

GARDA DIVERSIFIED PROPERTY FUND

(ASX CODE: GDF)

HALF YEAR RESULTS PRESENTATION
21 FEBRUARY 2017



GDF AT A GLANCE

\$183 MILLION

COMMERCIAL AND INDUSTRIAL PORTFOLIO
~\$120 MILLION MARKET CAPITALISATION

3.8 YEARS

WALE^{1,2}

93%

OCCUPANCY¹

\$1.11

NTA PER UNIT

FY2017 DISTRIBUTION
GUIDANCE

\$0.094/UNIT
PAID QUARTERLY

8.13%

WEIGHTED AVERAGE
CAP RATE

33.5%

LVR^{3,4}

ALIGNED MANAGER

GARDA CAPITAL GROUP
(ASX CODE: GCM)
HOLDS 9% OF GDF UNITS

FY2017 PAYOUT RATIO
GUIDANCE

~93%

¹ WALE and occupancy as at 31 December 2016.

² WALE includes a HOA for 2,003m² for a pending vacancy in December 2017.

³ LVR calculated as total drawn debt facilities divided by total property assets.

⁴ 33.5% LVR is a reflection of the repayment of \$20 million and further draw of \$1.5 million in January 2017.

OPERATIONAL HIGHLIGHTS

ACQUISITION (AUGUST 2016)

\$29.5 million acquisition of industrial facility in Mackay on an initial yield of 7.7%¹.

CAPITAL MANAGEMENT – EQUITY (DECEMBER 2016)

Completion of a \$20 million private placement at an 8% premium to the 5 day VWAP.

CAPITAL MANAGEMENT – DEBT (JANUARY 2017)

Repayment of \$20 million floating rate debt facilities, reducing LVR to 32.6% ^{2,3}.

CAPITAL IMPROVEMENTS PROGRAM

Continued execution of the reinvestment into Cairns, Box Hill and Richmond assets with \$3.9 million of value accretive CAPEX.

ASX PERFORMANCE

12% outperformance of the S&P/ASX 200 and 300 indices in the period 1 July 2016 to 15 February 2017.

¹ Based on GARDA Capital Group analysis on first year income from 1 August 2016 through to 31 July 2017.

² LVR calculated as total drawn debt facilities divided by total property assets.

³ LVR subsequently increased to 33.5% following a \$1.5 million draw to fund capital improvements program.

RESULTS - OVERVIEW

	31 DEC 2016 (\$)	31 DEC 2015 (\$)	% MOVEMENT	
Statutory Net Profit	3,589,000	3,390,000	↑	5.9%
Adjustments:				
Fair value movement in investment properties	1,685,000	590,000		
Interest rate swaps mark to market	(540,000)	491,000		
Incentives amortisation and rent straight-line	442,000	(444,000)		
Funds from operations (FFO)	5,176,000	4,027,000	↑	28.5%
Distributions	4,844,000	4,276,000	↑	13.3%
Distribution payout ratio	93.6%	106% ¹		
Tax deferred component	53%	45%		

	31 DEC 2016	31 DEC 2015	% MOVEMENT	
Total property assets	\$182,600,000	\$140,650,000	↑	29.8%
No. assets	8	7		
Units on issue	112,322,972	95,933,072 ²		
NTA per unit	\$1.11	\$1.02	↑	8.8%

¹ Payout ratio for the entire FY2016 was 93.6% with H1FY2016 substantially higher at 106% due to a material rent free period that expired in November 2015.

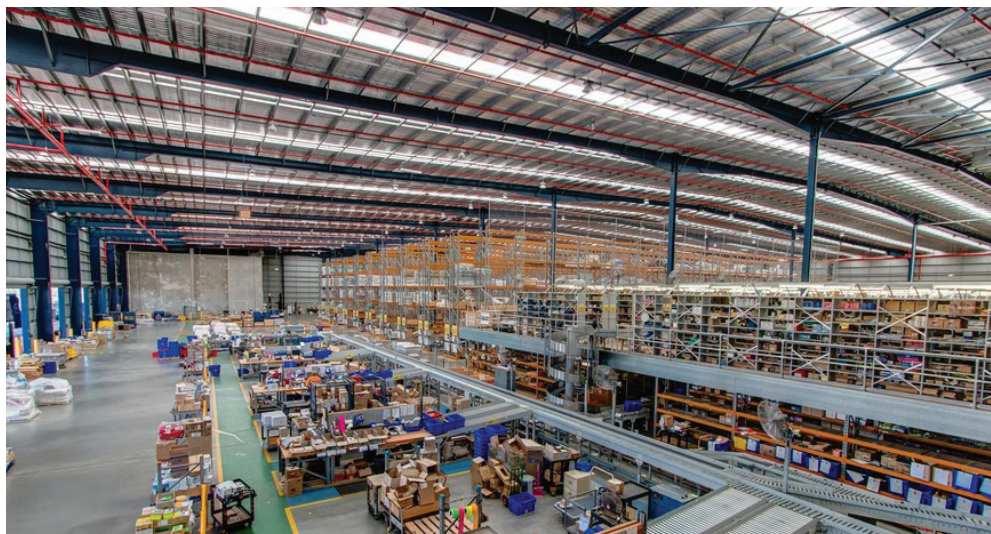
² Weighted average units on issue during the period with regard to the on market buy-back.

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OPERATIONS

CAPITAL TRANSACTIONS - ACQUISITION

- On 19 August 2016, the Fund settled the acquisition of a modern industrial distribution facility for \$29.5 million, acquired on an initial yield of 7.7%¹.
- The property is wholly leased to Wesfarmers subsidiary Blackwoods until 2029, providing GDF with the benefit of a WALE in excess of 12 years and minimum annual rent increases of 3.0%.
- The three year old state of the art warehouse and distribution facility has a total NLA of 14,843m² and is located in the primary industrial suburb of Paget in Mackay. The building is approximately 8km from the Mackay CBD.



¹ Based on GARDA Capital Group analysis on first year income from 1 August 2016 through 31 July 2017.

CAPITAL TRANSACTIONS

DIVESTMENT

- GDF is considering divesting the Brisbane Airport property located at 12-14 The Circuit, Brisbane Airport and is currently conducting an expressions of interest based sales campaign.
- This ten year old property has a current book value of \$22.4 million.
- The property is fully let to the Commonwealth Government agency, the Civil Aviation Safety Authority, providing a secure cash flow with just under three years remaining on the lease.
- The asset is located in the growing Brisbane Airport Corporation commercial and retail precinct (Skygate) which demonstrates a low 2% vacancy resulting in lower incentives than many other Brisbane markets.
- Considering these positive attributes and the lack of quality stock it is possible that the market will show keen interest in pricing this asset.

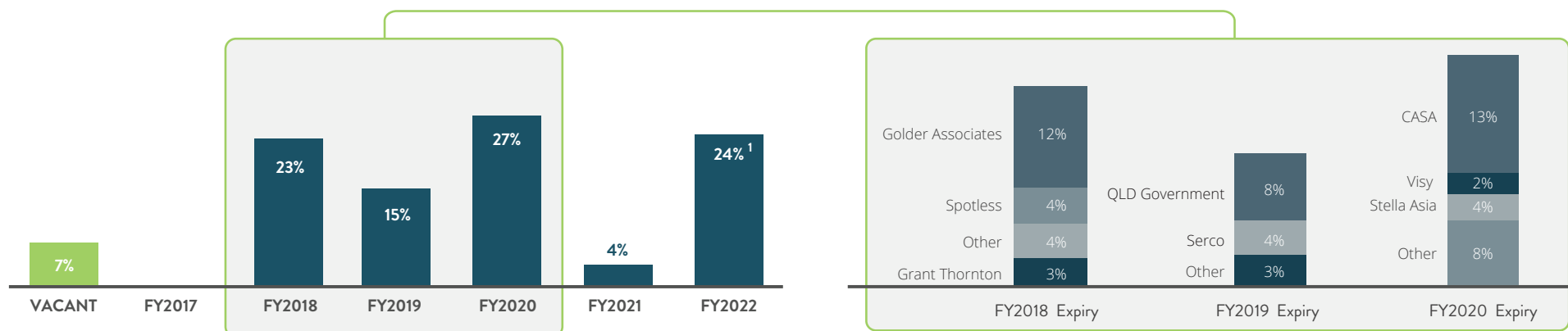
ACQUISITION OUTLOOK

- GDF continues to seek opportunities to grow assets under management (AUM) in lower incentivised markets.
- GDF is seeking to improve diversification through:
 - Reducing tenancy risk by reducing the reliance on individual tenants.
 - Increasing weighting to the industrial sector.
 - Increasing geographic diversification generally.
- GDF is specifically seeking:
 - Industrial assets in Brisbane and Melbourne.
 - Commercial office assets in Canberra and Melbourne.
 - Individual asset values of \$20 million - \$50 million.

AT RISK INCOME AND LEASING

- FY2017 renewal risk is now fully mitigated following the 2,200m² Kuehne & Nagel renewal at the Lytton industrial property.
- FY2018 renewal risk is detailed in the graph below.
- Portfolio vacancy is located in Cairns, Murarrie and Varsity Lakes.
- Improved leasing interest is being shown for the Cairns asset however subdued conditions continue for Murarrie and Varsity Lakes.

LEASE EXPIRY PROFILE



¹ includes a HOA for 2,003m² for a pending vacancy in December 2017.

CAPITAL MANAGEMENT - EQUITY

- Net tangible assets (NTA) at 31 December 2016 of \$1.11 per unit.
- Currently trading at \$1.08¹ per unit representing a 2.7% discount to NTA.
- In December 2016, the Fund completed a \$20 million private placement at a subscription price of \$1.08, representing a 2.7% discount to NTA and an 8% premium to the 5 day VWAP.
- Following the placement, the GDF ASX trading price has increased from \$0.99 to \$1.08.
- Proceeds used to partially repay floating debt facility, reducing loan to value ratio (LVR) to 32.6% following repayment.

FY2017 GDF ASX PRICE



¹ ASX closing price as at 15 February 2017.

CAPITAL MANAGEMENT: DEBT

SENIOR DEBT FACILITY

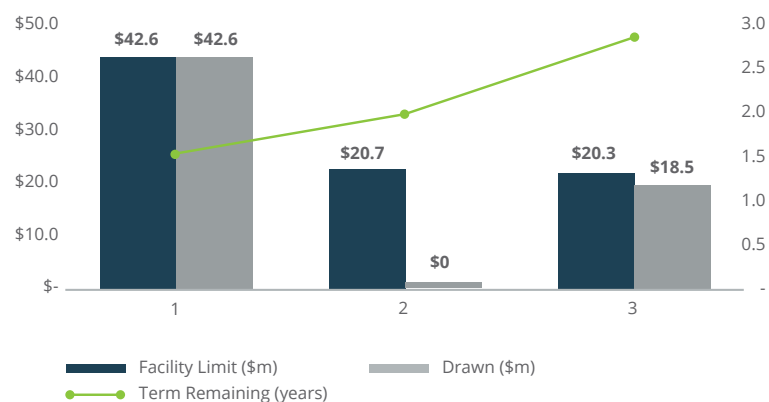
	Drawn ¹	Limit
Senior Debt	\$61.1m	\$83.6m

SENIOR DEBT FACILITY - COVENANTS

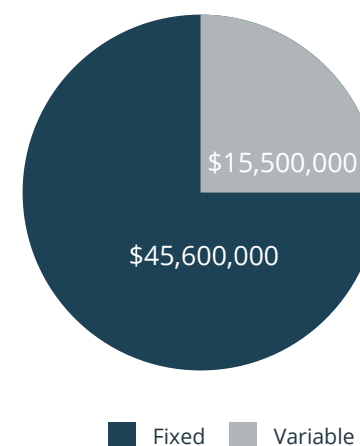
	Actual	Covenant
LVR	33.5%	46%
Interest Cover Ratio	5 times	2.5 times

- Repayment of \$20 million in January 2017 reducing LVR from 43.6% to 32.6%.
- A \$1.5 million draw was completed in January 2017 to finance the ongoing capital improvements program, increasing LVR to 33.5%.
- Current acquisition capacity of up to \$35 million.
- Weighted average cost of debt has risen to 3.73%² as a result of the repayment of variable debt facilities.
- Weighted average debt term on the drawn and undrawn facility is 1.86 years.

DEBT MATURITY



DRAWN DEBT STRUCTURE



¹ Debt currently drawn as at 15 February 2017.

² Total interest costs include fixed rate and variable rate components as at 04 January 2017.

CAPITAL IMPROVEMENTS PROGRAM

- The capital improvements program continued in H1FY2017 with approximately \$3.9 million invested as follows:
 - \$2.0 million at Lake Street, Cairns
 - \$0.7 million at Elgar Road, Box Hill
 - \$1.2 million at Swan Street, Richmond
- The reinvestment in Lake Street, Cairns is expected to continue at a similar rate in H2FY2017 with planned work at Swan Street (\$0.5 million) and Elgar Road (\$0.2 million) expected to be completed in FY2017.
- The FY2016 external valuations accounted for the capital improvements program.
- There is limited 'maintenance capex' required across the portfolio.

CAPITAL IMPROVEMENT PROGRAM – FY2017

7-19 LAKE STREET CAIRNS

- A full lift replacement at Cairns is currently underway including destination lift controls. Additionally lift lobby and amenities upgrades, external building painting and weather proofing, plant and generator room upgrades are being undertaken.
- A refurbishment of the Cairns main foyer and associated external entry area is currently being considered.

436 ELGAR ROAD, BOX HILL

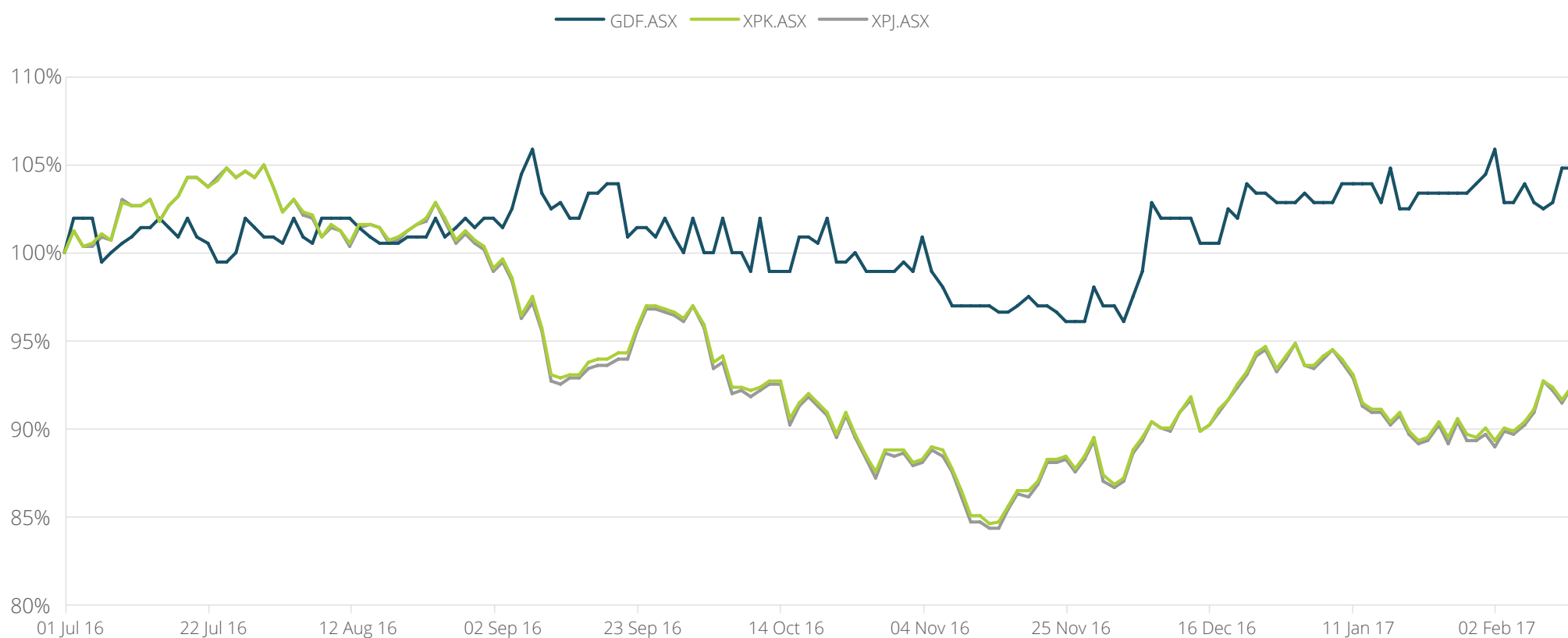
- Base building showers and bathrooms and level 1 amenities have recently been completed
- Full lift replacement is also being undertaken and expected to be completed by June 2017.

572 SWAN STREET, RICHMOND

- Roof and terrace membrane works are due to be completed in March 2017 as part of an ongoing building warranty matter.

GDF V S&P/ASX 200 A-REIT AND S&P/ASX 300 A-REIT

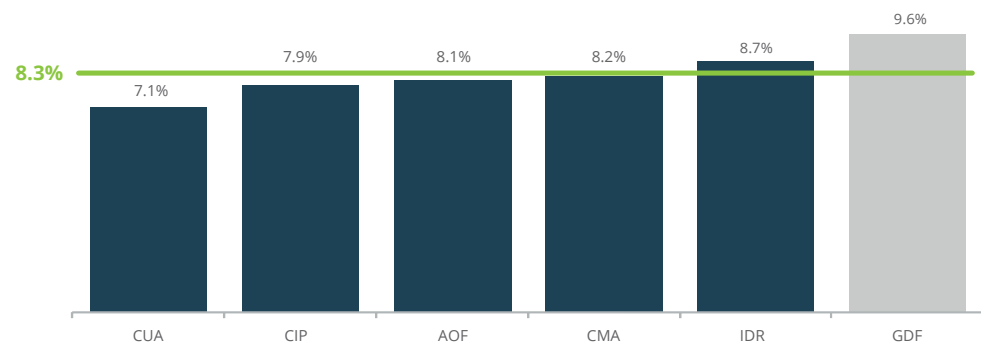
- 12.5% outperformance of the S&P/ASX A-REIT 200 index for the period 1 July 2016 through to 15 February 2017.
- 12.3% outperformance of the S&P/ASX A-REIT 300 index for the period 1 July 2016 through to 15 February 2017.



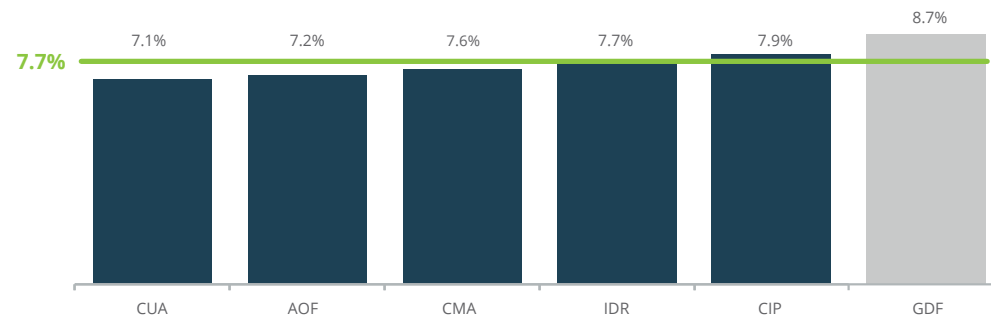
Sources: Miraql by Orient Capital as at 15 February 2017.

GDF V AREIT PEERS

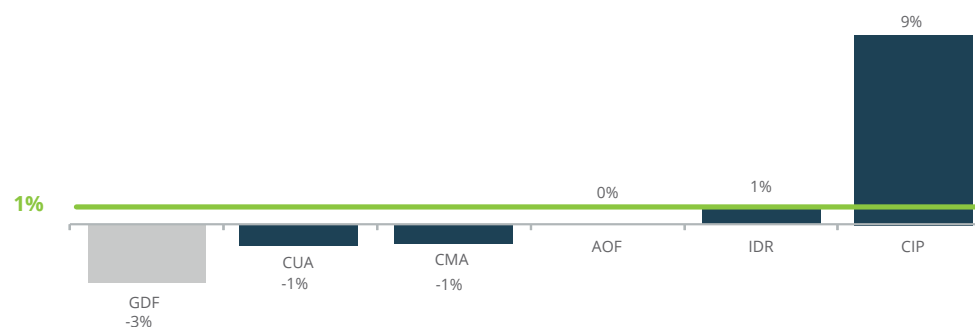
FORECAST FY2017 EPU YIELD (%)



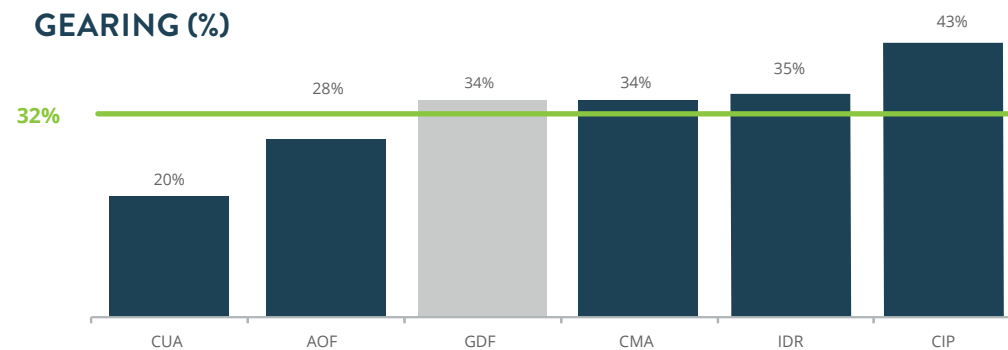
FORECAST FY2017 DPU YIELD (%)



PREMIUM/(DISCOUNT) TO NTA



GEARING (%)



Sources: Morgans, company data, factset consensus estimates as at 15 February 2017.

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THE FUND

STRATEGY AND FY2017 OBJECTIVES

STRATEGY

- The Fund's purpose is to provide sustainable and growing distributable income derived from investments in commercial offices in city and suburban markets as well as industrial facilities along the eastern seaboard of Australia.
- The Fund will maintain a conservative capital structure including a long-term target gearing range of 30% to 35% LVR although will operate up to 45% LVR as required to enable acquisitions.
- Gearing may fall below this range in the event of capital management initiatives or asset divestments.

FY2017 OBJECTIVES

- The Fund's key objectives for **FY2017** include:
 - Mitigating lease expiry risks in FY2018 and FY2019 (no lease expiry for the remainder of FY2017);
 - Reducing vacancy in the portfolio and associated lost income; and
 - Continue the capital improvements program.
- Continue to grow AUM and improve diversification through:
 - Reducing tenancy risk by reducing the reliance on individual tenants;
 - Increasing weighting to the industrial sector; and
 - Increasing geographic diversification generally.

FY2017 OUTLOOK AND DISTRIBUTION GUIDANCE

DISTRIBUTIONS

- FY2017 distribution guidance reaffirmed at \$0.094 per unit, a 4.4% increase on FY2016 distributions.
- FY2017 forecast payout ratio of approximately 93%.
- Current trading price of \$1.08¹, reflects a distribution yield of 8.7%.

OUTLOOK

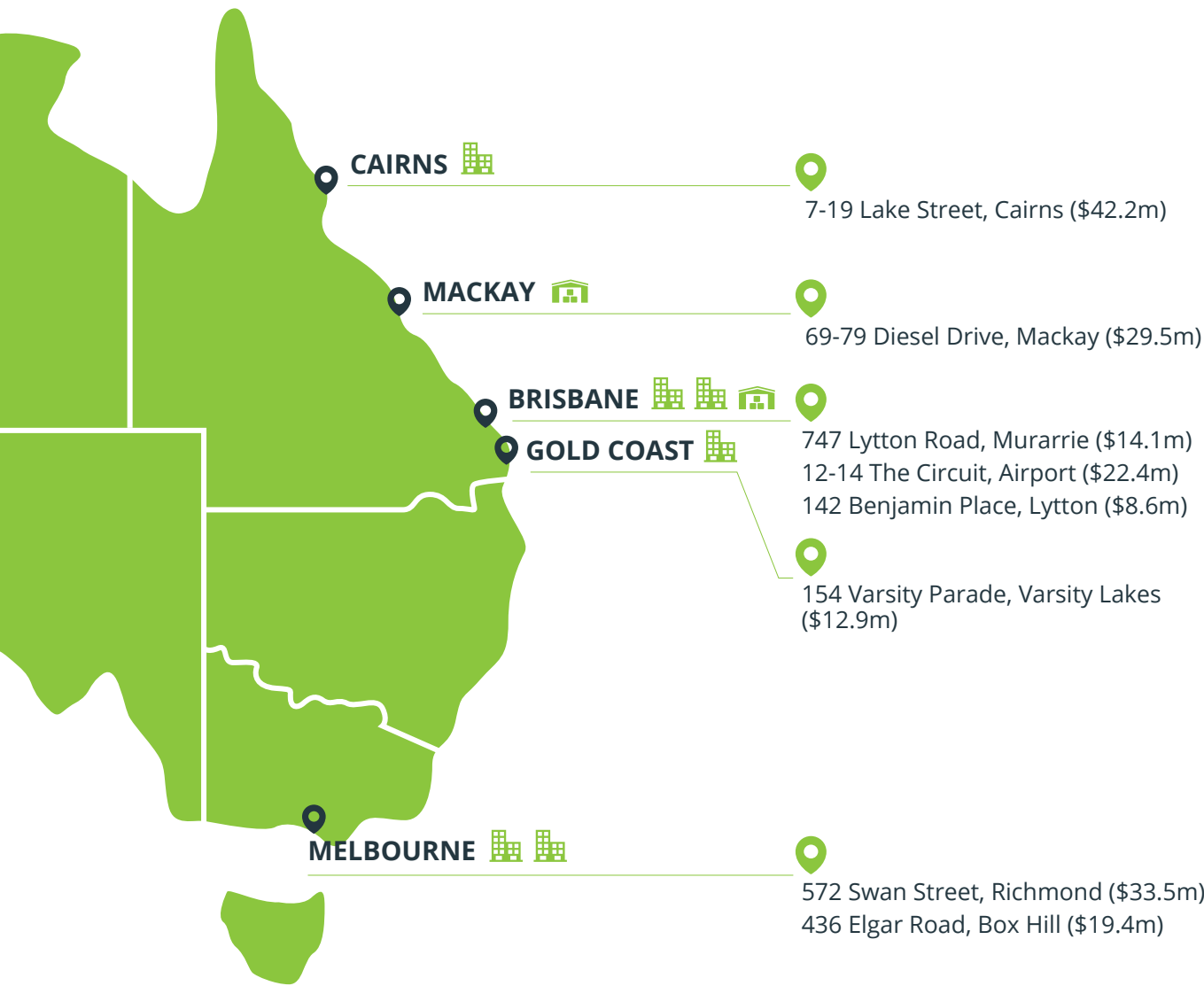
- GDF will seek opportunities to grow AUM in lower incentivised markets.
- GDF is specifically seeking:
 - Industrial assets in Brisbane and Melbourne;
 - Commercial office assets in Canberra and Melbourne; and
 - Individual asset values of \$20 million - \$50 million.
- The improving inner east (Richmond) Melbourne market provides a favourable backdrop to the continuing Golder Associates lease renewal discussions.
- The HOA for the impending 2,003m² January 2018 Box Hill vacancy demonstrates the improving Box Hill market and the positive impact of the capital reinvestment program.
- As anticipated the Murarrie office market (suburban Brisbane) continues to experience weak conditions potentially as a result of the continuing high vacancy and incentive rates emanating from the weak Brisbane CBD.
- GDF will continue the capital improvements program with approximately \$2.5 million anticipated to be invested in H2FY2017.

¹ ASX close price as at 15 February 2017

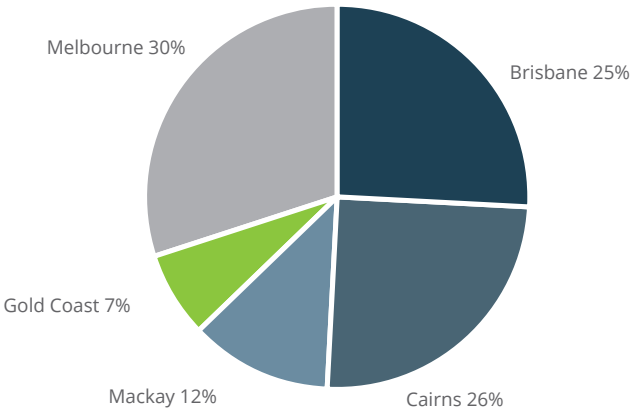
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GDF PORTFOLIO

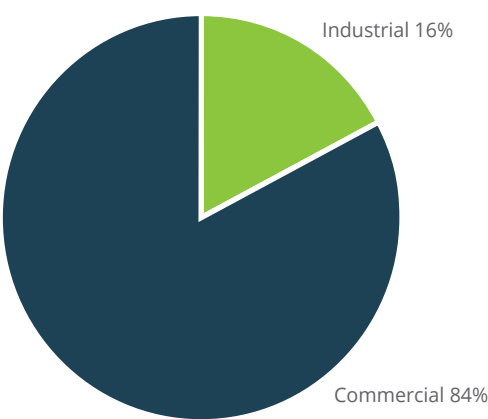
DIVERSIFIED PORTFOLIO



PORTFOLIO INCOME (by location)



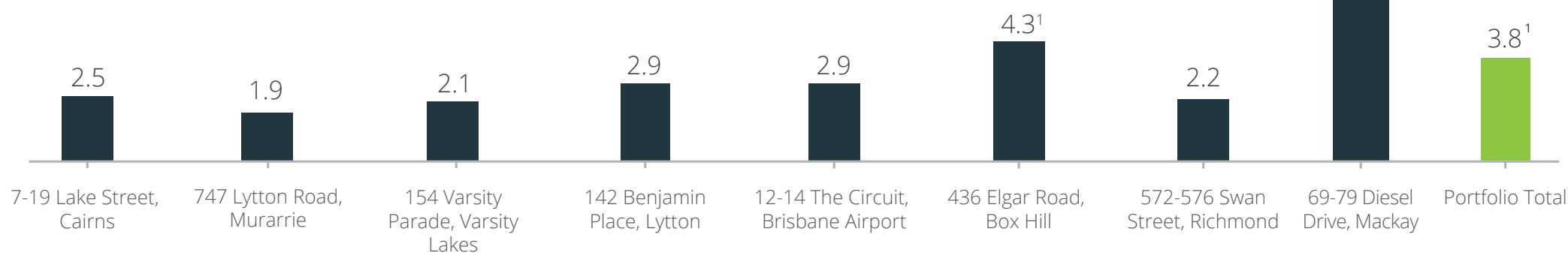
PORTFOLIO INCOME (by sector)



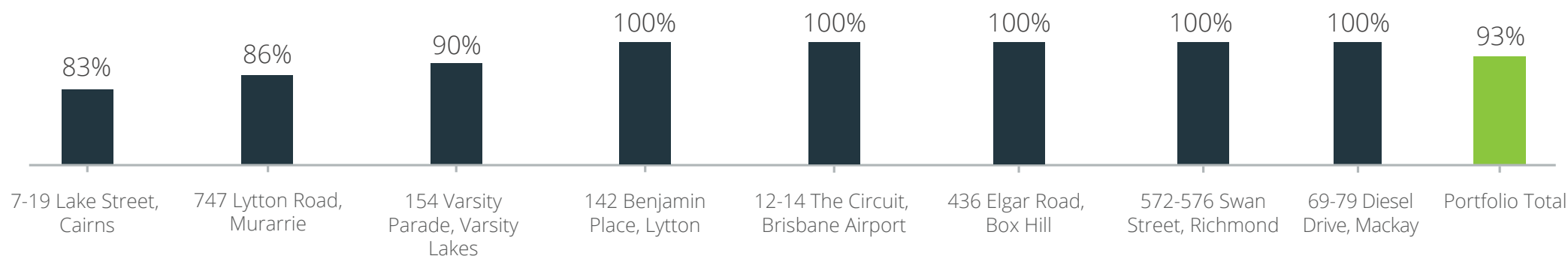
WALE AND OCCUPANCY

FY2018 lease renewals provide an opportunity to materially improve portfolio WALE.

WALE by income (Years)



OCCUPANCY by income



¹ WALE includes a HOA for 2,003m² for a pending vacancy in December 2017.

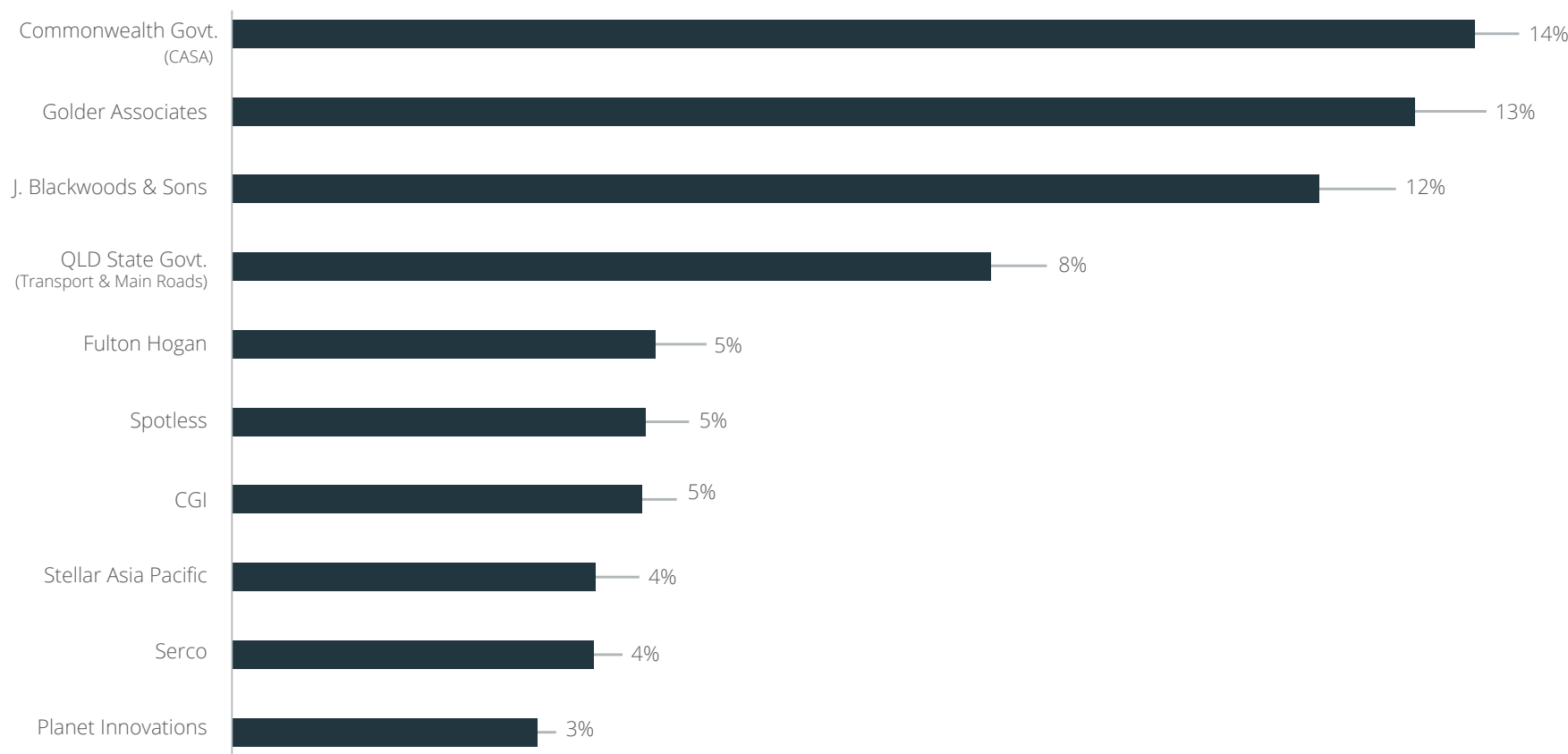
PROPERTY AND TENANTS

PROPERTY PORTFOLIO	PORTFOLIO VALUE (%)	AGE	NLA (m ²)	CAP RATE (%)	INDEPENDENT VALUATION ¹	NABERS (STARS)
Office (79% by value)						
572-576 Swan Street, Richmond	18%	8	6,587	7.50%	\$33,500,000	5
436 Elgar Road, Box Hill	11%	29	5,725	8.50%	\$19,400,000	2.5
7-19 Lake Street, Cairns (inc. Grafton St land)	23%	28	14,956	8.50%	\$42,200,000	4
12-14 The Circuit, Brisbane Airport	12%	10	4,675	8.60%	\$22,400,000	5
Bldg 2, 747 Lytton Road, Murarrie	8%	9	3,617	8.39%	\$14,100,000	5.5
154 Varsity Parade, Varsity Lakes	7%	8	3,994	8.50%	\$12,900,000	5.5
Industrial (21% by value)						
142-150 Benjamin Place, Lytton	5%	10	5,677	8.25%	\$8,600,000	N/A
69-79 Diesel Drive, Mackay	16%	3	13,843	7.75%	\$29,500,000	N/A
Totals	100%		59,074	8.13%	\$182,600,000	4.43

¹ Independent valuations as at June 2016.

PROPERTY AND TENANTS (continued)

TOP 10 TENANTS (INCOME)



APPENDIX 1

FINANCIAL INFORMATION

INCOME STATEMENT

INCOME STATEMENT	31 DEC 2016 \$000'S	31 DEC 2015 \$000'S
Property rental income	9,441	8,493
Property expenses	(2,557)	(2,401)
Trust level expenses	(874)	(769)
Finance costs	(1,276)	(852)
Net profit/(loss) of financial liabilities held for fair value through profit and loss	540	(491)
Fair value movement in investment properties	(1,685)	(590)
Net profit	3,589	3,390

- Profit attributable to unitholders of \$3.6 million, a 5.9% increase on the corresponding period.
- As a result of the industrial property acquired in August 2016, and the lower rent free incentive levels compared to the previous period, GDF received an increase in property rental income of approximately \$1 million.
- Finance costs are higher as a result of the \$29.5 million acquisition in August 2016 being fully debt funded.
- Fair value movement in investment properties is the write off of stamp duty and other acquisition costs associated with the Blackwoods acquisition.

FUNDS FROM OPERATIONS (FFO)

FUNDS FROM OPERATIONS		
	31 DEC 2016 \$000'S	31 DEC 2015 \$000'S
Net profit	3,589	3,390
Adjustments:		
Fair value movement in investment properties	1,685	590
Net (gain)/loss on fair value of derivative financial instrument	(540)	491
Incentives amortisation and rent straight-line	442	(444)
Funds From Operations (FFO)	5,176	4,027
Distributions Paid	4,844	4,276
Payout Ratio	93.6%	

- FFO of \$5.2 million, representing a 28.5% increase on the prior period FFO of \$4.0 million.
- Increase in FFO is a result of additional lease revenue during the year following the acquisition of the Mackay industrial property in August 2016 and the lower rent free incentive levels in the current half year in comparison to the prior half year.
- Distributions of \$4.84 million, representing 4.7 cents per unit, in line with full year guidance of 9.4 cents per unit.

BALANCE SHEET

BALANCE SHEET	31 DEC 2016 \$000'S	30 JUNE 2016 \$000'S
Assets		
Cash and cash equivalents	22,156	2,526
Trade and other receivables	415	318
Investment properties	186,529	153,527
Total Assets	209,100	156,371
Liabilities		
Trade and other payables	1,507	1,481
Borrowings (current & non-current)	79,417	45,380
Distribution payable	2,663	2,121
Tenant security deposits	274	274
Derivative financial instruments	588	1,127
Total Liabilities	84,449	50,383
Net Assets	124,651	105,988
Units on issue	112,322,972	93,804,456
NTA per unit	\$1.11	\$1.13

- Cash has increased \$20 million on the prior period as a result of proceeds from the \$20 million private placement completed in December 2016.
- Investment properties increased \$29.5 million following the acquisition of the Blackwood's distribution property in Mackay during August 2016.
- Combined, total assets increased during the period by \$52.7 million.
- Distributions payable increased for the period ending December 2016 as a result of the issue of 18.5 million units in the placement being entitled to the December quarter distribution.
- Borrowings increased \$34 million as a result of the Mackay acquisition being fully debt funded and the capital improvements program throughout the half year. Note that \$20 million in cash has been applied to reduce borrowings in January 2017.
- NTA decreased during the period from \$1.13 to \$1.11 per unit as a result of the expensing of the acquisition costs for the Mackay acquisition.

APPENDIX 2

GDF ASSETS

PORTFOLIO SUMMARY – PROPERTY

572 - 576 SWAN STREET, RICHMOND, VIC



Date acquired: Nov-07

Valuation: \$33,500,000

Ownership interest: 100%

NLA: 6,587m²

Car spaces: 178

Occupancy: 100%

WALE: 2.2 years

Tenants: 2 

NABERS: 5 star 

436 ELGAR ROAD, BOX HILL, VIC



Date acquired: Sept-07

Valuation: \$19,400,000

Ownership interest: 100%

NLA: 5,725m²

Car spaces: 197

Occupancy: 100%

WALE: 4.3 years ¹

Tenants: 3 

NABERS: 2.5 star 

¹ WALE includes a HOA for 2,003m² for a pending vacancy in December 2017.

PORTFOLIO SUMMARY – PROPERTY

69-79 DIESEL DRIVE, MACKAY, QLD



Date acquired: Aug-16

Valuation: \$29,500,000

Ownership interest: 100%

NLA: 13,843m²

Car spaces: N/A

Occupancy: 100%

WALE: 12 years

Tenants: 1 

NABERS: Exempt

142 BENJAMIN PLACE, LYTTON, QLD



Date acquired: Sept-07

Valuation: \$8,600,000

Ownership interest: 100%

NLA: 5,677m²

Car spaces: N/A

Occupancy: 100%

WALE: 2.9

Tenants: 2  

NABERS: Exempt

PORTFOLIO SUMMARY – PROPERTY

747 LYTTON ROAD, MURARRIE, QLD



Date acquired: May-07

Valuation: \$14,100,000

Ownership interest: 100%

NLA: 3,617m²

Car spaces: 169

Occupancy: 86%

WALE: 1.9 years

Tenants: 4 

NABERS: 5.5 star 

12-14 THE CIRCUIT, BRISBANE AIRPORT, QLD



Date acquired: Jan-07

Valuation: \$22,400,000

Ownership interest: 100%

NLA: 4,675m²

Car spaces: 51

Occupancy: 100%

WALE: 2.9 years

Tenants: 1 

NABERS: 5 star 

PORTFOLIO SUMMARY – PROPERTY

7-19 LAKE STREET, CAIRNS, QLD



Date acquired: Jun-06

Valuation (inc. land at Grafton St): \$42,200,000

Ownership interest: 100%

NLA: 14,956m²

Car spaces: 254

Occupancy: 83%

WALE: 2.5 years

Tenants: 27

NABERS: 4 star 🌿🌿🌿🌿

154 VARSITY PDE, GOLD COAST, QLD



Date acquired: Aug-07

Valuation: \$12,900,000

Ownership interest: 100%

NLA: 3,994m²

Car spaces: 130

Occupancy: 90%

WALE: 2.1 years

Tenants: 4 👤👤👤👤

NABERS: 5.5 star 🌿🌿🌿🌿🌿

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