

19 February 2020

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Puja Patel
Adviser, Listings Compliance (Sydney)
ASX Compliance Pty Ltd
ListingsComplianceSydney@asx.com.au

Dear Puja

National Storage REIT (ASX: NSR) – Response to ASX Aware Query

We refer to your letter dated 17 February 2020 (**Aware Letter**) regarding recent trading in the securities of National Storage REIT (**NSR**). Terms that are capitalised and not otherwise defined in this correspondence have the meaning given in the Aware Letter. NSR provides the following responses to the questions in your Aware Letter.

(1) Does NSR consider the Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

Yes. NSR considers the Information is or may be information that a reasonable person would expect to have a material effect on the price or value of its securities.

(2) If the answer to question 1 is "no", please advise the basis for that view.

Not applicable.

(3) When did the entity first become aware of the information?

NSR first became aware of the Information at 6:04pm (AEDT) on Wednesday 12 February 2020 when the Chair of the NSR board received, by e-mail, the unsolicited non-binding proposal from Public Storage (**PSA**) to acquire 100% of the issued stapled securities of NSR for a cash price of \$2.40 per stapled security by way of inter-conditional company and trust schemes (the **Information** or **PSA NBIO**).

(4) If the answer to question 1 is "yes" and NSR first became aware of the Information before the relevant date, did NSR make any announcement prior to the relevant date which disclosed the Information?

If so, please provide details.

If not, please explain why this Information was not released to the market at an earlier time, commenting specifically on when you believe NSR was obliged to release the Information under Listing Rules 3.1 and Listing Rule 3.1A and what steps NSR took to ensure that the Information was released promptly and without delay.

NSR made an after-market announcement regarding the Information at 4:41pm Friday 14 February 2020 (**Relevant Date**). NSR made this announcement on a voluntary basis and does not believe it was required to be made at any earlier point under Listing Rule 3.1 on the basis that an exception in Listing Rule 3.1A was and remained available to NSR until the Relevant Date.

This is supported by the following matters:

1. The Information concerned an incomplete proposal or negotiation (and a reasonable person would not expect the Information to be disclosed). The

NATIONAL STORAGE REIT (NSR)

National Storage Holdings Limited (ACN 166 572 845)

National Storage Financial Services Limited (ACN 600 787 246 AFSL 475 228) as responsible entity for National Storage Property Trust (ARSN 101 227 712)



PSA NBIO was stated to be confidential, non-binding and subject to a number of conditions including completion of confirmatory due diligence, obtaining necessary board and regulatory approvals and execution of definitive legal documentation. Further, as the PSA NBIO was incomplete and subject to negotiation; it was, and remains, uncertain as to whether the discussions with PSA will lead to a binding proposal or that the transaction contemplated by the PSA NBIO will be consummated. In those circumstances it was not reasonable to expect that such information would be disclosed. Further, it would not be common market practice to do so.

2. The Information remained confidential at all times until the Relevant Date. Media speculation in relation to a potential offer by PSA was inaccurate and there was no reasonable basis to believe that confidentiality in the PSA NBIO had been lost. NSR carefully considered the Article and the fact that it named Warburg Pincus (**WP**), Abacus Property Group (**APG**) and PSA as potential bidders and suggested that they were waiting on GCP's price before making "its own play" (i.e. giving a proposal). In NSR's assessment confidentiality had not been lost regarding the Warburg Pincus NBIO or PSA NBIO, on the basis that:
 - a. the Article contained no definitive assertion that WP, APG or PSA had made, or were about to make, a proposal;
 - b. the Article contained no specificity regarding the nature or pricing of any potential proposal from WP, APG or PSA and did not appear to contain or be based on credible market sensitive information;
 - c. the Article indicated that WP, APG and PSA were yet to make a proposal and were waiting to find out GCP's price before doing so (when in fact, both had already made a NBIO);
 - d. PSA and WP are two of the prominent players/investors in the self-storage market globally, with WP active in Asia and PSA being the largest operator on the world stage. APG is one of NSR's largest local competitors. As a result, it is not difficult for the journalist to speculate that those parties may be interested in a transaction involving NSR; and
 - e. NSR had not received an NBIO from APG.
3. NSR had been actively monitoring the price and volumes of trading in its securities and did not consider that a false market had arisen in relation to its securities. In this respect NSR notes that:
 - a. During period from close of market on 12 February 2020 to close of market on 14 February 2020 (**Relevant Period**), NSR's security price increased from \$2.17 on 12 February 2020 to \$2.26 at close of market on 14 February 2020. This represents only a 4.15% increase in NSR's security price during the Relevant Period.



- b. During the Relevant Period, the ASX 200 and ASX 200 A-REIT indices also increased by 0.59% and 0.65% respectively. NSR notes that ASX will generally regard security price movements of less than 5% as being immaterial, relative to prices in the market generally or in the entity's sector. Taking into account the security price increases in the ASX 200 and ASX 200 A-REIT indices, NSR's security price increases during the Relevant Period are below 5%.
- c. NSR considers that the NSR trading prices on 13 and 14 February may fairly be attributed to ordinary market speculation (and subsequent settling) regarding the status of the GCP proposal (following NSR's ASX announcement on 13 February). The security prices during 13 and 14 February were not attributable to the existence of a situation where there was material misinformation or materially incomplete information in the market which is compromising proper price discovery.
- d. Following the release of the Information after market close on 14 February 2020, when the market re-opened on Monday 17 February 2020, there was an immediate and significant increase in both the price (\$2.40) and volume (10,904,217 shares) of NSR's securities. This further indicates that there had not been a leak of credible market sensitive information regarding the PSA NBIO prior to NSR's disclosure on the Relevant Date.

(5) In light of the Article and ASX's enquiries of NSR regarding Listing Rules 3.1 and 3.1A, which took place in the morning on Friday, 14 February 2020, please explain why the Announcement was released over the ASX market announcements platform after market close on Friday, 14 February 2020.

The Information was subject to confidentiality restrictions meaning that (in the absence of NSR being required to disclose the Information by the ASX Listing Rules or otherwise by law) disclosure required PSA's consent.

PSA provided consent to disclosure of the Information during the course of trading and after ASX's initial enquiry on 14 February 2020. After seeking advice from its financial and legal advisors, NSR decided (despite there being no loss of confidentiality in relation to the PSA NBIO) to announce receipt of the PSA NBIO including all its material terms and a statement that the PSA NBIO was superior to the previously announced GCP NBIO, as NSR considered that making such disclosure would be in the best interests of NSR securityholders at the time.

Given that the Information was potentially price sensitive (but did not otherwise require immediate disclosure under the ASX Listing Rules), NSR disclosed the Information after market close on Friday 14 February 2020 so as to ensure the Information was disseminated in an orderly manner, in line with ASX's preferred approach.



(6) Please confirm that the entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

NSR confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

(7) Please confirm that NSR's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of NSR with delegated authority from the board to respond to ASX on disclosure matters.

NSR confirms that its responses to the questions above have been authorised and approved in accordance with its published 'Continuous Disclosure and Communications Policy' dated 18 November 2013 (and reviewed by the board on 16 June 2016) or otherwise by its board or an officer of NSR with delegated authority from the board to respond to ASX on disclosure matters.

Yours sincerely

A handwritten signature in blue ink, appearing to read "C. Fidler", with a stylized flourish at the end.

Claire Fidler
Company Secretary



17 February 2020

Ms Claire Fidler
Company Secretary
National Storage REIT
Level 23, 71 Eagle Street
Brisbane QLD 4000

By Email

Dear Ms Fidler

National Storage REIT ('NSR'): Aware Query

ASX refers to the following:

- A. NSR's announcement entitled "Receipt of Unsolicited Non-Binding Indicative Proposal from Public Storage" lodged on the ASX Market Announcements Platform and released at 4:41 PM on Friday, 14 February 2020 (the 'Announcement'), disclosing the receipt of an unsolicited non-binding proposal from Public Storage (NYSE: PSA) to acquire 100% of the issued stapled securities of NSR for a cash price of \$2.40 per stapled security by way of inter-conditional company and trust schemes ('Information').
- B. The article published on Friday, 14 February 2020 in Street Talk of the Australian Financial Review "*Rival National Storage bidder GAW-king from the sidelines*" (the 'Article') and ASX's enquiries of NSR by telephone at approximately 10:57 AM on February 2020.
- C. The increase in NSR's security price from an intra-day low of \$2.175 on Wednesday, 13 February 2020 and an intra-day high of \$2.26 on Friday, 14 February 2020.
- D. The increase in NSR's security price from a closing price of \$2.26 on Friday, 14 February 2020 and an opening price on Monday, 17 February 2020 of \$2.37.
- E. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- F. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."

- G. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*

- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

3.1A.3 *A reasonable person would not expect the information to be disclosed.”*

H. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Request for Information

Having regard to the above, ASX asks NSR to respond separately to each of the following questions and requests for information:

1. Does NSR consider the Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. When did NSR first become aware of the Information?
4. If the answer to question 1 is “yes” and NSR first became aware of the Information before the relevant date, did NSR make any announcement prior to the relevant date which disclosed the Information? If so, please provide details. If not, please explain why this Information was not released to the market at an earlier time, commenting specifically on when you believe NSR was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps NSR took to ensure that the information was released promptly and without delay.
5. In light of the Article and ASX’s enquiries of NSR regarding Listing Rules 3.1 and 3.1A, which took place in the morning on Friday, 14 February 2020, please explain why the Announcement was released over the ASX market announcements platform after market close on Friday, 14 February 2020.
6. Please confirm that NSR is complying with the Listing Rules and, in particular, Listing Rule 3.1.
7. Please confirm that NSR’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of NSR with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by **no later than 9:30 AM AEDT Thursday, 20 February 2020**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, NSR’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require NSR to request a trading halt immediately.

If you wish to request a trading halt, you must tell us:

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- the reasons for the trading halt;
 - how long you want the trading halt to last;
 - the event you expect to happen that will end the trading halt;
 - that you are not aware of any reason why the trading halt should not be granted; and
 - any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A
In responding to this letter, you should have regard to NSR's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that NSR's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Suspension

If you are unable to respond to this letter by the time specified above ASX will likely suspend trading in NSR's securities under Listing Rule 17.3.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Puja Patel
Adviser, Listings Compliance (Sydney)