

ASA Diversified Property Fund

FUND UPDATE 30 SEPTEMBER 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 and 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.



Fund and portfolio overview

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



Simple 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' approximately 15% below estimated replacement value
- >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 over 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)

- 7.10% pa based on 30 September 2024 unit price
- FY25 estimated tax deferred distribution percentage of 75%
- Buy / sell spread 0.50% (no material stamp duty entry costs)



Independently reviewed and researched

- 'Recommended' Lonsec rating



Investment performance track record

- 10.3% pa total return over the 10 years to September 2024
- Significantly better performance than many comparable funds over the 12 months ending 30 June 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 Dexu 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.



ECONOMIC AND MARKET COMMENTARY

The Australian economy continued to grow over the previous quarter, albeit at a slower rate (Australia reported 1.0% growth for the year to 30 June 2024 according to the ABS. Adjusted on a per person basis economic growth over this period was negative 1.4%. In part this reflects recently higher levels of inflation (up to 6.00 to 7.00% annual increases), which prompted the Reserve Bank of Australia from record low rates close to zero to 4.35%pa. Interest rate increases have negatively impacted consumer sentiment and recently inflation data indicates that price increases are now moderating. Markets are expecting interest rates to decrease or increase at a slower pace than was the case earlier in the year.

Commercial real estate and in particular, well-leased supermarket anchor retail properties have benefited from higher rental income (leases are typically linked to inflation or with fixed annual rental increases) and the replacement value of real estate has increased given the cost of constructing replacement assets is significantly higher. At the same time, higher interest rates affected the amount of liquidity in commercial real estate markets and the market's view that interest rates will be lower than previously expected is expected to increase liquidity and improve investment conditions. This includes by reducing the costs of borrowing, as well as decreasing the attractiveness of cash as an investment option for some investors as deposit rates come down.

Retail property has now largely demonstrated its resilience to the advent of online shopping, a test which was extended and compounded through the Covid 19 pandemic. Retail property rents were re-set across the market over this period, as were investment yields. As a result, ASA Real Estate Partners is a strong believer in the potential for retail properties of the type held by the Fund to deliver attractive and relatively strong risk adjusted returns, including consistent and relatively high cash distribution yields.

PORTFOLIO AND ASSET MANAGEMENT

- Moving Annual Turnover – the most commonly used retail sales metric – continued to grow at the recently completed redevelopments at Blackburn Square and Busselton. Of note Supermarket MAT across the retail portfolio rose strongly at an average of 15% year on year.
- Ongoing leasing and active asset management initiatives:
 - Busselton – opened Shaver Shop and Sportsgirl. Cinema turnover improved considerably from early 2024 when movie content was impacted by the 2023 Screen Actors Guild strike and resulted in limited new release offerings. This has also boosted the performance of the dining precinct.
 - Blackburn – Le Crois patisserie opened for trade; Jetts expanded their gym following overwhelming demand from their members; and a Visy container deposit scheme unit installed in the car park. All these initiatives drive foot-fall for the retailers and contribute additional revenue.
 - Williamstown Defence and Aerospace Centre – the increased commitment from the Federal Government to the adjacent RAAF base underpins the performance of this asset. Terms are agreed for two lease extensions at an average 13% increase in rent. A Development Application was also lodged for a new large format digital screen that will drive additional income.
 - Wyong Service Centre – the new rent commenced in July 2024, a 21% increase over the prior passing rent, and growing at CPI + 1% p.a. for the next 20 years. Refurbishment upgrade works continue to progress on site.
 - Dog Swamp – Reconfiguration works in progress to relocate two ATMs and add a new Bubble Tea offering. Longstanding vacant site now leased to a new Indian restaurant.
- As part of ASA's capital management initiatives to reduce gearing as a precondition to the reinstatement of liquidity, the Fund's property at Balcatta is being marketed for sale via an on-market campaign through leading WA industrial real estate agents.

BALANCE SHEET AND VALUATIONS

- As announced on 11 September (and available on the website), an Independent Valuation of Busselton was completed and resulted in a revised figure of \$77.0 million (a decrease of approximately \$9.95 million). The change was largely driven by lower income than anticipated in the development feasibility, and a 0.25% expansion of the cap rate to 6.25%. ASA has implemented multiple management changes to address the under-performance and capture value including the introduction of a new specialist retail leasing expert in WA.
- Engagement continues to refinance the \$100 million May 2025 debt maturity. ASA has leveraged their relationships and is engaging with six major financial institutions to refinance the expiring debt on competitive terms. We anticipate completing the refinance by December 2024.
- The Fund's gearing level (its ratio of borrowings to assets) is 50%, which remains beyond the upper end of the 35 – 45% target gearing range (as outlined in the Product Disclosure Statement for the Fund). As a result – and as communicated to investors on 8 August 2024 – the Capped Withdrawal Facility has been 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



PERFORMANCE AS AT 30 SEPTEMBER 2024

	Annualised					
	3 mths %	1 yr %	3 yrs %	5 yrs %	10 yrs %	Since inception %
Distribution return (cash)	1.65	5.10	5.43	6.88	7.47	7.78
Growth return	(4.94)	(6.84)	(4.57)	(0.26)	2.82	0.02
Total return	(3.29)	(1.74)	0.86	6.62	10.29	7.80
Benchmark total return	(0.59)	(9.46)	(1.26)	0.44	5.38	6.20
Total return over / (under) performance	(2.69)	7.72	2.11	6.18	4.91	1.60
Fund Cash Yield Benchmark	0.89	3.38	3.09	3.11	3.70	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 30 SEPTEMBER 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	(3.65)	(3.91)
Interest Rate Swaps (realised and unrealised marked to market movements)	(0.57)	(1.37)
Performance fees	0.00	0.00
Other	(0.72)	(1.56)
Growth return	(4.94)	(6.84)

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	527.7
Total debt	264.5
Other liabilities [^]	4.3
Net assets	258.9

Debt	
Gearing (RG 46 ASIC definition)	50.1%
Loan-to-Value Ratio (LVR) (Financier's definition)	51.1%
Loan-to-Value Ratio Covenant (LVR) (Financier's definition)	55.0%
Interest Cover Ratio (ICR) (RG 46 ASIC definition)	2.14 x
Interest Cover Ratio (ICR) (Financier's definition)	2.12 x
Interest Cover Ratio Covenants (ICR) (Financier's definition)	1.75 x
Hedging (% of debt hedged)	68.1%

PORTFOLIO SUMMARY AS AT 30 SEPTEMBER 2024

Property Details		Tenancy			Valuation Details					
	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										
Balcatta, WA	9,992	IGA	2	100.0	2.1	18.7	Dec-23	6.00	18.7	
Sub total			2			18.7			18.7	
RETAIL										
Blackburn Square SC, VIC	17,577	Coles, ALDI Woolworths	61	97.8	8.5	140.0	Nov-23	5.50	142.1	
Busselton Central SC, WA	13,338	Coles	38	97.8	6.2	77.0	Aug-24	6.25	77.3	
Dog Swamp SC, WA	8,076	Woolworths	37	97.0	5.8	54.5	Jan-24	6.13	54.8	
Sub total			136			271.5			274.1	
CONVENIENCE										
Wyong Service Centres (M1), NSW	4,286	Ampol	1	100.0	19.8	176.0	Jun-24	5.50	176.1	
Sub total			1			176.0			176.1	
OFFICE										
Williamtown Aerospace Centre, NSW	7,557	Boeing	20	99.2	2.7	51.5	Feb-24	7.38	51.6	
Sub total			20			51.5			51.6	
Cash and other assets									7.2	
Total Cash and other assets									7.2	
Total (T) / Weighted Average (A)				98.6 (A)	10.0 (A)	517.7 (T)		5.88 (A)	527.7 (T)	

Notes

- 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.
- Weighted Average Lease Expiry (WALE) by gross rental income. Vacancies are valued at market income. Assets under development excluded.
- 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 30 October 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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