

Fund overview

The APN Nowra Property Fund (“Fund”) is a single asset, fixed-term, unlisted property fund established in November 2018. The property is located at 198 Princes Highway, South Nowra, New South Wales and comprises a large format retail building constructed in 2016. The Fund aims to provide Unitholders with sustainable distributions with the potential for income and capital growth.

Manager’s report

We hope all investors are keeping safe during these unprecedented times imposed as a result of COVID-19.

Across FY20, the Fund performed in line with budget expectations, providing investors with an income distribution of 8.00 cents per unit. We are also pleased to announce that thanks to the continued strong performance of the Fund, the distribution rate will increase to 8.25 cents per unit for FY2021. The distribution will be paid on a monthly basis and represents a distribution yield of 8.25% on the original unit price of \$1.00.

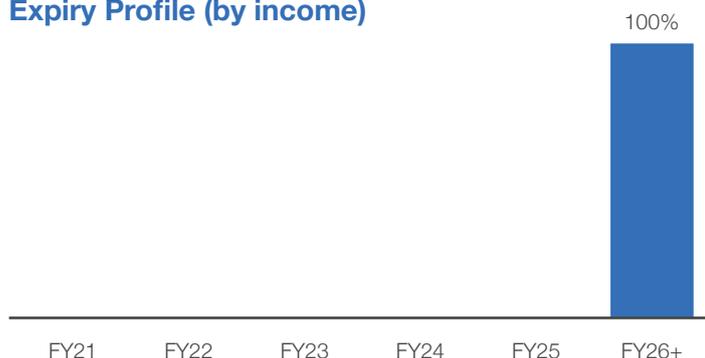
The sole tenant of the Fund, Home Consortium, whose lease is guaranteed by ASX-listed Woolworths Limited, has 11.1 years remaining on their lease. APN continues to maintain open lines of communication with the tenant and further understand their plans for the site after Bunnings vacate the premises in early 2021. Bunnings Warehouse currently occupy the building on a sublease agreement with Home Consortium whilst they redevelop their existing store.

An internal Directors’ valuation was completed as at 30 June 2020 with the value of the asset remaining unchanged from the most recent independent valuation completed at 31 December 2019 of \$25.5m.

The Fund’s gearing remains stable at 41.3%, significantly below the loan to value (LVR) covenant of 55%. Furthermore, the Fund’s ability to cover its interest payments, the interest coverage ratio (ICR) remains at 3.57x, well above the 2.0x covenant.

At 30 June 2020, the Net Asset Value (NAV) for the Fund is \$1.1150 per unit, which has decreased by 1.16 cents per unit from the 31 December 2019 NAV. The reduction can be attributed to the fair value adjustment, required under AASB 9, for the interest rate swap that is fixed at 2.16% until March 2023. As you may recall, this swap was entered into at Fund inception to provide income certainty for investors in the Fund. The adjustment to NAV is a non-cash movement.

Expiry Profile (by income)



AT A GLANCE as at 30 June 2020

| | |
|--------------------------------------|--|
| Net Asset Value (NAV) | \$1.1150 per unit |
| Unit price revaluation | Changes to Net Asset Value per unit are advised following the completion of the audited Annual and unaudited Half-Yearly financial reports |
| Property value | \$25.5 million |
| Borrowings (loan to value ratio) | 41.3% |
| Weighted Average Lease Expiry (WALE) | 11.1 years (by income) |
| Occupancy | 100% |
| Fund commenced | 8 November 2018 |
| Fund maturity | 7 November 2023 (5-year initial Fund term) |
| Annual distribution | 8.00 cents per unit |
| Distribution yield to NAV | 7.18% |
| Distribution payments | Monthly |
| Sector allocation (by value) | Large Format Retail: 100% |
| Geographic allocation (by value) | New South Wales: 100% |



Historical unit values

For your reference, historical NAV per unit have been provided below.

| Date | NAV per unit |
|-------------------|--------------|
| 30 June 2020 | \$1.11 |
| 31 March 2020 | \$1.11 |
| 31 December 2019 | \$1.12 |
| 30 September 2019 | \$1.01 |
| 30 June 2019 | \$1.02 |
| 31 March 2019 | \$1.05 |
| 31 December 2018 | \$1.05 |
| 8 November 2018 | \$1.05 |



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Tenant Profile (by income)



Total Fund Return

Since the fund inception in November 2018, investors have received a total annualised return of 14.8%, comprising of 7.9% income and 6.9% capital growth¹.

¹ Performance is based on original fully paid units at \$1.00. Past performance is not necessarily a guide to future performance.

Important distribution details / dates

| | |
|------------------------|---|
| Distribution payment | Accruing at the end of each month. Payment is made on the 10th day following month's end unless that day is a non-business day in which case the distribution will be paid on the following business day. |
| Distribution statement | Dispatched at the time of payment above. |
| Tax statement | Dispatched annually (by end of August). |

APN Property Group

APN Funds Management Limited (APN FM) is a wholly owned subsidiary of APN Property Group Limited, an ASX listed company (ASX code: APD) that manages approximately \$2.7 billion (as at 30 June 2020) of real estate and real estate securities on behalf of institutional and retail investors. APN is an active investment manager with a concentrated focus on income and has been investing on behalf of its clients in commercial real estate since 1996.

Investment team members

Tom Forrest Fund Manager, Unlisted Direct Property
Alex Abell Head of Direct Property

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