

Fund overview

The APN Nowra Property Fund is a single asset, fixed-term, unlisted property fund established in November 2018. The property is located at 198 Princes Highway, South Nowra, New South Wales and comprises a large format retail building constructed in 2016. The Fund aims to provide a stable income profile whilst achieving moderate capital growth.

Manager's report

We hope all investors are keeping safe during these unprecedented times imposed as a result of COVID-19.

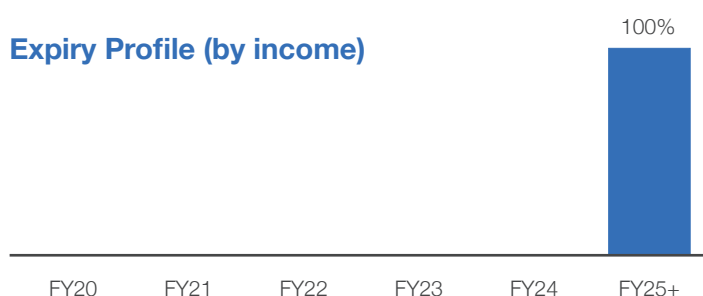
Since the start of March APN has implemented its established business continuity plan to ensure our business operates effectively despite the widespread disruption being experienced across the community. We have also been working closely with our tenants to ensure they are able to operate in an environment that is safe and in accordance with government requirements. APN's immediate priority is the health and wellbeing of its employees, tenants and other stakeholders.

Despite the current situation, the Fund remains well placed for the following reasons:

- The Fund derives all of its income from a secure lease covenant with Home Co. which is guaranteed by Woolworths Limited.
- There is 11.4 years remaining on Home Co.'s current lease.
- The sublease agreement between the centres' sole tenant, Home Co. and Bunnings Warehouse remains in place and is due to expire later this year. It is worth noting that this sublease arrangement has no impact on the income of the Fund.
- The asset was independently valued at 31 December 2019 which resulted in a 5.4% increase in value to \$25.5 million.
- Fund's total gearing is 41.3%, below the loan to value (LVR) covenant of 50%.
- The Fund's interest coverage ratio (ICR), which measures the Fund's ability to service its' debt obligations, remains strong at 4.2x, well above the 2.0x covenant.
- In order to protect the Fund against fluctuations in interest rates, 100% of the debt is hedged.
- Both the bank loan facility and hedge don't expire until March 2023, providing certainty over our financing requirements until that time.

The Fund will continue to deliver an income distribution of 8.00 cents per unit for the remainder of the financial year, in line with the forecast previously provided.

Expiry Profile (by income)



AT A GLANCE as at 31 March 2020

Net Asset Value (NAV)	\$1.1137 per unit
Unit price revaluation	Changes to Net Asset Value per unit are advised following the completion of the audited Annual and unaudited Half-Yearly financial reports
Property value	\$25.5 million
Borrowings (loan to value ratio)	41.3%
Weighted Average Lease Expiry (WALE)	11.4 years (by income)
Occupancy	100%
Fund commenced	8 November 2018
Fund maturity	7 November 2023 (5-year initial Fund term)
Annual distribution	8.00 cents per unit
Distribution yield to NAV	7.18%
Distribution payments	Monthly
Sector allocation (by value)	Large Format Retail: 100%
Geographic allocation (by value)	New South Wales: 100%



Historical unit values

For your reference, historical NAV per unit have been provided below.

Date	NAV per unit
31 March 2020	\$1.11
31 December 2019	\$1.12
30 September 2019	\$1.01
30 June 2019	\$1.02
31 March 2019	\$1.05
31 December 2018	\$1.05
8 November 2018	\$1.05

Tenant Profile (by income)



Total Fund Return

Since the fund inception in November 2018, investors have received a total return of 15.96%, comprising of 7.93% income and 8.03% capital growth.

Important distribution details / dates

Distribution payment	Accruing at the end of each month. Payment is made on the 10th day following month's end unless that day is a non-business day in which case the distribution will be paid on the following business day.
Distribution statement	Dispatched at the time of payment above.
Tax statement	Dispatched annually (by end of August).

APN Property Group

APN Funds Management Limited (APN FM) is a wholly owned subsidiary of APN Property Group Limited, an ASX listed company (ASX code: APD) that manages approximately \$3.1 billion (as at 31 December 2019) of real estate and real estate securities on behalf of institutional and retail investors. APN is an active investment manager with a concentrated focus on income and has been investing on behalf of its clients in commercial real estate since 1996.

Investment team members

- Tim Slattery** Chief Executive Officer
- Tom Forrest** Fund Manager, Unlisted Direct Property
- Jack Steger** Analyst



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