



**FORT STREET**  
REAL ESTATE CAPITAL



## **FSREC Property Fund**

FY22 Half Year Results Presentation

# Introduction

## Strategy

- Completion of major strategic initiatives announced at the time of the merger with recent placement and withdrawal offer of \$330 million to investors, a significant milestone for the Fund
- Investor approval regarding sale of E&P Financial Group Limited's controlling 75% interest in FSREC Pty Limited to ISPT Pty Ltd to provide alignment and potential for significant growth capital
- Completion of major strategic initiatives allows management focus to move to growth opportunities moving forward

## Portfolio

- The portfolio continues to perform well and demonstrate its resilience in the current trading environment
- New South Wales and Victoria assets rebounded strongly following the end of the government imposed lockdowns in Q2 FY22
- Retail sales and leasing pipeline continues to strengthen despite the lockdowns and challenging trading conditions
- Omicron variant providing further headwinds over period end, however positive outlook in short and medium term

# H1 FY22 Portfolio Highlights

For the six-month period ending 31 December 2021

## Financial

### Net Tangible Assets<sup>1</sup>

\$1.72

### H1 FY22 Distribution<sup>2</sup>

4.0 cents per security

### Fund Gearing

36.8%

### Total Return – (6 month annualised)<sup>3</sup>

9.5%

## Valuation

### Number of properties

12

### Portfolio Valuation

\$686.5m

### Valuation Change

3.1%

### Weighted Ave Cap Rate

5.8%

## Portfolio

### Portfolio Occupancy

97.8%

### WALE

4.3 years

### Portfolio MAT Growth

-1.5%

### Leasing Spread

+0.2%

Source: FSREC

<sup>1</sup> Based on preliminary unaudited estimates for 31 Dec 2021. Audited financials are due to be released in mid March 2022. Includes a \$1.6m provision for the unspent insurance monies received for the hail damage at Toormina Gardens.

<sup>2</sup> Distribution of 4.0 cps represents the total distributions for the half-year. Dec 2021 quarter distribution of 2.0 cps represents an annualised distribution yield of 4.65% based on preliminary NTA for 31 Dec 2021.

<sup>3</sup> Calculated as 4.0cps distribution for the half, annualised, and 4.9% NTA growth.

Disclaimer: Historical performance is not a reliable indicator of future performance

# Portfolio Overview

Geographically diversified portfolio of convenience retail assets across the East Coast of Australia

## Anchor tenancies

- 7 Coles, 6 Woolworths, 2 Aldi, 2 Kmart

## Asset type

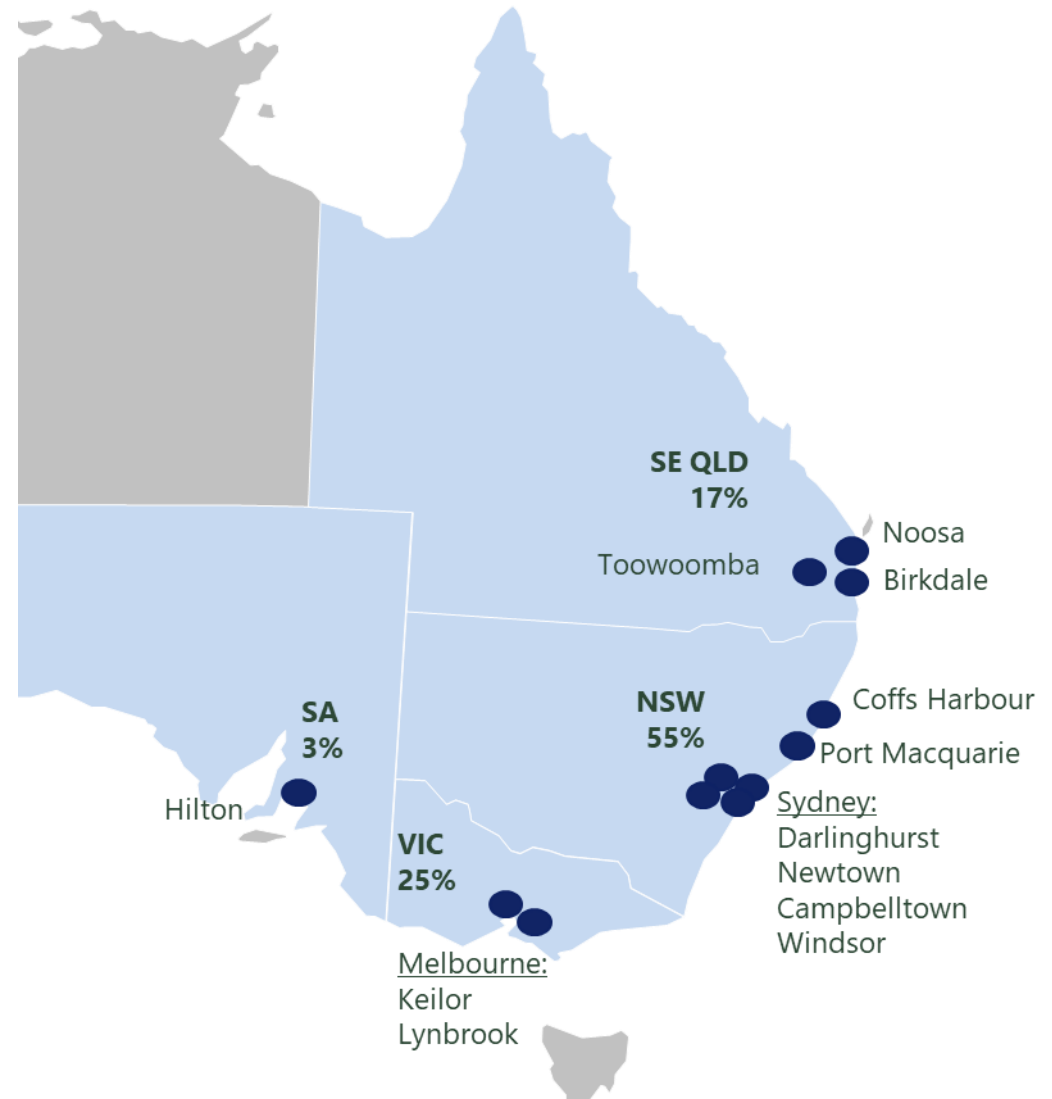
- 10 Neighbourhood, 2 Sub-Regional

## Property ownership

- 100% FSREC Property Fund

## Geography

- 9 Metro, 3 Regional





# FY22 Financial Performance

Summary of the key fund metrics for the financial year to 31 December 2021

Valuation Metrics	31 Dec 21	30 Jun 21	Change
Retail properties	\$686.5m	\$666.1m	+3.1%
Office property (sold July 21)	-	\$145.8m	
<b>Portfolio Total</b>	<b>\$686.5m</b>	<b>\$811.9m</b>	
Average capitalisation rate	5.8%	6.0%	-0.2%

Key Metrics	31 Dec 21	31 Dec 20	Change
Distribution (cents per security) <sup>1</sup>	4.0 cps	n/a	
Distribution Yield	4.7%	4.2%	+0.5%
Total Return (6 month annualised) <sup>2</sup>	9.5%	5.4%	+4.1%



Source: FSREC

All figures based on preliminary unaudited estimates for 31 Dec 2021. Audited financials are due to be released in mid March 2021. Figures may not add due to rounding

<sup>1</sup> The comparison on distributions is not applicable due to the fund not being merged at 31 Dec 20, as well as a change in units as a result of the Withdrawal Offer held in Q3 2021.

<sup>2</sup> Total Return (6 months annualised) calculated using proforma NTA for 31 Dec 2021 growth and Fund distribution for the half, annualised.

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# Capital Management

## Summary of key Fund capital management metrics

Balance Sheet <sup>1</sup>	31 Dec 21	30 Jun 21
Gross Asset Value (GAV)	\$699.2m	\$820.8m
Net Assets	\$435.8m	\$511.9m
Securities on issue	252,723,891	312,632,131
Net Tangible Assets (cps) <sup>2</sup>	\$1.72	\$1.64

Debt Position	31 Dec 21	30 Jun 21
Total debt facilities	\$300,000,000	\$315,000,000
Total drawn debt	\$252,916,000	\$291,116,000
Debt capacity available	\$47,084,000	\$23,884,000
Debt hedged (% on drawn debt)	51.6%	46.3%
Market value of hedging instruments	\$130,500,000	\$134,725,000
Weighted average term to maturity <sup>3</sup>	2.2 Years	1.4 Years
Weighted cost of debt (Excludes establishment fees)	2.1%	4.0%
Gearing <sup>4</sup>	36.8%	35.9%

Source: FSREC

1. Based on preliminary unaudited estimates for 31 Dec 2021. Audited financials are due to be released in mid March 2022

2. Includes a \$1.6m provision for the unspent insurance monies received for the hail damage at Toormina Gardens.

3. Weighted average term of fixed rate hedges to maturity

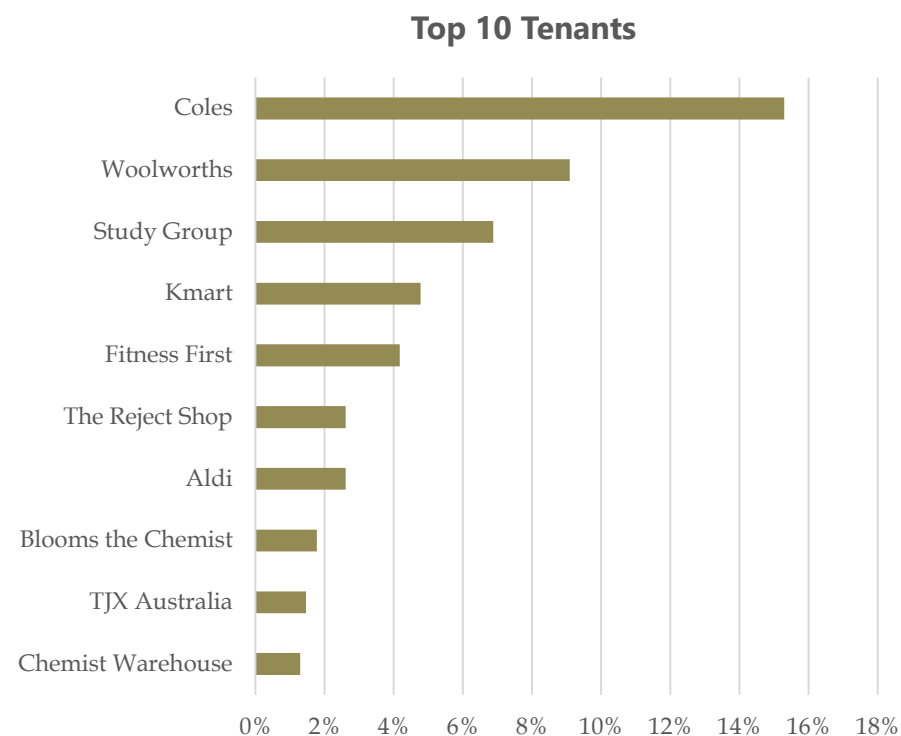
4. Calculated as total investment property balance divided by total drawn debt

Disclaimer: Historical performance is not a reliable indicator of future performance.

# Portfolio Update

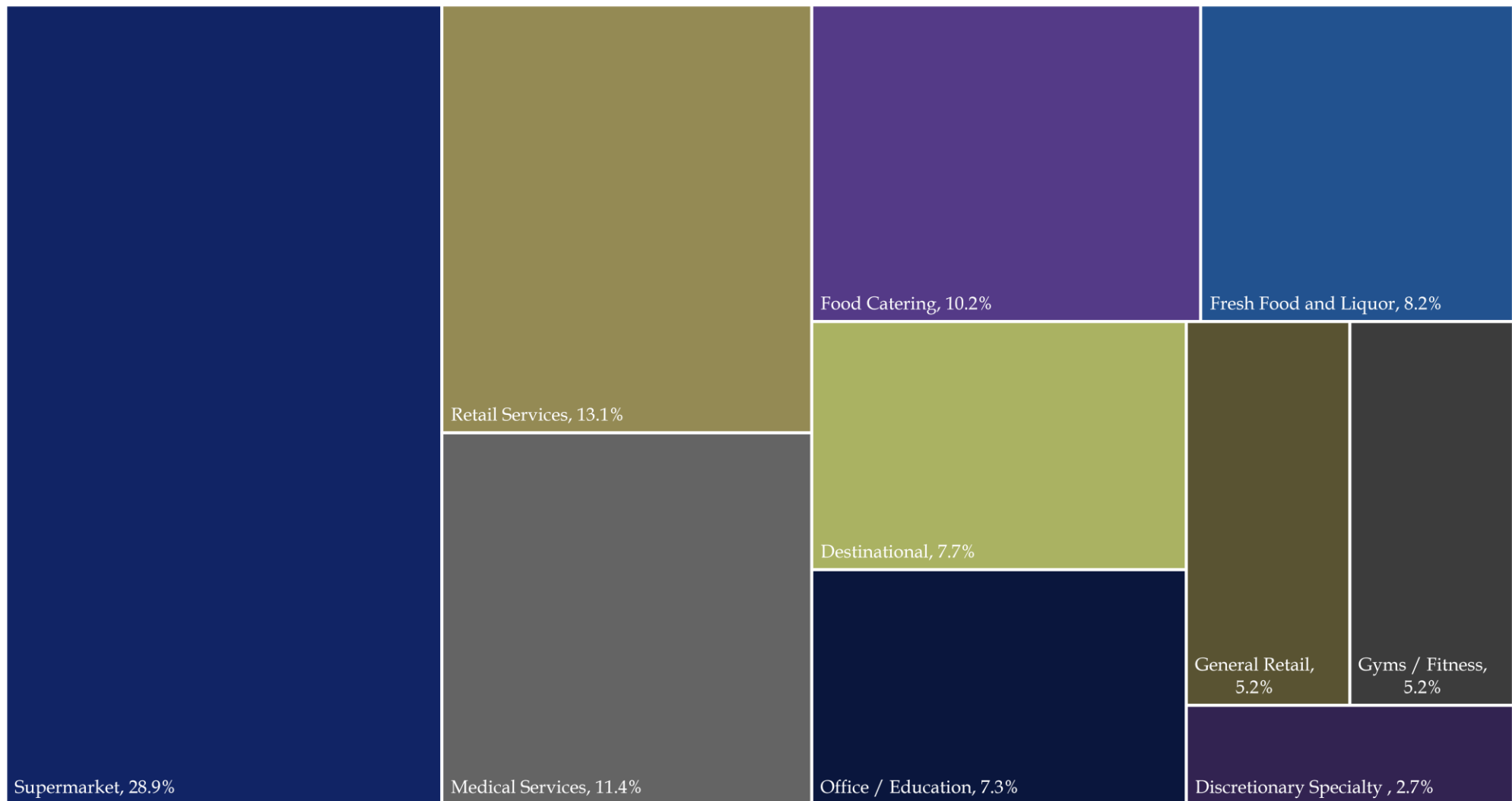
Retail portfolio weighted towards grocery and essential services

Portfolio Overview	31 Dec 21	30 Jun 21 <sup>1</sup>
Number of assets	12	12
Gross Lettable Area	107,842 sqm	107,313 sqm
Occupancy	97.8%	98.6%
Vacancy	2.2%	1.4%
WALE	4.4 years	4.8 years



# Portfolio Update – Tenancy Mix

Retail portfolio has a high weighting to essential services; only 2.7% weighting to discretionary specialty retail





# Portfolio Update - Leasing

Leasing pipeline strengthening following challenging trading conditions over the half

## Occupancy

97.8%

## Weighted Average Lease Expiry

4.4 years

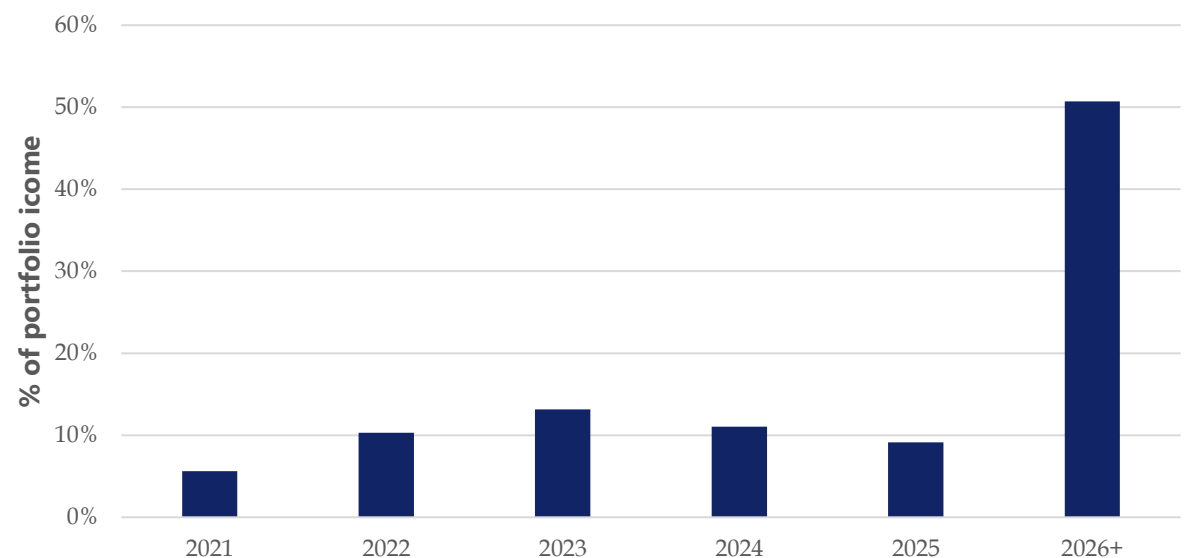
## Number of leasing deals

29

## Leasing spread

+0.2%

Lease Expiry Profile





# Recent Tenant Fitout's



Keilor Central, Keilor



Lynbrook Village, Lynbrook



Lynbrook Village, Lynbrook



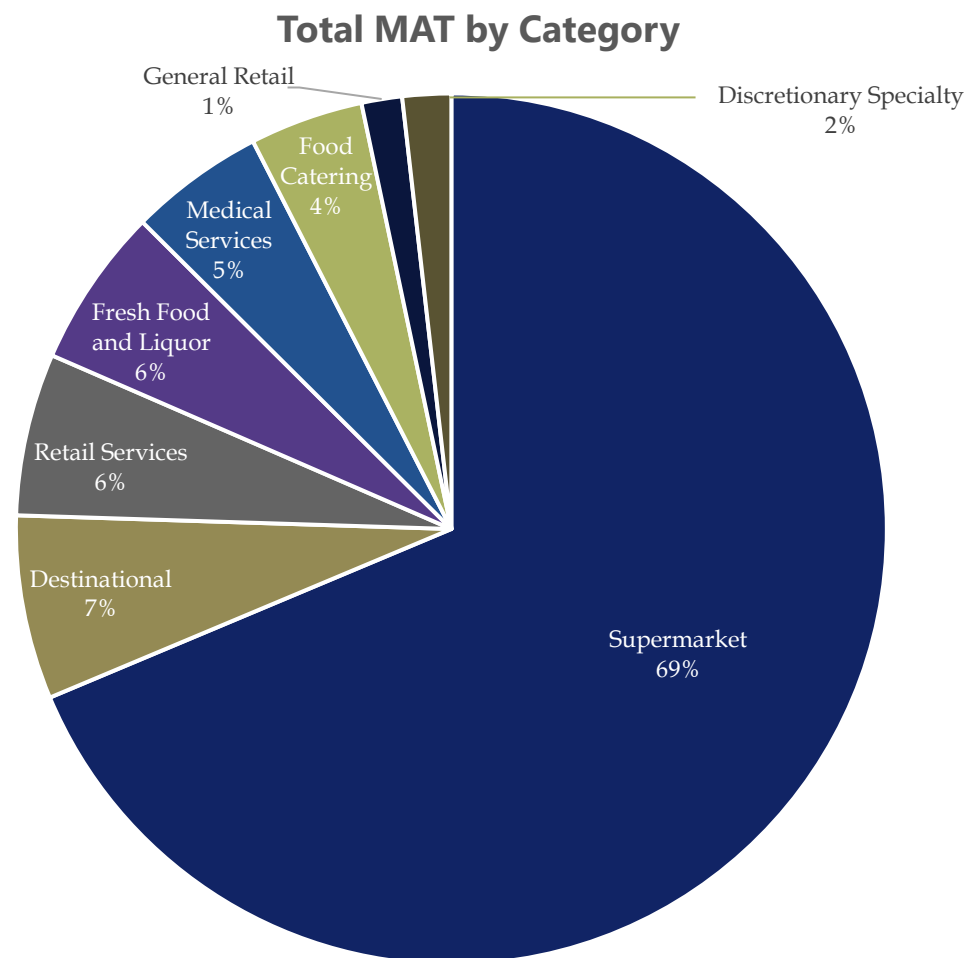
Keilor Central, Keilor



# Portfolio Update - Sales Performance

Difficult trading conditions over half, however portfolio continues to demonstrate its resilience

Sales Performance		31 Dec 21
Total Portfolio Sales (\$m)		850
Supermarket MAT <sup>1</sup> Growth		-1.5%
Supermarkets in Turnover		68.4%
Specialty productivity (\$/sqm)		9,470
Specialty occupancy cost (%)		13.5%
Average specialty gross rent (\$/sqm)		810
Weighting to non-discretionary & destinational retail		97.3%



# Sustainability

Progression of solar rollout and energy efficiency initiatives providing strong results



## 75% solar coverage

9 of the portfolio's 12 assets now have rooftop solar



## Toormina Gardens

5-star NABERS energy and water ratings achieved



## Oxford Village

5.5-star NABERS energy rating achieved

## Total annual savings from solar installation:



**1.7MW**

Avoided in common area electricity usage

equivalent to



**2,050 tonnes CO2e p.a**



**483 cars taken off the road**



**650 Homes**

# Retail Property Transactions

Recent comparable sales evidence



Lachlan's Square Village NSW | \$30m, 5.8% | Dec 21



Kallangur Fair NSW | \$22.5m, 5.9% | Jul 21



MarketPlace Raymond Terrace NSW | \$87.6m, 5.7% | Jul 21



Casey Central VIC | \$225m, 5.4% | Jul 21



# Conclusion

- The portfolio continues to perform well and demonstrate its resilience in the current trading environment
- Completion of major strategic initiatives announced at the time of the merger, a significant milestone for the Fund
- Investor approval regarding sale of E&P Financial Group Limited's controlling 75% interest in FSREC Pty Limited to ISPT Pty Ltd will provide alignment and potential for significant growth capital
- Management focus to be on growth opportunities moving forward

# For further information

## Investor relations

Telephone 1300 454 801

Email [info@fsrec.com.au](mailto:info@fsrec.com.au)



## Appendices

# Valuation Results

Retail Property	State	Location	Type <sup>1</sup>	GLA (Sqm)	30 Jun 21	31 Dec 21 <sup>2</sup>	6 month change	Cap rate 30 Jun 21	Cap rate 31 Dec 21
Oxford Village	NSW	Metropolitan	NH	12,048	\$113,500,000	\$113,500,000	3.2%	6.00%	5.75%
Toormina Gardens	NSW	Regional	SR	21,141	\$90,000,000	\$87,500,000	(2.8%)	6.60%	6.50%
Windsor Riverview	NSW	Metropolitan	NH	7,915	\$55,500,000	\$56,500,000	1.8%	5.75%	5.75%
Marketfair	NSW	Metropolitan	NH	9,097	\$49,300,000	\$49,500,000	0.4%	5.75%	5.50%
Lane Innes Village	NSW	Regional	NH	4,695	\$35,000,000	\$37,000,000	5.7%	6.00%	5.75%
Newtown Central	NSW	Metropolitan	NH	3,375	\$117,500,000	\$31,500,000	4.1%	5.75%	5.50%
Keilor Central	VIC	Metropolitan	SR	19,912	\$43,000,000	\$123,500,000	5.1%	6.00%	5.75%
Lynbrook Village	VIC	Metropolitan	NH	7,666	\$47,000,000	\$46,000,000	7.0%	6.00%	5.75%
Northpoint	QLD	Regional	NH	6,899	\$34,000,000	\$47,500,000	1.1%	6.00%	6.00%
Noosa Village	QLD	Regional	NH	4,727	\$34,000,000	36,000,000	5.9%	6.00%	5.75%
Birkdale Fair	QLD	Metropolitan	NH	5,925	\$31,750,000	\$34,500,000	8.7%	5.75%	5.50%
Hilton Plaza	SA	Metropolitan	NH	4,453	\$22,750,000	\$23,500,000	3.3%	5.75%	5.50%
				107,842	\$666,050,000	\$686,500,000	3.1%	6.01%	5.81%



# FSREC Portfolio NSW

## Oxford Village, Sydney



<b>ASSET TYPE</b>	Convenience retail and commercial centre	<b>VALUATION</b>	\$113.5 million	<b>TOTAL MAT</b>	\$15.1 million <sup>1</sup>
<b>LOCATION</b>	High Street	<b>GLA</b>	12,048 sqm	<b>AV. SPEC GROSS RENT</b>	\$1,077/sqm
<b>TENANTS</b>	(Retail) Aldi, JB Hifi, Chemist Warehouse, 30 specialties (Commercial) Fitness First, Study Group	<b>OCCUPANCY</b>	97.8%	<b>SPEC OCC COST</b>	23.9%
		<b>WALE</b>	3.6 years	<b>SPEC PRODUCTIVITY</b>	\$5,308/sqm
<b>STRATEGY</b>	Expansion of health services. Unlock value through repositioning of upper levels in longer-term.				

## Marketfair Campbelltown, Sydney



<b>ASSET TYPE</b>	Neighbourhood retail centre	<b>VALUATION</b>	\$49.5 million	<b>TOTAL MAT</b>	\$62.8 million
<b>LOCATION</b>	Prime metropolitan	<b>GLA</b>	9,097 sqm	<b>AV. SPEC GROSS RENT</b>	\$913/sqm
<b>TENANTS</b>	Woolworths 27 specialties	<b>OCCUPANCY</b>	100%	<b>SPEC OCC COST</b>	9.9%
		<b>WALE</b>	3.5 years	<b>SPEC PRODUCTIVITY</b>	\$10,846/sqm
<b>STRATEGY</b>	Progress land rezoning and precinct masterplanning approval.				

## Newtown Central, Sydney



<b>ASSET TYPE</b>	Convenience retail	<b>VALUATION</b>	\$31.5 million	<b>TOTAL MAT</b>	\$13.2 million
<b>LOCATION</b>	High Street	<b>GLA</b>	3,375sqm	<b>AV. SPEC GROSS RENT</b>	\$1,135/sqm
<b>TENANTS</b>	Foodworks, Fitness First 15 specialties	<b>OCCUPANCY</b>	95.9%	<b>SPEC OCC COST<sup>2</sup></b>	24.3%
		<b>WALE</b>	4.6 years	<b>SPEC PRODUCTIVITY</b>	\$5,514/sqm
<b>STRATEGY</b>	Lease to inner city F&B and service tenants.				



# FSREC Portfolio NSW (continued)

## Windsor Riverview, Sydney



<b>ASSET TYPE</b>	Neighbourhood retail centre	<b>VALUATION</b>	\$56.5 million	<b>TOTAL MAT</b>	\$64.3 million
<b>LOCATION</b>	Prime metropolitan	<b>GLA</b>	7,915 sqm	<b>AV. SPEC GROSS RENT</b>	\$799/sqm
<b>TENANTS</b>	Coles, 33 specialties	<b>OCCUPANCY</b>	100%	<b>SPEC OCC COST</b>	19.8%
		<b>WALE</b>	3.4 years	<b>SPEC PRODUCTIVITY</b>	\$4,068/sqm
<b>STRATEGY</b>	Increase specialty retailer performance by de-weighting exposure to apparel. Longer-term planning for development of adjoining houses with another major anchor.				

## Toormina Gardens, Coffs Harbour



<b>ASSET TYPE</b>	Dual supermarket convenience-based subregional centre	<b>VALUATION</b>	\$87.5 million	<b>TOTAL MAT</b>	\$158.2 million
<b>LOCATION</b>	Coastal	<b>GLA</b>	21,141 sqm	<b>AV. SPEC GROSS RENT</b>	\$715/sqm
<b>TENANTS</b>	Woolworths, Coles, Kmart 51 specialties	<b>OCCUPANCY</b>	97.9%	<b>SPEC OCC COST</b>	10.5%
		<b>WALE</b>	3.3 years	<b>SPEC PRODUCTIVITY</b>	\$7,552/sqm
<b>STRATEGY</b>	Complete insurance remediation works and re-leasing program following hailstorm damage. Development of McDonalds padsite.				

## Lake Innes, Port Macquarie



<b>ASSET TYPE</b>	Neighbourhood retail centre	<b>VALUATION</b>	\$37.0 million	<b>TOTAL MAT</b>	\$76.3 million
<b>LOCATION</b>	Coastal	<b>GLA</b>	4,695sqm	<b>AV. SPEC GROSS RENT</b>	\$823sqm
<b>TENANTS</b>	Coles 12 specialties	<b>OCCUPANCY</b>	100%	<b>SPEC OCC COST</b>	10.3%
		<b>WALE</b>	8.6 years	<b>SPEC PRODUCTIVITY</b>	\$5,217/sqm
<b>STRATEGY</b>	Lease-up "eat street" with food retailers to capitalize on future growth in the neighbouring university campus and residential suburbs. Progress planning for additional padsite development.				

# FSREC Portfolio VIC and SA

## Keilor Central, Melbourne



<b>ASSET TYPE</b>	Dual supermarket convenience-based subregional centre	<b>VALUATION</b>	\$123.5 million	<b>TOTAL MAT</b>	\$134.2 <sup>1</sup> million
<b>LOCATION</b>	Prime metropolitan	<b>GLA</b>	19,912 sqm	<b>AV. SPEC GROSS RENT</b>	\$801/sqm
<b>TENANTS</b>	Coles, Aldi, Kmart 65 specialties	<b>OCCUPANCY</b>	95.9%	<b>SPEC OCC COST</b>	12.7%
		<b>WALE</b>	3.8 years	<b>SPEC PRODUCTIVITY</b>	\$6,125/sqm
<b>STRATEGY</b>	Asset repositioning through expansion of fresh food, take away and health precincts and improve link to new \$60 million "Health and wellbeing hub" next door. Commence planning for longer-term masterplan and additional retail and mixed use development.				

## Lynbrook Village, Melbourne



<b>ASSET TYPE</b>	Neighbourhood retail centre	<b>VALUATION</b>	\$46.0 million	<b>TOTAL MAT</b>	\$56.5 million
<b>LOCATION</b>	Prime metropolitan	<b>GLA</b>	7,666 sqm	<b>AV. SPEC GROSS RENT</b>	\$599/sqm
<b>TENANTS</b>	Coles 31 specialties	<b>OCCUPANCY</b>	97%	<b>SPEC OCC COST</b>	12.0%
		<b>WALE</b>	6.3 years	<b>SPEC PRODUCTIVITY</b>	\$6,125/sqm
<b>STRATEGY</b>	Improve productivity of specialty tenants through active management.				

## Hilton Plaza, Adelaide



<b>ASSET TYPE</b>	Neighbourhood retail centre	<b>VALUATION</b>	\$23.5million	<b>TOTAL MAT</b>	\$49.5 million
<b>LOCATION</b>	Prime metropolitan	<b>GLA</b>	4,453sqm	<b>AV. SPEC GROSS RENT</b>	\$709/sqm
<b>TENANTS</b>	Woolworths 13 specialties	<b>OCCUPANCY</b>	94%	<b>SPEC OCC COST</b>	14.0%
		<b>WALE</b>	5.3 years	<b>SPEC PRODUCTIVITY</b>	\$6,326/sqm
<b>STRATEGY</b>	Lease remaining vacancy to medical or office. Improve productivity of specialty tenants through active management.				

# FSREC Portfolio QLD

## Noosa Village, Noosa



<b>ASSET TYPE</b>	Neighbourhood retail centre	<b>VALUATION</b>	\$36.0 million	<b>TOTAL MAT</b>	\$72.4 million
<b>LOCATION</b>	Prime metropolitan	<b>GLA</b>	4,727 sqm	<b>AV. SPEC GROSS RENT</b>	\$809/sqm
<b>TENANTS</b>	Woolworths 21 specialties	<b>OCCUPANCY</b>	96%	<b>SPEC OCC COST</b>	4.5%
		<b>WALE</b>	2.8 years	<b>SPEC PRODUCTIVITY</b>	\$21,092/sqm
<b>STRATEGY</b>	Complete major asset repositioning including supermarket expansion and mall refurbishment. Complete tenant remixing and releasing strategy to expand fresh food and services offer. Position asset as leading convenience retail offer in Noosa.				

## Birkdale Fair, Brisbane



<b>ASSET TYPE</b>	Neighbourhood retail	<b>VALUATION</b>	\$34.5 million	<b>TOTAL MAT</b>	\$79.1million
<b>LOCATION</b>	Prime metropolitan	<b>GLA</b>	5,915 sqm	<b>AV. SPEC GROSS RENT</b>	\$732/sqm
<b>TENANTS</b>	Woolworths 17 specialties	<b>OCCUPANCY</b>	99.1%	<b>SPEC OCC COST</b>	4.5%
		<b>WALE</b>	5.3 years	<b>SPEC PRODUCTIVITY</b>	\$7,966/sqm
<b>STRATEGY</b>	Complete McDonalds padsite development, investigate additional pad site opportunity.				

## Northpoint Shopping Centre, Toowoomba



<b>ASSET TYPE</b>	Neighbourhood retail	<b>VALUATION</b>	\$47.5 million	<b>TOTAL MAT</b>	\$68.4 million
<b>LOCATION</b>	Prime regional	<b>GLA</b>	6,899 sqm	<b>AV. SPEC GROSS RENT</b>	\$757/sqm
<b>TENANTS</b>	Coles 26 specialties	<b>OCCUPANCY</b>	99.3%	<b>SPEC OCC COST</b>	8.1%
		<b>WALE</b>	6.6 years	<b>SPEC PRODUCTIVITY</b>	\$9,821/sqm
<b>STRATEGY</b>	Lease last vacancy. Maintain high occupancy through active management.				



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