

18 June 2021

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

E&P Investments Limited (ACN 152 367 649), as the responsible entity for the FSREC Property Fund (**Fund**), is pleased to provide the following portfolio update, distribution, and valuation announcement for the fourth quarter of FY21.

Portfolio Update

The portfolio performed strongly over the quarter, with trade and operations uninterrupted, except for the recent Victorian lockdown. Retail sales across the portfolio have continued to grow, and early evidence suggests that sales performance was unaffected by the end of the government's JobKeeper subsidy. Supermarkets in the portfolio recorded an average positive sales growth of 1.8% over the 12 months to 31 May 2021.

On 28 May 2021, the Victorian government announced a temporary lockdown of the state following an outbreak of COVID-19 in the community. Non-essential retail businesses were mandated to close for a period of two weeks, affecting trade for some tenants, however rent relief requests for this period are expected to be minimal given the short time frame and the high weighting in the portfolio to essential service based tenants that were able to maintain trade.

Leasing activity increased during the half with 29 leases negotiated, resulting in a positive leasing spread¹ of 1.2%. Portfolio occupancy and weighted average lease expiry (WALE) remained stable at 98% and 4.5 years.

Construction of the McDonalds padsite at Birkdale Fair is due to commence imminently, with completion and opening scheduled for mid-December 2021.

Market Outlook

Over the fourth quarter of FY21, the Australian economy continued to deliver good growth and outperform forecasts, underpinned by accommodative fiscal and monetary policy. Despite domestic growth being strong, COVID-19 continues to pose a risk globally with containment measures being reintroduced in some countries. As a result, the Reserve Bank of Australia announced on 1 June 2021, that monetary policy would remain unchanged to provide continued support to the economic recovery.

Concerns regarding inflation have been increasing, however the Reserve Bank of Australia expects this to be transitory and due to temporary supply chain issues rather than posing a long-term risk to the economy. Other measures of inflation such as wage growth remain subdued, with monetary policy held to support growing employment and wage growth.

The low interest rate environment continues to remain favourable for the performance of the commercial property sector, with commercial property continuing to provide attractive returns in comparison to certain other asset classes. Investor appetite for convenience-based retail assets continues to be strong, with several transactions completing during the quarter and providing some evidence for a firming in yields.

¹Leasing spread is defined as the difference between the new rent and the prior expiring rent on the same tenancy.

Fund Distribution

E&P Investments Limited is pleased to announce the following distribution for the quarter ending 30 June 2021.

Distribution	2.0 cents
Record Date	30 June 2021
Expected Payment/Distribution Date	On or around 2 August 2021

The distribution represents a 4.7% increase on the prior quarter. The increase in distribution is due to higher income for the final quarter of FY21, as well as a reduction in borrowing costs from the execution of the debt refinance in April.

The board will continue to remain prudent in its assessment of Fund distributions, with a view to provide sustainable distributions and long-term growth for securityholders.

Asset Valuations

All 12 of the retail assets in the portfolio were independently valued as of 30 June 2021. Excluding the Fund's Mascot office asset, the preliminary unaudited value of the Fund's retail properties increased by \$19.25m to \$666.05m over the period to 30 June 2021. This equates to a 3.0% increase in comparison to the 31 December 2020 valuations.

The value of 241 O'Riordan Street, Mascot has been determined as the contract price of \$151.5m (exclusive of incentives and disposal costs) following exchange of sale contracts with a purchaser.

The preliminary unaudited valuations by asset are provided below:

Asset	30 June 2021 Valuation	6-month valuation change (%)	30 June 2021 Capitalisation Rate
Oxford Village	\$110,000,000	6.8%	6.00%
Toormina Gardens	\$90,000,000	4.7%	6.60%
Windsor Riverview	\$55,500,000	1.1%	5.75%
Marketfair Campbelltown	\$49,300,000	0.6%	5.75%
Lake Innes Village	\$35,000,000	2.9%	6.00%
Newtown Central	\$30,250,000	0.8%	5.75%
Keilor Central	\$117,500,000	0.2%	6.00%
Lynbrook Village	\$43,000,000	8.9%	6.00%
Northpoint S.C	\$47,000,000	2.2%	6.00%
Noosa Village	\$34,000,000	0.0%	6.00%

Birkdale Fair	\$31,750,000	0.8%	5.75%
Hilton Plaza	\$22,750,000	5.3%	5.75%
Sub-Total Retail Portfolio	\$666,050,000	3.0%	6.01%
241 O’Riordan Street, Mascot	\$151,500,000 ²	1.7%	5.75%
Total Portfolio	\$817,550,000	2.7%	5.96%

² 241 O’Riordan Street will appear as a current asset held for sale on the balance sheet from 30 June 2021. The unaudited carrying amount (being contract price less incentives and disposal costs) is expected to be \$145.85 million.

Increases in asset valuations are due to income growth, capitalisation rate compression and a reduction in COVID-19 related adjustments. Overall, across the retail portfolio, the capitalisation rate compressed by 0.12% following the assessment of comparable transactions by the independent valuers.

Convenience based retail assets continue to be sought after by investors, having proven their resilience during the COVID-19 pandemic. With interest rates likely to remain low for the foreseeable future, we believe that the convenience retail sector is benefitting from an upward valuation cycle and has the potential for continued valuation growth in the future.

Sale of 241 O’Riordan Street, Mascot NSW

On 7 May 2021 the responsible entity announced that it had exchanged contracts for the divestment of 241 O’Riordan Street, with settlement scheduled for the later of 2 June 2021, or 12 business days after Foreign Investment Review Board (**FIRB**) approval being obtained.

Investors will be notified of the expected settlement timeline once FIRB approval is received. Once a settlement date is determined, an update in relation to capital management initiatives will also be provided.

This information has been prepared by E&P Investments Limited (Responsible Entity) (ACN 152 367 649, AFSL 410 433), as responsible entity for the Fort Street Real Estate Capital Fund I (ARSN 163 688 346), Fort Street Real Estate Capital Fund II (ARSN 169 190 498) and Fort Street Real Estate Capital Fund III (ARSN 605 335 957), together stapled to form FSREC Property Fund.

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