

Australian Property Fund Announcement

19 JUNE 2020

The Australian Property Fund aims to provide investors with income and long-term capital growth by investing in the Wholesale Australian Property Fund (the Fund).

The following update is for the Wholesale Australian Property Fund.

Wholesale Australian Property Fund update

The Wholesale Australian Property Fund is currently open to applications and withdrawals. The Specified Withdrawal Date for redemptions received from 17 March - 15 June 2020 (under the revised terms communicated in April) has now closed.

As previously disclosed, the Fund currently has \$465 million in available liquidity and is expected to meet all current redemptions in full on the due dates being 6 August 2020 and no later than 14 March 2021. The first payment will clear approximately 50% of the Fund's outstanding redemptions.¹ This will be funded from a combination of AREITs and existing credit lines, with debt anticipated to rise towards the top of the target band of 0-15%. The interest rate on this debt is currently 1.30%.

In the last six weeks, we have seen emerging certainty and stability at a macro economic and fund level:

- **Withdrawals** – after elevated withdrawals in March and April, the underlying level of redemptions appear to have stabilised in May and the first half of June.
- **Valuations** – valuations have rebased, with the portfolio draft valuations for June 2020 showing an increase at the portfolio level and each of the sectors (retail, office and industrial) was either flat or positive compared to 31 May 2020. The average capitalisation rate is now 490 basis points higher than the Australian government 10-year bond rate, which is a historically large spread. Valuations will now be updated quarterly, rather than monthly.
- **AREITs** – in the quarter to date the A-REIT portfolio has returned 19.5%.
- **Tenants** – nearly all tenants that closed during the crisis have now re-opened and foot traffic has rebounded. The Fund's retail portfolio that is anchored by supermarkets, fresh food and essential services has proven relatively resilient with the quality of the centres and management teams an important factor.
- **Leasing** – in the office and industrial portfolio important negotiations are again progressing after a period of delay. Renewing tenants ahead of lease expiry will be a focus in Q3/2020, with a number of key negotiations in an advanced state.
- **Returns** – the Fund is paying a fixed distribution of 1.81 cents per unit per quarter for all of 2020 which equates to a yield of 5.83% as at 31 May 2020. Looking forward, the Fund is expected to continue to pay regular distribution and deliver long-term capital growth.

As we continue to see ongoing stability, our priority is to ascertain the appetite to support the Fund from investors and other key stakeholders including platform providers and researchers. Broad based support may enable the Fund to return to normal sooner than anticipated. We will continue to provide investors with regular monthly updates and thank you for your ongoing support. For further information please contact AMP Capital on 131 737 or visit www.ampcapital.com.

Important note: Neither the responsible entity of the Wholesale Australian Property Fund (Fund), National Mutual Funds Management Ltd. (ABN 32 006 787 720, AFSL 234 652), AMP Capital Investors Limited (ABN 59 001 777 591, AFSL 232 497) (AMP Capital), nor any other company in the AMP Group guarantees the repayment of capital or the performance of any product or any particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance. While every care has been taken in the preparation of this document, AMP Capital makes no representation or warranty as to the accuracy or completeness of any statement in it including, without limitation, any forecasts. This document has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives, financial situation or needs. An investor should, before making any investment decisions, consider the appropriateness of the information in this document, and seek professional advice, having regard to the investor's objectives, financial situation and needs. Investors should read the current Product Disclosure Statement available from AMP Capital before making a decision about whether to acquire, or continue to hold or dispose of units in the Fund.

¹ Approximately 50% of withdrawal requests submitted were for amounts which represented less than 20% of the unit holder's investment balance.