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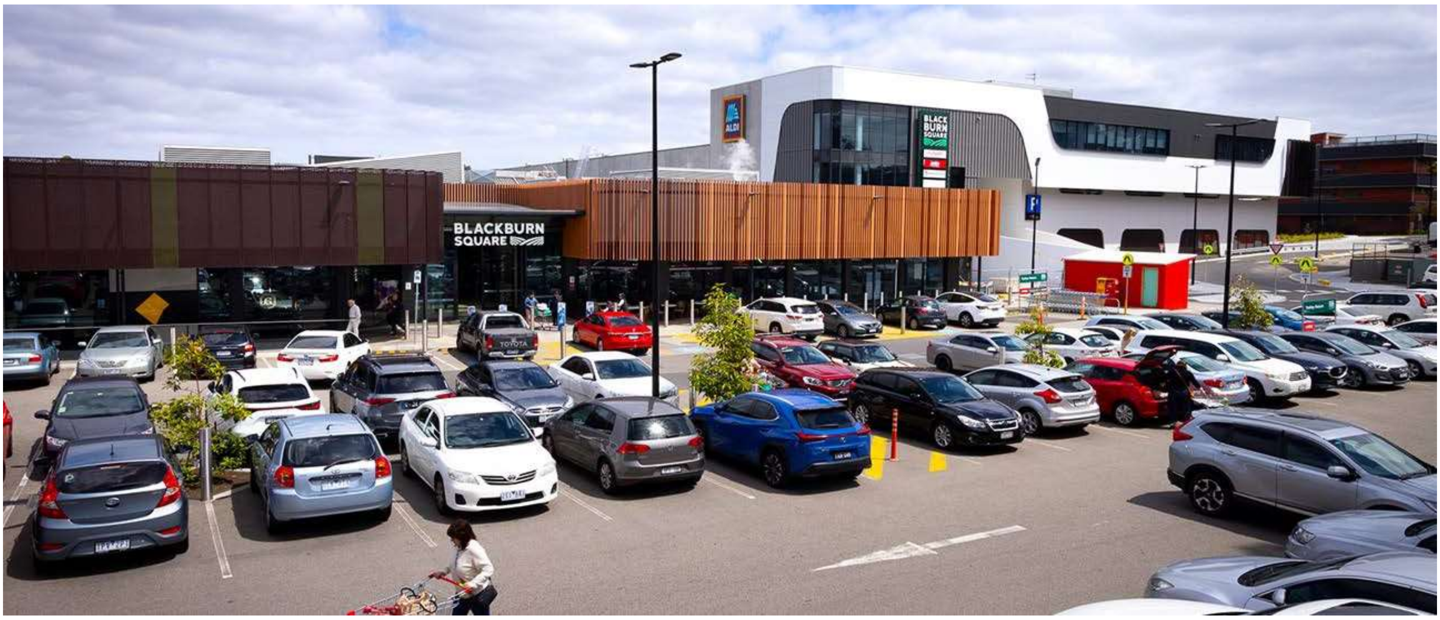
ASA Diversified Property Fund

Fund Update
30 June 2024 Quarter

Established in August 2006, the ASA Diversified Property Fund (Fund) holds 7 properties in New South Wales, Victoria and Western Australia. The Fund aims to deliver a stable income stream with the potential for capital growth.



Blackburn Square Shopping Centre

Fund Facts as at 30 June 2024

Gross Asset Value	Unit Price	June Quarter Distributions~
$538.99m ($529.05m at 31 March 2024)	**$1.0601** exit price (cum distribution)	**1.26 cents per unit (CPU)** (1.26 CPU March 2024 quarter)
Gearing Ratio	**Portfolio Occupancy**	**Weighted Average Lease Expiry (WALE)**
49.2% (46.9% at 31 March 2024)	**98.4%** (by income)	**10.2 years** (by gross rental income)

~ distributions are paid monthly

Ratings / Awards

Recommended
Lonsec Research

Performance as at 30 June 2024

	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	10 yrs % p.a.	Since inception % p.a.
Distribution return	1.23	4.64	5.35	6.92	7.06	7.54	7.81
Growth return	1.70	(4.66)	(3.22)	0.50	1.94	3.33	0.31
Total return	2.93	(0.02)	2.13	7.42	9.00	10.87	8.12
Benchmark distribution return	0.84	3.26	3.03	3.11	3.34	3.75	4.94
Benchmark total return	(4.56)	(10.35)	(0.40)	0.82	3.25	5.67	6.33

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 30 June 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	1.08	(0.32)
Interest Rate Swaps (realised and unrealised marked to market movements)	0.37	(0.09)
Unrealised gains/losses on investments in listed/unlisted trusts	0.00	0.00
Performance fee	0.00	0.00
Other	0.25	(4.25)
Growth return	**1.70**	**(4.66)**

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.

Key portfolio statistics as at 30 June 2024

Geographical allocation (by value)

State	No. assets	%
NSW	3	42.95
WA	3	30.27
VIC	1	26.78
Total	**7**	**100.00**

Sector allocation (by value)

Sector	No. assets	%
Retail	3	53.51
Convenience	2	33.23
Office	1	9.73
Industrial	1	3.54
Total	**7**	**100.00**

Top 5 tenants (by income)

Tenant	%
Ampol	27.49
Coles	8.90
Woolworths	7.50
Boeing	3.33
ALDI Foods Pty Ltd	2.98
Total	**50.20**

Property data

Number of properties	7
Total number of tenants	155
WALE (by income)	10.2 yrs
Occupancy rate (by income)	98.4%

Financials

	$m
Gross assets	538.99
Total debt	265.00
Other liabilities^	3.10
Net assets	**270.89**

^ Other liabilities include a provision for the distribution.

Debt

Gearing (RG 46 ASIC definition)	49.2%
Loan-to-Value Ratio (LVR) (Financier's definition)	50.3%
Interest Cover Ratio (ICR) (RG 46 ASIC definition)	1.74 times
Interest Cover Ratio (ICR) (Financier's definition)	2.05 times
Hedging (% of debt hedged)	67.9%

Valuations

Valuations during the quarter	1
Change in total direct property book value	3.8%
Change in book value of the properties revalued	13.1%

* Change in book value over the quarter includes revaluation impacts along with capital expenditure and other minor variations but excludes acquisitions and disposals.

Market commentary

The final quarter of the financial year saw the prior optimism for imminent interest rate cuts dissipate as stronger than anticipated employment and inflation data imply that interest rates are expected to remain higher for longer than previously anticipated. In Australia, the monthly CPI (inflation) print for May 2024 came in at 4.0%, well above the 3.6% recorded in April 2024 and above the Reserve Bank of Australia's (RBA) 2-3% target range. As a result, despite Canada, the European Central Bank and Switzerland having started to cut interest rates, the US and UK indicating they are likely to follow this path imminently, Australia now appears as though it will be later to arrive to the interest rate cutting party.

At its June 2024 meeting the RBA left the cash rate unchanged at 4.35% noting upside risks to inflation levels despite current cost of living pressures. Based on the May 2024 inflation data released after the RBA meeting, such concerns appear to have been well founded, albeit whether this will cause the RBA to further increase rates remains to be seen. While reducing current inflation levels remains paramount for the RBA, the performance of the Australian economy remains weak with gross domestic product (GDP) rising just 0.1% in the first quarter of 2024, notably below the RBA's own annual estimate of 1.3% GDP growth in 2024, released in May 2024. Further, if GDP is considered on a per capita basis thus reflecting current population growth, Australia's GDP shrank for the fifth consecutive quarter to March 2024. Thus, while the current elevated inflation level will continue to be a concern for the RBA at its next meeting, the composition of the inflation data and pressures on the broader economy make it a fine line to tread on the appropriate course of action.

Research data from Jones Lang LaSalle (JLL) indicates continuing high vacancy levels in the office property sector, despite positive net absorption (that is, where take up of office space is higher than the amount of office space becoming vacant) noted in four of the six major CBD office markets. This was led by Perth and Sydney CBD markets however Adelaide and Brisbane CBD markets continued to demonstrate respectable demand with leasing activity from education related tenants noted in both markets over Q2 2024. The Melbourne CBD office market was the worst performer for the quarter and reflects the highest vacancy level of all the CBD Markets at 19.6%, comfortably above the national CBD office vacancy rate of 15.4% (JLL). Elevated vacancy levels continue to support high tenant incentive levels in most markets which, despite rising face rents, has impacted the ability to generate underlying effective rental growth. Brisbane CBD has however been a notable outlier, recording net effective rental growth of 17.3% over the last 12 months as the average market vacancy rate reduced to 10.3% assisting a decline in required incentive levels. While vacancy rates remain a challenge for owners of CBD offices, development feasibility pressures should assist in containing the amount of new competing office space being delivered. Forecast office developments for FY24-27 are expect to be down 31% on the five-year average (Oxford Economics).

Industrial demand continues to normalise from prior peaks as the sector unwinds from the COVID-19 induced exuberance and tenants respond to current inflationary cost pressures. Supply levels have reacted to the elevated demand that has been seen in the sector, however this continues to lag requirements and as a result, the national vacancy level remains historically low, averaging 1.9% (CBRE). Despite slowing from a peak annual growth of 24.5%, limited industrial space availability continues to support further upward pressure on rents with JLL reporting that national prime industrial weighted average face rents grew 16.2% year on year to June 2024. Current growth remains strong particularly in South Sydney and South-East Melbourne submarkets which recorded quarterly rental growth rates of 5.0% and 8.8% respectively.

Non-discretionary retail property has continued to perform strongly over the quarter with major supermarket retailers reporting continuing sales growth over the March 2024 quarters and relatively strong demand continuing for convenience based retail properties.

More generally, following disappointing results in March and April, Australian retail sales rebounded in May 2024, increasing 0.6% month on month or 1.7% annually (ABS), well above market expectations. Sales were boosted by retailers bringing forward end-of-financial year sales events as consumers remain heavily cost conscious against persistent cost of living pressures. Rising real wages and ongoing population growth continue to support the sector while the potential benefit from updated Federal Stage Three tax cuts is also expected to assist in alleviating some of the financial burden on consumers. However, despite overall improved sales levels, discretionary spending remains challenged with clothing, footwear and accessories categories down 0.2% year on year, while department store spending fell 1.7% over the same period. Positively, shopping centre occupiers are now better positioned to weather such moderation in sales levels with occupancy cost ratios having rebased (as tenant sales have increased versus pre-pandemic levels while rents have reset) from pre-pandemic highs to more sustainable operating levels. The Retail sector continues to attract investor interest, with transactions predominantly focused on small to mid-sized malls and neighbourhood retail centres with a strong trading history.

Against the backdrop of a 'higher for longer' interest rate environment, it appears that the buyer-seller pricing mismatch for commercial property is continue to persist with lower overall transaction volumes. Despite being much maligned, recent activity has been notable in the office property sector which has seen several office landlords trimming CBD portfolios, albeit in some instances at notable discounts to prior valuations. Such transactional activity assists to strengthen the broader asset valuation process, which has continued to see carrying values come under pressure as valuers adjust their assumptions as the latest data points become available. Whilst the largest value declines to date have been concentrated on those CBD and metropolitan office properties with occupancy and capital expenditure concerns, weakening valuation movements have been experienced across most property classes, albeit to varying degrees. As such, given the cyclical nature of investment markets and the challenges experienced over the last 24 months as low interest rates unwind, buying opportunities are starting to emerge, particularly for those acquirers less exposed to current high-cost debt markets.

Australia continues to remain a favourable investment destination within the Asia Pacific region for international investors, albeit differing tax regimes are impacting this at an individual State level, with Victoria doing its best to be less popular with investors. Over the short term, several real estate sectors will continue to be supported by Australia's ongoing population growth while elevated construction costs should also help to mute any potential supply issues more broadly. Despite the anticipated timing of possible future rate cuts now appearing to drift further out, interest rates are anticipated to eventually move lower (Bloomberg), providing a potential tailwind for property markets moving forwards.

Portfolio activity for this quarter

Management transition to ASA Real Estate Partners

On 28 June 2024 ASA Real Estate Partners completed the acquisition of the Responsible Entity of the Fund, as outlined in unitholder correspondence earlier in the year. Jonathon Senior (Fund Manager) and Matt Mitchell (Senior Asset Manager) have transitioned their roles to ASA. As part of the management transition a review of the Fund's Registry Services provider was undertaken, and a new provider was appointed. This change was predominantly undertaken to reduce the cost of the registry, whilst also increasing the service offering.

For further information on ASA Real Estate Partners, its track record, experience and capabilities, please refer to www.asarep.com or contact us on the details below.

Property Valuations

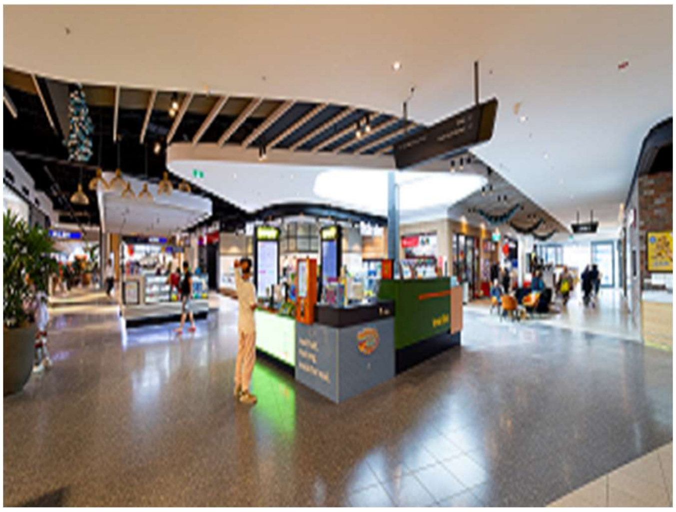
Wyong Twin Service Centres, NSW

During the quarter the Wyong Twin Service Centres were valued with a $2.9m increase in book value achieved. Strong rental growth from the underlying leases more than offset a marginal softening of the capitalisation rate from 5.38% to 5.50%.

Distributions

Ordinary cash payments from the Fund's regular income of 1.26 cents per unit were paid in the June 2024 quarter. As previously advised, from the July 2024 monthly distribution onwards the monthly payment to investors will be increased to 0.60 cents per unit with an estimated tax deferred component of 70%. This equates to 7.20 cents per unit per year and an approximate cash yield of 6.80% per year based on the 30 June 2024 unit price.

Busselton Central Shopping Centre



Blackburn Square Shopping Centre

Technology Place, Williamtown

Fund portfolio as at 30 June 2024

Property Details			Tenancy Details				Valuation Details			
Address	Note	Lettable Area (sqm)	Major Tenant	Number of Tenants	Occupancy Rate (% by income)	WALE (years by income)	Current Valuation ($m)	Valuation Date	Capitalisation Rate (%)	Book Value ($m)
Industrial										
6-8 Geddes Street, Balcatta, WA	-	9,992	IGA Distribution	2	100.0	2.4	18.65	Dec-23	6.00	18.73
Sub total				2			18.65			**18.73**
Retail										
Blackburn Square Shopping Centre, VIC	-	17,577	Coles & Woolworths	61	97.8	8.8	140.00	Nov-23	5.50	141.85
Busselton Central Shopping Centre, WA	-	13,323	Coles	35	96.2	6.4	86.00	Nov-23	6.00	86.81
Dog Swamp Shopping Centre, WA	-	8,076	Woolworths	34	97.0	6.0	54.50	Jan-24	6.13	54.79
Sub total				130			280.50			**283.45**
Convenience										
Wyong Service Centres, Wyong, NSW	-	4,286	Ampol	2	100.0	20.0	176.00	Jun-24	5.50	176.00
Sub total				2			176.00			**176.00**
Office										
1 and 2 Technology Place, Williamtown, NSW	-	7,557	Boeing	21	100.0	3.0	51.50	Feb-24	7.38	51.54
Sub total				21			51.50			**51.54**
Other										
Cash and other assets										9.27
Total Cash and other assets										**9.27**
Total (T) / Weighted Average				**155 (T)**	**98.37 (A)**	**10.2 (A)**	**526.65**		**5.85 (A)**	**538.99 (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.