

## Charter Hall Retail REIT Annual Unitholders Meeting 2015 - Chair's address

### Charter Hall Retail REIT 2015 Annual Unitholders Meeting

Good morning. On behalf of the Board of Directors it is my pleasure to welcome you all to the 2015 Annual Unitholders Meeting of Charter Hall Retail REIT.

My name is John Harkness and I am the Chair of the Charter Hall Retail REIT.

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 afternoon, I will provide a brief overview of our business and achievements during FY15.

Fund Manager, Scott Dundas, will then provide an update on our business and key results as well as provide an outlook for financial year 2016.

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:

- Alan Rattray-Wood, Independent Director and a member of the Audit, Risk and Compliance Committee.
- Maurice Koop, Independent Director, Chair of the Audit, Risk and Compliance Committee.
- Scott Dundas, CQR Fund Manager, someone who I am sure you are all familiar with. Scott oversees the management of CQR and has been responsible for the strategic direction of the fund with a continued focus on active asset management, enhanced portfolio quality and prudent capital management.
- David Harrison, Joint Managing Director Charter Hall
- David Southon, Joint Managing Director Charter Hall. The Joint Managing Director's are responsible for the formulation and implementation of the Group's strategy.



- Finally, I would like to introduce Ms Sue Palmer. Sue joins the Board as an Independent Director following a search conducted on behalf of the Charter Hall Group and CQR Boards. Sue's appointment to CQR is consistent with an orderly phase of Board renewal. With the impending retirement of Independent Director, Mr Maurice Koop in the first half of 2016, it is intended that Ms Palmer will replace Mr Koop as Audit Committee Chair at that time.
- Ms Palmer brings extensive financial and commercial experience from a career which has spanned a range of industry sectors in Australia and Asia, including construction, mining, property development, energy, infrastructure and agriculture.
- Sue is a highly regarded strategic operator at both a board and executive level and it's my pleasure to be welcoming her to the Board.

Also present today and I welcome:

- Mark Bryant, our Company Secretary; and
- Jane Reilly, from our Auditor PricewaterhouseCoopers, who will be available to answer any questions about their audit of the financial statements from Unitholders.

### Chair's Address

I will now proceed with my Chair's address, providing a short overview of our activities and focus during FY15.

### Our vision, purpose and goal

November 2015 marks CQR's 20 year anniversary since listing on the Australian Securities Exchange, a period which has seen us evolve into a leading ASX 200 listed REIT.

Our goal is to be the pre-eminent owner and manager of Australian neighbourhood and sub-regional supermarket anchored shopping centres.

Today we offer investors' exposure to a \$2.3 billion high quality portfolio of supermarket anchored shopping centres that benefits from exposure to key markets across a number of growth regions in Australia.

Our proven strategy remains focused on active asset management, enhanced portfolio quality and prudent capital management. This has seen the REIT continue to deliver a secure and growing income stream to our unitholders.

### Sound total securityholder returns

Delivering on this strategy, I am pleased to report that CQR delivered a sound result for Financial Year 2015, declaring a full year distribution of 27.50 cents per unit up 0.7% on FY14.

With a focused and disciplined use of capital, we were able to deliver operating earnings of 29.7 cents per unit or \$110.8 million and stable performance across our portfolio delivering an increase in the portfolio value by 15.2% to \$2.3 billion.

With a focus on optimising returns for our investors we believe financial year 2016 will be another very active year for the REIT. We will continue to work with tenants to deliver enjoyable shopping centre experiences while focusing on leasing and development to maximise property returns for unitholders.

### Managing our Australian Portfolio

Charter Hall Retail REIT is one of the largest owners of high quality supermarket anchored shopping centres. With a national portfolio of 75 centres, we have been actively managing and enhancing our portfolio to maintain a stable portfolio occupancy of 98.4%.



Key to the active asset management approach that our national retail team of experts take is maintaining strong tenant relationships to optimise tenancy mix through proactive leasing and enhancing the overall shopper experience.

This active management approach saw our team complete 122 lease renewals and 185 new specialty tenant leases during FY15, including our first two Aldi supermarket transactions in new developments at Secret Harbour in Western Australia and Southgate Plaza in South Australia.

### Portfolio Acquisitions and Enhancements

We have continued to enhance the quality of the portfolio through strategic acquisitions and divestments, recycling out of non-core properties into larger assets with forecast higher growth characteristics.

We acquired four supermarket anchored shopping centres, two post balance date, for \$192.0 million at an average yield of 7.2%. These acquisitions were primarily funded using proceeds from the sale of a number of non-core retail properties and a \$50 million institutional placement, completed in August 2015.

All centres – Coomera Square in Queensland, Brickworks Marketplace in SA, Goulburn Plaza in New South Wales and Katherine Central in the Northern Territory are located in high growth corridors or operate as the primary shopping centre in the region, and are within the REITs investment criteria.

Value enhancing redevelopments will always be a key element of our growth strategy and during FY15 we completed two major redevelopments at Caboolture Square in Queensland and Lansell Square in Victoria resulting in enhanced and expanded shopping environments for our tenants and customers.

### Prudent Capital Management

Given the REIT's focus on financial management, strong balance sheet and liquidity, we are well positioned to capitalise on acquisition and redevelopment opportunities as they arise, following a number of significant capital management initiatives during the year.

2015 has been a very active year with the REIT repositioning its funding platform to enhance flexibility and scalability of its debt platform, whilst also minimising costs.

Capital partnerships were a key focus for the REIT and a number of key capital management initiatives have been completed which Scott Dundas will discuss during his business update.

### Sustainability

Sustainability is a core part of how we enhance value and manage risk across the business model. Last year we participated in Charter Hall Group's review of its approach to Corporate Responsibility and Sustainability.

As part of this review, Charter Hall Retail REIT aligned its sustainability aspirations with its three business strategy pillars: Product, Performance and Partner.

We have identified a number of key commitments in FY16 that we are focused on, including providing innovative and sustainable products for our investors, customers and communities; to drive sustainable returns for our investors and people and to be a trusted and valued partner to all of our stakeholders.

### Close of Meeting

In closing today's meeting I would like to acknowledge the loyalty that our investors, partners, Unitholders and tenant customers have shown us, in some cases over 20 years, allowing the business to grow and prosper.



I would also like to acknowledge Deputy Fund Manager, Philip Schretzmeyer who will be taking on a new role as Group Treasurer of Charter Hall Group, effective from 1 January 2016. I am sure you would agree with me that Phil's dedication and commitment to the REIT has been outstanding and on behalf of the Board and investors I wish Phil all the best in his new role.

Thank you for your attendance.

I now call the meeting closed.





17 November 2015

# Charter Hall Retail REIT

2015 Annual Unitholders Meeting

# Board of Directors

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**John Harkness**  
Independent  
Chairman



**Alan Rattray-Wood**  
Independent  
Director



**Maurice Koop**  
Independent  
Director



**Sue Palmer**  
Independent  
Director



**David Southon**  
Executive  
Director



**David Harrison**  
Executive  
Director

# Agenda

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**1 Independent Chairman's Presentation**

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**2 Fund Manager's Presentation**

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**3 Items of Business**

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**4 Questions**

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**John Harkness**  
Independent Chairman



**Scott Dundas**  
Fund Manager

# Independent Chairman's Presentation

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# REIT Summary

- Charter Hall Retail REIT (ASX: CQR) is a leading listed real estate investment trust with a portfolio of high quality Australian supermarket anchored shopping centres focused on the non-discretionary end of the retail market
- CQR is focused on investing in key markets across Australia, with assets predominantly along the eastern seaboard of Australia
- With a portfolio of 75 Australian retail properties valued at \$2.3 billion<sup>1</sup> the REIT is one of the largest owners of these assets



1. As at 30 June 2015 adjusted for the acquisition of the Goulburn and Katherine properties and the full purchase price of Brickworks Marketplace upon completion of its development

# REIT Strategy

## Goal

**The pre-eminent owner and manager of Australian neighbourhood and sub-regional supermarket anchored shopping centres that optimises returns for our investors**

## Key drivers

### Active management

- Maintaining strong tenant relationships
- Optimising tenancy mix through proactive leasing
- Enhancing the overall shopper experience

### Enhance portfolio quality

- Value enhancing redevelopment
- Selective acquisitions
- Non-core disposals

### Prudent capital management

- Strong and flexible balance sheet
- Prudent gearing
- Sustainable payout ratio

# Sustainability

**Sustainability continues to be a core part of how we manage risks and enhance value across our business model**

| Priority    | Key FY16 priorities  |
|-------------|--|
| Product     | <ul style="list-style-type: none"> <li>• Leverage cross-divisional collaboration in design and development to optimise efficiencies over the life of our assets</li> <li>• Undertake trial of new technology for HVAC and heat exchange coil efficiency, with a view to undertaking a portfolio approach if successful</li> <li>• Develop a strategy for the delivery of solar projects across our assets</li> <li>• Review current waste management initiatives across all states and track reduction in waste disposal to landfills</li> <li>• Engage with our tenants and explore opportunities to positively impact their commercial and personal wellbeing through asset design and building management services</li> </ul>   |
| Performance | <ul style="list-style-type: none"> <li>• Further embed our CR&amp;S commitments into core business activities, and enhance the communication of activities and performance with our internal and external stakeholders</li> <li>• Develop the tools and processes required to streamline the reporting process and facilitate the setting of strategic long-term targets and objectives</li> </ul>   |
| Partner     | <ul style="list-style-type: none"> <li>• 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</li> <li>• Further develop our tenant relationships, and explore opportunities to more effectively engage with both our tenants and suppliers</li> <li>• Develop a strategic community approach that further promotes our engagement with local community groups and initiatives</li> <li>• Undertake a customer project to further develop our retail customer engagement strategies</li> <li>• Develop user-friendly retail fit-out guidelines to facilitate efficient tenancy delivery experiences and sustainability outcomes for our retail tenants</li> </ul> |

# Fund Manager's Presentation

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# Highlights for Financial Year 2015

**Operating earnings  
of 29.70 cpu**

**NTA per unit up 5.6%  
to \$3.59**

**15.2% increase  
in portfolio value  
to \$2.3<sup>1</sup> billion**

**Moody's Baa1 credit  
rating assigned to the  
REIT**

**Look through  
gearing down  
3.6% to 33.6%**

**Occupancy stable  
at 98.4%**

1. As at 30 June 2015 adjusted for the acquisition of the Goulburn and Katherine properties and the full purchase price of Brickworks Marketplace upon completion of its development

# Property Portfolio

As at 30 September 2015

## Property Portfolio Australia

### Property Type



75 properties

\$2.3 billion value

Occupancy  
98.4%

GLA 554,300sqm

79 supermarkets

1,784 specialty  
tenancies



# Portfolio Update

As at 30 September 2015

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

- Occupancy remains at 98.4%
- Anchor WALE of 10.5 years
- Specialty occupancy cost at 9.1%
- Specialty MAT Growth of 3.0%
- Anchor tenant MAT growth of 0.9%



Pemulwuy Marketplace, NSW

# FY15 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 Australian asset value has increased from \$28.6 million at June 2014 to \$32.7 million at June 2015

|  | GLA (sqm)     | Value \$m   | Yield       | Settlement    |
|--|---------------|-------------|-------------|---------------|
| <b>Acquisitions</b>                                    |               |             |             |               |
| Coomera City Centre, Qld                               | 9,431         | 59.2        | 7.4%        | July 2014     |
| Brickworks Marketplace, SA <sup>1</sup> (50% interest) | 16,896        | 37.9        | 6.9%        | July 2015     |
| <b>Total</b>   | <b>26,327</b> | <b>97.1</b> | <b>7.2%</b> |               |
| <b>Disposals</b>                                       |               |             |             |               |
| Mackenzie Mall, Glen Innes, NSW                        | 3,638         | 3.6         | 8.5%        | July 2014     |
| Olive Tree Shopping Centre, Lilydale, Vic              | 3,792         | 2.6         | 8.6%        | February 2015 |
| Bathurst, Narromine and Wellington, NSW                | 11,582        | 21.6        | 8.5%        | May 2015      |
| Windsor Marketplace, NSW <sup>1</sup> (50% interest)   | 5,348         | 9.8         | 7.5%        | June 2015     |
| <b>Total</b>   | <b>24,360</b> | <b>37.6</b> | <b>8.2%</b> |               |

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

# Asset Acquisition and Equity Raise

## Goulburn Plaza and Katherine Central

- The acquisition of Goulburn and Katherine was consistent with CQR's stated strategy of owning supermarket anchored shopping centres weighted towards non-discretionary retail spending
- The acquisition was partially funded by the following:
  - An equity raise which was a fully underwritten institution placement of \$50.0m at an issue price of \$4.02
  - Proceeds from non-core disposals of \$21.1m
  - Debt funding from an expanded bank debt facility of \$30.9m
- Goulburn is anchored by a Coles and Kmart and was purchased for \$67.0m at a cap rate of 7.0%
- Katherine is anchored by a Woolworths and Target and was purchased for \$27.9m at a cap rate of 8.3%



# Acquisition of Bateau Bay Square

- CQR has executed a conditional contract to acquire a 47.5% interest in Bateau Bay Square, NSW at an implied acquisition price of \$200m from the existing Charter Hall Retail Partnership No. 2 (CHRP2)
- Located on the central coast of NSW, it provides the dominant supermarket anchored offering within the trade area, Bateau Bay Square is approximately 29,602sqm and is 97.5% occupied
- The centre is anchored by Coles, Woolworths and Aldi Supermarkets and a Kmart with mini majors consisting of Best and Less, Dick Smith and Reject Shop which are supported by 80 specialty shops
- The centre has a MAT of approximately \$224m of which the majors contribute approximately \$140m



Statistics are as at 30 September 2015



# Redevelopments

## Major Current and Completed Projects Enhancing Portfolio Quality

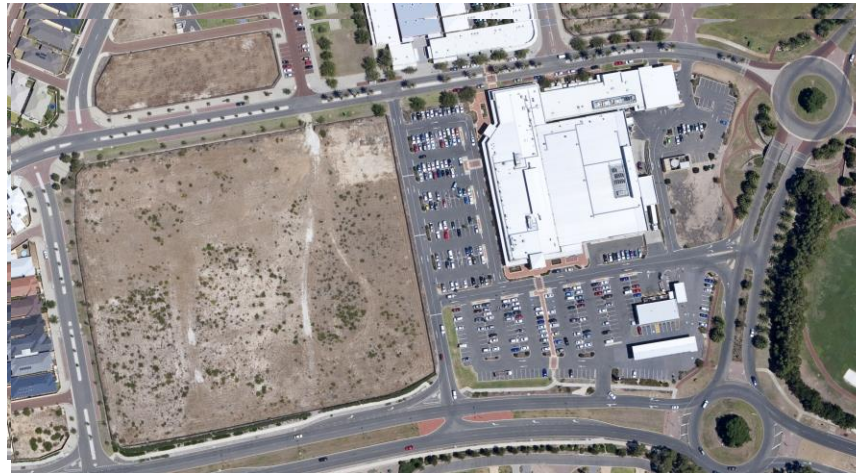
**Complete – Lansell Square, Vic**



**Complete – Sydney Street Markets, Qld**



**Current – Secret Harbour Shopping Centre, WA**



# Debt Maturity Profile

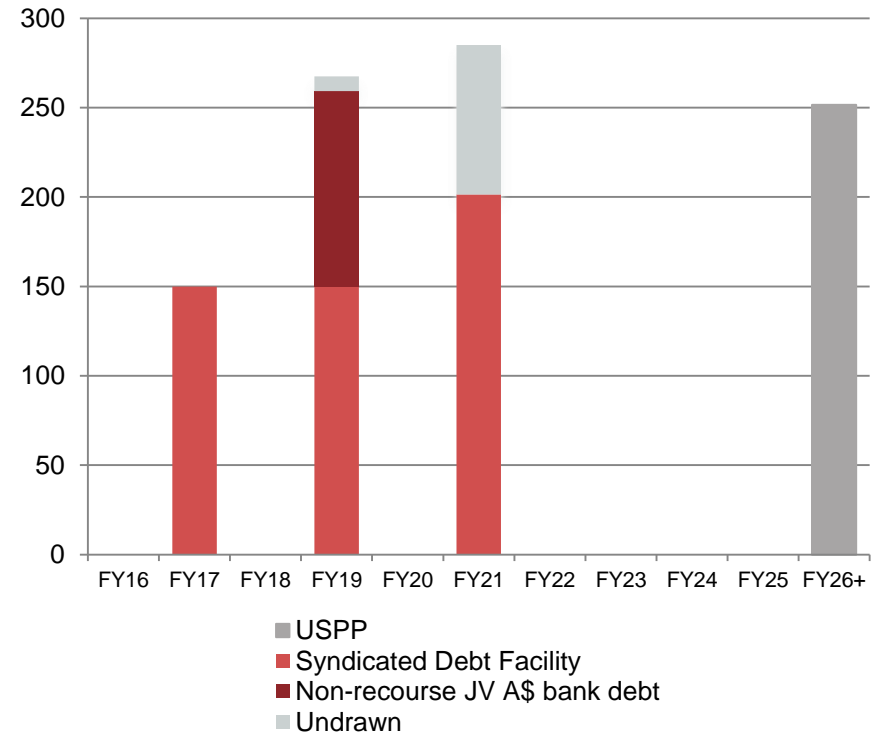
- Debt maturity profile is now well spread, reducing refinance risk for the REIT
- Weighted average debt maturity has increased from 3.7 years in FY14 to 5.8 years in FY15, following the debt restructure
- USPP was fully currency hedged on issuance

| Key metrics                                 | Jun 15    | Jun 14    |
|---|-----------|-----------|
| Average interest cost <sup>1</sup>          | 4.6%      | 4.5%      |
| Weighted average debt maturity <sup>2</sup> | 5.8 years | 3.7 years |
| Interest rate hedging                       | 81%       | 76%       |
| ICR   | 4.6x      | 4.0x      |

1. Includes line fee (including cost of undrawn debt) and usage fee and excludes amortisation of upfront debt costs

2. Reflects debt restructure completed on 22 July 2015, USPP proceeds and CMBS repayment

Debt Maturity Profile as at 30 September 2015





# FY16 Outlook

- We confirm that, barring unforeseen events, the REIT's FY16 guidance for operating earnings is between 30.25 cents and 30.75 cents per unit
- Distribution payout ratio range is expected to be between 90% and 95% of operating earnings



# Items of Business

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## Procedural Matters

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- 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

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Voting on each resolution will take place on a poll.

Resolution 1 is advisory only and is non-binding for 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

Each of Resolutions 2 and 3 are ordinary resolutions and will be passed if more than 50% of the votes cast by or on behalf of unitholders entitled to vote are in favour of that resolution

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

# Resolution 1

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## Ratification of Re-appointment of Independent Director

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

***“That Alan Rattray-Wood, an Independent Director of CHRML be re-elected as a director of CHRML”***

# Resolution 1 - Proxies

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## Proxies

|                 |                    |              |
|-----------------|--------------------|--------------|
| <b>FOR:</b>     | <b>242,869,764</b> | <b>77.8%</b> |
| <b>OPEN:</b>    | <b>867,173</b>     | <b>0.3%</b>  |
| <b>AGAINST:</b> | <b>68,416,901</b>  | <b>21.9%</b> |
| <b>ABSTAIN:</b> | <b>1,006,152</b>   |              |



## Resolution 2

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**Approval of issue of Units to Charter Hall Group in connection with the acquisition of a 47.5% interest in Charter Hall Retail Partnership No. 2 Trust, which owns the Bateau Bay Square shopping centre, Bateau Bay, NSW**

To consider, and if thought fit, pass the following as an ordinary resolution of the Unitholders:

***“That for the purposes of Listing Rule 10.11 and all other purposes, the issue of Units to Charter Hall Group on the terms described in the Explanatory Memorandum accompanying the Notice of Meeting issued on 26 October 2015 is approved”***

## Resolution 2 - Proxies

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### Proxies

|                 |                    |              |
|-----------------|--------------------|--------------|
| <b>FOR:</b>     | <b>263,891,362</b> | <b>99.4%</b> |
| <b>OPEN:</b>    | <b>860,991</b>     | <b>0.3%</b>  |
| <b>AGAINST:</b> | <b>697,338</b>     | <b>0.3%</b>  |
| <b>ABSTAIN:</b> | <b>47,710,299</b>  |              |

## Resolution 3

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### Ratification of Institutional Placement

To consider, and if thought fit, pass the following as an ordinary resolution of the Unitholders:

***“That for the purpose of Listing Rule 7.4 and for all other purposes, the issue of 12,437,810 fully paid ordinary Units by Charter Hall Retail REIT at \$4.02 per unit on 24 August 2015 to certain Institutional, professional and other wholesale investors under an Institutional placement for the purposes and on the terms set out in the Explanatory Memorandum accompanying the Notice of Meeting issued on 26 October 2015 is approved”***

## Resolution 3 - Proxies

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### Proxies

|                 |                    |              |
|-----------------|--------------------|--------------|
| <b>FOR:</b>     | <b>199,720,743</b> | <b>98.1%</b> |
| <b>OPEN:</b>    | <b>884,429</b>     | <b>0.4%</b>  |
| <b>AGAINST:</b> | <b>3,048,221</b>   | <b>1.5%</b>  |
| <b>ABSTAIN:</b> | <b>64,700,179</b>  |              |

# Questions



# Important Notice

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**All information contained herein is current as at 30 June 2015 unless otherwise stated, and all references to (\$) or (\$A) are Australian dollars.**



**Sydney**  
**Head Office**

Level 20, No.1 Martin Place,  
Sydney, NSW, 2000

**T: +61 2 8651 9000**

---

**Melbourne**

Level 18, 570 Bourke Street,  
Melbourne VIC 3000

**T: +61 3 9903 6100**

---

**Brisbane**

Level 22, Northbank Plaza,  
69 Ann Street,  
Brisbane QLD 4000

**T: +61 7 3228 2000**

---

**Perth**

Level 11, St Georges Square,  
225 St Georges Terrace,  
Perth WA 6000

**T: +61 8 9269 5900**

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**Adelaide**

Suite 604, 147 Pirie Street,  
Adelaide SA 5000

**T: +61 8 8417 5900**

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