

# URB INVESTMENTS LIMITED

ACN: 615 320 262



## NTA AND MONTHLY REPORT

November 2018

URB's aim is to maximise total shareholder returns via a combination of capital and income growth, through a Portfolio of unlisted property assets and Australian listed equities, which are all exposed to the urban renewal thematic.

### Business Overview

URB is a research driven, listed investment company, focused on capturing long-term value by investing in a diversified portfolio of assets with exposure to urban renewal and regeneration. Listed on the Australian Stock Exchange (URB.ASX) and managed by Contact Asset Management, an investment in URB gives shareholders access to a diversified portfolio of Equity Assets exposed to urban renewal as well as direct access to exclusive urban renewal deals through a co-invest agreement with Washington H. Soul Pattinson and Company Limited (WHSP) in Direct Property opportunities.

### Net Tangible Asset (NTA) – as at 30 November 2018

Pre-tax NTA backing was **\$1.06** per share.

URB is a long-term investor and does not intend to dispose of its total portfolio.

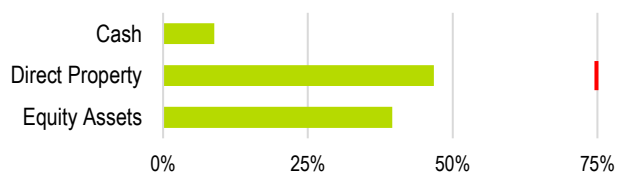
Post-tax NTA backing was **\$1.06** per share.

This measure reduces pre-tax NTA for the deferred provision for tax on net unrealized gains on the Company's investment portfolio as required by current Accounting Standards. As URB does not currently have a net deferred tax provision, pre-tax NTA and post-tax NTA are the same.

### Asset Allocation

The Company structure allows URB to be opportunistic through effective asset allocation between equities and property. Liquid capital from Cash and the Equity Portfolio enables Contact to manage the asset allocation so we can move quickly to take advantage of Direct Property opportunities.

Following shareholder approval at the URB AGM on 19 October, URB's maximum cap on investments in the Direct Property Portfolio has been revised upwards from 49.9% to 75% of the Portfolio. The change provides greater flexibility for URB to take advantage of Direct Property Asset opportunities as they arise. Despite the increase in the cap, URB's Direct Property Investments remained below 50%.



The URB Equity Portfolio is a concentrated portfolio that is typically made up of 30 stocks. While it is focused on Urban Renewal, the Equity Portfolio is well diversified across many sectors of the market including Real Estate, Healthcare, Consumer, Utilities, Building Materials and Industrials. We do not invest in Banking and Resources stocks.

### Company Overview – as at 30 November 2018

ASX Code	URB.ASX
Mandate	Urban Renewal
Market Capitalisation	\$67m
Investment Portfolio	\$70m
Cash & Cash Equivalents	\$7m
Total Portfolio Including Cash	\$77m
Debt	\$0
Rolling 12 Month Dividend <sup>1</sup>	1.5cps
Historical Dividend Yield <sup>2</sup>	1.64%
Percentage Franked	100%
Grossed Up Yield <sup>3</sup>	2.34%
DRP	Active
Share Price	\$0.915

### Net Tangible Assets (NTA)

Pre Tax NTA	\$1.06
Post Tax NTA	\$1.06

<sup>1</sup>Includes FY2018 Interim Dividend of 0.5cps and FY18 Final Dividend 1cps. <sup>2</sup>Based on share price as at 30 November 2018. <sup>3</sup>Grossed up yield based on a tax rate of 30%.

### Dividend Policy

URB's long-term target is to offer shareholders sustainable and growing fully franked dividends and a yield that is competitive within the listed investment company industry. The URB Board and Contact's Portfolio Managers are shareholders in URB and are aligned in delivering these outcomes for all shareholders.

### Monthly Equity Portfolio Update

November was another volatile month for world equity markets. Locally the All Ordinaries Index continued its downward trajectory falling 2.2% for the month. The URB Equities Portfolio declined in value albeit not to the extent of the broader market. The overall URB Portfolio performed relatively well, declining 0.8% month on month. Over a three-month period between September and November, the All Ordinaries Index declined 8.6% while URB's portfolio increased 0.2%. Importantly, URB's high proportion of Cash and Direct Properties was a factor in the preservation of capital.

Lendlease (LLC) was the largest negative contributor to the Portfolio, declining 28% during November after announcing the underperformance of a small number of projects within their Engineering and Services Business. These issues will require the Company to take a provision of \$350m after tax in the first half of FY2019. Circa 90% of cost overruns relate to three projects including the NorthConnex project. The Board also announced the appointment of external advisors and a strategic review evaluating all structural alternatives.

Although this result is disappointing our investment case remains largely unchanged as the medium to long term outlook remains positive. LLC has a development pipeline of \$71 billion and exposure to growing sectors including retirement living, aged care

and transport infrastructure, which fits well with URB's urban renewal and regeneration thematic.

Goodman Group (GMG) reported their Q1 FY2019 operational update with \$39.6 billion total assets under management and 98% occupancy across the Group. Guidance of FY2019 operating earnings per security of 50 cents, up 7% on FY2018, was reaffirmed.

Harvey Norman (HVN) released their aggregated sales update for the period from 1 July 2018 to 23 November 2018 with comparable aggregated sales up 3%. This result was largely driven by strong growth overseas which more than offset weaker sales in Australia.

Further to Contact's site tour of Harvey Norman's Auburn Flagship store in October, Contact also toured the three-storey, 100,000sq/ft superstore in Millenia Walk whilst we were in Singapore during November. The floor area is significant, offering one of the biggest ranges of electrical, IT, furniture, and bedding products in Singapore. Sales volumes have been so successful that the store layout and concept has now been rolled out across all 15 Flagship stores globally.

### Direct Property Portfolio Update

**PU RT 3** - Settlement of Lots 1 & 1A occurred on 11<sup>th</sup> December 2018. A partial uplift in fair value will therefore be reflected in the December accounts and NTA. Latter stages of development are continuing with Lots 2 - 7 and whilst completion remains subject to obtaining approvals from various authorities, we are hopeful that settlement for the remaining Lots at Kingsgrove will occur within the next 30 days.

**PU RT 4** - Design on the proposed development of the Union Road car park site continues. Penrith Council remains very vocal and positive on the transformation of Penrith City Centre.

**PU RT 5** - Directors included a partial uplift in fair value in the September NTA based on an 80% completion status. The construction program of the Prestons project is now 99% complete. The Occupancy Certificate under DA 861 has now been achieved and Practical Completion is expected shortly.

**Home HQ** - Leasing activity and management of the 500 lot car park has been encouraging. Planning is well underway for the development of the new food and beverage precinct within the Reserve Road car park. This new offering will have a significant impact on the centre's patronage and retail trade. The distribution yield of the Home HQ asset is currently 6.1% and is expected to grow upon completion of the new food and beverage precinct, offering better leasing terms and a higher utilisation of the car park.

Company / Trust		% of Total Portfolio
1	PU RT No 5 – Prestons	22.7%
2	PU RT No 3 – Kingsgrove	12.7%
3	PU RT No 4 – Penrith	10.1%
4	Transurban Group	7.0%
5	Sydney Airport	5.9%
6	Home HQ – Artarmon	3.7%
7	360 Capital Group	2.5%
8	Harvey Norman Holdings	2.2%
9	Stockland	1.9%
10	Lendlease Group	1.9%
11	Mirvac Group	1.7%
12	AV Jennings	1.7%
13	AP Eagers	1.6%
14	Goodman Group	1.6%
15	Qube Holdings	1.4%
16	Woolworths	1.3%
17	Ramsay Healthcare	1.2%
18	Regis Healthcare	1.2%
19	Blackwall Limited	1.1%
20	BWP Trust	1.1%
Cash and cash equivalents		9.2%
<b>Total of top 20 plus Cash and cash equivalents</b>		<b>93.7%</b>

### Management and Performance Fees

The Management Fee is 0.50% of URB's Total Assets.

The Performance Fee is 15% of the out performance over a Pre-Tax NTA 12 month return of 8.0%. This 8% return is calculated after the payment of any ordinary dividends to URB shareholders.

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URB Performance 30 November 2018	1 Month	3 Months	6 Months	1 Year
URB Portfolio Performance	-0.8%	0.2%	1.7%	2.5%
URB Total Shareholder Returns (TSR)	-6.2%	-6.6%	-4.7%	-13.2%
URB Total Shareholder Returns – 100% Franked	-6.2%	-6.2%	-4.3%	-12.6%

Source: Contact Asset Management, Bloomberg. Portfolio Performance is measured by change in pre-tax NTA and is after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends. TSR include reinvestment of dividends. TSR including franking credits are based on URB's dividends being fully franked at 30%. Past performance is generally not indicative of future performance.

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