

17 February 2020

Company Announcements Office
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Attached is the Elanor Retail Property Fund (ASX:ERF) 1HFY20 Results Presentation.

Yours sincerely,



Symon Simmons
Company Secretary
Elanor Funds Management Limited

Authority and Contact Details

This announcement has been authorised for release by the Board of Directors of Elanor Funds Management Limited

For further information regarding this announcement please contact:

Symon Simmons
Company Secretary
Elanor Funds Management Limited
Phone: (02) 9239 8400



ELANOR RETAIL PROPERTY FUND

1HFY20 Results Presentation

17 February 2020

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1HFY20 Highlights

1HFY20 Results Highlights

Core Earnings	\$7.1m 12.6% increase on 1HYF19
Distributions Per Security	5.24c 12.6% increase on 1HFY19
NTA Per Security	\$1.54 0.7% increase from 30 June 2019
Portfolio Avg Cap Rate	6.7% No change since 30 June 2019
Gearing ¹	39.3% Increased from 38.8% as at 30 June 2019







- Core Earnings includes:
 - BIG W Auburn Central surrender fee
 - Tweed Mall Aldi repositioning downtime
 - Accrued performance fee for the period
- 95% Core Earnings payout ratio
- No material changes to portfolio valuations from June 2019
- Three Income Assets currently being marketed for sale
- No change in portfolio average capitalisation rate from June 2019
- Average debt maturity of 2.3 years
- Weighted average cost of debt of 4.0% p.a.
- Gearing within ERF's target range (30% to 40%)

1. Net debt / (total assets less cash)



Strategy and Business Overview

ERF – Value-Add Retail Real Estate Fund

<p>Value-Add Retail Real Estate Fund</p>	<ul style="list-style-type: none"> • Focus on retail assets which can be repositioned or have significant value-add opportunities • Prevailing market conditions are presenting high quality Value-Add investment opportunities in the Australian retail sector 						
<p>Deep and Differentiated Capability in Delivering Value through Retail Repositioning</p>	<table border="0"> <tr> <td data-bbox="633 411 1025 554"> <p>Grow Portfolio</p> <p>Value-Add Assets \$207.4m 61%</p> </td> <td data-bbox="1232 411 1673 554"> <p>Divest and Redeploy Capital</p> <p>Income Assets \$130m 39%</p> </td> </tr> <tr> <td data-bbox="633 561 1025 668">  </td> <td data-bbox="1232 561 1673 668">  </td> </tr> <tr> <td data-bbox="633 661 1025 832"> <p>High, risk-adjusted total returns from repositioning retail tenant mix and /or unlocking the assets' highest and best use real estate potential</p> </td> <td data-bbox="1232 661 1673 832"> <p>Strong cash flows, secured by long leases to anchor retailers</p> </td> </tr> </table>	<p>Grow Portfolio</p> <p>Value-Add Assets \$207.4m 61%</p>	<p>Divest and Redeploy Capital</p> <p>Income Assets \$130m 39%</p>			<p>High, risk-adjusted total returns from repositioning retail tenant mix and /or unlocking the assets' highest and best use real estate potential</p>	<p>Strong cash flows, secured by long leases to anchor retailers</p>
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<p>High, risk-adjusted total returns from repositioning retail tenant mix and /or unlocking the assets' highest and best use real estate potential</p>	<p>Strong cash flows, secured by long leases to anchor retailers</p>						
<p>Strong Track Record of Investment Returns</p>	<ul style="list-style-type: none"> • The Fund's Value-Add retail assets have delivered a 15% p.a. total return since ERF was listed 						
<p>Highly Scalable Platform</p>	<ul style="list-style-type: none"> • Senior management capabilities across acquisition sourcing, asset management and development management to enable the execution of ERF's Value-Add retail asset investment strategy 						
<p>Capital for Growth</p>	<ul style="list-style-type: none"> • Post the divestment of the Fund's Income-Assets, ERF will be in a position to acquire up to \$100m of additional Value-Add retail assets based on a 35% gearing ratio 						
<p>Capital Management Initiatives</p>	<ul style="list-style-type: none"> • ERF will consider capital management initiatives, including buy-backs, as part of positioning the Fund for growth and future capital raisings 						

Fund Strategy and Investment Approach

Strategic Objective

Deliver high risk-adjusted returns from repositioning and/or unlocking the real estate potential of investment grade retail properties with high strategic value

Provide superior investment management to deliver on strategic objective

Investment and Asset Management Approach

Invest

Invest in retail properties that provide strong earnings from a diversified retail tenant mix with a focus on non-discretionary retailers and high strategic real estate value

Active Asset Management

Implement active leasing and other asset management initiatives to grow income and portfolio value

Strategic Value Add

Implement development and repositioning strategies across the portfolio

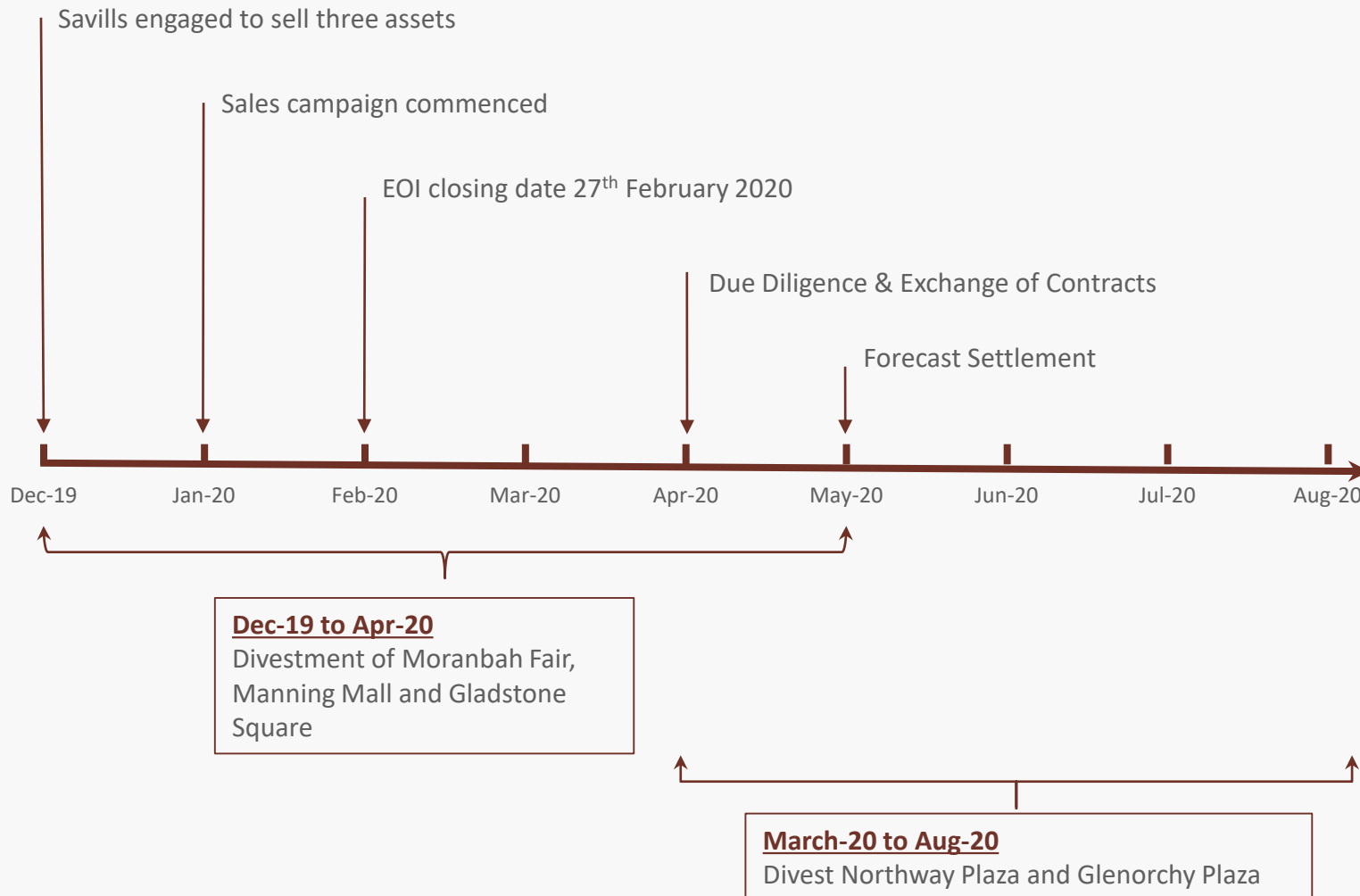
Capital Management

Maintain a conservative and efficient capital structure with a target gearing range of between 30% and 40%



Execution – Divestment of Income Assets

Income Assets - Divestment Program





Execution - Value-Add Retail Assets

Execution of Strategic Initiatives at Value-Add Assets

ERF continues to reposition the retail tenant mix at the Value-Add assets away from underperforming DDS and discretionary retailers:

- Tweed Mall: Aldi replaced Lincraft; Repositioning of Target Space in progress
- Auburn Central: Aldi, Asian Grocer, food and retail services to replace Big W

Auburn Central – Executing Repositioning Strategy

- Transformation of Auburn Central into a Sydney metropolitan, dual supermarket, neighbourhood shopping centre by December 2020. Strong progress including :
 - early surrender of BIG W lease
 - Agreement For Lease with Aldi to anchor new retail precinct
 - strong leasing demand with negotiations well progressed with two mini-majors
 - significant positive rental reversion driving strong return on additional investment and valuation increase

Tweed Mall – Retail Repositioning

- ALDI trading strongly with centre sales / foot traffic up 15.4% / 13.5% post opening in August 2019
- ALDI's introduction has positively impacted the performance of supermarket anchors

Tweed Mall – Master Planning

- Mixed-use master planning well progressed
- Stage 1 DA submission planned for 2HFY20 linked to repositioning of the Target tenancy
- Active discussions with development / delivery partners for mixed-use opportunities
- Increasing demand for commercial office / aged care in Tweed CBD

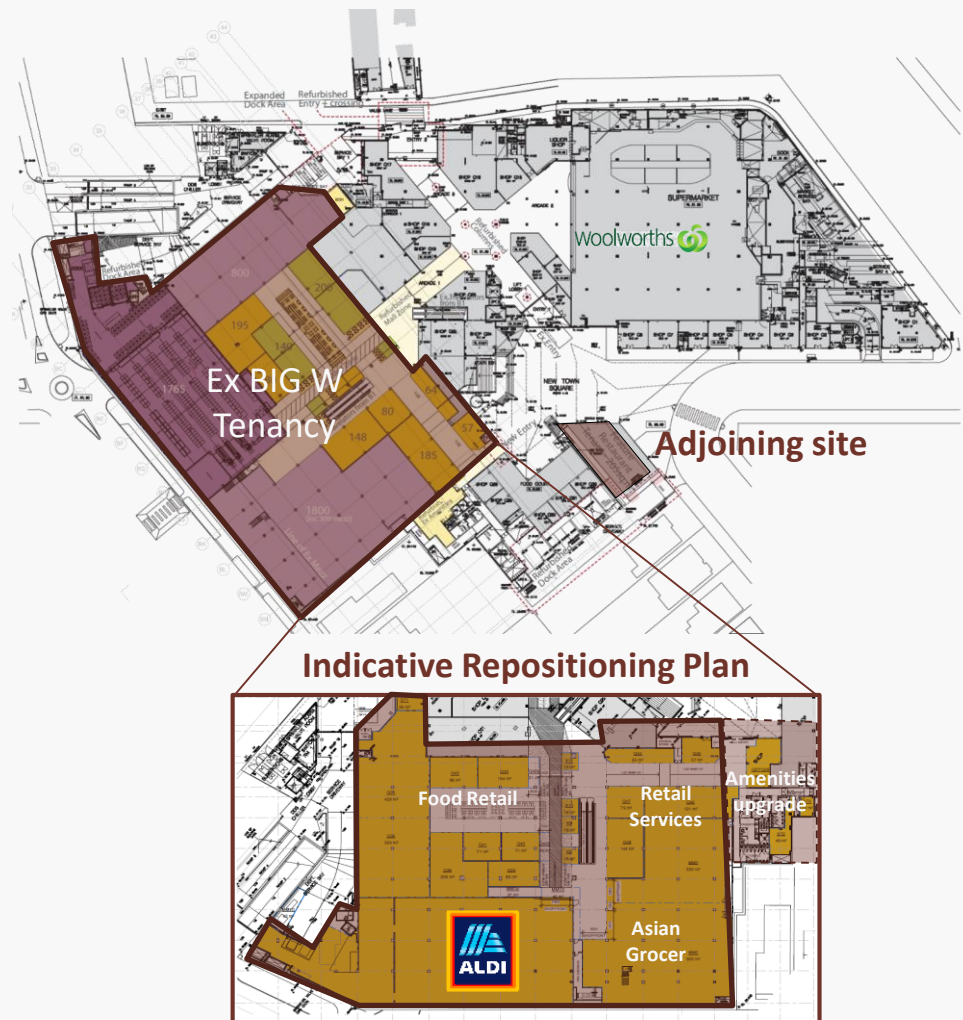
Management Capability

- Senior management capabilities across acquisition sourcing, asset management and development management to enable execution of ERF's Value-Add retail asset investment strategy
- Executing tailored repositioning strategies for each asset

Execution of Major Repositioning Initiatives

Auburn Central – Repositioning and Value Enhancement

- Transformation of Auburn Central into a Sydney metro dual-supermarket anchored neighbourhood centre is well progressed
- BIG W surrender payment covers of Big W rental downtime during repositioning works
- Agreement For Lease with Aldi executed for a new 1,755 square metre supermarket, secured by a 15-year lease with 2 x 5 year options
- Aldi to commence trading in November 2020 anchoring the new retail precinct
- Repositioning project forecast to generate in excess of 10% yield on cost: \$2m+ incremental NOI / \$20m development costs
- Negotiations well progressed with two mini-majors
- Strong leasing demand for Food Retail and Retail Services



Execution of Major Repositioning Initiatives (cont'd) *Elanor* RETAIL PROPERTY FUND



Execution of Major Repositioning Initiatives (cont'd) *Elanor* RETAIL PROPERTY FUND

Tweed Mall – Aldi

- ALDI commenced trading under a 15 year lease in August 2019
- Significant increase in centre sales / foot traffic of 15.4% / 13.5% since Aldi opening
- ALDI's introduction anchored the remix strategy for the northern mall, attracting non-discretionary food and services retailers and continues to generate strong specialty leasing interest





Portfolio Overview

Strong Operational and Strategic Upside

Value Add Assets



Development Leasing

BIG W early lease surrender
Execute repositioning strategy

FY20 Progress / Status

Short Term <12 months

Medium Term 1 – 3 years

Completed
In progress

BIG W closed Jan-20, surrender fee received



Leasing Development Development

Aldi and new specialty stores August 2019
Mixed-use concept master-planning and staging
Mixed-use development partnership and delivery

Completed
In progress
In progress

Aldi Agreement for Lease executed

Income Assets



Capital Recycling Leasing

Sale process commenced
Introduction of Mini Major

In progress
Negotiating



Capital Recycling Leasing

Sale process commenced
Specialty leasing and remixing of tenancies

In progress
In progress



Capital Recycling Leasing

Sale process commenced
Speciality and office leasing

In progress
In progress



Capital Recycling

Divestment in near term

Ongoing



Leasing Development Capital Recycling

Renewal of supermarket lease
Develop pad sites
Divest following supermarket lease renewal

In progress
In progress
Ongoing



Operational

Drive cost/operating efficiencies through active asset management

Ongoing

Acquisitions

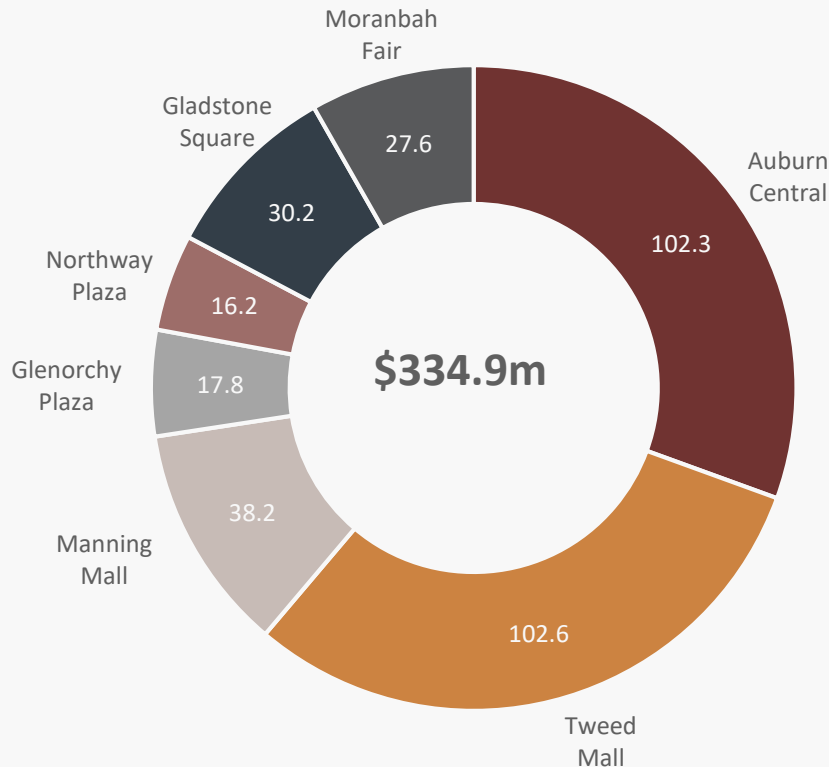
Acquisition of further accretive, high investment quality Value-Add shopping centres

Ongoing

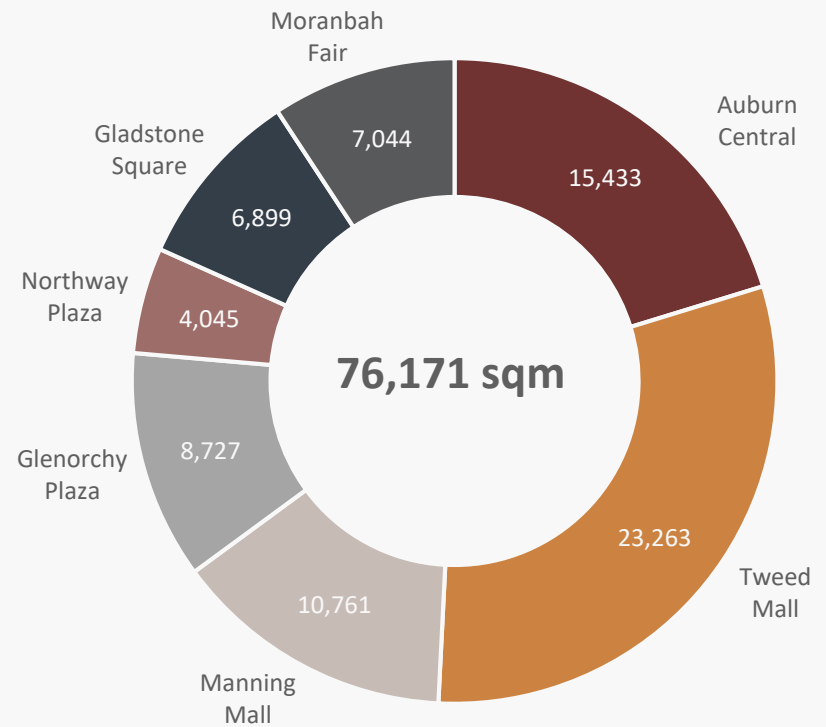
ERF's Portfolio is currently valued at \$334.9m

As at 31 December 2019, the Portfolio comprises seven high investment quality retail shopping centre assets valued at \$334.9m

PORTFOLIO BY VALUE¹



PORTFOLIO BY LETTABLE AREA¹

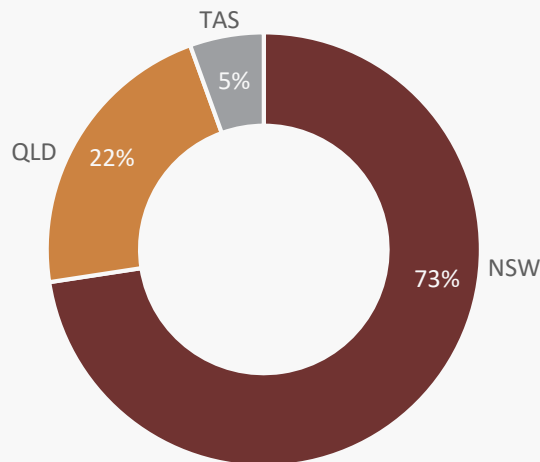


1. Excluding Auburn Ambulance Station

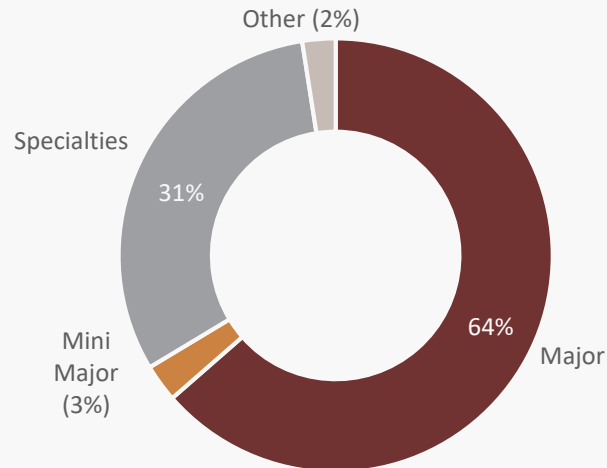
Portfolio Snapshot

Type of Shopping Centre	Number of Centres	Valuation (\$m) ¹	Cap Rate	Lettable Area (sqm)	Occupancy ²	WALE (Income) ³
Sub-Regional	4	260.9	6.4%	58,183	97.6%	3.3yrs
Neighbourhood	3	74.0	7.8%	17,988	96.8%	5.3yrs
Total	7	334.9	6.73%	76,171	97.4%	3.8yrs

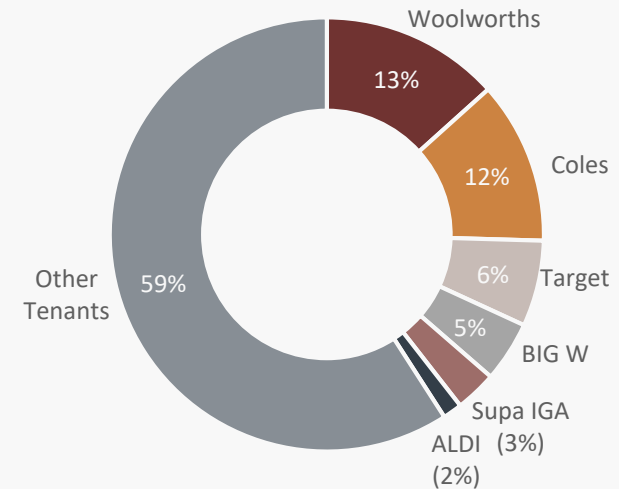
GEOGRAPHIC DIVERSIFICATION⁴



TENANT MIX BY TYPE⁵



KEY TENANTS⁶



1. Excluding Auburn Ambulance Station
2. By Lettable Area and includes the impact of Rental Guarantees.
3. Includes Auburn Central BIG W early lease surrender
4. By asset value
5. By lettable area, excluding Auburn BIG W tenancy
6. By base rent, excluding Auburn BIG W tenancy

Assets Summary

ERF has a Portfolio of seven high investment quality retail shopping centre assets

Property Name	Centre Type	State	Value ¹ (\$m)	Cap Rate	Lettable Area (sqm)	Base Rent (\$m)	Occupancy ²	WALE (by Area)	WALE (by Base Rent)	No. of Tenants ⁵	No. of Tenancies
Auburn Central	Sub-Regional	NSW	102.3	6.00%	15,433	6.8	99.9%	1.8yrs ⁴	2.7yrs ⁴	51	53
Tweed Mall	Sub-Regional	NSW	102.6	6.50%	23,263	7.5	97.6%	3.5yrs	3.4yrs	67	77
Manning Mall	Sub-Regional	NSW	38.2	6.88%	10,761	3.7	93.2%	3.6yrs	3.9yrs	29	38
Glenorchy Plaza	Sub-Regional	TAS	17.8	7.63%	8,727	1.9	98.7%	4.5yrs	3.7yrs	15	16
Northway Plaza	Neighbourhood	QLD	16.2	8.00%	4,045	1.5	96.2%	1.7yrs	1.7yrs	11	13
Gladstone Square	Neighbourhood	QLD	30.2	7.50%	6,899	2.6	95.9% ³	8.5yrs	7.6yrs	22	33
Moranbah Fair	Neighbourhood	QLD	27.6	8.00%	7,044	2.5	98.1%	5.3yrs	5.0yrs	23	27
Total			334.9	6.74%	76,171	26.4	97.4%	3.8yrs	3.8yrs	218	257

1. Excluding Auburn Ambulance Station
2. By Lettable Area and includes the impact of Rental Guarantees. Occupancy excluding Rental Guarantees for the Portfolio and Gladstone Square is 96.7% and 88.8% respectively
3. Rental Guarantees valued at \$0.4m in place to provide income on nominated vacancies until June 2021 for Gladstone Square
4. Includes Auburn Central BIG W early lease surrender
5. Includes Majors, Mini-Majors, Discount Department Stores, Specialties and Other (Kiosks, ATMs, Carwashes, Offices, Roof top leases to telecommunication providers)

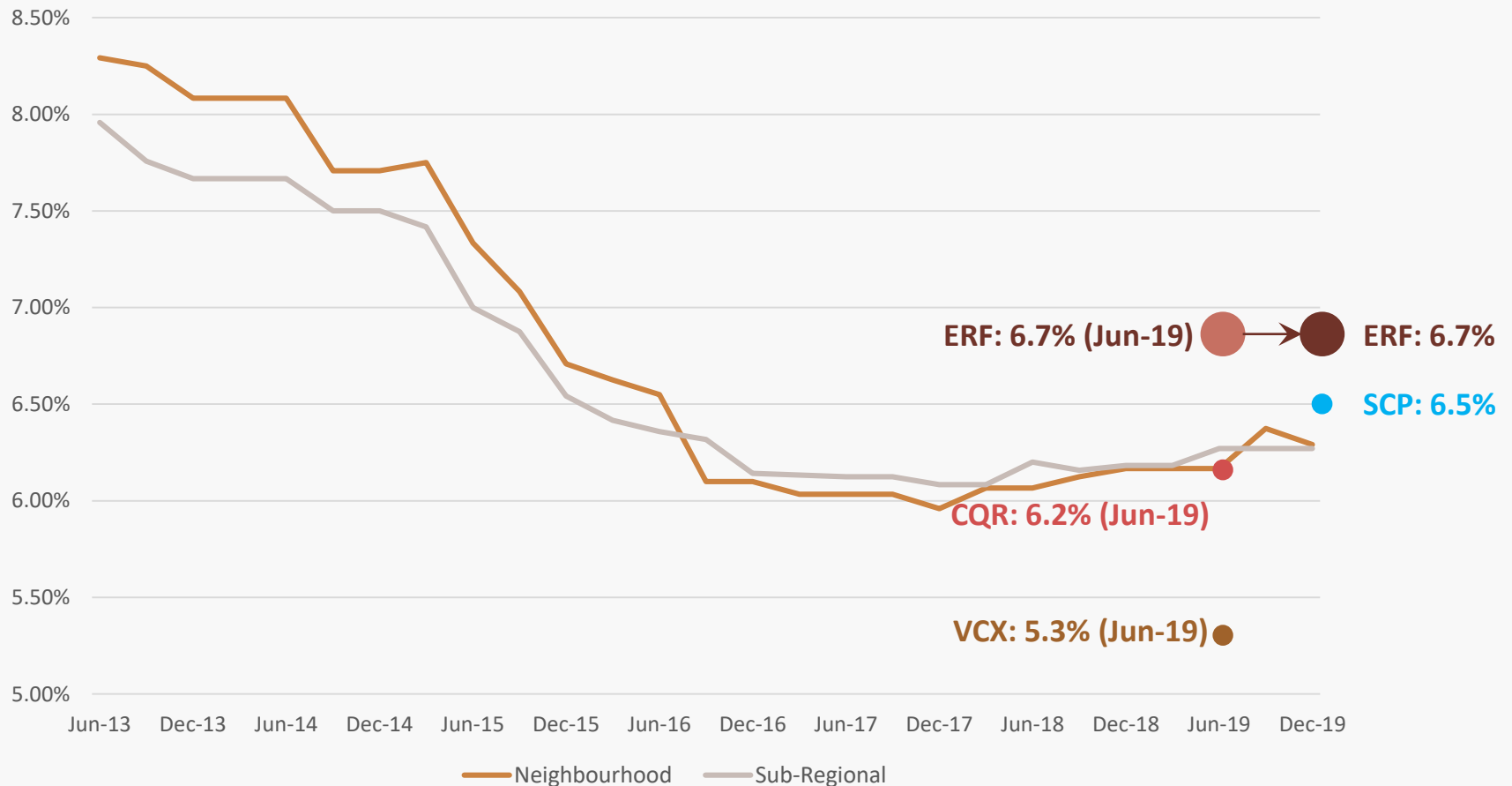
Portfolio Valuation Movements

Property Name	Centre Type	Valuation	Value Dec-19 (\$m)	Valuation	Value Jun-19 (\$m)
Auburn Central	Sub-Regional	Internal	102.3	Independent	101.5
Tweed Mall	Sub-Regional	Internal	102.6	Internal	101.3
Manning Mall	Sub-Regional	Internal	38.2	Internal	38.2
Glenorchy Plaza	Sub-Regional	Internal	17.8	Internal	18.3
Northway Plaza	Neighbourhood	Internal	16.2	Internal	16.2
Gladstone Square	Neighbourhood	Internal	30.2	Internal	30.2
Moranbah Fair	Neighbourhood	Internal	27.6	Internal	26.3
Total			334.9		332.0
Auburn Ambulance Station ¹			2.5		2.5
Investment Property Carrying Value			337.4		334.5

1. Acquired to provide flexibility for Auburn Central repositioning strategy

ERF Portfolio Capitalisation Rates

ERF Weighted Average Portfolio Capitalisation Rate is higher than the Sub-Regional and Neighbourhood shopping centre market and peers

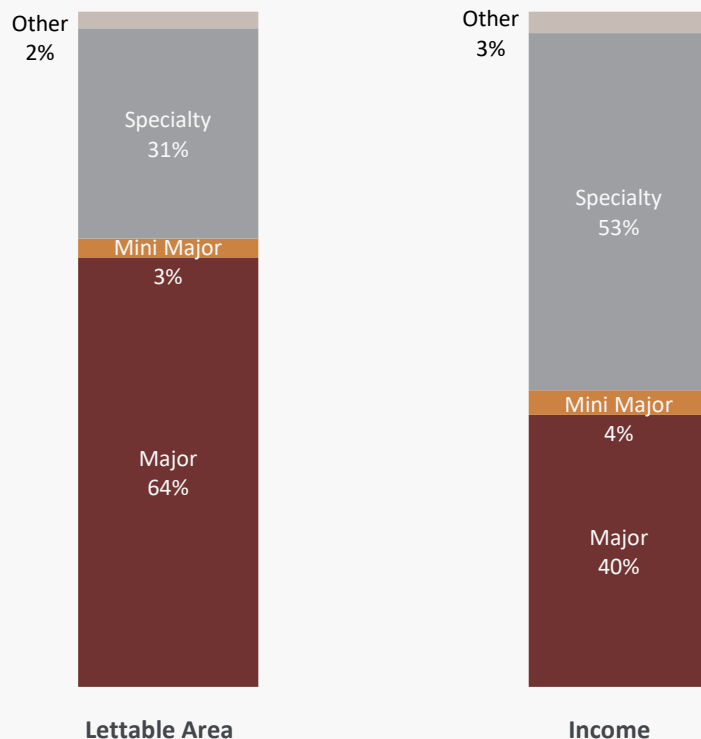


Source: Colliers Research and ASX

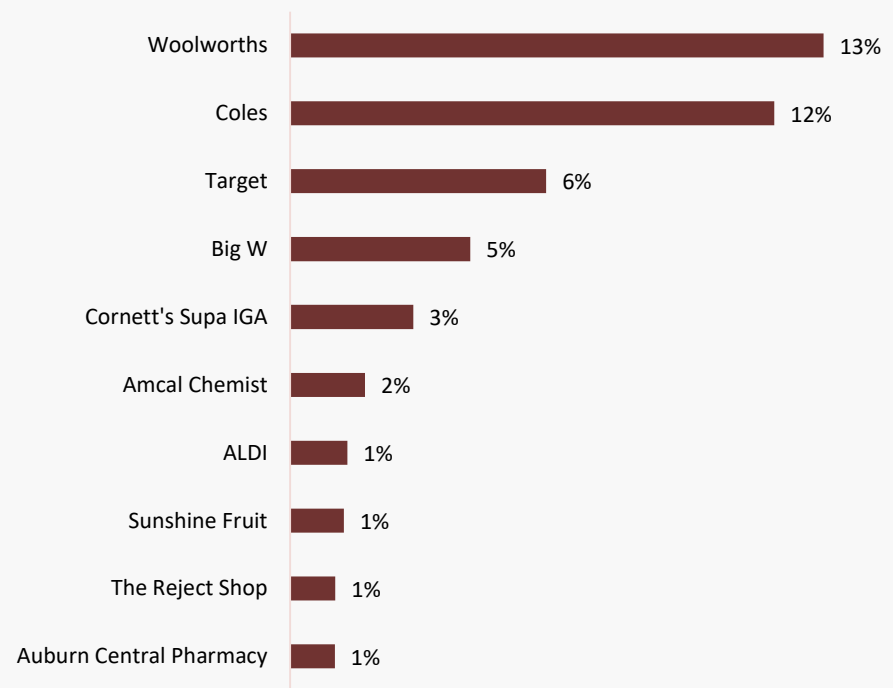
ERF: Strong and Secure Rental Income

- Portfolio of seven high investment quality retail shopping centre assets anchored by quality national tenants and supported by long term lease covenants from major corporations including Woolworths Limited, Wesfarmers Group and ALDI
- Majors occupy 64% of occupied lettable area and contribute 40% of base rental income¹

TENANT MIX BY TYPE



TOP 10 TENANTS BY INCOME

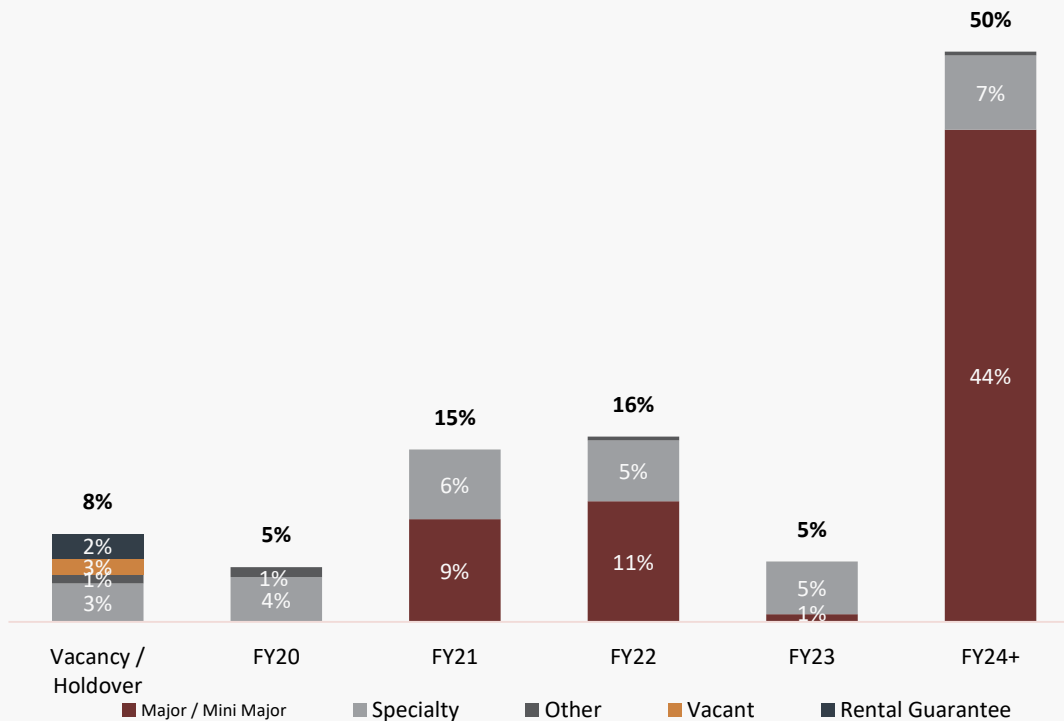


1. Excluding Auburn BIG W tenancy

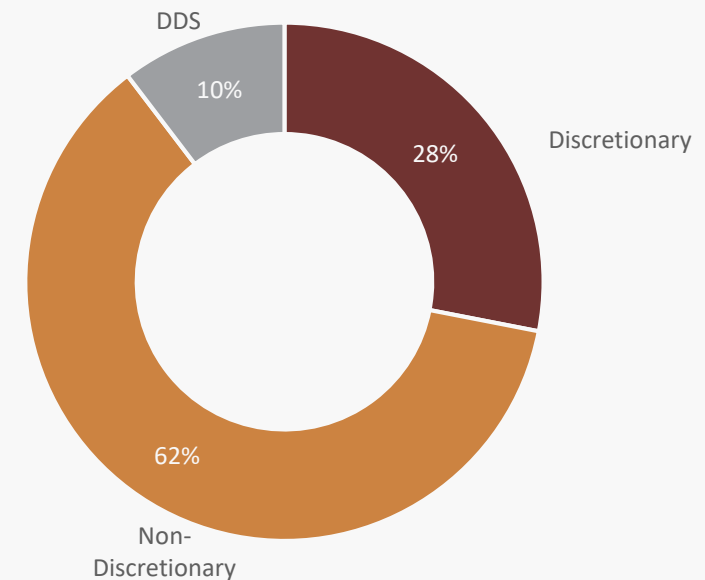
ERF: Strong and Secure Rental Income (cont'd)

- 62% of the Portfolio's income is secured by non-discretionary retailers with a long lease expiry profile
- Portfolio is 97.4% occupied¹ with a WALE of 3.8 years by lettable area and 3.8 years by base rental income

LEASE EXPIRY²



NON-DISCRETIONARY EXPOSURE²



1. By Lettable Area and includes Rental Guarantees
 2. By base rental income, excluding Auburn BIG W tenancy

Retail Comparable Sales

	Auburn Central	Tweed Mall	Manning Mall	Glenorchy Plaza	Northway Plaza	Gladstone Square	Moranbah Fair
Annual Retail Sales (\$m)	91.3	111.6	65.1	19.2	23.2	43.2	54.2
Centre Sales (\$ / sqm p.a)	6,525	6,338	7,510	2,730	8,525	7,838	11,734
Supermarket Sales (\$ / sqm p.a)	14,354	9,033	12,776	n/a	8,205	10,039	13,033
YoY change (%)	2.5%	2.1%	2.5%	n/a	0.5%	7.0%	8.2%
Specialty Sales¹ (\$psqm / p.a)	7,952	5,625	10,768	n/a ²	n/a ²	7,092	n/a ²
YoY change (%)	5.3%	1.9%	(3.2%)	n/a ²	n/a ²	3.0%	n/a ²
Specialty Occupancy Cost¹	14.0%	12.3%	8.7%	n/a ²	n/a ²	11.4%	n/a ²

Note: Analysis is limited to retailers who have traded and consistently reported sales for the 24 months ended 31 December 2019

1. Excludes non retail categories of Travel Agents, Post Offices, Gyms, Medical / Veterinary and Offices
2. Insufficient specialty retailer sales data



1HFY20 Financial Results

Profit and Loss

Income	1HFY20 \$'000
Rental income	16,590
Interest income	3
Total income	16,593

Expenses	
Rates, taxes and other outgoings	4,925
Borrowing costs	2,921
Investment management fees	1,788
Other expenses	742
Net fair value decrement on investment properties	246
Total expenses	10,622
Net profit	5,971

Reconciliation to Core Earnings

Net profit	5,971
Net fair value adjustments and transaction costs	246
Straight lining of rental income	200
Amortisation expense	687
Core Earnings	7,104

- Statutory net profit of \$6.0m for the six months ended 31 December 2019
- Core Earnings of \$7.1m or 5.52 cents per security
- Distribution of 5.24 cents per security (representing 95% of Core Earnings)
- Result includes BIG W lease surrender fee at Auburn and accrued performance fee to the Manager (relating to the period from listing in November 2016 to 31 December 2019)

Balance Sheet

Balance Sheet as at 31 December 2019	\$'000
Assets	
Cash	4,454
Receivables	2,626
Other assets	442
Investment properties	337,386
Total assets	344,908
Liabilities	
Payables	4,314
Rent received in advance	761
Interest bearing liabilities	138,191
Derivative financial instruments	3,276
Total liabilities	146,542
Net assets	198,366
Number of securities ('000)	128,730
NAV per security	\$1.54
NTA per security	\$1.54
Gearing (ND / TA less cash)	39.3%

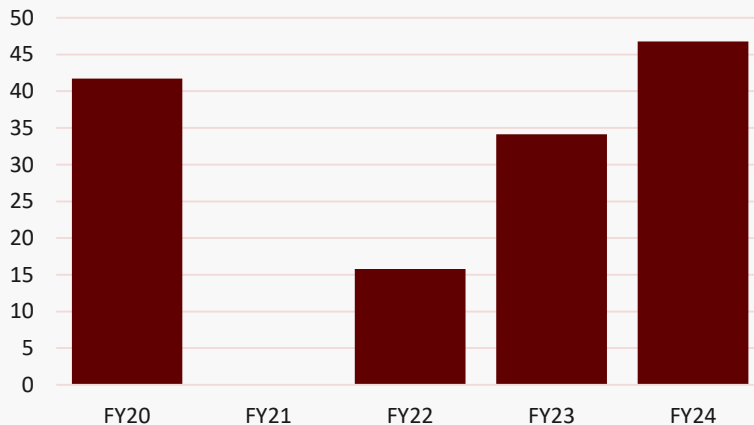
- Net tangible asset value per security of \$1.54 at 31 December 2019
- Interest bearing debt less cash of \$133.7m at 31 December 2019
- Gearing ratio of 39.3%

Debt and Capital Management

	31 December 2019
Facility limit (\$m)	138.4
Drawn debt (net of cash) (\$m)	133.7
Gearing	39.3%
% debt fixed or hedged	78.6%
Weighted average cost of debt (p.a.)	3.96%
Average debt facility maturity (years)	2.3
Average swap / hedge maturity (years)	1.2
Interest cover ratio	3.71x

- Gearing of 39.3% is within ERF's target gearing range
- Weighted average cost of debt is approximately 3.96% p.a. The weighted average term to maturity of the Fund's debt is 2.3 years
- Debt is 78.6% hedged
 - Target range for fixed interest rate exposure of between 70% and 100% of drawn debt
 - Average swap / hedge maturity is 1.2 years
- Key Covenants
 - Loan-to-value ratio (LVR)¹ ≤ 50%
 - Interest Cover Ratio (ICR)² ≥ 2.00x, assessed semi-annually

Drawn Debt Maturity Profile (\$m)



1. LVR is calculated as drawn debt divided by the value of the Portfolio
 2. ICR is calculated as net rental income from the properties in the Portfolio divided by interest expense



Strategy and Outlook

ERF is well positioned to enhance value for security holders

- Divestment of Income Assets is expected to realise carrying value
- Execution of strategic and repositioning initiatives at the Fund's Value-Add Assets is progressing well

Growth

- Post the divestment of the Fund's Income Assets, ERF will be in a position to acquire up to \$100m of additional Value-Add assets based on a 35% gearing ratio
- ERF will consider capital management initiatives, including buy-backs, as part of positioning the Fund for growth and future capital raisings

Disclaimer

This presentation has been authorised for release by the Elanor Funds Management Limited Board of Directors.

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