakes      Industrial      35.0      36.2      36.0      36.3      36.3      36.3      -      7.00%      8.00%      Urbis      Jun-2020      100.0%      10.5        Total - Direct Property Portfolio Variance:      2,027.1      2,045.7      1,997.1      1,937.0      1,920.7      1,926.9      0.3%      5.79%      6.85%      96%      4.3        Variance:	Acacia Gate Industrial Estate, Acacia Ridge	Industrial	20.6	20.6	20.4	20.1	20.1	20.5	2.0%	7.50%	8.00%	Urbis	Jun-2020	97.8%	2.6
Variance:      Variance: <t< td=""><td>7-9 French Ave, Brendale</td><td>Industrial</td><td>23.7</td><td>23.7</td><td>23.6</td><td>23.7</td><td>23.7</td><td>23.7</td><td></td><td>6.00%</td><td>7.00%</td><td>Urbis</td><td>Jun-2020</td><td>100.0%</td><td>9.6</td></t<>	7-9 French Ave, Brendale	Industrial	23.7	23.7	23.6	23.7	23.7	23.7		6.00%	7.00%	Urbis	Jun-2020	100.0%	9.6
Variance:      0.9%      -2.4%      -3.0%      0.3%        Variance:      Variance:      Variance:      Cariance:      <	2 Second Ave, Mawson Lakes	Industrial	35.0	36.2	36.0	36.3	36.3	36.3	-	7.00%	8.00%	Urbis	Jun-2020	100.0%	10.5
Variance:      Variance:        Retail	Total - Direct Property Portfolio		2,027.1	2,045.7	1,997.1	1,937.0	1,920.7	1,926.9	0.3%	5.79%	6.85%			96%	4.3
Retail	Variance:			0.9%	-2.4%	-3.0%	-0.8%	0.3%							
Retail	Variance								Variance						
Office      0.4%        Industrial      0.5%									-						
Industrial 0.5%									0.4%						
	Total							-	0.3%						

## Outlook

**Fund:** The Fund's property valuations appear to have rebased. The average capitalisation rate of the properties in the portfolio is 5.79%. This is approximately 490 basis points higher than the Australian government 10-year bond rate as at 30 June 2020, which is historically a very large spread and there is emerging transaction evidence to say that the 50 basis point cut in interest rates may be supporting – or perhaps fuelling – prices. The discount rates being applied by the independent valuers (which indicates the average 10-year return they expect the properties to generate based on the value they attribute) now range from 6.25% to 8.0% with an average of 6.85%. This compares very favourably to the interest rate on the Fund's debt which is currently 1.3%. A case can be made for strongly rising commercial property prices given the premium in returns which is expected to be generated versus the risk-free rate of return. However, in the short term caution among buyers could be expected to temper price rises. In this environment, we consider the Fund's fixed distribution yield of 1.81 cents per unit, or approximately 5.90% to be attractive to investors.

**Retail:** On 22 June, the Australian Financial Review<sup>2</sup> wrote that 'smaller neighbourhood and suburban shopping centres have held up significantly better than the major fortress malls and CBD retail destinations during the downturn, analysis of foot traffic by Macquarie shows'. This analysis is consistent with the resilient numbers seen within the Fund's retail portfolio which is anchored by supermarkets, fresh food retailers, healthcare tenants and essential services. Nearly all tenants that closed during the crisis have now re-opened and where allowances to tenants have been necessary, they have been built into the valuations. The resilience in this part of the market is seeing rising interest from investment capital and this is forecast to have an impact on pricing.

The Fund's average occupancy rate in the retail portfolio is 98% and from here, we expect it to make an important contribution towards the Fund's goal of collecting a regular income yield in the order of 5% and providing long-term capital growth in the order of 2%.

**Office:** The Fund's office portfolio has an occupancy rate of 96% and is characterised by its ability to offer tenants quality accommodation at affordable rents. The properties are often in highly urbanised areas but outside the major CBDs: locations such as Mascot and North Sydney, in Sydney; Newstead and South Brisbane, in Brisbane; and St Kilda in Melbourne. Quality accommodation at more affordable rents in markets which are decentralised from the CBD we believe will be in favour with both tenants and investors over the next few years and if this transpires, in our view the Fund is well positioned to take advantage of this. More immediately, important negotiations are again progressing after a period of delay. Renewing tenants ahead of their lease expiry will be a focus in Q3/2020, with a number of key negotiations in an advanced state.

**Industrial:** The last few months have accelerated the trend towards online retailing and this has strengthened the structural tail-wind benefiting the industrial market. The Fund's portfolio is located in established markets in the major capital cities of Australia and is currently sitting at a 96% occupancy rate. The properties are versatile and have been well-maintained, making them attractive to a wide range of tenants. With increasing demand, at this time we consider the industrial property to be well positioned to provide a stable yield in the order of 5% and long-term capital growth in line with inflation.

**Conclusion:** The Fund's portfolio has been valued by independent valuers five times since the onset of the COVID-19 crisis and values have been rebased. The Fund's occupancy rate has been maintained at 96%, nearly all tenants are trading and interest rates have fallen. This puts the Fund in want we consider to be a solid position to deliver a reliable yield of approximately 5% and long-term capital growth. In the past month, the number of COVID-19 new and active cases in Australia has markedly decreased (with the exception of a recent spike in Victoria), government restrictions have begun to be lifted, most shops in the portfolio have reopened, and the portfolio valuations are showing signs of stabilising and appear to be consolidating at the new level.

Withdrawal requests from the Fund have also fallen from March/April 2020 as valuations have adjusted, the equity market has rallied, and a sense of stability has begun to emerge. As we continue to see ongoing stability, with continued support from investors and other key stakeholders – in particular, platform providers and researchers – we hopefully will be in a position to reassess whether the Fund can return to standard operating terms sooner rather than later.

We will continue to provide investors with regular monthly updates and thank you for your ongoing support.

<sup>&</sup>lt;sup>2</sup> 'Follow the feet: small malls do better', 22 June 2020, Nick Lenaghan, Property Editor

https://www.afr.com/property/commercial/follow-the-feet-small-malls-do-better-20200619-p554d4

## **Cancelling withdrawal requests**

Withdrawal requests can be cancelled before the next payment by sending through the cancellation on or before **4 August 2020**.

Direct investors can do this by contacting our Client Services Team on 1800 658 404 between 8.30am and 5.30pm (Sydney time) Monday to Friday or via email at clientservices@ampcapital.com.

Indirect investors should contact their financial adviser, master trust or platform operator about the availability of cancelling withdrawal requests.

#### ampcapital.com

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