

PROPERTY UPDATE

Ascot
Capital
LIMITED

SUMMER 2018

www.ascotcapital.com.au

Note to our Investment Partners

As we enter 2018, we write to update you on our activities and look ahead. We reviewed a lot of opportunities, sourced both off-market and on market, during 2017 but stuck true to our philosophy of striving to deliver only quality opportunities that meet our stringent investment requirements. To this end, we completed five quality acquisitions in 2017. These are detailed below.

Our focus was on properties with strong fundamentals and with leases with minimal tenant risk and predictable cash flows which make for great long term investments.

Competition for these is strong and we need to move quickly and take advantage of deep relationships to secure them. Accordingly, we thank our investors for advising of their commitment promptly to invest

in our opportunities when offered which is crucial to enable us to compete in a market flush with capital.

Investors in existing funds will have received their annual reports demonstrating Ascot Capital Limited's ability to deliver quality results in environments that differ for each asset. These results will continue to be impacted by proactive asset and treasury management.

2018 will require a cautious approach to investing with some cities and property sectors showing evidence of over-heating whilst some are presenting counter cyclical opportunities. We will continue to apply a prudent and disciplined investment philosophy focused on quality not quantity.

Latest Transactions

The team at Ascot Capital completed the purchase of 14 properties across 5 transactions in 2017 with brief details as follows:

521 Geelong Road, Brooklyn, Melbourne, VIC

Ascot Capital executed contracts of sale after completing satisfactory due diligence and settled on the acquisition of this prime industrial investment property located at 521 Geelong Road, Brooklyn (in Melbourne) with a significant port related international container facility that has a new 12-year triple net lease to Tasman Logistics Services.

The 5.212 Ha site occupies a prominent corner within the inner Western infill suburb of Brooklyn and represents a unique land banking opportunity with future re-zoning potential. Brooklyn is a tightly-held and evolving industrial area strategically located 10km west of the Melbourne CBD, 7km from the Port of Melbourne and set to benefit from the proposed new Western Distributor Road Project.

Fixed annual rental increases of 3.25% will drive growth coupled with the strong growth potential of the location of this property. It is anticipated and forecasted to average 9.44% ROE over 12 years and an IRR of 13.23%.





Latest Transactions CONT...

6 - 10 Senna Road, Wingfield, Adelaide, SA

Ascot Capital executed contracts of sale after completing satisfactory due diligence and settled on the acquisition of this prime industrial investment property located at 6 – 10 Senna Road, Wingfield (in Adelaide) with a significant office warehouse/distribution facility that has a new 10-year lease expiring 31st December 2025 to GPC Asia Pacific Pty Ltd.

Established in 1928, the global GPC Group has four main businesses in Australia including Repco. This is Repco’s distribution centre for SA, NT and parts of Regional Victoria and strategic to their operation. The 2.933 Ha site has 3 prominent street frontages in the suburb of Wingfield, a premier industrial area approximately 12 km north-west of the CBD.

Fixed annual rental increases of 3% will provide assured growth and it is anticipated and forecasted to average 11.01% ROE over 10 years and an IRR of 11.45%.



Wangara Industrial Property Portfolio, Wangara, Perth, WA

Ascot Capital executed contracts of sale after completing satisfactory due diligence and settled on the acquisition of a counter-cyclical portfolio of three quality industrial investment properties located at 23 Destiny Way, 50 and 56 Triumph Avenue in Wangara (Perth, Western Australia) each with significant modern office/warehouse facilities with a WALE of approx. 7 years.

The portfolio has a total of 4.3953 Ha land across the three properties in the Wangara Industrial Precinct, one of Perth’s most modern and established commercial and industrial areas located some 20 km north of the CBD. The property portfolio is 100% occupied by three quality and well established individual tenants – GCS Hire (subsidiary of ASX listed Global Construction Services Limited), Subsea 7 Company (i-Tech 7 Services) part of London based international group and Glass Processing Australia (established in 1989).

Fixed annual rental increases of 4% for two of the properties and CPI for one will provide assured growth and it is anticipated and forecasted to average 11.25% ROE over 10 years and an IRR of 11.91%



National Logistics Industrial Portfolio

Ascot Capital executed contracts of sale after completing satisfactory due diligence and settled on the acquisition of a national portfolio of seven quality industrial investment properties with one asset located in each state of Australia.

Each property has significant modern office/warehouse facilities and a WALE of 12 years with Triple Net leases expiring in late 2029 to Cope Sensitive Freight, Australia’s largest independent specialist sensitive freight carriers, founded in 1989, a subsidiary of and guaranteed by the significant privately-owned Federal Group.

The portfolio has a total building area of 23,575 m2 and a total of 78,042 m2 of land with a low site coverage of approx. 30% which is rare and provides significant value add opportunities in the future. All properties are located within established industrial locations with good access to major road infrastructure in each of the cities they are located in.

Minimum fixed annual rental increases of 3% or CPI (if higher) will provide assured growth and it is anticipated and forecasted to average 9.83% ROE over 10 years and an IRR of 11.09%.



Latest Transactions CONT...

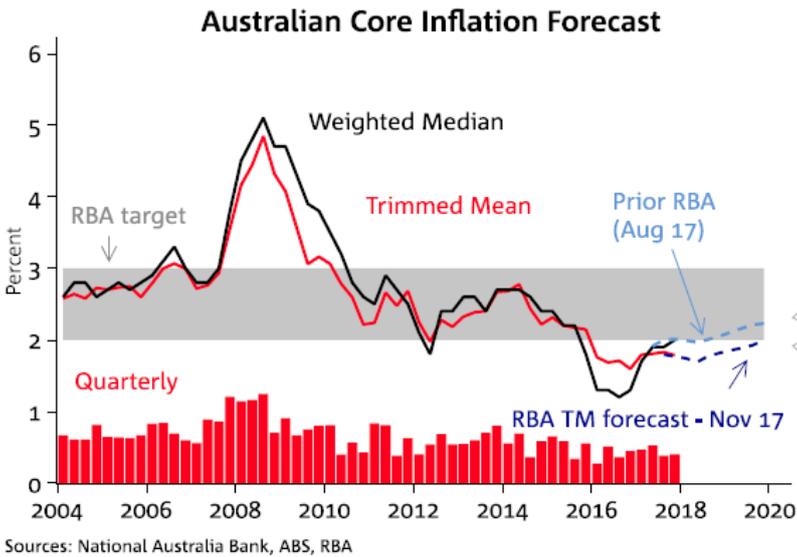
1118-1120 & 1138-1146 Port Wakefield Road, Burton, Adelaide, SA

Ascot Capital executed contracts of sale after completing satisfactory due diligence and settled on the acquisition of two properties adjoining the existing Ascot Capital Burton Property Trust.

The 11,874m2 land holding adjacent to the existing Burton Property Trust's property will be incorporated into the existing lease to Ingham's for the same duration. All pro-rata unit entitlements were taken up by the existing unit holders for this acquisition which is anticipated and forecasted to provide an initial ROE of 12.03%.

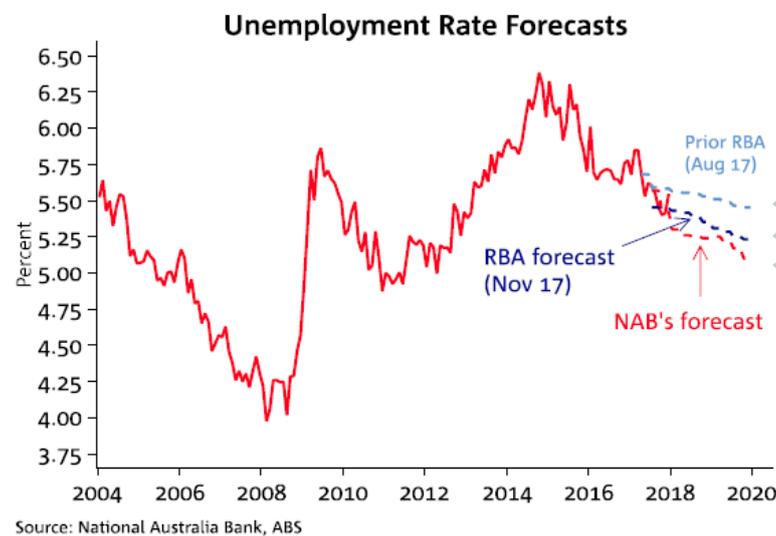
Investment Philosophy - *Insights to current investment environment*

The RBA continues its cautious optimism in the economic recovery. This confidence is now being reflected in unemployment numbers and inflation. Counter balancing this is a concern over a relatively strong A\$. Strength in the A\$ is likely to delay interest rate increases. Consensus seems to indicate late 2018 rate rises, but we wouldn't be surprised to see this pushed out into 2019 if the A\$ stays at the levels of 78c.



We also need to make a very important countervailing point, the quantum of debt, public and private, has surged and is significantly higher than pre GFC.

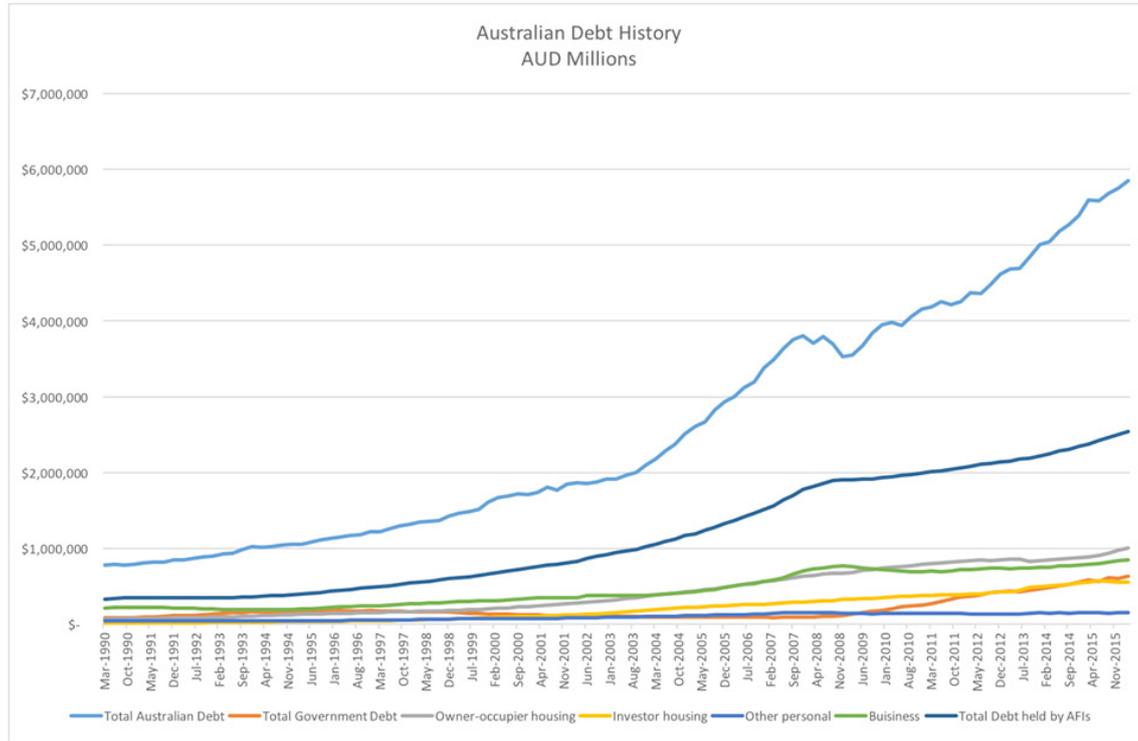
What does this mean? In our view it is likely that rate rises, when they happen will create a slowing in activity much earlier in the rise cycle than history would show. We do however continue to acknowledge that no-one can forecast the future and it can and does unfold in new and interesting ways constantly. It is thus important to continue prudent treasury management no matter where in the cycle you think you are.



WestAustralian (our home state) is finally showing good signs of improvement. We are seeing significant improvements in enquiry and expect incentives to tighten as the vacancy rates start to fall, both of course from very high levels. We prefer Perth / Adelaide / Brisbane to the major East Coast cities on a cycle / value proposition currently, but will continue to accumulate good quality long term leasing assets in East Coast markets, looking for transactions where the lease tail plus the underlying land value represent a discount in our view to purchase price.

Investment Philosophy CONT...

Australian financial history since 1990:



I refer you to an article in the Financial Times of 26 February 2018 titled “Shell warns of future LNG supply crunch”. Quoting from the article, “Maarten Wetselaar, director of Shell’s integrated gas business, said an extra 200m tonnes per annum of LNG capacity was needed by 2030 - equivalent to

about 20 large projects, each of which has typically cost about \$10bn to develop in the past”. The article if half right bodes well for long term holders of real estate in Australia and in particular the resource States of QLD, WA & SA.

IT Upgrade

As you many have noticed upon receiving your recent distribution statements, we have implemented a syndicate administration system to manage the distributions for all of our syndicates.

This system will include an investor portal which is in the process of being finalised. Once the investor portal is up and running, investors will be provided with log in details for access to their investments with Ascot Capital.

The investor portal will give you access to your transaction history, investment reports and other relevant information. Only investors will receive log in information. Investors wishing to pass their access details on to others (eg accountants, financial advisors etc) can do so at their own risk.

Updates to your personal information must be done via correspondence to our office as this facility will not be available through the portal.

We expect this to be in place within the next couple of months.



Thank you again for your support and we look forward to discussing a few more interesting opportunities with you over the course of the next six months.

Contact the Ascot Capital Team

For more details on any current investments and upcoming investment opportunities, contact any of the Ascot Capital team.



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