15 February 2017

STRONG HALF YEAR RESULTS DEMONSTRATE VALUE OF ACTIVE PORTFOLIO MANAGEMENT

Aventus Retail Property Fund (ASX: AVN) (the Fund) today announced its results for the half year ended 31 December 2016.

FINANCIAL HIGHLIGHTS

> Funds from Operations (FFO) of $34.6m[1] or 8.8 cents per unit is consistent with guidance[2]
> Distribution of 7.8 cents per unit, representing a payout ratio of 90% of FFO
> Net Tangible Assets (NTA) per unit of $2.10, an increase of 8 cents or 4% over NTA at Jun 16
> Gearing of 35%, within the target range of 30% - 40%
> Distribution reinvestment plan activated (Sept 16 quarter)

PORTFOLIO HIGHLIGHTS

> Increased occupancy of 98.0%, a 30 bps improvement (Jun 16: 97.7%)
> Substantial reduction in FY17 lease expiries to 5% (Jun 16: 12%)
> Weighted Average Capitalisation Rate (WACR) across the portfolio has compressed to 7.40% (Jun 16: 7.53%)
> Fair value gains resulting from revaluations increased the value of the portfolio by $25.1 million with the total portfolio value increasing to $1.3 billion
> Record half with 67 leases negotiated over a total GLA of 55,000 sqm with low incentives and positive leasing spreads
> Weighted Average Lease Expiry (WALE) of 4.3 years by gross income (Jun 16: 4.1 years)
> Continued diversification of the tenant base with the single largest category of non-household goods increasing to 34% of the portfolio by GLA (Jun 16: 33%)
> 85% of all leases in the portfolio have annual fixed (predominately 3% – 5%) or CPI increases
> High exposure to a diverse mix of national retailers, comprising 84% of the portfolio by GLA with the majority listed, and no single tenant exposure by income exceeding 11% of the portfolio

CONSOLIDATION OPPORTUNITIES

The Fund settled on a 55,840 sqm development site opposite Tuggerah Super Centre in NSW in July 2016. This site increases the Fund's land holding in Tuggerah to 127,410 sqm, enhancing the Fund's control of the precinct and providing future development and expansion opportunities.

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[1] For the 6 months ended 31 Dec 16

[2] Full year FY17 earning guidance is FFO of 17.5-18.0 cents per unit

The Fund is the largest pure-play large format retail (LFR) owner in Australia and is well-positioned to participate in the consolidation of a sector which remains highly fragmented. The Fund will continue to have a disciplined approach to future acquisitions.

PORTFOLIO VALUATIONS

During the period, six independent and nine internal valuations were conducted, taking into account annual rent increases, market rent reviews, completion of a number of asset management and development initiatives, as well as reductions in capitalisation rates. Fair value gains of $25.1 million, resulting from property revaluations across the portfolio, lifted the total portfolio value to $1.3 billion. As a result of these revaluations, the WACR of the portfolio tightened to 7.40%, compared to 7.53% as at 30 June 2016.

DEVELOPMENT PIPELINE

The centres in which developments have been recently completed performed strongly over the period, including Peninsula Home in Victoria and Tuggerah Super Centre in NSW. These centres are both 100% occupied and have experienced a significant increase in customer traffic. The expansion at Belrose Super Centre has been completed, on time and on budget. The additional 2,263 sqm of retail area, built on the existing rooftop carpark, is scheduled to open for trade in March 2017 and is fully leased to two national retailers, Barbeques Galore and Focus on Furniture.

In addition, two other important developments are underway. Firstly, the repositioning of the former Bunnings tenancy at Sunshine Coast Home in Queensland has commenced, with national retailers Super Amart and Sheridan pre-committing to 84% of the tenancy. Secondly, the first child care facility in the portfolio at Cranbourne Home in Victoria is due to commence construction this quarter.

The portfolio still contains a number of development opportunities, as it covers 1.2 million sqm of land nationally with a low average site coverage of 41%. The medium term development pipeline has been enhanced with development opportunities identified at three of the five centres acquired in May 2016 as part of the Blackstone portfolio, and by development approvals obtained for four other developments during the period.

During the period Woolworths announced the closure of Masters, including a tenancy at Cranbourne, which is the only Masters tenancy in the portfolio. The tenant continues to pay rent under the lease which has 13.8 years left of its term, with Woolworths as guarantor. The Fund is currently assessing its options with respect to determining a long-term solution for this tenancy.

FINANCIAL MANANGEMENT

The Fund's result for the half year ended 31 December 2016 is a profit of $64.3 million. The FFO was $34.6 million or 8.8 cents per unit. The profit for the current period includes fair value gains on investment properties of $25.1 million and contributions for the entire half year period from acquisitions, including the Blackstone portfolio acquired in May 2016.

During the period, the distribution per unit was 7.8 cents per unit, representing a payout ratio of 90% of FFO which is within the Fund's policy of distributing 90% - 100% of FFO. The distributions are cash covered on an AFFO basis to ensure distribution growth is sustainable. The Fund is expected to continue to pay distributions on a quarterly basis.

CAPITAL MANAGEMENT

The gearing of the Fund reduced slightly to 35% and remains within the Fund's target range of 30% - 40%. Approximately 51.6% of the Fund's debt is hedged to minimise interest expense volatility.

Over time, the Fund will seek to diversify and also lengthen its debt book to maintain a disciplined and flexible balance sheet.

DELIVERING ON STRATEGY AND OUTLOOK

Darren Holland, CEO of Aventus Property Group, said, "The focus for the last six months has been on integrating the Blackstone portfolio acquired in May 2016 and on driving overall portfolio performance.

We have managed lease expiries by completing a record number of leasing deals, continued to optimise the tenancy mix to diversify our income sources and energised our centres, all of which underpin our solid results for the half year."

"Driving our development opportunities has seen the successful re-positioning of Tuggerah Super Centre and expansion of Peninsula Home, enhancing the shopping experience, weekday visits and centre ambience. Foot traffic has increased significantly, at both these centres, delivering more customers to retailers."

"A valuable consolidation opportunity was secured in July 2016 when the Fund settled on a large development site opposite our existing centre at Tuggerah. This further strengthens our position in this growing retail precinct."

"As a result of consistently and successfully executing our strategy, we are pleased to confirm our FY17 FFO guidance of 17.5 – 18.0 cents per unit. This guidance equates to a distribution forecast of 15.8 – 16.2 cents per unit based on a payout ratio of 90% of FFO" concluded Mr Holland.

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Further details on the performance of the Fund are provided in the Appendix 4D accompanying this release and the half year investor presentation.

As was previously notified, an investor and analyst briefing teleconference call, followed by a question and answer session, will be held on 15 February 2017 at 11:30am AEST.

Investors and analysts wishing to participate should dial 1800 123 296 (from within Australia) or +61 2 8038 5221 (from outside of Australia) and ask to join the Aventus Retail Property Fund December 2016 Half-Year Results Investor Presentation (conference ID number 5493 5899).