Charter Hall Long WALE REIT Annual Securityholders' Meeting 2019

Chair's address

It's my pleasure to address this meeting today.

This is our inaugural AGM with Charter Hall Long WALE REIT, or CLW, to use its ASX ticker code having now been listed for a little over three years.

Since CLW's listing in November 2016, the management and Board have been focused on executing the funds strategy of providing investors with stable, secure and growing income.

This income is derived from high quality properties with long leases to high quality tenants. This income continues to grow from either fixed annual rental escalations, or CPI-based increases. In doing this, the trust also delivers capital growth, as that growing income is captured in the property valuations.

Since CLW's listing, management and the Board have been focused on growing the portfolio in a measured and sustainable way that improves diversification. We've actively managed the portfolio to increase both asset and tenant diversity.

It was as a result of this diversification strategy that we sold a half-stake in the ATO Adelaide building in August last year and disposed of an industrial facility in Brisbane.

This provided us with the opportunity to re-invest in a range of properties that have improved the REIT's weighting toward the Eastern Seaboard, in particular the strongly performing Sydney and Melbourne office markets.

We have also undertaken several equity raises since listing. These have provided the capital to pursue acquisitions that have diversified CLW across assets and by asset types, while reducing the exposure to any single tenant in the portfolio.

These acquisitions include the Inghams Agri-Logistics portfolio and the Telstra telephone exchanges portfolio, acquired post balance-date. These two transactions have provided CLW unitholders with a diversification of asset class beyond the traditional office, retail and industrial segments, mitigating any future issues that may affect these sectors.

These equity raises have also had the effect of increasing CLW's market capitalisation and seen CLW included in the ASX200 index. This has brought benefits of greater liquidity for investors and increased exposure through additional analyst coverage, leading to a more informed market and ultimately a better cost of capital for CLW unitholders.

Importantly, this growth and these acquisitions have delivered more than just increased scale. They have delivered income growth to investors significantly greater than if the portfolio had remained static since IPO. Our forecast earnings for financial year 2020 is more than 10% higher than the annualised FY17 earnings guidance we provided when we listed in November 2016.

While we have grown the REIT through equity raises and acquisitions, diversified across assets, asset classes and tenants, one thing has not changed. Underpinning the portfolio is a focus on long leases to high quality tenants.

In the last financial year, CLW has significantly increased the weighting to Government tenants with the acquisition of seven long-leased government properties. In addition to Government tenants, CLW has introduced Telstra, Inghams Group, Thales and Suez to the portfolio, further broadening the list of high-quality listed companies

Our tenant diversification is significantly greater than at IPO and the weighted average length of the leases we hold, or WALE, has continued to improve. Management has actively managed the lease expiries of the portfolio, partnering with our tenants to extend leases where possible and extending the overall portfolio WALE. This in turn contributes to the stability of our cash flow and the defensiveness of the portfolio.

A good example of this partnership approach with our tenants is the Inghams Agri-Logistics portfolio. At the time of acquisition, the WALE of this portfolio was 15.8 years. Working with Inghams, CLW was able to extend this 24.6 years post-acquisition.

The effect of this active approach to the management of the portfolio WALE has been to extend the WALE from 12.5 years and the time of IPO to 13.3 years today. The portfolio now consists of 158 properties vs 66 at the time of IPO and the portfolio value has gone from $1.25 billion to $2.88 billion.

Importantly, the portfolio is now well diversified by sector and geography, while occupancy still remains very high at 99.7% with minimal lease expiry in the next four years.

Finally, the Board remains committed to ensuring we retain a prudent capital management position. We are mindful of our self-mandated limit of balance sheet gearing between 25%-35%. Current balance sheet gearing sits marginally below that at 24.7%.

As the portfolio has grown, we have expanded our banking relationships to introduce new lenders to the group and ensure a diversity of debt providers. We also have existing capacity for additional debt-funded acquisitions should appropriate opportunities arise.

I would like to also acknowledge that the achievements I have outlined today in improving asset and tenant diversification, increasing the portfolio WALE and expanding our banking relationships, have all been achieved through the management of Charter Hall. Investors in CLW get the benefit of the full suite of Charter Hall's capabilities in acquisitions, property management, tenancy management, legal and treasury services.

In closing, I'd like to assure investors that your Directors are ever-mindful of their responsibilities as Independents to act in the interests of all unitholders and we endeavour to ensure CLW continues to provide a steady and growing income stream through exposure to high-quality properties and tenants on long-leases.