ASX ANNOUNCEMENT

10 AUGUST 2018

STRONG PORTFOLIO PERFORMANCE UNDERPINS FY18 RESULTS PROPOSAL TO INTERNALISE MANAGEMENT AND CAPTURE LONG TERM VALUE

Aventus Retail Property Fund (ASX: AVN) (Aventus or the Fund), today announced its results for the full year ended 30 June 2018 and a proposal to internalise its management functions (Internalisation or the Proposal).

INTERNALISATION PROPOSAL

The Independent Directors of Aventus Capital Limited (Responsible Entity) are pleased to present a Proposal to internalise the management of Aventus which aims to achieve immediate benefits to earnings and governance, as well as create long term strategic value for unitholders. The increased scale of the Fund's portfolio, which by value has more than doubled since listing, led the Independent Directors to approach the owners of the external management entity, APG, owned by entities associated with Brett Blundy and Darren Holland (the Sellers) with a proposal to internalise management of the Fund. Following negotiations between the parties, today the Independent Directors on behalf of the Responsible Entity and the Sellers entered into an Implementation Deed and Sale Agreement to give effect to the Proposal, which has the unanimous support of the Independent Directors and will be put to unitholders at an extraordinary general meeting for their approval on 25 September 2018.

Under the terms of the Proposal, Aventus will pay $143 million to internalise the management of AVN (including investment management, property management and development management services) and $5 million to acquire the existing net assets of APG by establishing a new stapled security structure for the Fund. The Proposal has the following features and advantages:

- The $143 million purchase price represents an FY19 EBIT multiple of 9.3x and a fee waiver[1] adjusted EBIT multiple of 8.6x
- FY19 financial benefits to unitholders include:
    - 1.1% Funds from Operations (FFO) accretion
    - 4.0% Adjusted Funds from Operations (AFFO) accretion
    - 6.0% 'Value' accretion[2]

[1] APG waived 50% of its investment management fees for the acquisition of Castle Hill and Marsden Park Centres acquired in Jul 2017. This waiver expires on 1 July 2019.

[2] 'Value' accretion captures benefits of approximately $1.6 million relating to development that are saved as part of internalisation, which are not fully captured in FFO or AFFO on consolidation but will be reflected in property valuations

- Delivers significant strategic and corporate governance benefits for AVN unitholders
- Eliminates external funds management, asset management, leasing, development management and performance fees, including on new acquisitions improving AVN's competitiveness
- Brings AVN into line with the largest REITs in the Australian market in terms of structure and management which may increase investor interest and access to capital
- An Independent Expert has concluded that the proposal is fair and reasonable, and therefore in the best interest of unitholders not associated with the Sellers.

The Proposal will be funded through a combination of AVN stapled securities, issued to the Sellers at AVN's 30 June 2018 NTA of $2.38, which is a 6% premium to AVN's last close as at 9 August 2018, and cash from existing debt facilities. 57% or $85 million of the consideration will comprise AVN stapled securities.

The Proposal is subject to a number of conditions, including the approval of AVN's unitholders by ordinary resolutions at an Extraordinary General Meeting to be held on 25 September 2018. The Independent Directors unanimously recommend the Proposal and intend to vote their respective holdings in favour of the Proposal.

To assist the Independent Directors in their consideration of the Proposal, Macquarie Capital (Australia) Limited and UBS AG, Australia Branch acted as financial advisors, Herbert Smith Freehills acted as legal counsel, Ernst & Young acted as Investigating Accountants and Greenwoods & Herbert Smith Freehills acted as tax advisors.

Following implementation of the Proposal, AVN will own and manage an integrated platform comprising interests in the portfolio of 20 large format retail centres, valued at approximately $1.9 billion and employ over 60 professionals across investment management, asset and development management and corporate services.

Bruce Carter, Chairman of Aventus Capital Limited said, 'The internalisation of AVN's management is expected to have immediate benefits to earnings and value, as well as long term strategic advantages for the competitiveness and growth prospects of the group. It will also bring Aventus into line with the standard for large real estate trusts and offers potential for a greater diversity of capital sources and opportunities. Direct control over the costs of management and the governance of the fund are also important for investors and we urge them to join us in supporting the proposal'.

'The Proposal follows the establishment of a committee comprising the Independent Directors to assess the proposal and a lengthy period of robust and productive negotiations with the Sellers', confirmed Mr Carter.

Every director has confirmed they will continue as directors of the internalised group, with key management personnel currently managing AVN to continue including CEO Darren Holland, who has signed a new three-year contract to take effect if the Proposal is implemented.

'With AVN's portfolio having more than doubled since listing, the Independent Directors believe the Proposal is in best interests of investors both in the short and long term,' concluded Mr Carter.

FY2018 FULL YEAR RESULTS

Financial Highlights

- FFO of $89 million or 18.1 cents per unit, an increase of 2.3% over the prior corresponding period
- Distributions of 16.3 cents per unit, 2.4% higher than the prior corresponding period
- Significant progress on refinancing the debt book has resulted in the next debt maturity being extended to October 2020 and lifting the Weighted Average Debt Expiry (WADE) to 4.4 years
- Net tangible assets per unit (NTA) of $2.38, an increase of 7.2% compared to the prior corresponding period
- Revaluation gains of $78 million, 4.3% higher than June 2017, with the portfolio valued at approximately $1.9 billion

Property Portfolio Highlights

- Occupancy has increased to 98.7% with stable Weighted Average Lease Expiry (WALE) of 4.1 years
- Continued tenant remixing with leases negotiated achieving low incentives and positive leasing spreads
- 3.3% like-for-like Net Property Income (NPI) growth
- High exposure to national tenants, comprising 87% of the portfolio by GLA
- Diversified tenancy mix with 37% by income from the non-household category

Financial Management

The Fund's profit for the year ended 30 June 2018 is $136 million and FFO is $89 million or 18.1 cents per unit.

Valuation uplifts and divestments have reduced the gearing of the Fund to 35.6% as at 30 June 2018[3], within the target range of 30% - 40%.

Distributions

Distributions per unit for the year ended 30 June 2018 are 16.3 cents per unit. This represents a payout ratio of 90% of FFO, within the Fund's distribution policy of 90% - 100% of FFO.

Debt Management

A disciplined approach to implementing capital management to ensure greater diversity in debt providers and longer dated debt resulted in the following measures being finalised in July 2018:

- Expansion of 7-year loan note from $110 million to $160 million expiring in 2025;
- New 5 year bi-lateral facilities totalling $60 million expiring in 2023; and
- 12-month extensions of $400 million of debt facilities now expiring in 2022 and 2023

[3] Gearing will move to 36.0% following payment of the FY18 Performance Fee and pro forma for the Internalisation Proposal moves gearing to 39.3%

This strategy has created a more staggered debt maturity profile with no debt expiring before October 2020 and lengthened the WADE to 4.4 years.

Valuation Uplift

Net property valuation uplifts of $78 million were achieved for the portfolio bringing the value of the portfolio to $1.9 billion. As a result of these revaluations and the transactions undertaken during FY18, the Weighted Average Capitalisation Rate (WACR) of the portfolio is now 6.69%.

All of the capitalisation rate compression occurred during the first half of the year with the weighted cap rate remaining the same over the second half. All of the valuation gains during the second half of the year were attributable to income growth and the development of our portfolio.

Portfolio Management

The Fund continues to work with its tenants to improve the customer experience. Continued tenant remixing resulted in the negotiation of 109 leases covering 77,000 sqm boosting the portfolio's occupancy rate to 98.7% across the portfolio. The lift in occupancy was achieved along with low incentives and positive leasing spreads.

The focus remains on introducing new tenants that offer non-household products and services such as food, health and wellbeing, and childcare. These uses drive traffic, extend customer linger time and on average pay higher rents. Non-household products and services comprise the largest category within the portfolio and account for 37% of AVN's income.

Development Pipeline

The Fund continued its development activities and spent $32 million in line with its strategy to add value, increase GLA, improve the shopping experience and enhance investor returns. The major development project completed during the year was Tuggerah Super Centre adding approximately 10,000 sqm of GLA to a centre anchored by Bunnings, Spotlight and The Good Guys

Development spend for FY19 is forecast to be over $40 million.

Outlook

Mr Darren Holland, Aventus Property Group CEO said 'It's been another strong year for the portfolio achieving solid organic rental growth, high occupancy and attractive development returns. Our strategy remains clear and we are focused on driving results in this current financial year through strong and consistent portfolio management, operational excellence and delivering our development pipeline to enhance the shopping experience.

'Our FY19 guidance for FFO per unit is 18.2 cents per unit and, if the internalisation is approved, our guidance will increase to 18.4 cents per unit'

Full details of the Internalisation Proposal can be found in the explanatory memorandum, notice of meeting and prospectus (Proposal Documents). The Proposal Documents will be distributed on or around 24 August 2018 via post or email in accordance with investor correspondence preferences previously advised to Link Registry.

Copies of the Proposal Documents and a sample proxy form will be released via the ASX today and available at www.aventusproperty.com.au

An investor and analyst briefing teleconference call, followed by a question and answer session, will be held today at **10:30am AEST**.

Investors and analysts wishing to participate should dial **1800 123 296** (from within Australia) or +61 2 8038 5221 (from outside of Australia) and ask to join the **Aventus Retail Property Fund Full Year Results Investor Presentation** (conference ID number 3676517).

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