

9 December 2021

## FSREC Property Fund

### Portfolio Update, Fund Distribution and Valuation Announcement

E&P Investments Limited, as the Responsible Entity (**RE**) for the FSREC Property Fund (**Fund**), is pleased to provide the following portfolio update, distribution, and valuation announcement for the period ending 31 December 2021.

#### Portfolio Update

The portfolio performed well over the quarter, with trade and operations rebounding strongly following the end of government-imposed lockdowns and trading restrictions in New South Wales and Victoria, during October and November respectively. During the lockdown period, tenant rent relief was provided to many tenants who experienced material declines in turnover, however this was largely offset by government land tax rebates helping to mitigate the short-term impact to the Fund.

Whilst leasing activity has been slower through the lockdown period, management has seen strong enquiry following the end of restrictions with good momentum expected into next year. Retail sales across the portfolio have continued to grow with supermarkets in the portfolio recording average sales growth of 0.6% over the 12 months to 31 October 2021. Portfolio occupancy and weighted average lease expiry (WALE) remained stable at 98% and 4.5 years respectively.

In late October, Toormina Gardens was at the centre of a significant hailstorm which substantially damaged the centre's roof and air conditioning equipment, including extensive flooding of several tenancies within the centre. The centre was immediately closed, and whilst the supermarkets and a number of speciality tenants were able to reopen quickly, it is not expected to have all tenants open and trading again, and the damage fully remediated, for several months. Management has been in close dialogue with the Fund's insurers, and it is expected that all damage and the lost rent resulting from the hailstorm will be covered by insurance. The extent of and time required to complete the works will impact the time taken to lease the centres remaining vacancies and may impact the Fund's growth potential in the near term. We are working with major and specialty tenants to make sure they are ready to reopen once the remediation works are complete.

Construction of the McDonalds pad site at Birkdale Fair was completed during the quarter, with opening scheduled in January 2022.

#### Fund Distribution

E&P Investments Limited is pleased to announce the following distribution for the quarter ending 31 December 2021.

Distribution	2.0 cents per stapled security
Record Date	31 December 2021
Expected Payment/Distribution Date	On or around 4 February 2022

The distribution is in line with the September 2021 quarter, reflecting slower leasing activity through the lockdown period and the damage to Toormina Gardens.

The RE 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 properties in the portfolio have been independently valued for 31 December 2021. The preliminary unaudited value of the Fund's retail properties increased by \$20.45m to \$686.5m over the period to 31 December 2021. This equates to a 3.1% increase in comparison to the 30 June 2021 valuations.

Excluding the negative valuation impact of the hailstorm damage on Toormina Gardens, which reduced by 2.8% mainly due to a longer period to lease vacancies during insurance remediation works, the Fund's remaining properties increased by 4.0% in comparison to the 30 June 2021 valuations.

The preliminary unaudited valuations by asset are provided below:

Asset	31 December 2021 Valuation	6-month valuation change (%)	31 December 2021 Capitalisation Rate
Oxford Village	\$113,500,000	3.2%	5.75%
Toormina Gardens	\$87,500,000	(2.8%)	6.50%
Windsor Riverview	\$56,500,000	1.8%	5.75%
Marketfair Campbelltown	\$49,500,000	0.4%	5.50%
Lake Innes Village	\$37,000,000	5.7%	5.75%
Newtown Central	\$31,500,000	4.1%	5.50%
Keilor Central	\$123,500,000	5.1%	5.75%
Lynbrook Village	\$46,000,000	7.0%	5.75%
Northpoint S.C	\$47,500,000	1.1%	6.00%
Noosa Village	\$36,000,000	5.9%	5.75%
Birkdale Fair	\$34,500,000	8.7%	5.50%
Hilton Plaza	\$23,500,000	3.3%	5.50%
<b>Total Portfolio</b>	<b>\$686,500,000</b>	<b>3.1%</b>	<b>5.81%</b>

Increases in asset valuations are largely due to income growth and capitalisation rate compression. Overall, across the retail portfolio, the capitalisation rate compressed by 0.2% following an assessment of recent sales in the market by the independent valuers.

Convenience based retail assets continue to be sought after by investors, having proven their resilience through the challenges of the past two years. Convenience retail continues to provide attractive risk adjusted yields relative to other asset classes, providing the potential for continued valuation growth in the future.



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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