

FSREC Property Fund**Portfolio Update, Fund Distribution and Valuation Announcement**

Following the implementation of the FSREC Fund Merger on 23 December 2020, E&P Investments Limited, as the responsible entity for the FSREC Property Fund (Fund), is pleased to provide the following portfolio update, Fund distribution and valuation announcements.

Portfolio Update

Over the last quarter, the performance of the Fund's portfolio has continued to rebound strongly despite ongoing outbreaks of the COVID-19 pandemic. As of 31 December 2020, all retail centres in the portfolio were trading without lockdown restriction and therefore fully benefitted from the increased customer demand over the Christmas period. Portfolio occupancy remained stable at 98% and the portfolio weighted average lease expiry (WALE) at 4.4 years.

Leasing activity across the portfolio has been strong despite the headwinds of generally weaker economic activity. Over the six months to December 2020, the management team negotiated 48 leases, with over 60% agreed within the first quarter of FY21. Of the leases agreed, 26 were new leases with tenants and 22 were renewals. The strong leasing result is testament to the high performance of the portfolio's assets over the past year and the confidence that tenants have in the portfolio, as a result of FSREC's active asset management strategy. The increased leasing activity has also resulted in 32 new tenancy fitouts, aiding in improving the presentation of the assets to drive tenant demand, and increase customer visitations further.

Tenancy mix remains a high priority when negotiating leases with tenants, with our focus on essential and convenience uses. A key example of this over the quarter is at Oxford Village where a new lease was negotiated with a local butcher. The delivery of this tenant increases the assets exposure to grocery and service uses, a key Fund strategy, with the tenant delivering a high quality fitout in keeping with the asset and affluent demographic.

At 241 O'Riordan Street, Mascot a major lease renewal was signed with AbbVie over the quarter, an important deal given they are the second largest tenant in the building. Management have been working closely with all tenants in the building to assist with their returning to the office since government restrictions have eased, with building occupation increasing on a monthly basis.

Supermarkets continue to be one of the main beneficiaries of the pandemic. Deemed essential services, they have remained open for trade throughout, experiencing unprecedented customer demand and sales growth. Total supermarket sales increased by 6.4% across the portfolio for the year to 31 December 2020. This strong sales growth is attributed to a change in customer shopping habits as a result of the pandemic. Restrictions on non-essential businesses and increased preference by customers to shop at smaller neighbourhood centres have all contributed to improved performance and this is expected to continue whilst the pandemic persists.

Major projects have continued across the portfolio during the period, with the highlight being planning approval (subject to final conditions) for a new padsite development at Birkdale Fair in Queensland. There is an agreement for lease in place for a major food operator to take occupation once the development is complete, and the plans also include an upgrade of the car park layout to ensure it remains convenient for customers.

Energy efficiency upgrades have been progressing at Keilor Central with the installations of an embedded electricity network and 200kW solar system nearing completion. These upgrades will improve the operational and energy performance of the asset and deliver savings to unitholders in the long term.

Market Outlook

Whilst Australia has been recognised for its effective management of the COVID-19 pandemic, the macro-economic outlook for 2021 remains uncertain given the rising COVID-19 case numbers globally, new virus strains and the closure of international borders hampering domestic growth.

Fiscal and monetary policy in Australia has played an important role in supporting the economy to date and will continue to do so into 2021 in order to support employment and consumption. Retail sectors such as grocery and online retailers have greatly benefitted from the pandemic, whilst discretionary retail sectors such as apparel continue to be challenged.

The gap between property yields and government bond rates widened over the quarter to December 2020, continuing to underpin demand for commercial property as investors seek more attractive returns from the commercial property sector. Investor demand for retail assets continues to be strong, however buyers have become more discerning evidenced by transactions of secondary assets that failed to complete in 2020. Strong investor appetite for superior, non-discretionary based retail assets has resulted in a tightening of capitalisation rates for quality assets with long term leases to major supermarkets. Demand for metropolitan office assets also remains stable as investors have become more cautious towards CBD assets where rents and vacancy has increased and buildings are likely to see rent reversion to retain tenants.

Fund Distribution

Following the implementation of the FSREC Fund Merger on 23 December 2020, E&P Investments Limited is pleased to announce the first distribution for the FSREC Property Fund for the quarter ending 31 December 2020.

Distribution	1.67 cents
Record Date	3 February 2021
Expected Payment/Distribution Date	On or around 10 February 2021

This distribution represents an increase for all unitholders on their September 2020 distribution payments and is representative of the continued improvement of the portfolio.

Whilst trading conditions and sentiment continues to slowly improve, the outlook for 2021 still remains uncertain. The government's JobKeeper program and the National Code of Conduct have both been extended to 31 March 2021 providing the ongoing liability for landlords to provide tenant rent relief, however this liability has decreased significantly since the outbreak of the pandemic.

The Responsible Entity will continue to adopt a conservative approach to distributions and will assess the distribution for the 31 March 2021 quarter prior to the distribution date.

Asset Valuations

All 13 assets in the portfolio were independently valued as of 31 December 2020.

The unaudited value of the Fund's investment properties increased by \$9.7m to \$795.8m over the period to 31 December 2020. This equates to a 1.2% increase on the 30 June 2020 valuations.

The preliminary unaudited valuations by asset are provided below:

Asset	31 December 2020 Valuation	6-month valuation change (%)	31 December 2020 Cap Rate ¹
241 O’Riordan St, Mascot	\$149,000,000	0.8%	5.75%
Oxford Village	\$103,000,000	7.3%	6.00%
Toormina Gardens	\$86,000,000	0.0%	6.75%
Windsor Riverview	\$54,900,000	0.3%	6.00%
Marketfair Campbelltown	\$49,000,000	-4.9%	6.00%
Lake Innes Village	\$34,000,000	1.5%	6.25%
Newtown Central	\$30,000,000	0.0%	6.00%
Keilor Central	\$117,300,000	-0.2%	6.00%
Lynbrook Village	\$39,500,000	1.3%	6.25%
Northpoint S.C.	\$46,000,000	0.0%	6.25%
Noosa Village	\$34,000,000	3.0%	6.00%
Birkdale Fair	\$31,500,000	1.6%	5.75%
Hilton Plaza	\$21,600,000	7.5%	6.00%
Fund Total	\$795,800,000	1.2%	6.06%

¹ Weighted average fund capitalisation rate

Increases in asset valuations were predominantly due to the tightening of capitalisation rates, as well as income growth due to the portfolio’s strong leasing results. Assets which recorded declines on June valuations were primarily as a result of more conservative leasing assumptions adopted by valuers following the COVID-19 pandemic.

FSREC’s half-year results presentation for the Fund will be released in late February and the financial report for the period ending 31 December 2020 will be released in mid March.

This announcement may contain general advice. Any general advice provided has been prepared without taking into account your objectives, financial situation or needs. Before acting on the advice, you should consider the appropriateness of the advice with regard to your objectives, financial situation and needs.