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REAL ESTATE PARTNERS

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ASA Diversified Property Fund

FUND UPDATE
31 DECEMBER 2024 QUARTER

Established in August 2006, the ASA Diversified Property Fund (**ASADPF**) is one of Australia's leading and longest continuing commercial real estate funds. The Fund holds 7 properties in New South Wales, Victoria and Western Australia. ASADPF has strong income visibility, low capital expenditure requirements, and pays a cash monthly distribution.

The objective of the Fund is to generate a stable income stream that is at least 1.00% p.a. above the average Commonwealth Government 10-year bond yield, and a total return above the MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index. Both objectives have been met since inception, and for 1 year, 3 year, 5 year and 10 year performance assessment periods.

Wyong Twin Service Centres Southbound, Wyong NSW

As the only service centre with direct on and off-ramps between Sydney and Newcastle, this property provides a variety of convenience retail offerings including Hungry Jacks, Olivers, and Oporto, as well as extensive refueling facilities including separated areas for truck and towing vehicles. The edge of the site provides expansive laydown and rest areas – a rare offering along the east coast. Approximately 90,000 vehicles pass the sites daily, and it is leased to Ampol until 2044.

Ratings / Awards

Fund and portfolio overview

ONE OF AUSTRALIA'S LEADING AND LONGEST CONTINUING COMMERCIAL REAL ESTATE FUNDS

Australian commercial property portfolio
- Seven Australian commercial properties – geographically diverse
- No listed, overseas, residential, properties under development
- Capital value underpinned by real assets 'bricks and mortar' that we estimate would cost 15 – 20% more to rebuild than what the valuations represent
- >85% of portfolio is retail – serving Australia's daily needs

Leased to some of Australia's best-known companies
- Ampol, Woolworths, Coles, ALDI, Metcash
- Strong 'non-discretionary' spending exposure

Strong property portfolio metrics
- Income security: weighted average lease expiry of ~10 years
- Occupancy: 98.6% by income
- Modern assets: 76% of the portfolio (by value) redeveloped in past three years

Monthly cash distributions, minimal entry cost (no stamp duty)
- 7.2% pa based on 31 December 2024 unit price
- FY25 estimated tax deferred distribution percentage of 70%
- Buy / sell spread 0.50% (no material stamp duty entry costs)

Independently reviewed and researched
- 'Recommended' Lonsec rating

Investment performance track record
- 10.2% pa total return over the 10 years to December 2024
- Significantly better performance than many comparable funds over the 12 months ending 31 December 2024

Long established fund, 35-45% target gearing range
- 2006 inception date
- Supported by thousands of SMSF, private, and high net worth investors and their advisors
- Investment strategy focused on balance sheet preservation

Active, professional manager: ASA Real Estate Partners
- Specialised and experienced investment manager (former executives of APN Property Group (ASX:APD) and Dexus Group (ASX:DXS))
- Well-resourced and experienced team (over 90 years' experience)
- Independent responsible entity board

Note: Distributions and performance are not guaranteed, and past performance is not necessarily an indicator of future performance. Longer term performance assumes distributions reinvested. Distributions may include a capital component. Refer Important Information page.

Busselton Central, Busselton WA

ECONOMIC AND MARKET COMMENTARY

The Australian economy continues to experience modest growth, and although this is influenced by a variety of factors, the main driver of GDP remaining positive has been population growth. Whilst this has ensured Australia has avoided a technical recession, it has continued to place pressure on infrastructure, housing, and public services.

Inflation has moderated in recent quarters however is still slightly above the Reserve Bank's target range of 2-3% pa. The reduction can be attributed to the easing of global supply chain disruptions, stabilisation of energy prices (exacerbated by the Commonwealth Government's $3.5 billion energy bill relief scheme), and the impact of sustained higher interest rates by the RBA.

Consumer sentiment has remained below the neutral level of 100, which indicates prevailing pessimism among consumers. In August 2024, the Westpac–Melbourne Institute Consumer Sentiment Index stood at 81.0, and rose to 89.8 in October and further to 94.6 in November, reflecting a period of improving sentiment. However, this upward trend reversed in December, with the index declining by 2% to 92.8, and continued to dip by 0.7% to 92.1 in January 2025.

Despite weak consumer sentiment, quarterly retail sales to December rose 1.4%, largely driven by higher volumes of household goods (+3.7%). Electronic and furniture sales were strong, where hardware, building and garden supplies sales were relatively soft in the quarter.

One of the key drivers of overall economic activity and uncertainty across the globe however relates to the inauguration of President Trump. The President has quickly enacted a series of executive orders including the withdrawal from the Paris Agreement on Climate Change, recession of Diversity, Equity and Inclusion programs, and the proposed imposition of tariffs on steel and aluminium imports.

Although these orders are broadly consistent with the Trump election commitments, they are driving heightened volatility in global markets as investors seek to understand the implications on tensions and potentially ongoing policy unpredictability.

Retail Property Market

The retail sector has shown mixed performance, with non-discretionary assets, such as grocery-anchored centers, outperforming discretionary-focused properties. Rising wages and government cost-of-living measures have supported household spending with December (up 0.4%) marking the third consecutive month of higher spending. Dining out and air travel reported increases, whereas clothing, footwear and accessories remained weak. The outlook for retail remains resilient, with sound fundamentals including population growth fuelling consumer demand and retail spending; limited new retail supply, leading to increased competition for and capital growth in existing assets; and potentially more accommodating interest rate settings that will support consumer confidence and investor demand.

Industrial Property Market

The industrial property sector has been driven by continued demand for logistics and warehousing spaces in last 5 years, which has taken rents to record highs. The sector, however, is now experiencing high levels of new supply in select markets and national vacancy has risen from 1.9% to 2.5%. All cities, with the exception of Perth, recorded take up (occupiers taking up new space) below the 10 year long run average. These indicators suggest occupiers have been reticent to occupy facilities at the same rate as prior periods, are baulking at asking rents, and potentially reducing their overall footprints at lease expiry or by sub-leasing.

Office Property Market

The office property market continues to face headwinds, particularly in larger CBD markets like Melbourne and Sydney, where vacancy rates remain elevated due to hybrid working trends. Melbourne's CBD office vacancy rate stands at 18.0% (Property Council of Australia) in January 2025, reflecting the highest level among major cities, while Sydney has seen improved demand for premium-grade spaces but struggles with demand for secondary-grade spaces. Prominent CBD office buildings along the east cost have traded a discounts as much as 30% to their peak value, and with more sellers than buyers, we do not anticipate this market to improve in the near-term. The DPF portfolio does not have any CBD office exposure.

PORTFOLIO AND ASSET MANAGEMENT

Portfolio Moving Annual Turnover (MAT) – the most commonly used retail sales metric has continued to grow strongly across the portfolio and now exceeds $300 million.

Leasing and active asset management initiatives undertaken throughout the quarter included:

- Busselton Central – sales through the Christmas period were strong, led by Readings Cinemas who were up 42% year-on-year with a substantial increase in 'Blockbuster' film content. Two new kiosks were leased and the Rockmans tenancy has been re-leased prior to vacating at a substantial increase to the passing rent.
- Blackburn Square – Foot traffic for the month of December grew 20% year-on-year. The Centre's fresh food base is performing superbly with Coles and Woolworths up 13% and 15% respectively on an MAT basis, and Saccas Fine Foods trading up 58%. The Centre is now 100% leased with the final Level 2 tenancy being leased to Melbourne based co-working operator Waterman Workspaces at a significantly higher rent than budgeted.
- Williamtown Defence and Aerospace Centre – two lease renewals were completed in late 2024 at an average 13% increase to passing rents. A Development Approval has been lodged for a new digital advertising board fronting Nelson Bay Road that will generate new revenue.
- Wyong Twin Service Centres - Refurbishment upgrade works continue to progress on site by Ampol but have been slightly delayed by required Development Consents. This has not impacted commencement of the increase in rent at the sites took place on 1 July 2024.
- Dog Swamp – Reconfiguration works to create a new external tenancy leased to a Bubble Tea operator and the re-location of two ATMs are now complete, and a new Indian Restaurant has now commenced trade.
- Balcatta – the sale of the asset is well progressed and we hope provide further detail on this transaction shortly.

Waterman Workspaces concept at Blackburn Square.

Illustrative image - DA lodged for new digital marketing screen at Williamtown Aerospace Centre.

Readings at Busselton Central December Sales 42% up.

BALANCE SHEET AND VALUATIONS

- In the December quarter, the fund revalued over 50% (by value) of the portfolio, which resulted in a ~$3.4 million increase in total valuation to $521.0 million. The change was largely driven by income growth and valuation uplifts at Blackburn Square ($7.0 million) and Dog Swamp ($1.5 million), which was partially offset by Williamtown (-$4.0 million) due to cap rate softening and Balcatta (-$1.2 million).

- In December $280 million of debt was refinanced, including the $100 million maturity that was scheduled for May 2025. DPF now has no debt maturities until December 2027. Throughout the refinance process ASA leveraged its relationships and engaged with six major financial institutions to extract the most competitive terms. The ultimate outcome has seen refinancing risks moved out to an average of 3.5 years, locks in lower debt line fees and margins, and provides greater covenant flexibility.

- As at 31 December 2024, the gearing level (ratio of borrowings to assets) is 50.6%, which remains beyond the upper end of the 35 – 45% target gearing range (as outlined in the Product Disclosure Statement for the Fund). Whilst we are taking active, measured steps to reduce the Fund's gearing to a more appropriate level, the funds Capped Withdrawal Facility (CWF) remains temporarily suspended.

- Providing investors liquidity remains a priority and any further changes to the CWF will be provided on the Fund's website www.asarep.com/dpf

Blackburn Square, Blackburn VIC

Williamtown Aerospace Centre, Williamtown NSW

Busselton Central, Busselton WA

PERFORMANCE AS AT 31 DECEMBER 2024

	3 mths %	1 yr %	Annualised 3 yrs %	5 yrs %	10 yrs %	Since inception %
Distribution return (cash)	1.79	5.90	5.55	6.90	7.45	7.77
Growth return	(0.59)	(3.01)	(5.53)	(0.49)	2.80	(0.01)
Total return	1.20	2.89	0.02	6.41	10.25	7.76
Benchmark total return	0.38	(6.38)	(2.57)	0.23	5.17	6.14
Total return over / (under) performance	**0.82**	**9.27**	**2.59**	**6.18**	**5.07**	**1.62**
Fund Cash Yield Benchmark	0.92	3.50	3.16	3.12	3.66	4.92
Fund Cash Yield Benchmark Met?	YES	YES	YES	YES	YES	YES

Inception date for performance calculations is 22 August 2006. Returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance. The Fund's Benchmark distribution return is 1% p.a. above the average Commonwealth Government 10-year bond yield calculated on a rolling basis over the previous five-year period. The Fund's Benchmark total return is the MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index.

CONTRIBUTION SUMMARY AS AT 31 DECEMBER 2024

The relative contribution of major variables on growth returns over the last quarter and year is as follows.

Contributor	3 mths %	1 yr %
Property revaluations	0.27	(1.26)
Interest Rate Swaps (realised and unrealised marked to market movements)	(0.58)	(1.41)
Performance fees	0.00	0.00
Other	(0.28)	(0.34)
Growth return (total)	**(0.59)**	**(3.01)**

Return calculations are based on actual distributions reinvested, which may vary slightly to the performance table illustrated above. Past performance is not a reliable indicator of future performance. Property revaluations are calculated in accordance with accounting standards and includes capital expenditure, lease incentives and/or commissions (both of which are amortised), this represents the increase/decrease from the property book value immediately prior to valuation. 'Other' may include: retained earnings during the period, swap break costs, estimated gains distributed, realised gains/losses on property, distributions from prior period retained earnings, realised gains/losses from unlisted property trusts and non-material movements.

FINANCIALS AND DEBT OVERVIEW

Financials ($m)	
Gross assets	528.1
Total debt	267.0
Other liabilities	2.4
Net assets	**258.7**

Debt	
Gearing (RG 46 ASIC definition)	50.6%
Loan-to-Value Ratio (LVR) (Financier's definition)	51.2%
Loan-to-Value Ratio Covenant (LVR) (Financier's definition)	60.0%
Interest Cover Ratio (ICR) (RG 46 ASIC definition)	2.06 x
Interest Cover Ratio (ICR) (Financier's definition)	2.27 x
Interest Cover Ratio Covenant (ICR) (Financier's definition)	1.50 x
Hedging (% of debt hedged)	67.4%

PORTFOLIO SUMMARY AS AT 31 DECEMBER 2024

Property Details	Lettable Area (sqm)	Tenancy Details: Major Tenant	Number of Tenants	Occupancy Rate (% by income)	WALE (years by income)	Valuation Details: Current Valuation ($m)	Valuation Date	Capitalisation Rate (%)	Book Value ($m)
INDUSTRIAL									
Balcatta, WA	9,992	IGA Distribution	2	100.0	1.9	17.5	Dec-24	6.00	17.5
Sub total			2			17.5			**17.5**
RETAIL									
Blackburn Square SC, VIC	17,577	Coles, ALDI, Woolworths	61	97.8	8.2	147.0	Dec-24	5.50	147.0
Busselton Central SC, WA	13,338	Coles	35	97.9	6.1	77.0	Aug-24	6.25	77.4
Dog Swamp SC, WA	8,076	Woolworths	34	97.1	5.5	56.0	Dec-24	6.25	56.1
Sub total			130			280.0			**280.4**
CONVENIENCE									
Wyong Service Centres (M1), Wyong, NSW	4,286	Ampol	2	100.0	19.5	176.0	Jun-24	5.50	176.1
Sub total			2			176.0			**176.1**
OFFICE									
Williamtown Aerospace Centre, NSW	7,557	Boeing	21	99.2	2.5	47.5	Dec-24	8.00	47.5
Sub total			21			47.5			**47.5**
OTHER									
Cash and other assets									6.5
Total Cash and other assets									**6.5**
Total (T) / Weighted Average (A)				**98.6 (A)**	**9.7 (A)**	**521.0 (T)**		**5.94 (A)**	**528.1 (T)**

Notes

1. Valuation Policy - Regular valuation of underlying property assets is an important aspect of managing the Fund. Valuations are conducted by qualified independent valuers in accordance with industry standards. We also have a policy of generally obtaining independent valuations on Fund direct properties each year and, for assets under development, within an 18-month period. Additionally, as part of our active management approach, we may test asset values on market. At times we may enter arrangements at arm's length with third parties which may impact the value of assets within the portfolio including, but not limited to, put and call options in respect of all or part of an asset within the portfolio. If the value of an asset is impacted in this way, the value may replace the last independent valuation obtained.
2. Weighted Average Lease Expiry (WALE) by gross rental income. Vacancies are valued at market income. Assets under development excluded.
3. A market capitalisation rate is the rate, expressed as a percentage, that reflects the likely yield a property will generate over the medium term. It has regard to a property's unique characteristics and is a measure of the property's risk/return profile with higher rates reflecting higher risk and its function is to convert a property's income into value. The market capitalisation rate is assessed by the independent valuer by dividing the stabilised net property income of the property or a portfolio of properties by the assessed valuation of the property or portfolio, excluding costs of acquisitions and fees.

IMPORTANT INFORMATION

Units in the ASA Diversified Property Fund ARSN 106 724 038 (Fund) are issued by ASA Funds Management Limited ABN 58 079 538 499 (ASAFM), AFS Licence No 234455 as responsible entity which has prepared this document. ASAFM's financial services guide is available at www.asarep/dpf or by calling us on the number below for a hard copy. You should read the FSG before deciding whether to obtain any financial services (including by investing in the fund) from us.

Information in this document is current as at 31 December 2024 (unless otherwise indicated) and is for general purposes only. Nothing in this document should be taken as general or specific financial advice, and this document has been prepared without taking account of any person's individual investment objectives, financial situation or particular needs.

Any investment, including an investment in the Fund, is subject to risk. If a risk eventuates, it may result in reduced distributions and/or a loss of some or all of the capital value of your investment. See the PDS for examples of key risks. Past performance is not a reliable indicator of future performance. Forward-looking statements in this flyer are provided as a general guide only. Capital growth, distributions and tax consequences cannot be guaranteed. Forward-looking statements and the performance of the Fund are subject to the risks and assumptions set out in the PDS. Distributions may include a capital component.

The information in this document does not purport to contain all information necessary for making an investment decision. In deciding whether to acquire, hold or dispose of units in the Fund you should obtain a copy of the current Product Disclosure Statement (PDS) and Target Market Determination (TMD) and consider whether the product is appropriate for you having regard to your objectives, financial situation and needs and seek appropriate professional financial and taxation advice before making any such decision. The PDS, AID and TMD for the Fund are available at www.asarep.com/dpf or by calling us on the number below. Past performance is not a reliable indicator of future performance. Investment decisions should not be made upon the basis of the Fund's past performance or distribution rate (if any), or any ratings given by a rating agency, since each of these can vary. In addition, ratings need to be understood in the context of the full report issued by the rating agency itself. This document is current at the time of publishing. This information is intended for recipients in Australia only. Not to be reproduced without permission.

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