

Charter Hall Retail REIT Annual General Meeting 2016 – Chairman & Fund Manager's address

Charter Hall Retail REIT 2016 Annual General Meeting

Chairman's Address

Good morning. On behalf of the Board of Directors, it is my pleasure to welcome you all to the 2016 Annual General Meeting of Charter Hall Retail REIT.

My name is John Harkness and I am the Chairman of the Charter Hall Retail REIT Board of Directors.

Could I request that you now take a moment to ensure that your mobile phones are switched to silent for the duration of this meeting.

It is now 10:00am, and as the necessary quorum is present, I declare this meeting properly constituted and open.

Agenda

This morning, I will provide a brief overview of our business and achievements during FY16.



CQR Fund Manager, Scott Dundas will then provide an update on our business and key results as well as provide an outlook for financial year 2017.

We will then move to the formal business of the meeting and the resolutions for your consideration.

Unitholders holding a yellow or red attendance card will have the opportunity to ask questions as we address each item of business listed in the Notice of Meeting. Visitors with blue attendance cards are not permitted to ask questions during this meeting.

At the conclusion of the meeting we look forward to joining you for refreshments outside the Boardroom.

Today's meeting is being recorded and will be shown as a delayed webcast on our website.

Board of Directors

I would now like to introduce my fellow Board members:

- Sue Palmer, Independent Director who is Chairman of the Audit, Risk and Compliance Committee (ARCC)
- Alan Rattray-Wood, Independent Director, and a member of the ARCC
- Michael Gorman, Independent Director
- Greg Chubb, Head of Charter Hall Retail
- Finally, I introduce Charter Hall Managing Director and Group CEO, David Harrison.



Also present today and I welcome:

- CQR Fund Manager, Scott Dundas
- Mark Bryant, our Company Secretary
- Christine Kelly our Head of Retail Finance
- Jayne Reilly, from our Auditor PricewaterhouseCoopers, who will be available to answer any questions about their audit of the financial statements from securityholders

I will now provide a short overview of our business and focus during FY16.

Our strategy

Focused delivery on strategy is at the core of the REIT's day to day activities and signifies the importance we place on the three pillars of our strategy of active asset management, enhancing portfolio quality, and prudent capital management to deliver our unitholders with a secure and growing income stream.

In our 21st year as an ASX listed A-REIT, we manage a \$2.55 billion geographically diverse portfolio which comprises 74 properties with more than 150 million customer visits annually and in excess of \$5 billion sales annually.

We will continue to deliver on our strategy with a clear focus on actively constructing our portfolio to deliver long-term income growth.



Solid earnings and distribution growth

I am pleased to report the REIT delivered another solid financial result during the 2016 financial year, reporting operating earnings growth of 2.4% to \$120.3 million or 30.4 cents per unit, statutory profit up 11.2% to \$180.7 million and an increase in the portfolio value of 17.9% to \$2.55 billion.

As a result, the Board was able to deliver a distribution for the 12 months to 30 June 2016 of 28.1 cents per unit an increase of 2.2% from the prior year.

Evolving our Sustainability Approach

Charter Hall Retail REIT continues to align its sustainability policy, with that of the Charter Hall Group. This approach to sustainability now incorporates a shared value approach, incorporating business, economic, social and environmental outcomes into our operations and developments. The shared value framework focuses on the themes of eco-innovation, place creation and wellbeing and will continue to produce sustainable returns for our unitholders and positive experiences for our tenants, our people and the communities in which we operate. Creating a sustainable future for our stakeholders and the communities in which we operate is a key part of our goal to be Australia's best and most highly regarded property investment and funds management business.

Board Renewal



Over the last few years, a program to effect Board renewal of independent directors has been undertaken by the Responsible Entity of Charter Hall Retail REIT.

In November 2015, Sue Palmer joined the Board and long serving Director Maurice Koop retired from the Board in April 2016 after an overlapping period of five months which facilitated the maintenance of corporate memory. Sue subsequently has undertaken the Chairmanship of the Audit Risk and Compliance Committee and will be before investors today for re-election later in the meeting.

Today, I introduce Michael Gorman who was appointed by Charter Hall to the Board of the Responsible Entity on 10 November 2016. Michael is one of the most highly regarded Real Estate professionals and has strategic operations experience at both a Board and Executive level. With more than 30 years' experience Michael's expertise extends to the investment, master planning, management and development of, large retail real estate assets, particularly large shopping centres.

I now hand over to Scott Dundas, CQR Fund Manager, who will outline how we have continued to grow the REIT, enhancing the quality of the portfolio by recycling out of smaller non-core properties into larger assets with forecast higher growth characteristics.

Fund Manager's Address

Slide 8 2016 Highlights

Thank you John and good morning ladies and gentlemen.



The key highlights summarised on this slide, show that FY16 was another successful year for the REIT, with same property NOI growth of 2.2%, operating earnings increased 2.4% to 30.4 cents per unit and the value of the portfolio value 18% to A\$2.55 billion.

Occupancy remained steady at 98%.

Total portfolio sales were in excess of A\$5 billion, as a result of around 150 million shopper visitations over the period.

Specialty shop MAT growth increased by 4.9% over the year and specialty rent growth was 1.4% from 54 new leases and 136 renewals.

The period saw finance costs fall from 2015 following extension of debt tenor and swap restructuring. The combination of these initiatives has resulted in the REIT's weighted average debt maturity extending to 6.2 years.

The above achievements were the result of consistent delivery on the three pillars of the CQR strategy being active asset management, enhancing portfolio quality, and prudent capital management.

At our Full Year 2016 Results presentation we confirmed our focus on taking advantage of the current market conditions to divest smaller centres and single tenant assets with those funds to be used to target acquisitions of higher growth shopping centres and the redevelopment of existing core assets that have the potential to deliver income growth.

We are making good progress on this strategy and I will provide an update on our divestment programme later in the presentation.



Slide 9 Sustained Growth

Over the last 5 years the REIT has continued to deliver investors a secure and growing income stream and remains firmly focused on our 3 pillar strategy.

This focus has delivered to our security holders a secure and growing income stream with total annual return continuing to grow over the last 5yrs to 18.9% for FY2016.

Slide 10 Portfolio Performance at 30 September 2016

At June 30, the REIT had 74 assets comprising a gross lettable area of approximately 560,000 square metres, with a portfolio weighted average lease expiry of 6.9 years, including an anchor tenant WALE of 10.6 years.

10 major tenant leases were executed during the year and at the full year, we had 42% of assets in metropolitan areas and 58% in non-metropolitan locations.

At 30 September 2016 you will notice that the total portfolio value and number of properties reduced to \$2.5 billion and 71 respectively, this is as a result of a successful campaign to divest some smaller non-core assets. I will provide a further update on these recent capital transactions in a moment.

Our geographically diverse portfolio benefits from exposure to high growth corridors and our assets generally operate as the dominant shopping centre in each region. As you can see the portfolio is weighted towards the well performing and higher populated eastern states of Australia.



With a firm focus on tenant relationships, customer amenity and convenience, our portfolio has continued to perform well maintaining a specialty retention rate of 87%.

Slide 11 Portfolio Update

Wesfarmers and Woolworths' leases continue to account for over 50% of base rent of the REIT, and anchor WALE has increased to an unexpired term of 10.7 years.

We continue to see improvements in anchor tenant sales with 2.6% sales growth for stores in turnover during the period compared to 1% for the prior corresponding period.

The REITs specialty retailers have also benefited from quarterly sales growth showing a marked improvement of 3.7% over the quarter compared with 3.2% in the prior corresponding quarter.

Importantly, the CQR rental structure maintained its ability to grow specialty rents with an affordable occupancy cost of 9.8%.

Slide 12 Acquisition and Divestment Strategy

At our FY16 Results presentation, we highlighted that our focus over the next few years will be to reduce exposure to freestanding and smaller neighbourhood centres and acquire larger, higher growth properties and redevelop existing core assets to increase the average asset size and opportunities for income growth within the portfolio.

An important part of this strategy has been to ensure that our assets are the dominant convenience based shopping centres in any particular catchment. Our recent annual review identified a number of asset recycling opportunities over the next two years.



Importantly, in line with our strategy to deliver best practice capital management, the timing of any divestments will be managed to ensure minimal earnings impact.

Slide 13 Capital Transactions

The table on this slide shows divestments executed over FY16 and more recently the three divestments made in the first quarter of FY17. The most recent transactions have delivered an average 14% premium over 30 June 2016 book value at an average yield of 5.8%.

Proceeds from the divestment of these assets is being used to acquire larger, higher growth assets to increase the average asset size and the opportunities for income growth within the portfolio.

We are already in exclusive DD on the acquisition of a property that fits this profile and which will deliver income accretion for the REIT in FY17.

Slide 14 Redevelopments

Value enhancing redevelopment is a key element of the REIT's growth strategy as an alternative to acquiring assets on market. To be clear on this point, we don't do greenfield developments. We don't buy vacant land and proceed to get planning approvals and we don't take unnecessary risks.

Our redevelopments are heavily de-risked as our activities are always focused on existing assets so we understand the trading potential of the asset and any competitive threats.



We always have anchor tenant leases executed, pre-commitments from major specialty tenants and a fixed price building contract signed before commencing any works.

We will continue to identify opportunities across our portfolio like the two major redevelopment projects at Lake Macquarie Fair in NSW and Secret Harbour in WA, with a combined total value of \$106.8 million. The Secret Harbour development is progressing in line with programme and is due for completion in April 2017. All major tenant Agreements for Lease are executed and we have approx. 77% of specialty shops leased. We anticipate being 100% leased on completion in April next year.

The current development pipeline of \$124 million is forecast to produce a stabilised yield of 7.3%, continuing to enhance the growth profile of the fund.

Importantly, all development management, leasing, property management and accounting services are done “in house” through the wider resources of the Charter Hall Group which comprises approx. 200 dedicated retail property and accounting professionals on staff.

Slide 15 Debt Restructuring

Turning to our current debt profile and recent restructuring. The REIT now has no debt maturities until FY19.

This is a result of the issuances of 2 US private placement bonds in FY2016 which repaid shorter term debt contracts well in advance of maturity.



The current debt maturity profile with approximately 50% of debt termed out past 2026, reflects the defensive nature of the REITS portfolio and the long WALE from anchor tenants.

US Private placement debt now totals \$429m with maturities in 2026 and 2028.

The REIT also included an additional International Lender in FY16 further diversifying our debt sources and is well advanced in introducing another International lender in FY17.

In conjunction with the second USPP, the interest rate hedge book was restructured to extend the swap maturity profile in what is an historically low interest rate environment.

As at 30 September our weighted average debt cost was 3.9% with 63% of debt hedged over the next 5yrs.

Slide 16 FY17 Outlook

We are well placed to continue to deliver on our stated strategies, and we thank, our unitholders, for your ongoing support and trust in our team's ability to execute on strategy.

Barring unforeseen events and subject to the timing of acquisitions and divestments, the REIT's FY17 guidance for operating earnings is expected to be 30.4cpu.

The distribution payout ratio range is expected to be between 90% and 95% of operating earnings.



Chairman - Close of Meeting

In closing today's meeting I would like to acknowledge the loyalty that our investor partners, financiers, tenants and the community have shown us over 21 years, allowing the business to grow.

We are well placed to continue to deliver on our strategy to provide investors with a secure and growing income stream.

Thank you for your attendance.

Charter Hall Retail REIT 2016 AGM



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Board of Directors



John Harkness
Independent Chairman



Alan Rattray-Wood
Independent Director



Sue Palmer
Independent Director



Michael Gorman
Independent Director



Greg Chubb
Executive Director
Group Head of Retail



David Harrison
Executive Director
Managing Director & Group CEO

Fund Management Team



Scott Dundas
Fund Manager



Christine Kelly
Head of Retail Finance

Independent Chairman's Presentation



Our Strategy

#1 ACTIVE MANAGEMENT

Maintaining strong tenant relationships, optimising tenancy mix through proactive leasing and enhancing the overall shopper experience.

74
properties

98.0%
stable occupancy

2.2%
same property NOI growth

1.4%
specialty rent growth from 136 renewals and 54 new leases

4.9%
specialty MAT growth

#2 ENHANCE PORTFOLIO QUALITY

Through value enhancing redevelopment, selective acquisitions and non-core disposals.

\$2.55 billion
portfolio value

4 properties acquired
for \$227.8 million, at a yield of 7.0%

2 non-core properties divested
for \$20.3 million, at a yield of 6.5%

\$179.2 million
of development projects completed or underway

#3 PRUDENT CAPITAL MANAGEMENT

With a focus on a strong and flexible balance sheet, prudent gearing and a sustainable payout ratio.

6.2 yrs
weighted average debt maturity

35.9%
look through gearing

32.0%
balance sheet gearing

2
US Private Placement market issuances completed

Corporate Responsibility and Sustainability



ECO INNOVATION

Resilience

- Leverage cross-departmental collaboration to optimise efficiencies over the life of our assets.

Environmental Performance

- Sustainability reporting and set long term targets and objectives.
- Develop a strategy for the delivery of energy efficiency including solar projects.
- Review current waste management initiatives and track reduction in waste disposal to landfills.
- Develop user-friendly retail fit-out guidelines to facilitate the tenancy delivery experience for our retail tenants.



PLACE CREATION

Fit For Future

- Continue to conduct surveys annually with satisfaction scores included in the KPI/performance review process.

Culture of Innovation

- Develop a strategic community approach that further promotes our engagement with local community groups and initiatives.
- Undertake a customer project to further develop our retail customer engagement strategies.
- Further develop our tenant relationships, and explore opportunities to more effectively engage with both our tenants and suppliers.



WELLBEING

Creating Healthy Spaces and Environments

- Engage with our tenants and explore opportunities to positively impact their commercial and personal wellbeing through asset design and building management services.
- Build on the trust and respectable track record we have developed with our unitholders by effectively communicating the responsibility for our investments from an environmental, social and commercial performance perspective.

Fund Manager's Presentation



2016 Highlights

“We have continued to grow the REIT, enhancing the quality of the portfolio by recycling out of non-core properties into larger assets with forecast higher growth characteristics.”

SCOTT DUNDAS
CQR FUND MANAGER

98%
STABLE OCCUPANCY

\$2.55_b
↑17.9%
PORTFOLIO VALUE

6.2 _{yrs}
WEIGHTED AVERAGE
DEBT MATURITY

30.40_{cpu}
↑ 2.4%
EARNINGS PER UNIT

\$3.79
↑5.6%
NET TANGIBLE ASSETS
PER SECURITY

4.9%
SPECIALITY MAT
GROWTH

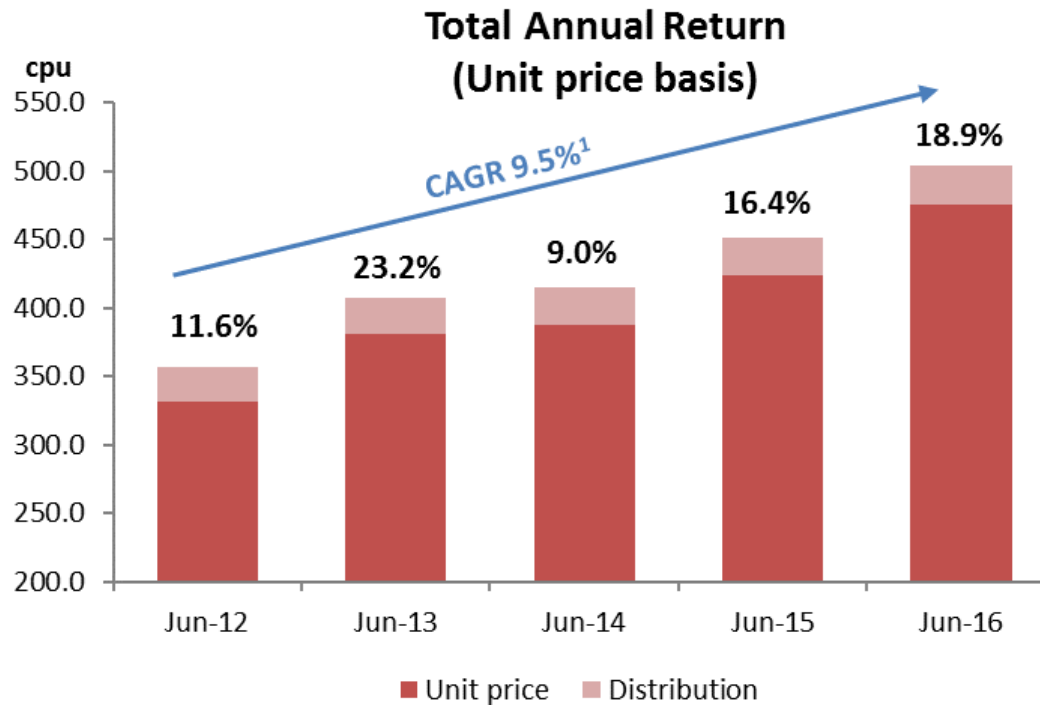
>150m
VISITATIONS PER ANNUM

>5.0_b
RETAIL SALES
ANNUALLY



Sustained Growth

- CQR strategy has continued to deliver a secure and growing income stream for investors
- Over the last five years, total annual return has increased from 11.6% to 18.9%



1. Compound annual growth rate (CAGR) from FY12 to FY16

Portfolio Performance

As at 30 September 2016

Property Portfolio Australia

Property Type

- Sub-regional ◆
- Neighbourhood ◆
- Freestander ◆



Adjusted for the sale of Pakington, Caboolture and Moe Kmart

Portfolio Update

As at 30 September 2016

Portfolio well positioned to continue to deliver a secure and growing income stream

- Occupancy remains stable at 98.0%
- Anchor WALE of 10.7 years
- Specialty occupancy cost at 9.8%
- Quarterly specialty sales growth of 3.7% compared to 3.2% pcp
- Anchor tenant sales growth of 2.6% compared to 1.0% pcp¹



Wanneroo Central, Wanneroo WA

1. For stores in turnover

Acquisitions and Divestment Strategy

- Strategic focus over the next 2-3 years to deliver sustainable income growth by:
 - Increasing average asset size through:
 - Targeting acquisitions of larger neighbourhood and smaller sub-regional shopping centres
 - Redeveloping existing core assets with potential to deliver higher growth
 - Reducing exposure to freestanding and smaller neighbourhood assets with lower growth profiles
 - Ensuring all assets are the dominant convenience based shopping centre in their catchment
- Proceeds of asset sales will be redeployed into the redevelopment pipeline and income accretive acquisitions
- Timing of sales and acquisitions will be managed to minimise short term impact on earnings

Capital Transactions

Capital Recycling

- Continues strategy of enhancing the REIT's portfolio quality by recycling out of non-core properties into larger, higher growth potential properties
- Average asset value has increased from \$32.7 million at June 2015 to \$39.7 million at June 2016
- Divestments executed over FY17 have delivered an average 10.5% premium over June 2016 book value at an average yield of 5.8%

	GLA (sqm)	Value \$m	Yield	Settlement
Acquisitions				
Bateau Bay Square, NSW ¹ (47.5% interest)	29,062	95.0	6.8%	November 2015
Total	29,062	95.0	6.8%	
Disposals				
Ballajura Central, WA	4,680	13.5	6.5%	February 2016
Collie Central, WA	4,508	6.8	6.4%	March 2016
Pakington Strand, Vic. ¹ (50% interest)	5,358	15.9	4.9%	October 2016
Caboolture Square, QLD	15,999	27.5	6.4%	November 2016
Moe Kmart, Vic.	6,298	12.9	5.8%	December 2016
Total	36,843	76.6	6.0%	

1. Values reflect CQR's ownership share, GLA reflects 100% interest

Redevelopments

Major Current and Completed Projects Enhancing Portfolio Quality



Secret Harbour Shopping Centre, WA – Artist Impression



Lake Macquarie Fair and Mount Hutton Plaza, NSW – Artist Impression



Lansell Square, Vic. – Complete

Debt Restructuring

“We have delivered an enhanced debt funding platform to establish a best practice capital structure. With a firm focus on prudent capital management, the REIT has no debt maturing until FY19 and a weighted average debt maturity of 6.2 years.”

CHRISTINE KELLY
HEAD OF RETAIL FINANCE

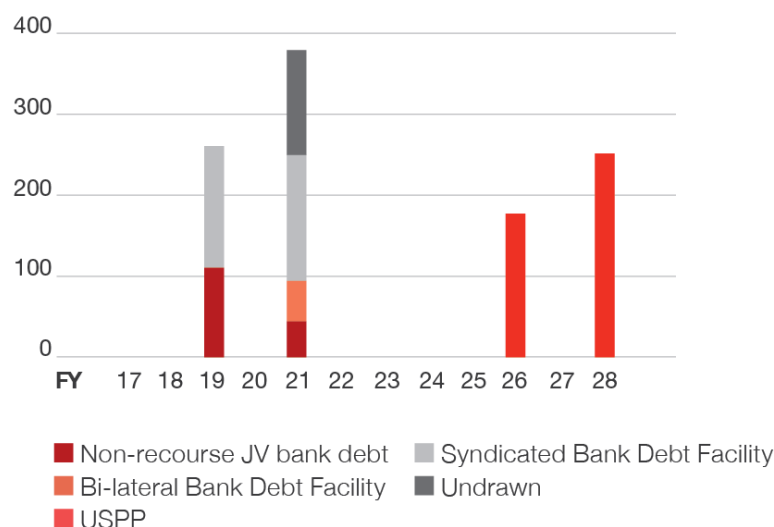
WEIGHTED AVERAGE
DEBT MATURITY

6.2yrs

WEIGHTED AVERAGE
HEDGE MATURITY

4.0yrs

Debt Maturity Profile



Key Metrics	Jun-16	Jun-15
Average interest cost ¹ (%)	4.30	4.60
Weighted average debt maturity (years)	6.2	5.8
Weighted average hedge maturity (years)	4.0	3.5
Interest rate hedging ² (%)	72	81
ICR	4.5x	4.6x

1. Includes line fee (including cost of undrawn debt) and usage fee and excludes amortisation of upfront debt costs
2. For the next 12 month period

FY17 Outlook

- We confirm that, barring unforeseen events and subject to the timing of acquisitions and divestments, the REIT's FY17 guidance for operating earnings is expected to be 30.40 cpa
- Distribution payout ratio range is expected to be between 90% and 95% of operating earnings



Tamworth Square, Tamworth NSW

Items of Business



Procedural Matters

- If there are any Unitholders who are eligible to vote who have not received their yellow voting card, please see a representative from Link Market Services at the registration desk
- Unitholders holding a red card are not eligible to vote but can speak at the meeting
- Visitors holding a blue card are not eligible to vote or speak at the meeting
- Copies of the Notice of Meeting and Annual Report are available from the registration desk

Formal Business

Resolution 1 is advisory only and is non-binding in Charter Hall Retail Management Limited (“**CHRML**”) or the Directors of CHRML. However, the Directors of CHRML intend to give due consideration to the results of this resolution to determine the composition of the Board of CHRML.

The Chair of the Meeting will vote all undirected available proxies ‘for’ each item of business.

Resolution 1

Re-election of Independent Director

To consider, and if thought fit, pass the following resolution, as an advisory, non-binding resolution of the Unitholders:

“That Sue Palmer, a Director of CHRML be re-elected as a director of CHRML”

Resolution 1

Proxies

FOR:	242,170,576	98.66%
OPEN:	698,580	0.28%
AGAINST:	2,583,206	1.05%
ABSTAIN:	342,189	

Questions



Important Notice

Charter Hall Retail Management Limited ABN 46 069 709 468; AFSL 246996 ("CHRML") has issued this presentation in its capacity as the responsible entity of Charter Hall Retail REIT ARSN 093 143 965 ("CQR" or "the REIT"). This presentation has been prepared for general information purposes only and is not an offer or invitation for subscription or purchase of, or recommendation of, securities. It does not take into account any potential investors' personal objectives, financial situation or needs. Before investing, you should consider your own objectives, financial situation and needs or you should obtain financial, legal and/or taxation advice.

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All information contained herein is current as at 30 September 2016 unless otherwise stated. All references to dollars (\$) are to Australian dollars, unless otherwise stated.

