Aventus Retail Property Fund
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**Aventus Retail Property Fund – Delivers solid December 2015 first half results**

Aventus Retail Property Fund (ASX: AVN) (the Fund), the largest dedicated large format retail landlord in Australia, today announced its results for the half year ended 31 December 2015.

**KEY FINANCIAL RESULTS**

- Funds from Operations (FFO) of $11.0m or 3.20 cents per unit and distribution of 2.89 cents per unit
- Net Tangible Assets (NTA) per unit of $1.89, an increase of 3.3% from $1.83 as stated in the Product Disclosure Statement (PDS) dated 30 September 2015
- Gearing of 31.9%, at the lower end of the target range of 30% - 40%

**KEY PORTFOLIO HIGHLIGHTS**

- The value of the portfolio increased to $975.6m, tenancies to 404, Gross Lettable Area (GLA) to 384,889 sqm and site area to 930,545 sqm
- Two new centres acquired: Epping Hub (Melbourne) and Belrose Gateway Centre (Sydney), for $46.4m at a Weighted Average Capitalisation Rate (WACR) of 8%
- An increase of $21.3m across the valuations of 3 centres, reflecting a 9.1% uplift over prior independent valuations
- The WACR across the portfolio has improved to 7.88% (June 15: 8.01%)
- 42 leases successfully negotiated over a total GLA of 28,000 sqm achieving positive leasing spreads with low levels of incentives
- Portfolio occupancy lifted to 97.5% (June 15: 97.1%) for stable and development centres
- Weighted Average Lease Expiry (WALE) of 4.0 years remains stable (June 15: 4.2 years) by gross income
- Tenant base continues to be actively diversified with non-household[1] category increasing to 31% of the portfolio by GLA (June 15: 28%)
- The Fund's two active developments at Peninsula Home and Tuggerah Super Centre are on-track and due for completion in mid-2016
- 78% of all leases in the portfolio have annual fixed or CPI increases with the remaining leases subject to market review or current year expiries
- Portfolio has high exposure to national retailers, comprising 84% of the portfolio by GLA and the single largest exposure by income is to Wesfarmers (mainly Bunnings and Officeworks) of 10%

Developments in relation to retailers Dick Smith and Masters are being closely monitored. The Fund's exposure to Dick Smith is limited to 3 stores and less than 1% of FY17 Net Property Income (NPI). The Fund has 1 Masters showroom within the portfolio representing less than 3% of FY17 NPI and the lease is guaranteed by Woolworths Limited. Both tenants continue to pay rent under their leases and neither tenant has notified the Fund of their intentions in relation to their leases.

[1] Category includes pet supplies, baby supplies, sporting, camping and leisure, cafes, restaurants, supermarkets, liquor, fitness centres, medical centres, offices and big box pharmacies.

**RECENT ACQUISITIONS**

The Fund settled on two centres in the period, Epping Hub in metropolitan Melbourne and Belrose Gateway Centre in metropolitan Sydney. Both centres have been smoothly integrated into the Fund's portfolio and capital upgrade works are underway.

The Fund continues to participate in the consolidation of the sector where opportunities meet our investment guidelines and provide long term benefits to unitholders.

**DEVELOPMENT PIPELINE**

The Fund continues to take advantage of value enhancing development opportunities within its portfolio, specifically:

- Expansion of Peninsula Home in Victoria has commenced and will add 920 sqm of new GLA from the existing carpark. Recent Victorian planning reforms now allow 'small' supermarkets in LFR centres and Aldi has committed to a 10 year lease as part of this expansion
- Construction has commenced on the revitalising and repositioning of Tuggerah Super Centre in New South Wales. Leasing pre-commitments are on-track with government provider, Services NSW, and national retailer, Petstock, to be new additions to the centre
- The expansion of Belrose Super Centre has been accelerated and completion scheduled for in the first half of 2017 (subject to tenant pre-commitments and finalisation of feasibility)
- The Bunnings tenancy at Sunshine Coast Home in Queensland is scheduled for re-development in early 2017 (following lease expiry)
- A potential stage 8 expansion of Cranbourne Home in Victoria is being reviewed pending the outcome of the adjoining Masters tenancy

The identified development pipeline to June 2017 is estimated at $39m. Multiple opportunities have been identified across the portfolio which can be delivered over the medium term subject to statutory approvals, tenant pre-commitments and financial viability.

**FINANCIAL MANANGEMENT**

**Basis of Reporting**

The IPO transaction resulted in the acquisition of a number of commercial properties and corporate entities. The application of the Accounting Standards requires the inclusion of the pre-IPO results of the ongoing entity (Kotara Home South) in the financial statements. The presentation attached reconciles the results of the Fund post IPO against its statutory results.

**Financial Performance**

The Fund's result for the half year ending 31 December 2015 is a loss of $22.1m. Included in the result are one-time transaction costs associated with the IPO of -$54.0m, follow-on acquisitions costs of -$2.9m and increase in fair value of investment properties of $23.2m. The IPO transaction costs are slightly below the PDS forecast. The Fund's result attributable to its post-IPO performance is a loss of $23.1m.

Excluding one-off costs and non-cash transactions, FFO was $11.0m or 3.20 cents per unit and Adjusted FFO was $10.1m or 2.95 cents per unit. Both results are on-track with the PDS forecast.

**Distributions**

In February 2016, the Fund paid a distribution for the period ended 31 December 2015 of 2.89 cents per unit. This represents a payout ratio of 90.3% of FFO and is within the Fund's distribution policy of distributing 90% - 100% of FFO. The distribution is cash covered on an Adjusted FFO basis.

The Fund is expected to continue to pay distributions on a quarterly basis with the distribution for the next quarter ended 31 March 2016 to be paid in May 2016.

**Capital Management**

The Fund has a disciplined approach to capital management. Gearing was 31.9% following the completion of new acquisitions during the period and at the lower end of the Fund's target range of 30% - 40%. The Fund has $82.0m of undrawn facilities to fund future acquisitions and its development pipeline.

The Fund has hedged approximately 50.3% of debt by entering into $160m of fixed interest rate swaps to minimise potential interest expense volatility. The weighted average length of the hedges is 3.6 years. The Fund is expected to extend the maturity of interest rate swaps as the debt book develops over time.

As a result of the above initiative, the weighted average cost of debt is expected to reduce to 3.5% (PDS: 3.7%) for the rest of FY2016 on the assumption that interest rates remain at current levels.

**CHANGE OF REPONSIBLE ENTITY**

The Fund will convene a meeting of Unitholders on 11 March 2016 to approve the retirement of the current Responsible Entity, One Managed Investment Funds Limited, and the appointment of Aventus Capital Limited which was foreshadowed in the Fund's PDS.

As explained in the PDS, the change in Responsible Entity will not result in any additional fees.

**IMPLEMENTATION OF FUND STRATEGY**

As outlined in the PDS, the Fund is implementing four key growth initiatives to drive sustainable earnings growth and long term value creation:

| Initiative | Strategy | Outcome |
|---|---|---|
| 1. Portfolio Management | Optimise and broaden the tenancy mix through proactive leasing, operational excellence and leveraging retailer relationships | The portfolio continues to perform well with high occupancy, positive leasing spreads and low incentives |
| 2. Development Pipeline | Invest in value enhancing development opportunities within the existing portfolio | Revitalising and repositioning of Tuggerah Super Centre and expansion at Peninsula Home are on-track |
| 3. Consolidation Opportunities | Selective acquisitions to enhance the Fund's portfolio and entrench the Fund as the pre-eminent LFR landlord in Australia | Two centres valued at $46.4m were acquired, Epping Hub in Melbourne and Belrose Gateway Centre in Sydney |
| 4. Regulatory Changes | Take advantage of regulatory changes in zoning and planning regime for the existing portfolio | Recent reforms in Victoria resulting in lease to Aldi supermarket at Peninsula Home |

## OUTLOOK

Darren Holland, CEO of Aventus Property Group, said "We are very pleased with the results for the first half to 31 December 2015 and with the progress that we have made in implementing the Fund's strategy."

"We continue to broaden the diversity of the tenancy mix of the portfolio to reduce the Fund's exposure to housing cycles and also to increase the frequency and length of shopper visits. This increase in the diversified mix attracts more shoppers into our centres throughout the week, enhances the overall shopping experience and provides a solid platform for growth."

"To that extent, the number of retailers and service providers that are not traditionally large format retail tenants has increased from 28% to 31% since June 15. The Fund's growing portfolio of centres have attracted new offerings such as supermarkets, government services providers, pet products and food and beverage providers." said Mr Holland.

"The Fund has also completed two strategic acquisitions this period, at Belrose in Sydney to consolidate our position there and the Epping Hub centre, in a strong growth area of Melbourne."

"We believe consolidating the traditionally highly fragmented sector will provide growth and scale opportunities for the Fund. Together with a solid development pipeline, we will be well-positioned to achieve our goal to grow investor returns," concluded Mr Holland.

The underlying portfolio is performing in-line with expectations and the acquisitions are forecast to be earnings accretive before the end of FY16. The Fund will continue to explore opportunities to grow the portfolio via selective acquisitions and developments to supplement organic income growth. The Fund is confident of the near term outlook and reaffirms the FY16 guidance as stated in the PDS.

Further details on the performance of the Fund are provided in the results presentation and Appendix 4D released today.

A briefing will be held on Thursday 25 February 2016 at 11:30am (AEDT). Investors and analysts wishing to participate should dial +61 2 8038 5221 or 1800 123 296 from within Australia (Conference ID number – 5012 9999).

The briefing is also available via webcast www.openbriefing.com/OB/2102.aspx.

For further information:

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