

29 August 2016

GARDA Diversified Property Fund 2016FY Results

FY2016 financial and operational highlights

- Net profit of \$17.86 million
- Funds from operations (FFO)¹ of \$9.1 million, or 9.67 cents per unit
- Distributions of \$8.5 million, or 9 cents per unit
- Independent valuations increase of \$12.45 million or 8.9%
- Increase in net tangible assets (NTA) of \$0.10 per unit, or 10%, to \$1.13
- Total return since the IPO of 22%²

The GARDA Diversified Property Fund (**GDF** or **Fund**) today released its 2016 Annual Result, including a net profit after tax of \$17.86 million, and funds from operations of 9.1 million, representing 9.67 cents per unit.

The Group's Managing Director, Matthew Madsen said: *"We are very pleased with the performance of the Fund since listing last July. The properties have generated income in line with expectations and also delivered a 9% increase in capital value. Quarterly distributions totalling 9 cents per unit for the year were delivered representing a payout ratio of 93.6% of FFO, ahead of expectations"*.

Capital management

During the period, 3.4 million units were bought back at an average price of \$0.97 per unit, as part of an on-market buy-back facility as approved by members.

Net tangible assets (NTA) at 30 June 2016 of \$1.13 per unit, representing a \$0.10 increase on the prior period.

The Fund has a long term gearing target of between 30% and 35% but may operate at up to 45% loan to value ratio (LVR). As at 30 June 2016, the Fund's LVR was 29.8%.

The capital improvements program saw \$2.7 million reinvested into the properties, particularly in Cairns and Box Hill being the two older assets, nearing 30 years in age. This reinvestment is expected to continue at a similar or greater rate to FY2016 (\$2.7 million) with the major focus again being on the Cairns and Box Hill assets.

Acquisition and AUM growth

On 26 August 2016, GDF settled the acquisition of a modern industrial distribution facility for \$29.5 million. It has been acquired on an initial yield of 7.7%³.

The property is wholly leased to Wesfarmers subsidiary Blackwoods until 2029, providing GDF with the benefit of a WALE in excess of 12 years and minimum annual rent increases of 3.0%.

¹ FFO comprises net profit/loss after tax attributable to unitholders calculated in accordance with Australian Accounting Standards and adjusted for: property revaluations, impairments, amortisation of certain tenant incentives, gain/loss on sale of certain assets, straight-line rent adjustments, and one-off items.

² Calculated as 30 June 2016 NTA of \$.13, less IPO issue price of \$1.00, plus distributions of \$0.09.

³ Based on GARDA Capital Group analysis on first year income from 1 August 2016 through 31 July 2017.

The two year old state of the art warehouse and distribution facility has a total net lettable area (NLA) of 14,843m² and is located in the primary industrial suburb of Paget in Mackay. The building is approximately 8km's from the Mackay CBD.

The acquisition was wholly debt funded through facilities provide by St. George Bank. The Fund's LVR post acquisition is 42%.

The Fund's property portfolio now totals \$183 million and is 21% weighted to the industrial sector (by value).

Outlook and FY2017 Guidance

FY2017 distribution guidance of \$0.094 per unit, a 4.4% increase on FY2016 distributions.

The Fund will continue to seek to increase gross assets and to increase its exposure to the industrial sector.

The markets that the Fund currently holds investments in are anticipated to perform soundly, with the exception of the Brisbane Murarrie office market which may be negatively impacted by the continuing high vacancy and incentive rates emanating from the weak Brisbane CBD, although currently stable.

The marketplace is reporting anecdotally that both the inner east (Richmond) and outer eastern Melbourne (Box Hill) markets are currently experiencing strong leasing demand, reduced incentives and rent growth.

The continued execution of the capital improvements program is anticipated to have a material impact on both rent levels and occupancy within the Cairns building (and in turn valuation) and will also assist with tenant renewal at the Box Hill property, where the next expiry is not until December 2017.

-Ends-

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About GARDA Diversified Property Fund (ARSN 104 391 273)

GDF is an ASX listed real estate investment trust (REIT) which invests in commercial offices in city and suburban markets as well as industrial facilities along the eastern seaboard of Australia.

GDF currently holds eight established property assets independently valued at \$183 million.

About GARDA Capital Limited

GARDA Capital Group is an ASX listed (ASX: GCM) real estate investment and funds management group. The GARDA Capital Group is co-invested in GDF holding a 10.7% stake.

GARDA Capital Limited is the responsible entity of GDF, is a member of the GARDA Capital Group and holds AFSL 246714 which permits it to act as the responsible entity for GDF.