

GARDA DIVERSIFIED PROPERTY FUND (GDF)

FULL YEAR RESULTS PRESENTATION
29 AUGUST 2016



ANNUAL RESULTS - HIGHLIGHTS

STATUTORY NET PROFIT

\$17.86m

19.04 cents per unit

FUNDS FROM OPERATIONS

\$9.1m

9.67 cents per unit

DISTRIBUTIONS

\$8.5m

9.00 cents per unit

93.6%

PAYOUT RATIO

\$12.45m (8.9%)

VALUATION INCREASE

\$0.10 (10%)

INCREASE IN NTA PER UNIT TO \$1.13

Total return since the IPO of 22%

REFLECTIVE OF JUNE 30 NTA (\$1.13) LESS IPO ISSUE PRICE (\$1.00) PLUS DISTRIBUTIONS PAID (\$0.09)

ANNUAL RESULTS - INCOME AND DISTRIBUTIONS

	FY2016 \$	PER UNIT (93,804,456 UNITS ON ISSUE)
Statutory net profit	17,864,000	19.04 cents
Less Fair value movement in investment properties	(10,093,000)	
Add Interest rate swaps marked to market	1,127,000	
Add Other	178,000	
Funds from operations (FFO)	9,076,000	9.68 cents
Distributions	8,497,000	9.00 cents
Distribution payout ratio		93.6%
Tax deferred component		44.9%

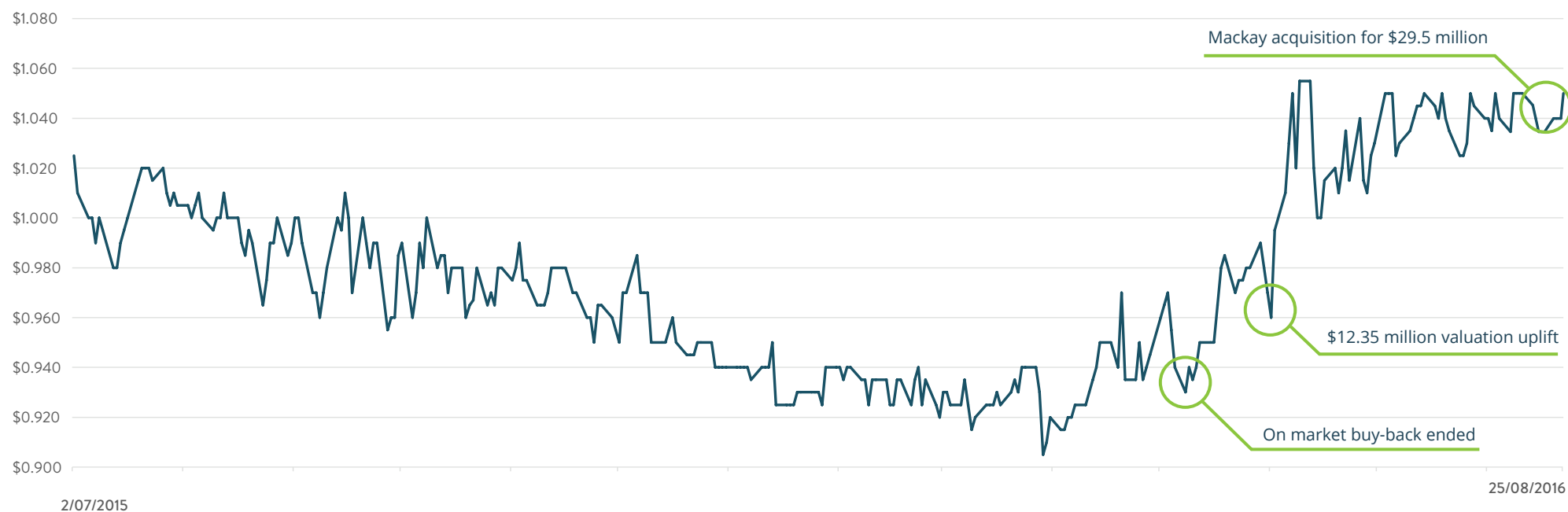
ANNUAL RESULTS - PORTFOLIO VALUATIONS

INVESTMENT PROPERTIES	2015 \$	2016 CAP RATE	2016 \$	INCREASE %
7-19 Lake Street, Cairns	37,000,000	8.50%	42,200,000	↑ 14.05%
12-14 The Circuit, Brisbane Airport	20,000,000	8.60%	22,400,000	↑ 12.00%
B2, 747 Lytton Road, Murarrie	13,600,000	8.39%	14,100,000	↑ 3.68%
154 Varsity Parade, Varsity Lakes	12,000,000	8.50%	12,900,000	↑ 7.50%
436 Elgar Rd, Box Hill	18,500,000	8.50%	19,400,000	↑ 4.86%
572 – 576 Swan Street, Richmond	31,600,000	7.50%	33,500,000	↑ 6.01%
142-150 Benjamin Place, Lytton	7,950,000	8.25%	8,600,000	↑ 8.18%
Total Investment Properties at independent valuation	140,650,000	8.35%	153,100,000	↑ 8.85%
Value accretive additions post independent valuation	-		427,000	
Total Investment Properties	140,650,000		153,527,000	

CAPITAL MANAGEMENT: EQUITY

- Unitholders approved an on-market buy-back facility of up to 20 million units.
- 3.4 million units were bought back at an average price of \$0.97 per unit.
- Net tangible assets (NTA) at 30 June 2016 of \$1.13 per unit.
- Buy-back facility closed on 10 May 2016.
- Increase in ASX trading price to \$1.05¹, a 7% discount to 30 June 2016 NTA of \$1.13.

GDF ASX PRICE



¹ Market close as at 25 August 2016.

CAPITAL MANAGEMENT: DEBT

FACILITY LIMIT AND DRAWN BALANCE AT 30 JUNE 2016

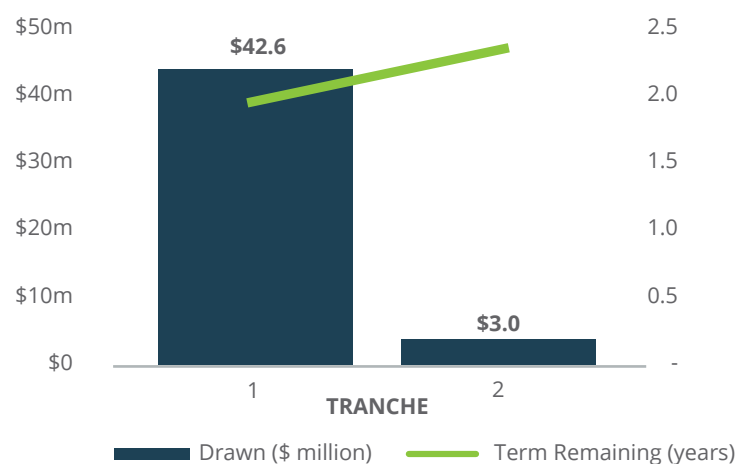
	Drawn	Limit
Senior Debt	\$45.6m	\$63m

DEBT FACILITY - COVENANTS AT 30 JUNE 2016

	Actual	Covenant
LVR	29.8%	45%
Interest Cover Ratio	6.5x	2.5x

- 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).
- The Fund has entered into interest rate swaps that expire on 30 June 2019 that provide a current average total cost of 3.837% including the current facility interest margin, (noting that the facility expires one year prior to the swap expiry).
- Weighted average term to maturity is 1.87 years.

DEBT MATURITY



DEBT STRUCTURE



CAPITAL IMPROVEMENTS PROGRAM

- 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.
- A full lift replacement at Cairns is currently underway including destination lift controls, lift lobby and amenities upgrades, external building painting and weather proofing, plant and generator room upgrades. These works are anticipated to be completed during FY2017.
- A refurbishment of the Cairns main foyer and associated external entry area is currently being considered. These works are intended to be undertaken once the aforementioned works have been completed.
- At the Box Hill property a full lift replacement is also being undertaken. The roof membrane replacement has recently been completed. Base building showers and level 1 amenities are currently being replaced.
- Additionally, roof and terrace membrane works are due to commence in the coming months on the Richmond asset as part of an ongoing building warranty matter.

LEASING DURING FY2016

PORTFOLIO LEASING COMPLETED					
PROPERTY	TENANT	NLA (m ²)	TERM	START DATE	RENT REVIEW
Richmond	Fulton Hogan	1,847	6 years	1/07/16	3.50%
Vasity Lakes	QLD Police Service	968	3 years	1/02/17	4.00%
Murrarrie	Automatic Data Processing	204	5 years	1/03/16	3.75%
Cairns	Cape Flattery Mines	260	7 years	16/12/15	3.50%
Cairns	Morgans Financial	123	7 years	1/06/16	3.50%
Cairns	Native Title Tribunal	401	3 years	1/09/16	3.50%
Cairns	Thomson Adsett	87	3 years	1/08/16	3.00%
Cairns	ARUP	215	5 years	1/11/16	3.50%
Cairns	QLD Government	110	5 years	1/06/16	3.00%
Cairns	QLD Government	286	2 years	1/09/15	4.00%
Portfolio / Average		4,501	4.9 years		3.6%

- New leases and existing renewals were executed across 4,501m² representing approximately 10.5% of the portfolio net lettable area (NLA) of 45,088m².
- Leases executed held the portfolio's weighted average lease expiry (WALE) relatively stable at 2.9 years (2015: 3.3 years).

ACQUISITION (AUGUST 2016)

- 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%¹
- 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%**.
- 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 Fund's property portfolio now totals \$183 million and is 21% weighted to the industrial sector (by value).



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

ACQUISITION - FUNDING

SENIOR DEBT FACILITY POST ACQUISITION

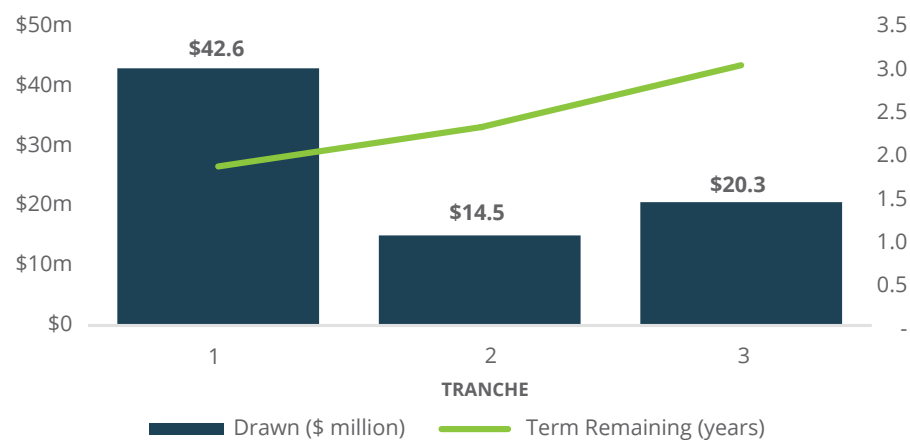
	Drawn	Limit
Senior debt	\$77.4m	\$83.6m

SENIOR DEBT FACILITY - COVENANTS POST ACQUISITION

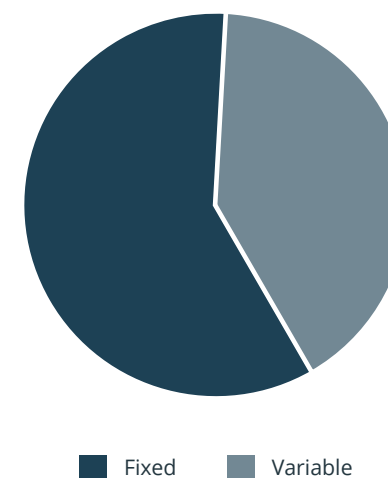
	Actual	Covenant
LVR	42%	46%
Interest cover ratio	4.5x	2.5x

- The acquisition (~\$31.5m total acquisition cost) was wholly debt funded through senior debt facilities provided by St. George Bank.
- This debt has not been hedged and is subject to variable interest rates.
- The total interest cost of the drawn facility is currently 3.58%¹.
- Weighted average term to maturity is 2.23 years.

DEBT MATURITY



DEBT STRUCTURE



¹ Total interest costs include fixed rate and variable rate components at date of release.

FUND OBJECTIVES

- The Fund's objective is to provide sustainable and growing distributable income derived from investments in commercial offices in city and suburban markets as well as industrial facilities along the eastern seaboard of Australia.
- The Fund will maintain a conservative capital structure including a long-term target gearing range of 30% to 35% although will operate up to 45% LVR from time to time to enable acquisitions.
- Likewise gearing may fall below this range in the event of capital management initiatives or asset divestments.

FY2017 OBJECTIVES

- The Fund's key objectives for FY2017 include:
 - *Mitigating lease expiry risks in the 2018 and 2019 financial years (FY2017 lease expiries largely mitigated with only 2% of Fund income due to expire – 31 Dec 2016);*
 - *Reducing vacancy in the portfolio and associated lost income on vacant space;*
 - *Continued execution of the Fund's capital improvements program; and*
 - *Review possible capital management initiatives to reduce gearing and provide capacity for further acquisitions and growth in gross assets.*

FY2017 OUTLOOK AND DISTRIBUTION GUIDANCE

DISTRIBUTIONS

- FY2017 distribution guidance of \$0.094 per unit, a 4.4% increase on FY2016 distributions.
- Represents a payout ratio of ~84% at 42% LVR after the recent Blackwood's acquisition.
- At current market price of \$1.05¹, reflects a distribution yield of 9.0%.

OUTLOOK

- 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.

¹ Market close as at 25 August 2016.

APPENDIX 1

FINANCIALS

INCOME STATEMENT

INCOME STATEMENT	30 JUNE 2016 \$000'S	30 JUNE 2015 \$000'S
Property rental income	17,106	17,434
Property expenses	(4,823)	(5,131)
Trust level expenses	(1,558)	(1,796)
Finance costs	(1,745)	(12,450)
Net loss of financial liabilities held at fair value through profit and loss	(1,127)	(2,961)
Fair value movement in investment properties	10,093	(711)
Loss on sale of property	-	(686)
Impairment of receivables	(82)	(1)
Profit/(loss)	17,864	(6,302)

FUNDS FROM OPERATIONS (FFO)

FUNDS FROM OPERATIONS		
	30 JUNE 2016 \$000'S	30 JUNE 2015 \$000'S
Net profit/(loss)	17,864	(6,302)
Net loss on financial liabilities held at fair value	1,127	2,445
Fair value movement in investment properties	(10,093)	711
Loss on sale of investment properties	-	686
Impairment of receivables	-	1
Incentives amortisation and rent straight-line	178	(621)
One-off item – Recapitalisation and refinance costs	-	3,555
Funds From Operations (FFO)	9,076	475
Distributions Paid	8,497	537
Payout Ratio	93.6%	

BALANCE SHEET

BALANCE SHEET	30 JUNE 2016 \$000'S	30 JUNE 2015 \$000'S
Assets		
Cash and cash equivalents	2,526	3,233
Trade and other receivables	318	353
Investment properties	153,527	140,650
Total Assets	156,371	144,236
Liabilities		
Trade and other payables	1,481	1,696
Borrowings (current & non-current)	45,380	42,307
Distribution payable	2,121	-
Tenant security deposits	274	308
Derivative financial instruments	1,127	-
Total Liabilities	50,383	44,311
Net Assets	105,988	99,925

APPENDIX 2

GDF OVERVIEW

GDF AT A GLANCE

\$182.6 MILLION

COMMERCIAL AND INDUSTRIAL PORTFOLIO

4.1 YEARS

WALE

93%

OCCUPANCY

\$1.11

NTA PER UNIT

AUGUST 2016
POST ACQUISITION

FY2017 DISTRIBUTION

GUIDANCE

\$0.094/UNIT

PAID QUARTERLY

8.13%

WEIGHTED AVERAGE
CAP RATE

42%

LVR

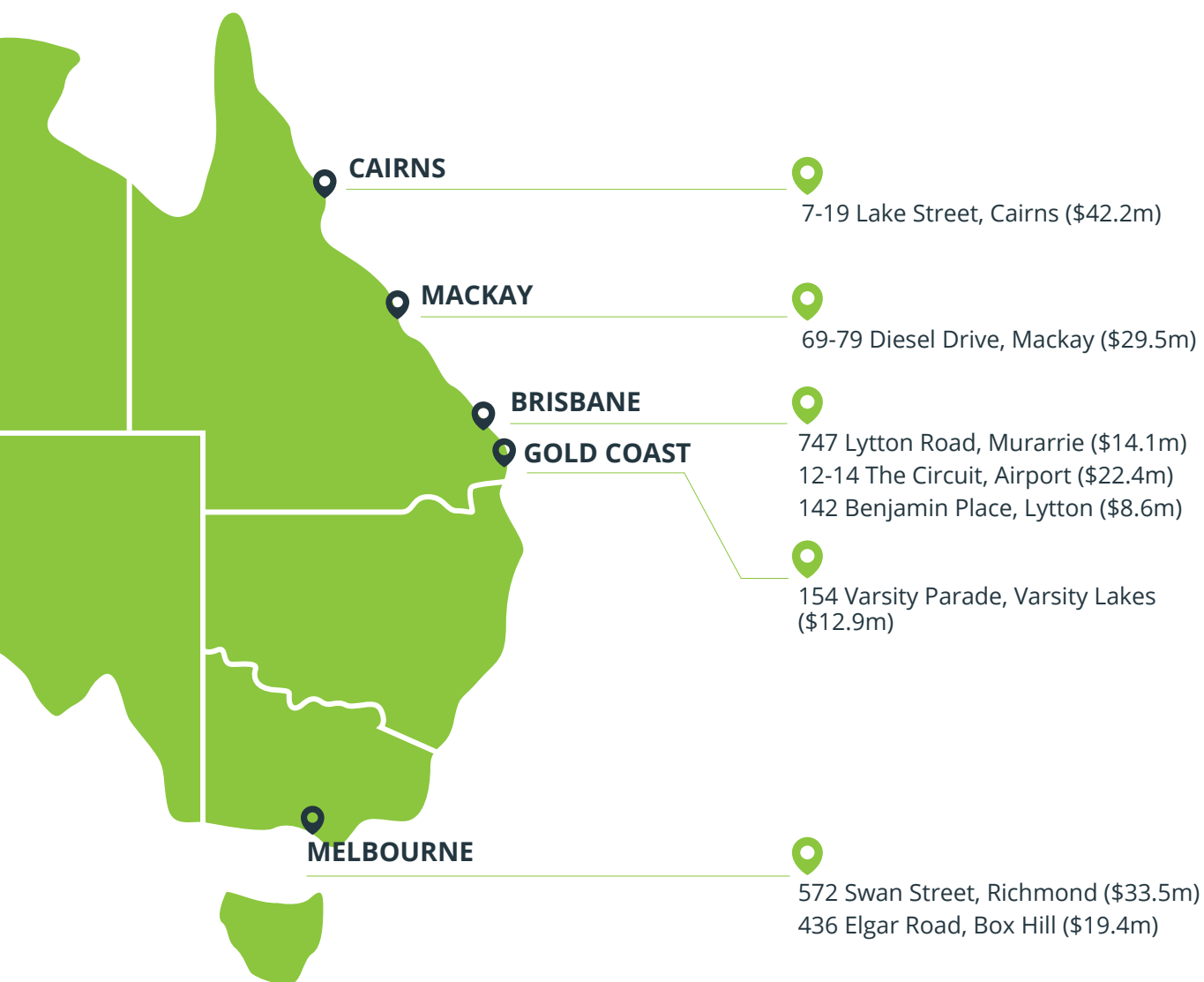
4.5 TIMES

INTEREST COVER

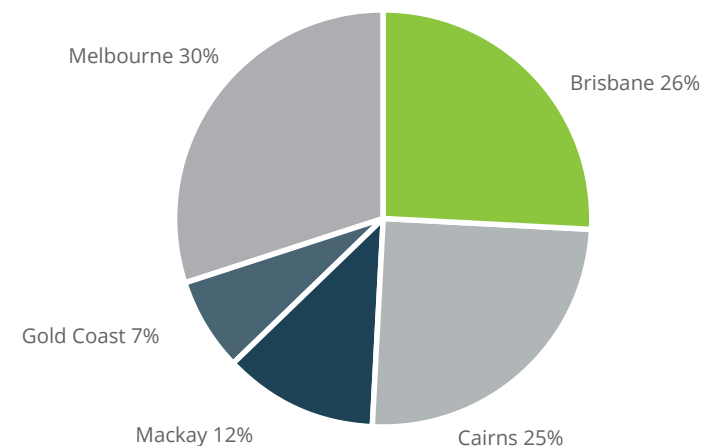
**ALIGNED
MANAGER**

GARDA CAPITAL HOLDS
10.7% OF GDF UNITS

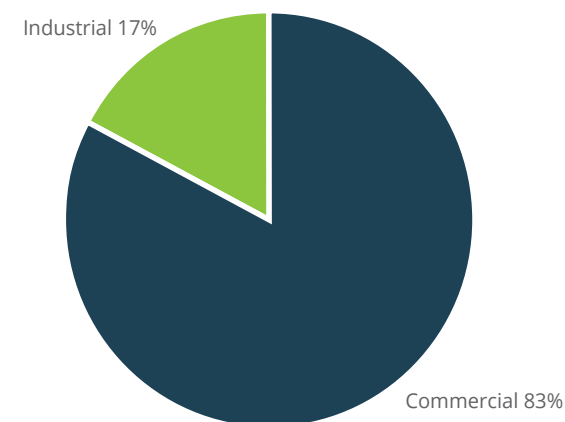
DIVERSIFIED PORTFOLIO



PORTFOLIO INCOME (by location)



PORTFOLIO INCOME (by sector)



PROPERTY ASSETS

PROPERTY PORTFOLIO	PORTFOLIO VALUE (%)	AGE	NLA (m ²)	CAP RATE (%)	INDEPENDENT VALUATION ¹	NABERS (STARS)
Office (79% by value)						
9-19 Lake Street, Cairns	23%	27	14,956	8.50%	\$42,200,000	4.5
12-14 The Circuit, Brisbane Airport	12%	9	4,675	8.60%	\$22,400,000	5
Bldg 2, 747 Lytton Road, Murarrie	8%	8	3,617	8.39%	\$14,100,000	5.5
154 Varsity Parade, Varsity Lakes	7%	7	3,994	8.50%	\$12,900,000	5.5
572-576 Swan Street, Richmond	18%	7	6,587	7.50%	\$33,500,000	5
436 Elgar Road, Box Hill	11%	28	5,725	8.50%	\$19,400,000	2.5
Industrial (21% by value)						
142-150 Benjamin Place, Lytton	5%	9	5,677	8.25%	\$8,600,000	N/A
69-79 Diesel Drive, Mackay	16%	2	13,843	7.75%	\$29,500,000	N/A
Totals	100%		59,074	8.13%	\$182,600,000	4.57

¹ Independent valuations as at June 2016.

KEY TENANTS

TOP 10 TENANTS

TENANT	SECTOR	RENT (\$)	% TOTAL	LOCATION
Commonwealth Govt (CASA)	Federal Government	\$2.75m	14%	Brisbane
Golder Associates	Engineering & Construction	\$2.58m	13%	Melbourne
Blackwoods & Sons	Industrial Safety	\$2.45m	12%	Mackay
QLD State Govt (Transport & Main Roads)	State Government	\$1.67m	8%	Cairns
Spotless Services	Facilities Management	\$0.96m	5%	Brisbane
Fulton Hogan	Civil Construction	\$0.95m	5%	Melbourne
CGI	IT Services & Consulting	\$0.89m	5%	Melbourne
Stellar Asia Pacific	Call Centre	\$0.82m	4%	Melbourne
Serco	International Services	\$0.81m	4%	Gold Coast
Planet Innovations	Product Development – biomedical	\$0.64m	3%	Melbourne
Top 10 total		\$14.52m	73%	

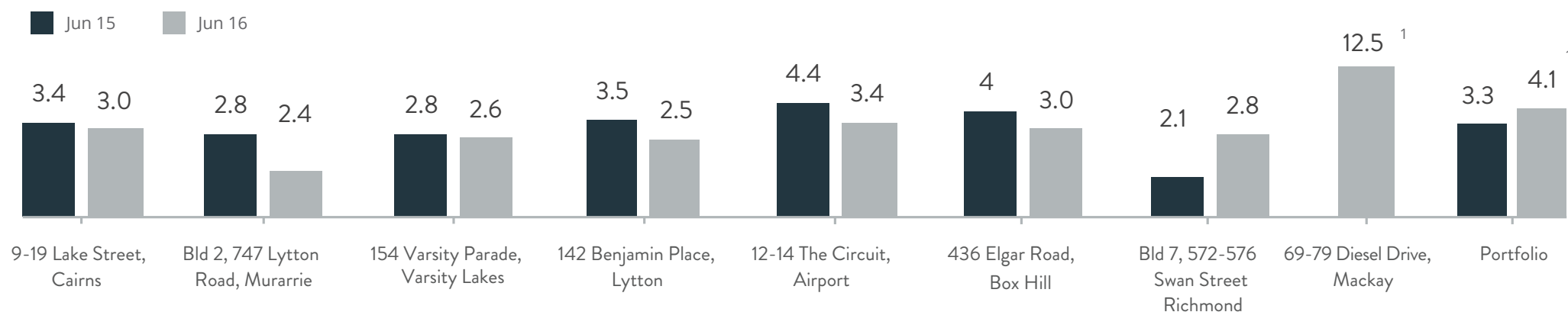
KEY TENANTS



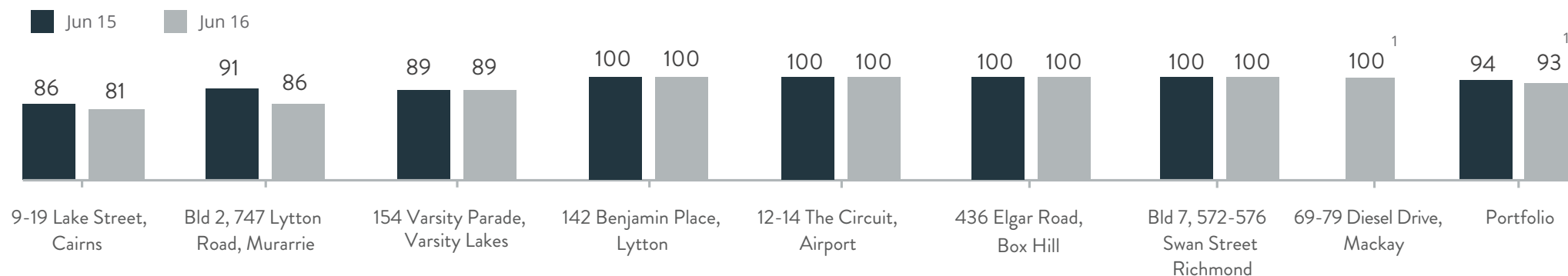
WALE AND OCCUPANCY

- Significant improvement in WALE possible during FY2017 as material tenant expiry is managed particularly at the Richmond property (FY2018 expiry) and in Cairns (FY2019 expiry).

WALE by income (Years)



OCCUPANCY by income (%)

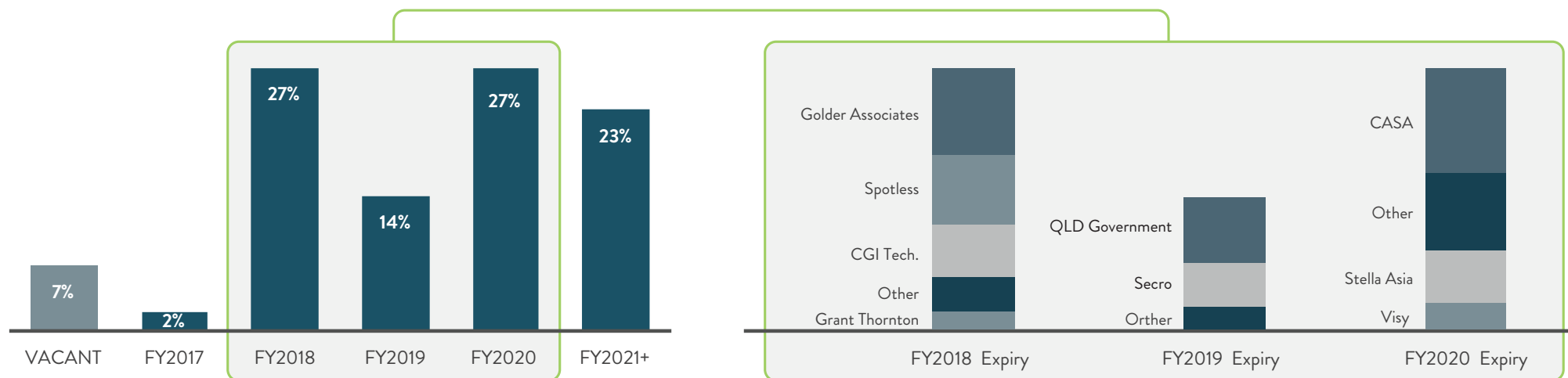


¹ Portfolio total calculated as if 69-79 Diesel Drive, Mackay was acquired as at 1 July 2016.

AT RISK INCOME

- Leasing risk in FY2017 has largely been mitigated with only one material lease, 2,200m² (Kuehne Nagel) at the Lytton industrial property representing 2% of Fund income currently expiring on 31 December 2016 yet to be resolved.
- Discussions with both the sitting and external tenants are continuing in respect of this space.
- GARDA Capital has engaged with a number of key tenants totalling 10,000m² that form the majority of FY2018.

LEASE EXPIRY PROFILE

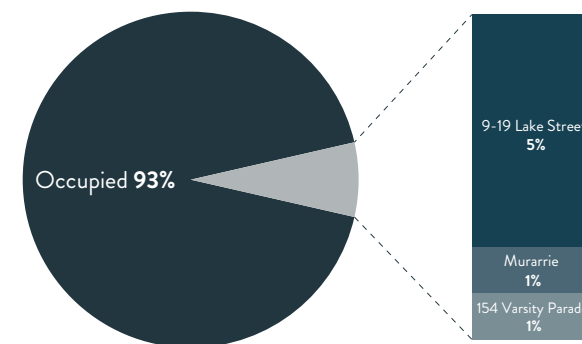


LOST INCOME/VACANCY

- Vacancy and associated lost income is predominantly located in Cairns with minor impact from both Varsity Lakes and the Murarrie office park assets.
- Cairns vacancy is expected to reduce with the increasing building 'offer' as a result of the capital improvements program.
- Vacancy is however providing the opportunity to undertake part and full floor refurbishments followed by new leasing commitments as demonstrated by a number of lease renewals and new tenant leasing during 2016.
- Cairns leasing has seen a shift to longer term leases and higher rent rates and these results are reflected in the recent \$4.5 million valuation increase.

PROPERTY	VACANT (m ²)	TOTAL NLA (m ²)	PERCENT VACANT (%)
7-19 Lake Street, Cairns QLD	2,405	14,575	16.50%
747 Lytton Road, Murarrie QLD	513	3,617	14%
154 Varsity Parade, Varsity Lakes QLD	452	3,994	11%

Property Vacancy (by income)



APPENDIX 3

GDF ASSETS

PORTFOLIO SUMMARY – PROPERTY

572 - 576 SWAN STREET, RICHMOND, VIC



Date acquired: Nov-07

Valuation: \$33,500,000

Ownership interest: 100%

NLA: 6,587m²

Car spaces: 178

Occupancy: 100%

WALE: 2.8 years

Tenants: 2 

NABERS: 5 star 

436 ELGAR ROAD, BOX HILL, VIC



Date acquired: Sept-07

Valuation: \$19,400,000

Ownership interest: 100%

NLA: 5,725m²

Car spaces: 197

Occupancy: 100%

WALE: 3.0 years

Tenants: 3 

NABERS: 2.5 star 

PORTFOLIO SUMMARY – PROPERTY

7-19 LAKE STREET, CAIRNS, QLD



Date acquired: Jun-06

Valuation (inc. land at Grafton St): \$42,200,000

Ownership interest: 100%

NLA: 14,956m²

Car spaces: 254

Occupancy: 81%

WALE: 3.0 years

Tenants: 27

NABERS: 4.5 star 🌿🌿🌿🌿

154 VARSITY PDE, GOLD COAST, QLD



Date acquired: Aug-07

Valuation: \$12,900,000

Ownership interest: 100%

NLA: 3,994m²

Car spaces: 130

Occupancy: 89%

WALE: 2.6 years

Tenants: 4 👤👤👤👤

NABERS: 5.5 star 🌿🌿🌿🌿🌿

PORTFOLIO SUMMARY – PROPERTY

747 LYTTON ROAD, MURARRIE, QLD



Date acquired: May-07

Valuation: \$14,100,000

Ownership interest: 100%

NLA: 3,617m²

Car spaces: 169

Occupancy: 86%

WALE: 2.4 years

Tenants: 4 

NABERS: 5.5 star 

12-14 THE CIRCUIT, BRISBANE AIRPORT, QLD



Date acquired: Jan-07

Valuation: \$22,400,000

Ownership interest: 100%

NLA: 4,675m²

Car spaces: 51

Occupancy: 100%

WALE: 3.4 years

Tenants: 1 

NABERS: 5 star 

PORTFOLIO SUMMARY – PROPERTY

69-79 DIESEL DRIVE, MACKAY, QLD



Date acquired: Aug-16

Valuation: \$29,500,000

Ownership interest: 100%

NLA: 13,843m²

Car spaces: N/A

Occupancy: 100%

WALE: 12.5 years

Tenants: 1

NABERS: Exempt

142 BENJAMIN PLACE, LYTTON, QLD



Date acquired: Sept-07

Valuation: \$8,600,000

Ownership interest: 100%

NLA: 5,677m²

Car spaces: N/A

Occupancy: 100%

WALE: 2.5

Tenants: 2

NABERS: Exempt

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GARDA DIVERSIFIED PROPERTY FUND

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