



29 November 2019

Dear Shareholder

Further to the interim result announced today we are pleased to provide Shareholders with an update on the transformation of Asset Plus into an active, yield plus growth focused company.

Management have completed the first material step in this transformational strategy with the successful acquisition of 35 Graham Street during the period.

The adopted value-add investment strategy provides opportunities to secure assets capable of benchmark outperformance, whilst endeavouring to close the gap between net tangible assets and the share price. Augusta, as both external manager and the largest shareholder in Asset Plus, remains focused on implementation of this strategy to improve returns for shareholders, with a natural alignment of interest. This value-add strategy suits the current low yield, low interest rate environment where active management, repositioning and development opportunities can be secured utilising the expertise of the manager and providing a unique strategic mandate in the listed property sector.

### Existing portfolio

Management has placed a strong focus on reviewing the existing portfolio in light of this newly considered approach; to identify opportunities to restore faith, and add value, to the current asset valuations. This review has resulted in the sale of the Hastings Heinz Watties asset, which is no longer considered core, creating balance sheet capability for other transactions.

We have also identified a number of longer term initiatives at Eastgate mall in Christchurch, which we are currently progressing. An updated comprehensive demographics report was obtained to support the leasing strategy. Countdown, an existing anchor tenant, has renewed for 8 years providing long-term certainty for the Centre.

The occupancy at Stoddard Road, Mt Roskill, remains at 100%.

### 35 Graham Street Acquisition

The successful acquisition of 35 Graham Street in June was the first major acquisition by Asset Plus under the new investment mandate. The purchase provides a strong initial yield of 6.85%, with Auckland Council as tenant for a 2 year lease back. The property has considerable opportunity for repositioning at the end of the lease term, with a range of options being considered by the Board. The development feasibility, and scope of works is well advanced. A resource consent will be sought for the proposed redevelopment in conjunction with the production of marketing collateral. Colliers International have been appointed as leasing agent to pursue pre-leasing opportunities, which will commence in early 2020.



## Focus on future acquisitions and growth

The Manager, and the Board remain patient and disciplined in relation to potential acquisitions. The first half of this year has seen material due diligence conducted on two transactions that would have brought significant scale and value-add opportunities to the Asset Plus portfolio in accordance with the yield plus growth strategy. Considerable time has been invested by the Manager and the associated scale and complexity has required specialist third party due diligence advice which has had an impact on the half year result. Unfortunately, these two transactions will now not proceed in their proposed form as terms could not be agreed with the respective vendors.

A range of funding options to support the growth of Asset Plus are currently being considered by the Board, with the funding strategy to be finalised as transactions are confirmed. The 35 Graham Street transaction coupled with the sale of the Hastings property has provided a springboard for further expansion by Asset Plus.

Our ongoing focus remains on securing investment opportunities in accordance with the value-add mandate to:

- Increase the scale of the portfolio (and subsequently reduce the management expense ratio);
- Reduce the share price to NTA gap;
- Set a strong platform for sustainable growth moving forward; and
- Provide an appropriate yield reflective of the value-add, and total return approach adopted.

We look forward to progressing these opportunities within the existing portfolio and continuing to build on the momentum gathered to date.

Finally, I wish you and your family a safe and happy holiday season.

Best wishes

Bruce Cotterill  
Chairman