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30 May 2017

AVENTUS ENHANCES PORTFOLIO WITH ACQUISITION OF TWO SYDNEY LARGE FORMAT RETAIL CENTRES FOR \$436M AND LAUNCHES \$215M ENTITLEMENT OFFER

Aventus Capital Limited (the **Responsible Entity**) as responsible entity for Aventus Retail Property Fund (**AVN** or the **Fund**) today announces that it has entered into an unconditional agreement to acquire two large format retail (**LFR**) centres located in metropolitan Sydney, in Castle Hill and Marsden Park (**Acquisition**) for \$436 million.

The features of the Acquisition portfolio are:

- > strategically located in attractive catchments of metropolitan Sydney and will make the Fund the largest LFR landlord in Sydney¹, a key east coast market for the Fund
- > increases the quality of the Fund's portfolio with the Acquisition centres located in growth corridors with significant infrastructure and residential projects underway and planned
- > potential for operational synergies and leasing leverage, with the Acquisition centres having an approximately 80% retailer overlap with the existing portfolio
- > steady and secured rental growth with 93% of leases at the Acquisition centres having fixed or CPI annual rent increases² and 89% national or chain retailers including Harvey Norman, Nick Scali, Toys R Us, and Freedom³
- > potential for future development of Home Hub Castle Hill to add up to 15,000 sqm of additional GLA (circa 30% increase over existing GLA) in the medium term⁴
- > a weighted average capitalisation rate of 5.60% and a value of \$6,069 per sqm of GLA that is supported by independent valuations

Together with the Acquisition, the Responsible Entity is undertaking an underwritten⁵ 1 for 4.3 accelerated non-renounceable entitlement offer of units in the Fund (**Units**) at a fixed issue price of \$2.32⁶ per Unit to raise \$215 million (**Equity Raising**). Proceeds from the Equity Raising will be used to partially fund the Acquisition⁷, with the balance funded through a \$300 million increase in the existing debt facility.⁸

Aventus Property Group CEO Darren Holland said, "The acquisition is highly strategic as it improves the quality of the Fund's portfolio and will make AVN the largest LFR landlord in Sydney¹. We are excited about the opportunities for growth associated with this acquisition as it will enable us to extract operational synergies, add value through active management as well as offer our tenants an even larger portfolio of key retail locations. On completion, the Fund will own a significant and diversified portfolio of 22 LFR centres, with over 546,000 sqm of tenancies, on a total site area of over 1,250,000 sqm and valued at over \$1.8 billion."

¹ By number of LFR centres that are multi-tenanted and larger than 10,000 square metres

² By gross income as at 30 April 2017 (excluding rental guarantees and including Heads of Agreement)

³ By GLA as at 30 April 2017 (including Heads of Agreement)

⁴ Source: Urbis. A DA for a rooftop development of Home Hub Castle Hill has been previously approved by Council.

⁵ The Equity Raising will be underwritten other than in respect of the commitments received from entities associated with Brett Blundy and Ray Itaoi as set out on page 2.

⁶ New Units issued under the Equity Raising prior to the 4Q17 ex-distribution date will be traded on ASX under a separate code as the new Units will not be entitled to the estimated 4Q17 distribution of approximately 4 cents per Unit. New Units issued under the institutional and Early Retail Offer components of the Equity Raising will be issued before the 4Q17 ex-distribution date and new Units issued under the retail component of the Equity Raising will be issued after the 4Q17 ex-distribution date.

⁷ Proceeds of the Equity Raising will initially be used to pay down debt which will be redrawn to partially fund settlement of the Acquisition (pursuant to the acquisition agreement, settlement is expected to occur in early July 2017 following completion of the Equity Raising).

⁸ The Responsible Entity has received commitment letters from certain lenders to provide \$300 million of new tranches under existing debt facility. Final facility documentation will be entered into prior to completion of the Acquisition. The availability of the debt funding will be conditional upon finalisation of documentation and satisfaction of conditions to drawdown under the tranche are satisfied.

IMPACT OF THE TRANSACTION

Following completion of the Acquisition and the Equity Raising (together, the **Transaction**):

- > Transaction is not expected to have a material impact on the Fund in FY17 with FFO per Unit expected to be 17.7 cents⁹
- > FY18 FFO per Unit is expected to be 2% to 4% higher than FY17, including the impact of the Transaction
 - > Due to the quality and strategic importance of the Acquisition and to demonstrate strong alignment with unitholders, Aventus Funds Management Pty Limited (the **Manager**) has agreed to waive 50% of its FY18 and FY19 investment management fee relating to the Acquisition
- > On a pro forma basis as at 31 December 2016, assuming completion of the Transaction, gearing is 38.9%¹⁰, within the Fund's target gearing range of 30-40%
 - > A series of capital management initiatives are proposed to be implemented to reduce the gearing of the Fund, including continued operation of the Fund's distribution reinvestment plan and potentially selective divestments of smaller centres over time

EQUITY RAISING

The Equity Raising comprises an underwritten 1 for 4.3 accelerated non-renounceable entitlement offer to raise \$215 million at a fixed issue price of \$2.32 per Unit.

The issue price represents a:

- > 6.4% discount to the distribution-adjusted last traded price of \$2.48 on Monday, 29 May 2017
- > 5.4% discount to the distribution-adjusted 10-day VWAP of \$2.45 on Monday, 29 May 2017
- > 5.3% discount to the TERP of \$2.45¹¹

New Units issued prior to the 4Q17 ex-distribution date will be traded on ASX under a separate code as the new Units will not be entitled to the estimated 4Q17 distribution of approximately 4 cents per Unit. These new Units will rank pari passu with existing Units from Thursday, 29 June 2017, being the ex-distribution date for the 4Q17 distribution.

The Equity Raising is underwritten by Macquarie Capital (Australia) Limited and UBS AG, Australia Branch (**Underwriters**).

In addition to all of the Directors of the Responsible Entity committing to taking up their full entitlements under the Equity Raising, entities associated with Brett Blundy and Ray Itaoui (the substantial unitholders in the Fund) support the Acquisition and entities controlled by Brett Blundy and Ray Itaoui have committed to take up the full aggregate entitlements of their respective associated entities. Collectively, this support represents approximately \$78 million, accounting for 36.2% of the Equity Raising.

⁹ Incorporates the impact of new Units issued under the institutional component of the Equity Raising being issued before 30 June 2017 with proceeds initially used to pay down debt prior to being subsequently drawn to partially fund settlement of the Acquisition expected to occur in early July 2017 and assumes no material change to the operating environment. FFO is a proxy for cash available for distribution, being net profit adjusted for non-cash items, and one-off and non-recurring items. FFO per Unit is calculated based on the absolute number of Units on issue pre and post Equity Raising. Forecast FY17 and FY18 FFO are based on the assumptions set out in footnote 1 on page 15 of the investor presentation (lodged with ASX on 30 May 2017), and is subject to the risks outlined in Appendix 3 and assumes no unforeseen events. FY17 FFO per unit disclosed in AVN's year-end financial report will be impacted by a number of factors including application of the Theoretical Ex-Rights Price adjustment to the weighted average number of Units.

¹⁰ The gearing ratio is calculated as total debt less cash divided by total assets less cash. Total debt includes the debt funding to be drawn to fund the Acquisition. The availability of the debt funding will be conditional upon finalisation of documentation and satisfaction of conditions to drawdown. See pro forma balance sheet in Appendix 1 of the investor presentation (lodged with ASX on 30 May 2017) for further details. Includes the impact of the \$70 million preliminary revaluation uplift on AVN's existing portfolio, which will be adopted as at 30 June 2017 and the impact of new Units issued as part of the DRP. The preliminary independent valuations are subject to market movements up to 30 June 2017

¹¹ The theoretical ex-rights price (TERP) is the theoretical price at which Units should trade after the ex-date for the Equity Raising. TERP is a theoretical calculation only and the actual price at which Units trade immediately after the ex-date for the Equity Raising will depend on many factors and may not be equal to TERP. TERP is calculated by reference to the last traded price of \$2.48 on Monday, 29 May 2017 on an ex-distribution basis

ADDITIONAL INFORMATION

Additional information regarding the Acquisition and Equity Raising is contained in the investor presentation released to the ASX today. A Retail Offer Booklet will be released separately and mailed to Eligible Retail Unitholders.

An investor and analyst briefing teleconference call, followed by a question and answer session, will be held on **30 May 2017 at 10:30am 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 Sydney Acquisitions and Capital Raising Conference Call** (conference ID number **3136 5581**).

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should seek appropriate professional advice before making any investment decision. If you have any questions about the Retail Entitlement Offer, please do not hesitate to contact Aventus Retail Property Fund's Information Line on 1300 405 577 (from within Australia) or + 61 1300 405 577 (from outside Australia) between 8:30am and 5:30pm (Sydney time), Monday to Friday during the Retail Offer Period.

For further information please contact:

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IMPORTANT INFORMATION

No representation or warranty is given as to the accuracy or likelihood of achievement of any forward-looking statement in this document, or any events or results expressed or implied in any forward-looking statement. These forward looking statements can generally be identified by the use of words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "propose", "will", "outlook", "intend", "should", "could", "may", "target", "predict", "guidance", "plan" and other similar expressions and include but are not limited to statements relating to the impact of the Acquisition, the future performance of the Fund and the outcome and effects of the offer and use of proceeds. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Such forward-looking statements are not guarantees of future performance and are by their nature subject to significant uncertainties, risks and contingencies. Actual results or events may differ materially from any expressed or implied in any forward-looking statement and deviations are both normal and to be expected. Past performance is not a reliable indicator of future performance. Investors should form their own views as to these matters and any assumptions on which any of the forward-looking statements are based on and not place reliance on such statements. To the maximum extent permitted by law, the Responsible Entity and its directors, officers, employees, advisers, agents and intermediaries disclaim any obligations or undertaking to release any updates or revisions to the information to reflect any changes in expectations or assumptions.

Determination of eligibility of investors for the purposes of the Equity Raising is determined by reference to a number of matters, including legal regimes, logistical and registry constraints, and the discretion of the Responsible Entity and the Underwriters. The Responsible Entity and the Underwriters disclaim all liability in respect of the exercise of that determination and discretion to the maximum extent permitted by law.

An investment in Units in the Fund is subject to investment and other known and unknown risks, some of which are beyond the control of the Responsible Entity, including possible loss of income and capital invested. Persons should have regard to the key risks outlined in Appendix 4 of the investor presentation released to the ASX today. The Responsible Entity does not guarantee any particular rate of return or the performance of the Fund nor does it guarantee the repayment of capital from the Fund or any particular tax treatment.

This announcement may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. Neither the Units nor the entitlements have been, or will be, registered under the U.S. Securities Act of 1933, as amended (U.S. Securities Act) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be exercised or taken up by, and the Units may not be offered or sold to persons in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.