



# ISPT CORE FUND

## Quarterly Report – Q2 2020



### SNAPSHOT

0.98%

1-YEAR NET RETURN

6.71%

3-YEAR NET RETURN

\$15.98B

GROSS ASSETS

\$2.349053

UNIT PRICE

4.87 YRS

WALE BY INCOME

11.08%

GEARING

# UPDATE FROM THE FUND MANAGER



“The investment team remains focused on using diversification to manage risk and adapt to these circumstances. This is supported by our unquestionably strong balance sheet discipline and clear strategic direction.”

## Dear investors

### Q2 2020 highlights

This quarter has been exceptionally busy on the investor relations front.

The ISPT team would like to thank investors for their increased level of engagement and support over the last 3 months of the COVID-19 crisis.

It has been important for us to hear from you through the additional forums we have held as well as the time you have allocated to us in one-to-one sessions.

We also welcome Funds SA and Sunsuper to the collective endeavours of the ISPT Core Fund and thank them for their efforts to complete due diligence under difficult circumstances.

Another outcome during the quarter has been the Frontier upgrade of the Fund's rating to Neutral Plus, involving extensive due diligence during the crisis period.

### Performance

With the conclusion of the financial year, returns across the property market were heavily impacted by the COVID-19 crisis.

The Fund's returns of approximately 1% were well above the weighted average for the MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index. The Fund remains above the Index over all periods from 1 to 10 years.

As expected, the Fund's retail portfolio suffered significant drag from the shutdown from both loss of income and adverse valuation input movements.

The commercial portfolio's return moderation continued as employment uncertainty increased whilst the logistics & warehousing portfolio held up well to this point of the cycle.

### Looking ahead

We do see ongoing uncertainty and challenges ahead on when or if a cost-effective vaccine will be deployed at scale, due to the global nature of the coronavirus pandemic.

Whilst global monetary and fiscal support have been deployed at enormous scale and efficiency, this will leave a legacy of market and balance sheet distortion that will take many years to resolve, particularly with echoes of the impacts from the GFC still unresolved.

### Our focus into FY2021

The investment team remains focused on using diversification to manage risk and adapt to these circumstances. This is supported by our unquestionably strong balance sheet discipline and clear strategic direction.

Importantly, the team has continued to work with customers under the Mandatory National Cabinet Leasing Code of Conduct. This task is unprecedented for the real estate industry and will continue well into FY2021.

We expect significant financial support will be required for SME customers as well as support outside of the Code for industries most heavily impacted by lockdown measures.

Opportunities in development, leasing and customer partnering are emerging, and we continue to pursue these in order to maintain the momentum of the Fund strategy.

Over coming months as the COVID-19 crisis impacts are better understood, we will be engaging with you to seek capital support to leverage opportunities to execute the long-term strategy of broader diversification.

The ISPT team remains committed to protecting investors' capital during uncertain times whilst remaining positive and focused on generating returns as opportunities present.

We look forward to your support in the year ahead.

A handwritten signature in black ink that reads "Mark Bassett". The signature is written in a cursive, flowing style.

**Mark Bassett**  
Fund Manager

# FUND OVERVIEW

The ISPT Core Fund (Fund) is a diversified property portfolio strategically focused on core assets across the commercial, retail, industrial and education sectors.

	31 Mar 20	30 Jun 20
<b>Asset values</b>		
Gross assets (GAV)	\$15.68B	\$15.98B
Property portfolio <sup>1</sup>	\$15.45B	\$15.74B
Unitholder's equity	\$13.68B	\$13.90B
<b>Portfolio</b>		
Economic footprint <sup>2</sup>	\$23.29B	\$22.43B
- Fund's interests	\$16.34B	\$15.77B
- Joint venture partners' interests	\$6.95B	\$6.66B
Properties	85	86
Weighted average capitalisation rate (WACR) <sup>3</sup>	5.20%	5.32%
Weighted average discount rate (WADR) <sup>4</sup>	6.57%	6.59%
WALE by income (years)	4.96	4.87
WALE by area (years)	5.54	5.41
Occupancy by area	94.24%	94.22%
<b>Income</b>		
Net property income - Quarter	\$175.30M	\$144.68M
Net property income - FYTD	\$502.41M	\$647.09M
Distribution - Quarter	\$152.03M	\$103.78M
Distribution - FYTD	\$438.85M	\$542.63M
<b>Equity</b>		
Units on issue	5,818,499,187	5,871,503,945
Unit price	\$2.324972	\$2.349053
Number of investors	31	31
DRP participation rate	81.17%	5.96%
<b>Fees</b>		
MER - FYTD	\$32.08M	\$38.53M
<b>Capital transactions</b>		
Acquisitions - FYTD	\$590.68M	\$802.59M
Divestments - FYTD	\$3.38M	\$3.38M
<b>Capital expenditure</b>		
Capital expenditure – FYTD	\$114.26M	\$148.75M
<b>Debt</b>		
Total debt facilities <sup>5</sup>	\$2.79B	\$3.34B
Total drawn debt	\$1,645.00M	\$1,770.00M
Interest Cover Ratio – FYTD	10.09	9.71
<b>NABERS (commercial)<sup>6</sup></b>		
Water	3.4 Stars	3.1 Stars
Energy	4.9 Stars	4.9 Stars
Indoor Environment	5.4 Stars	5.4 Stars

Data reflect all Fund's interests unless otherwise stated.

1 Includes Fund's interests in unit trusts.

2 The Fund's combined property exposure (which includes joint venture partners' interests).

3,4 Excludes Fund's interests in unit trusts.

5 Excludes \$10M guarantee facility.

6 NABERS ratings are weighted average based on area owned by the Fund.

# PRECINCTS

## TOP 13 PRECINCTS – 30 JUNE 2020

Precinct	Location	State	Assets	Value	Area (sqm)	Investment proposition	FY2019-2025 Fund Strategy investment activity
<a href="#">Pitt Street</a>	Sydney	NSW	270 Pitt St, 255 Pitt St, 161 Castlereagh St (50%)	\$1,360.00M	100,337	Sydney mid-town	Continue customer engagement to ensure lease renewals.
<a href="#">George Place</a>	Sydney	NSW	363 George St, 345 George St, 24 York St	\$1,117.00M	54,461	Multi-tenant HQ	Redevelopment to premium office precinct completed Q4 2018. Continue customer engagement.
<a href="#">Queen Street Mall</a>	Brisbane	QLD	The Myer Centre (75%), 155 Queen St, 170 Queen St, Wintergarden, Hilton Hotel, 150 Elizabeth St	\$963.00M	111,206	Long-term mixed use precinct	The Regent development; The Myer Centre redevelopment with Vicinity and Wintergarden repositioning.
<a href="#">Legal Melbourne</a>	Melbourne	VIC	500 Bourke St, 447 Collins St (50%), 405 Bourke St (50%)	\$924.14M	48,706	Legal and NAB HQ precinct	447 Collins St completed with Cbus Property; close out leasing; complete construction of 405 Bourke St with Brookfield; Masterplan to redevelop 500 Bourke St upon vacant possession in mid-2021.
<a href="#">Lonsdale Street</a>	Melbourne	VIC	2 Lonsdale St (16%), 50 Lonsdale St, 271 Spring St	\$913.23M	147,922	Financial and State Government HQ	271 Spring St completed. Acquire additional 50 Lonsdale St Property Trust units. Customer engagement to ensure lease renewals.
<a href="#">Hay Street Mall</a>	Perth	WA	enex, 100 St Georges, Forrest Chase, 705, 709 & 713 Hay St Mall	\$828.20M	102,162	Mixed use CBD precinct	
<a href="#">National Circuit</a>	Barton	ACT	1,2,3-5,4,6 & 7 National Circuit	\$653.25M	80,574	National Security precinct	Premium office precinct. Continue adjoining asset amalgamation and customer engagement.
<a href="#">Central Brisbane</a>	Brisbane	QLD	100 Creek St, 345 Queen St	\$590.50M	60,913		Refurbishment of 100 Creek St foyer complete. Continue customer engagement to ensure lease renewals.
<a href="#">Bourke Street Mall</a>	Melbourne	VIC	Melbourne's GPO, The Strand Melbourne, Midtown, 206 Bourke St,	\$466.60M	45,892		Continue customer engagement to ensure lease renewals.
<a href="#">Civic</a>	Canberra	ACT	2 Constitution Ave, 7 London Circuit, 18 Marcus Clarke St	\$363.00M	65,846	Federal Government department HQ	Continue lease renewals, continue adjoining asset amalgamation and customer engagement.
<a href="#">Central West</a>	Footscray	VIC	Central West Industrial Park and Central West Shopping Centre	\$234.90M	125,248	30 ha long-term land bank	Shopping centre refurbishment. Continue customer engagement for logistics estate.
<a href="#">Education Melbourne</a>	Melbourne	VIC	VU Tower, Former Records Office, Former Land Titles Office	\$189.55M	3,822	Victoria University Hub	Development of VU Tower Design scheme and apply for DA of Former Land Title Office.
<a href="#">North Ryde</a>	Sydney	NSW	1 Julius Ave, 2 Julius Ave, 8&9 Julius Ave	\$163.30M	21,169	Potential redevelopment	Preliminary masterplanning.

Data reflect all Fund's interests.

## TOP 20 INVESTMENTS (INCLUDING PRECINCTS) – 30 JUNE 2020

Precinct/Asset	Location	State	Sector	Assets	Value	% Total Property Value
Pitt Street	Sydney	NSW	Commercial	270 Pitt St, 255 Pitt St, 161 Castlereagh St (50%)	\$1,360.00M	8.64%
George Place	Sydney	NSW	Commercial	363 George St, 345 George St, 24 York St	\$1,117.00M	7.10%
Queen Street Mall	Brisbane	QLD	Retail, Hotel	The Myer Centre (75%) , 155 Queen St, 170 Queen St, Wintergarden, Hilton Hotel, 150 Elizabeth St	\$963.00M	6.12%
Legal Melbourne	Melbourne	VIC	Commercial	500 Bourke St, 447 Collins St (50%), 405 Bourke St (50%)	\$924.14M	5.87%
Lonsdale Street	Melbourne	VIC	Commercial	2 Lonsdale St, 50 Lonsdale St (16%), 271 Spring St	\$913.23M	5.80%
275 Kent St	Sydney	NSW	Commercial	275 Kent St (50%)	\$857.50M	5.45%
Hay Street Mall	Perth	WA	Retail, Commercial	enex, 100 St Georges, Forrest Chase, 705, 709 & 713 Hay St Mall	\$828.20M	5.26%
National Circuit	Canberra	ACT	Commercial	1, 2, 3-5 & 7, 4, 6 & 7 National Circuit	\$653.25M	4.15%
Central Brisbane	Brisbane	QLD	Commercial	100 Creek St, 345 Queen St	\$590.50M	3.75%
1 William Street Trust	Brisbane	QLD	Commercial	Investment in 1 William St Trust (50%)	\$571.84M	3.63%
Westfield Doncaster	Doncaster	VIC	Retail	Westfield Doncaster (25%)	\$538.98M	3.42%
477 Pitt St	Sydney	NSW	Commercial	477 Pitt St, Sydney	\$488.00M	3.10%
Bourke Street Mall	Melbourne	VIC	Retail	Melbourne's GPO, The Strand Melbourne, Midtown, 206 Bourke St, Melbourne	\$466.60M	2.96%
Civic	Canberra	ACT	Commercial	2 Constitution Ave, 7 London Circuit, 18 Marcus Clarke St	\$363.00M	2.31%
100 Pacific Highway	North Sydney	NSW	Commercial	100 Pacific Highway	\$345.00M	2.19%
World Square	Sydney	NSW	Retail	World Square Shopping Centre (50%)	\$304.86M	1.94%
Waurin Ponds Shopping Centre	Waurin Ponds	VIC	Retail	Waurin Ponds Shopping Centre (100%)	\$285.20M	1.81%
Southgate Shopping Centre	Sylvania	NSW	Retail	Southgate Shopping Centre	\$250.85M	1.59%
Mandurah Forum	Mandurah	WA	Retail	Mandurah Forum (50%)	\$242.50M	1.54%
Central West	Braybrook	VIC	Logistics & Warehousing, Retail	Central West Business Park, Central West Shopping Centre	\$234.90M	1.49%

# PERFORMANCE UPDATE

Serving over 27M shoppers annually  
World Square Shopping Centre, Sydney



# PERFORMANCE

The Fund recorded 1.80% in Net Total Return for Q2 2020. The FY2020 Net Total Return of 0.98% has placed the Fund as the leading diversified fund, outperforming the MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index return of negative 2.66% by 3.64%.

## Net and Gross returns

	Net Returns		Gross Returns			
	Total	Index <sup>3</sup>	Income	Capital <sup>2</sup>	Total	Index <sup>3</sup>
3 mths	1.80%	-3.99%	0.81%	1.04%	1.84%	-3.82%
FYTD	0.98%	-2.66%	4.32%	-3.06%	1.27%	-2.08%
1 yr	0.98%	-2.66%	4.32%	-3.06%	1.27%	-2.08%
3 yrs (p.a.)	6.71%	5.33%	4.71%	2.28%	6.99%	5.92%
5 yrs (p.a.)	9.39%	8.09%	5.26%	4.43%	9.69%	8.71%
7 yrs (p.a.)	9.57%	8.45%	5.76%	4.13%	9.89%	9.08%
10 yrs (p.a.)	9.39%	8.60%	6.14%	3.58%	9.72%	9.26%
15 yrs (p.a.)	8.28%	8.03%	6.27%	2.34%	8.61%	8.74%
20 yrs (p.a.)	9.05%	8.62%	6.89%	2.50%	9.39%	9.38%
Since inception (p.a.) <sup>1</sup>	9.21%	n/a	7.43%	2.19%	9.62%	9.27%

1 Inception Date: 31 Aug 94

2 The compound residual effect has been allocated to the capital return.

3 Index is the MUPFI pre Sep 09 and Mercer/IPD Australian PPFI post Sep 09. The Fund was included in the Mercer/IPD Australian PPFI from Aug 94.

Index was renamed MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index in Dec 18.

## CONTRIBUTION ANALYSIS

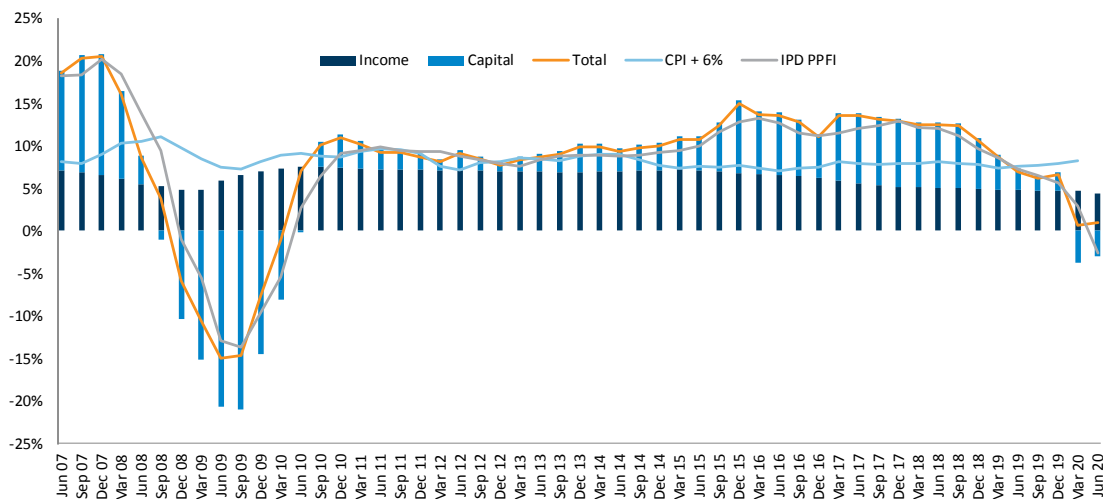
The table shows a breakdown of the Net Total Return contributed by the Fund's property return, borrowings and expenses over different periods.

	Commercial	Retail	Logistics & warehousing	Education	Other	Total property	Gearing and interest	Gross Total Returns	MER	Net Total Returns
3 mths	0.90%	0.59%	0.43%	0.00%	0.03%	1.95%	-0.10%	1.84%	-0.05%	1.80%
FYTD	3.98%	-2.65%	0.52%	-0.01%	0.02%	1.87%	-0.60%	1.27%	-0.28%	0.98%
1 yr	3.98%	-2.65%	0.52%	-0.01%	0.02%	1.87%	-0.60%	1.27%	-0.28%	0.98%
3 yrs (p.a.)	5.83%	0.39%	0.76%	0.08%	0.05%	7.11%	-0.12%	6.99%	-0.28%	6.71%
5 yrs (p.a.)	6.50%	1.98%	0.81%	0.07%	0.10%	9.46%	0.23%	9.69%	-0.29%	9.39%
7 yrs (p.a.)	6.00%	2.60%	0.82%	0.07%	0.09%	9.59%	0.30%	9.89%	-0.32%	9.57%
10 yrs (p.a.)	5.88%	2.62%	0.79%	0.06%	0.14%	9.49%	0.24%	9.72%	-0.33%	9.39%

Note: MER is based on Unitholders' equity

## ROLLING ANNUAL NET RETURNS

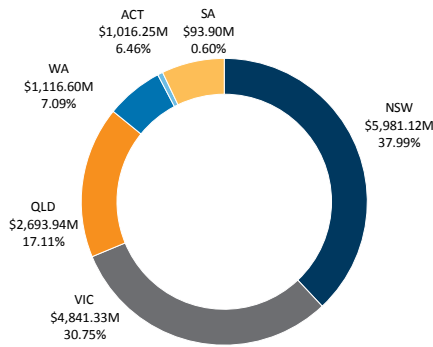
The chart illustrates the capital and income return components of its rolling annual returns in comparison with its benchmarks.



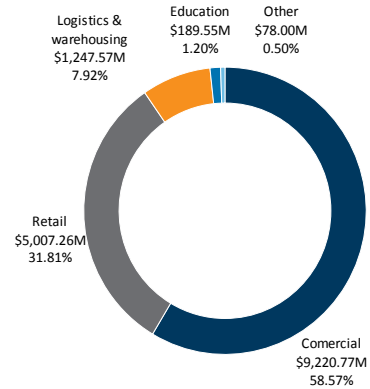
Note: The CPI benchmark at 30 June 2020 is not available at the time of preparing this report and will be reported in the ISPT Core Fund CPI Update.

# DIVERSIFICATION

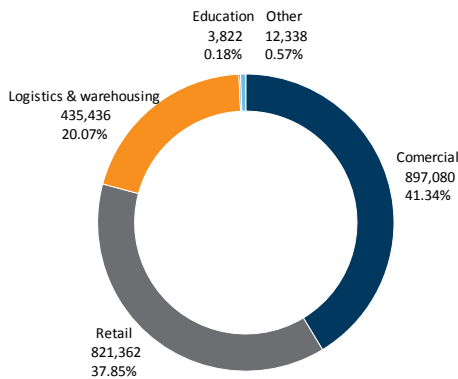
**GEOGRAPHIC WEIGHT BY VALUE**



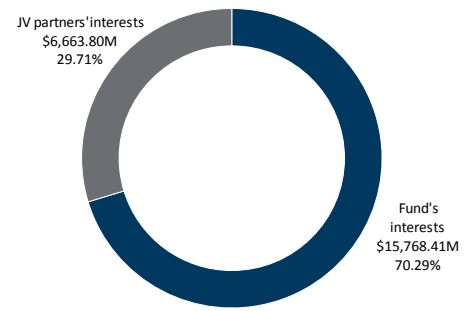
**PROPERTY SECTORS BY VALUE**



**PROPERTY SECTORS BY AREA (SQM)<sup>1</sup>**



**ECONOMIC FOOTPRINT<sup>2</sup>**



## TOP 20 TENANTS (BY INCOME)

Tenant	Income	Tenant	Income
Westpac	\$39.14M	4.90% The Attorney General's Department	\$12.38M 1.55%
National Australia Bank	\$28.08M	3.51% Department of Home Affairs	\$10.82M 1.35%
Department of Housing & Public Works	\$27.00M	3.38% H&M	\$10.05M 1.26%
Commonwealth of Australia	\$22.53M	2.82% Freehills Services	\$9.18M 1.15%
Department of Agriculture	\$21.14M	2.64% INPEX Operations Australia	\$9.14M 1.14%
Woolworths/Big W	\$20.19M	2.53% Tal Services	\$8.46M 1.06%
Myer	\$16.97M	2.12% Department of Treasury and Finance	\$8.35M 1.04%
ANZ Banking Group	\$16.73M	2.09% Australian Unity	\$8.09M 1.01%
Coles	\$15.13M	1.89% Saputo Dairy Australia	\$7.57M 0.95%
Wesfarmers	\$13.79M	1.72% Prime Minister & Cabinet	\$7.03M 0.88%

Data reflect all Fund's interests unless otherwise stated.

1, 2 The Fund's combined property exposure (which includes joint venture partners' interests).



# STRATEGY MILESTONES

	Target	Target date	30 Jun 20
<b>Investment returns</b>			
<b>Primary Benchmark</b>			
CPI + 6% over 10 yrs p.a. <sup>1</sup>	8.05%	2020	9.39%
<b>Secondary Benchmark</b>			
MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index over 5 yrs p.a.	8.09%	2025	9.39%
MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index over 10 yrs p.a.	8.60%	2025	9.39%
MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index over 20 yrs p.a.	8.62%	2025	9.05%
<b>Ungeared Benchmark</b>			
MSCI/Mercer Australia Core Wholesale Monthly Property Fund Index over 5 yrs p.a. <sup>2</sup>	9.40%	2020	9.46%
<b>Portfolio construction</b>			
<b>Primary asset allocation - Geography</b>			
Eastern states inc. ACT	90%	-	92%
WA and Other	10%	-	8%
<b>Secondary asset allocation - Sectors</b>			
Commercial	45%	2025	59%
Retail	30%	2025	32%
Logistics & warehousing	10%	2025	8%
Health	5%	2025	0%
Education and other	5%	2025	2%
Accommodation	5%	2025	0%
<b>Income security</b>			
Occupancy by area	97%	-	94.22%
WALE by income	6 yrs	2020	4.87 yrs
<b>Asset quality</b>			
Prime portfolio	95%	2020	95%
<b>Acquisitions</b>			
Acquisition of prime properties (from FY2019)	\$5B	2025	\$1.91B
<b>Divestments</b>			
Divestment of properties in non-core locations (from FY2019)	\$500M	2020	\$151.13M
<b>Development</b>			
Developments <sup>3</sup> (from FY2019)	\$6B	2025	\$2.0B
<b>Fund management</b>			
Fund growth - FYTD	10% pa	-	5.1%
Fees - FYTD	<25bps	-	24 bps
<b>Capital management</b>			
<b>Part A: Distribution Reinvestment Plan (DRP)</b>	80%	-	5.96%
<b>Part B: Debt</b>			
Gearing (Drawn debt/GAV)	10-15%	-	11.08%
Debt capacity	\$500M - \$900M	-	\$1.57B
Cost of debt	<5%	-	3.46%
Duration	5 yrs	2020	4.22 years
USPP	\$500M	2020	\$550M
<b>Part C: Funding Notice</b>	\$500M	-	\$500M
<b>Part D: Diversify equity base</b>			
New equity placed (from FY2019)	\$1B	2020	\$500M
<b>Sustainability<sup>4</sup></b>			
NABERS Energy (Commercial)	4.9 Stars	2020	4.9 Stars
NABERS Water (Commercial)	3.4 Stars	2020	3.1 Stars
NABERS Indoor Environment	5.4 Stars	2020	5.4 Stars
GRESB - Global ranking	Upper quartile	2020	19%

Data reflect Fund's interests unless otherwise stated.

1 CPI + 6% over 10 yrs p.a. target as at Mar 20.

2 Ungeared as at Mar 20.

3 Book value of completed developments with a minimum expenditure of \$50M.

4 Excludes joint venture properties



# CAPITAL POSITION

Delivering excellent service with a smile  
Central Plaza, 345 Queen St, Brisbane

# CAPITAL MANAGEMENT

## DEBT POSITION

	31 Mar 20	30 Jun 20
Total debt facilities <sup>1</sup>	\$2.79B	\$3.34B
Total drawn debt	\$1,645.00M	\$1,770.00M
Debt capacity available	\$1,145.00M	\$1,570.00M
Debt hedged (% on drawn debt) <sup>2</sup>	98.48%	91.53%
Market value of hedging instruments <sup>3</sup>	-\$86.33M	-\$90.98M
Weighted Average Term to Maturity	4.52 years	4.22 years
Weighted Cost of Debt (inc. fees and margin)	3.49%	3.46%
Gearing - Fund level <sup>4</sup>	10.49%	11.08%
Gearing - Look-through <sup>5</sup>	11.86%	11.97%
Interest cover ratio - FYTD	10.09	9.71

Data reflect all Fund's interests unless otherwise stated.

1 Excludes \$10M guarantee facility.

2 Includes debt hedged through swaps and fixed rate US Private Placement.

3 Included in monthly unit price.

4 Drawn debt to GAV.

5 Includes debt held in the Fund's joint ventures.

### Highlights

Total debt outstanding for the quarter remained at \$1.77B, while gearing (total debt to GAV) decreased to 11.08% due to increase in underlying asset values.

As advised in the May 2020 update, we secured new bank debt facilities of \$550M which increased the Fund's total facilities to \$3.34B, providing total undrawn committed bank lines of \$1,570M. The new facilities were on the same terms and conditions as the Fund's current bank facilities and were for a mix of tenors of 18 months to 5 years. The new undrawn committed bank facilities provide the Fund with increased debt capacity.

We also extended \$200M in facilities, provided by ANZ and Westpac (\$100M provided by each). The facilities were extended for terms of 4 and 2 years respectfully on existing terms and conditions.

The Fund remains within all the Trust Deeds and debt facility covenants.

### STRATEGIC FOCUS

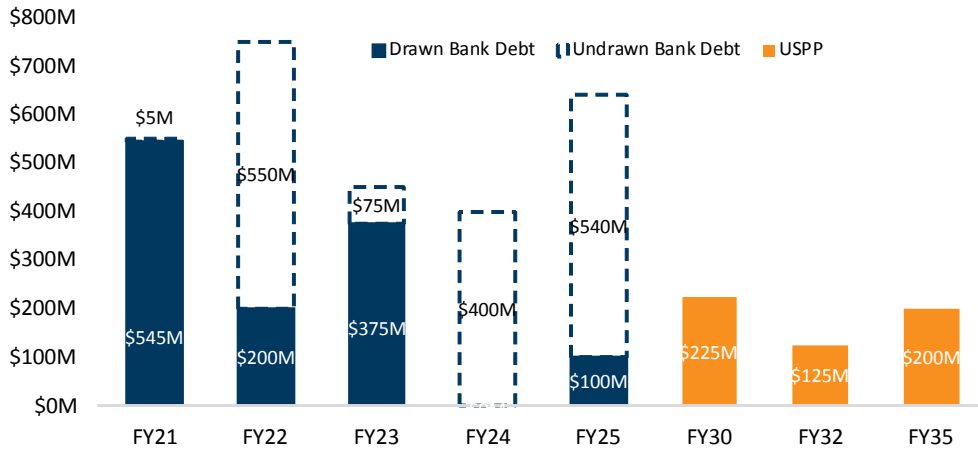
Reasonable levels of liquidity remain in bank and fixed interest markets at good pricing and duration on a relative basis. The Fund continues to maintain a preference to contain longer term debt within the primary ISPT No.1 and ISPT No.2 Trust structures and to avoid significant long-term leverage in special-purpose vehicles unless essential to the transaction structure.

Debt levels may fluctuate due to acquisitions and divestments. The level of drawn debt is highly dependent on the level of DRP by investors over time.

The Fund continues to assess long-term debt markets as part of its FY2019-2025 Fund Strategy with these goals:

- Increase funding diversification through a long dated debt issuance in the US Private Placement market.
- Target debt levels of 10-15% of Gross Asset Value as an average range over the long term.
- Active management to extend the interest rate and facility duration at present.
- Reserve up to \$1.0B of debt capacity for transactions and developments.
- Interest rate hedging is pursued for 50-75% of drawn debt, but may reach 100% of drawn debt at times.

## DEBT MATURITY – 30 JUNE 2020



## SWAP PORTFOLIO – 30 JUNE 2020

Bank	Swap Amount	Rate	Maturity	Mark-to-market (\$'000)
CBA	\$75M	2.44%	11 Jul 23	(\$4,828)
CBA	\$125M	2.44%	11 Jul 23	(\$8,062)
NAB	\$50M	2.36%	31 Jul 23	(\$3,170)
NAB	\$50M	2.17%	09 Jan 24	(\$3,211)
WBC	\$50M	2.17%	10 Jan 24	(\$3,213)
CBA	\$100M	2.17%	14 Jan 24	(\$6,455)
ANZ	\$100M	2.52%	10 Apr 25	(\$9,928)
WBC	\$100M	2.53%	17 Apr 25	(\$10,018)
NAB	\$250M	2.57%	17 Apr 25	(\$25,484)
CBA	\$70M	2.56%	17 Apr 25	(\$7,103)
NAB	\$50M	2.08%	09 Feb 26	(\$4,347)
ANZ	\$50M	2.08%	11 Feb 26	(\$4,348)
<b>Total</b>	<b>\$1,070M</b>			<b>(\$90,167)</b>

The mark-to-market valuation is reported exclusive of accrued interest with effect from June 2020.

# ACQUISITIONS

The Fund completed settlement for two earlier commercial acquisitions in Q2 2020.

## 7 National Circuit, Barton ACT (100%), \$14.50M

The property adjoins the Fund's assets at 3-5 National Circuit, Barton ACT. The acquisition is in line with the Fund's precinct strategy, providing redevelopment potential and the ability to meet future requirements of existing customers in Barton.

Exchange of contracts occurred on 31 March 2020 and settlement, 16 April 2020.

## 447 Collins St, Melbourne VIC (50%), \$197.41M to date

In June 2017, the Fund acquired a 50% interest in the commercial and retail stratum of 447 Collins St, Melbourne VIC in joint venture with Cbus Property.

The purchase price is 50% of the development costs of the project. The payment for the acquisition is staged, based on development milestones.

Settlement occurred on 1 May 2020 for \$182.24M, after title issuance, representing project development costs incurred to 31 January 2020. Further project development costs of \$15.17M have been paid from February to June 2020.

The Fund will continue to reimburse the remaining development costs on a progress claim basis as part of the purchase price (which excludes stamp duty, a provision for potential additional costs, internal recharges and fees for consultants which we have separately engaged) until expected project completion in December 2020.

## ACQUISITIONS FYTD

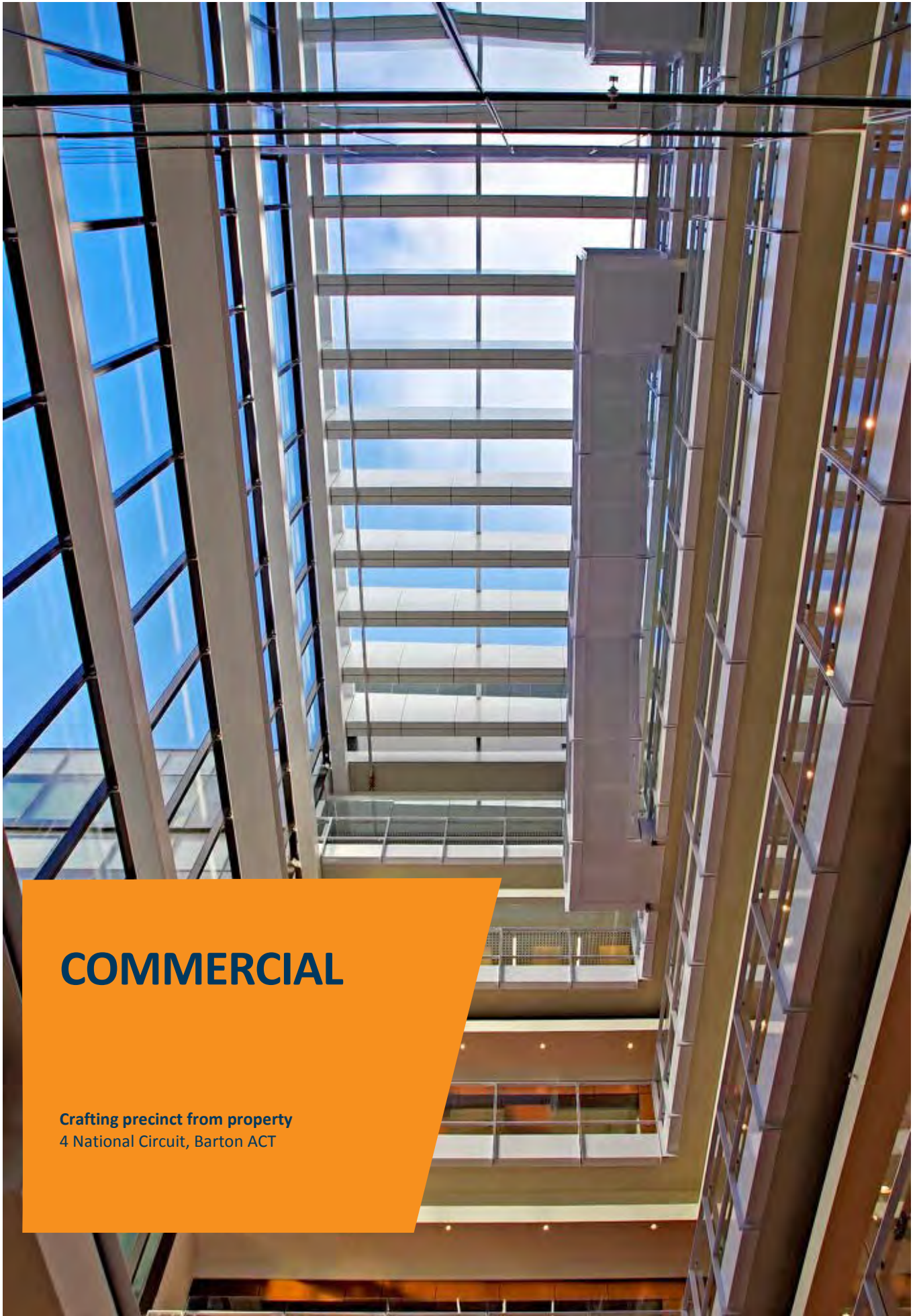
Property	Sector	Settlement	Price	Cap rate
Waurm Ponds Shopping Centre, Waurm Ponds VIC (50%)	Retail	3 Jul 19	\$145.00M	6.25%
Lot 107 Clunies Ross St, Prospect NSW	Logistics & warehousing	12 Jul 19	\$24.50M	N/A
108-110 Sydney Rd, Brunswick VIC	Retail	5 Sep 19	\$2.50M	N/A
Lot 88 Kurrajong Rd, Preston NSW (Kookaburra Logistics Estate)	Logistics & warehousing	1 Oct 19	\$10.00M	N/A
163 Property Trust (Additional 25%)	Commercial	2 Oct 19	\$405.15M	4.44%
651 Doncaster Rd, Doncaster VIC (25%)	Retail	13 Dec 19	\$3.53M	N/A
7 National Circuit, Barton	Commercial	16 Apr 20	\$14.50M	N/A
447 Collins St, Melbourne VIC (50%)	Commercial	1 May 20	\$197.41M	N/A
<b>Total</b>			<b>\$802.59M</b>	

# DIVESTMENTS

Due to current property market conditions, the Fund is not preparing any assets for sale at this time.

## DIVESTMENT FYTD

Property	Sector	Settlement	Price	Premium
207 Burslem Dr, Maddington WA	Other	25 Nov 19	\$3.38M	16.55%
<b>Total</b>			<b>\$3.38M</b>	



# COMMERCIAL

**Crafting precinct from property**  
4 National Circuit, Barton ACT

# COMMERCIAL

## KEY STATISTICS

	31 Mar 20	30 Jun 20
Commercial portfolio value	\$9.11B	\$9.22B
% of Fund value	58.98%	58.57%
Economic footprint <sup>1</sup>	\$12,883.99M	\$12,808.27M
- Fund's interest	\$9,281.54M	\$9,190.04M
- Joint venture partners' interests	\$3,602.45M	\$3,618.23M
Total properties	33	34
Occupancy by area	93.10%	93.83%
WALE by income (years)	5.50	5.47
Weighted average capitalisation rate	5.11%	5.09%

Data reflect all Fund's interests unless otherwise stated.

1 The Fund's combined property exposure (which includes joint venture partners' interests) before provision for future loss.

## COMMERCIAL PROPERTY RETURNS

	Income	Capital	Total
3 mths	1.04%	0.48%	1.52%
FYTD	4.50%	2.70%	7.20%
1 yr	4.50%	2.70%	7.20%
3 yrs (p.a.)	4.60%	6.63%	11.23%
5 yrs (p.a.)	5.21%	7.83%	13.03%
10 yrs (p.a.)	6.15%	5.04%	11.19%

The compound residual effect has been allocated to the capital return.

Property performance reflects carve-out returns for the sector, excluding the effect of Fund expenses and gearing, and is not equivalent to Fund return.

## WHAT DRIVES OUR STRATEGIC FOCUS ON COMMERCIAL

### INVESTMENT

#### Diversification

A high grade portfolio of premium and A Grade commercial assets is a pillar to a core diversified portfolio seeking resilient income and capital returns.

#### Development

Development or redevelopment of core high quality commercial properties provides access to scalable investments and value creation through margin capture and stamp duty savings.

#### Precincts

The precinct strategy enhances portfolio values through economies of scale in service delivery and curation of customer experience to drive tenant retention.

### ECONOMIC

#### Demand

Urbanisation, globalisation, migration and population growth continues to drive demand for prime commercial properties in the targeted eastern seaboard cities.

#### Scarcity

Commercial property enables exposure to a spectrum of economic sectors across the Australian economy.

#### Supply

Limited availability of prime CBD land supports rental growth and redevelopment opportunities.

### SOCIAL

#### Customer expectations

Employees are looking for place making, end-of-trip facilities, innovative and responsive fit-outs, NABERS ratings and wellness and events programs to create a great place to work.

#### Corporate needs

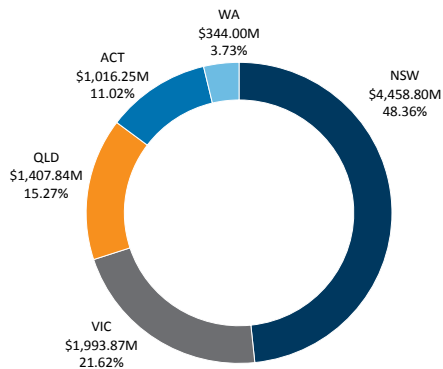
In the war for talent, office space that embodies inspiration, flexibility and inclusiveness are increasingly viewed as a reflection of companies' corporate values.

#### Workplace trends

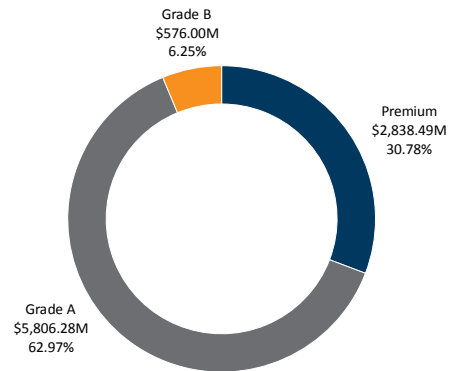
The growing need to support new functional and flexible working trends, including working remotely and co-working has paved the way for innovative technology solutions. This is exemplified through Flex and Dialogue by ISPT.

## DIVERSIFICATION

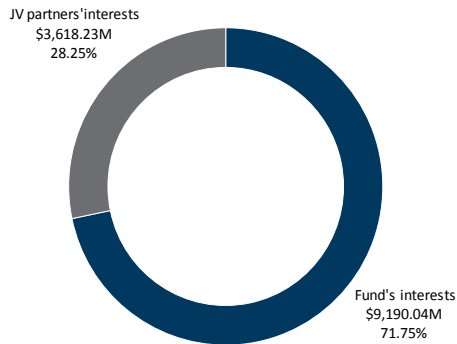
### GEOGRAPHIC WEIGHT BY VALUE



### PROPERTY TYPE



### ECONOMIC FOOTPRINT<sup>1</sup>



### TOP 20 TENANTS (BY INCOME)

Tenant	Income	Tenant	Income
Westpac	\$37.27M 9.12%	Tal Services	\$8.46M 2.07%
Department of Housing & Public Works	\$27.00M 6.60%	Department of Treasury and Finance	\$8.35M 2.04%
National Australia Bank	\$25.31M 6.19%	Australian Unity	\$8.09M 1.98%
Commonwealth of Australia	\$22.53M 5.51%	Prime Minister & Cabinet	\$7.03M 1.72%
Department of Agriculture	\$21.14M 5.17%	Atlassian	\$6.79M 1.66%
ANZ Banking Group	\$15.46M 3.78%	Property NSW	\$5.85M 1.43%
The Attorney General's Department	\$12.38M 3.03%	Pricewaterhouse Coopers Services	\$5.26M 1.29%
Department of Home Affairs	\$10.82M 2.65%	Employers Mutual Management	\$4.79M 1.17%
Freehills Services	\$9.18M 2.25%	Santos WA Energy	\$4.49M 1.10%
INPEX Operations Australia	\$9.14M 2.24%	Suncorp Corporate Services	\$3.88M 0.95%

Data reflect all Fund's interests unless otherwise stated.

<sup>1</sup> The Fund's combined property exposure (which includes joint venture partners' interests).



## VALUATION HIGHLIGHTS\*

### 447 Collins St, Melbourne VIC

Increased \$6.89M after capital expenditure following the development achieving practical completion releasing the remaining Profit & Risk allowance.

### 271 Spring St, Melbourne VIC

Increased \$1.80M after capital expenditure due to the tenants contracted rent being subject to a fixed annual increase. This was partially offset by a reduction in forecast market income growth.

### 6 National Circuit, Barton ACT

Increased \$0.45M after capital expenditure due to leasing activity. This was partially offset by an increase in budgeted outgoings.

### 363 George St, Sydney NSW

Decreased \$18.88M after capital expenditure due to several incremental value drivers including a reduction in forecast market income growth, an increase in allowances for near to medium term expiries and allowances for Covid-19 related income loss.

### 345 George St, Sydney NSW

Decreased \$18.28M after capital expenditure due to several incremental value drivers including a reduction in forecast market income growth, an increase in allowances for near to medium term expiries and allowances for Covid-19 related income loss.

### 270 Pitt St, Sydney NSW

Decreased \$10.19M after capital expenditure due to a reduction in forecast market income growth and an increase in the incentive allowance relating to the whole of building occupants' near-term lease expiry.

\*Exclude the impact of provision for future loss in Q1 2020.

## VALUATION RESULTS

Commercial	State	Book value		Valuation		Cap rate		Total (FYTD)	
		30 Jun 20	Qtly chg	Qtly chg after capex	Qtly chg after capex	30 Jun 20	Qtly chg	Return	Contribution
275 Kent St, Sydney	NSW	\$857.50M	0.40%	-\$5.27M	-\$8.70M	4.50%	0.00%	6.30%	0.33%
161 Castlereagh St, Sydney	NSW	\$806.00M	0.20%	\$1.17M	-\$6.95M	N/A	N/A	7.20%	0.26%
363 George St, Sydney	NSW	\$685.00M	-0.20%	-\$1.28M	-\$18.88M	4.75%	0.00%	4.60%	0.20%
2 Lonsdale St, Melbourne	VIC	\$643.00M	-0.03%	-\$0.75M	-\$10.54M	5.00%	0.00%	9.70%	0.38%
1 William St, Brisbane	QLD	\$571.84M	1.77%	\$9.96M	N/A	4.88%	0.00%	8.91%	0.31%
477 Pitt St, Sydney	NSW	\$488.00M	1.52%	\$4.45M	-\$20.85M	5.50%	0.00%	1.26%	0.04%
345 George St, Sydney	NSW	\$432.00M	-1.54%	-\$7.03M	-\$18.28M	5.00%	0.00%	4.39%	0.12%
345 Queen St, Brisbane	QLD	\$416.50M	3.16%	\$11.28M	-\$9.97M	5.50%	0.00%	9.21%	0.23%
100 Pacific Highway, North Sydney	NSW	\$345.00M	0.52%	\$1.32M	-\$7.48M	5.25%	0.00%	12.87%	0.26%
100 St Georges Terrace, Perth	WA	\$344.00M	3.46%	\$10.69M	-\$6.81M	6.00%	0.00%	5.61%	0.12%
447 Collins St, Melbourne	VIC	\$327.50M	7.63%	\$8.42M	\$6.89M	4.75%	0.00%	8.65%	0.15%
500 Bourke St, Melbourne	VIC	\$321.00M	3.65%	\$10.38M	-\$5.92M	5.00%	0.00%	6.69%	0.14%
255 Pitt St, Sydney	NSW	\$287.00M	1.05%	\$2.11M	-\$4.86M	5.00%	0.00%	4.55%	0.09%
405 Bourke St, Melbourne	VIC	\$275.64M	3.42%	\$0.05M	-\$0.30M	4.63%	0.00%	7.78%	0.11%
270 Pitt St, Sydney	NSW	\$267.00M	1.83%	\$3.61M	-\$10.19M	5.00%	0.00%	14.38%	0.22%
4 National Circuit, Barton	ACT	\$260.00M	-1.41%	-\$4.15M	-\$4.29M	5.25%	0.00%	9.11%	0.14%
515 St Pauls Terrace, Fortitude Valley	QLD	\$203.00M	2.82%	\$5.06M	\$0.00M	5.75%	0.00%	14.01%	0.16%
271 Spring St, Melbourne	VIC	\$181.00M	2.14%	\$3.59M	\$1.80M	4.50%	0.00%	15.32%	0.16%
100 Creek St, Brisbane	QLD	\$174.00M	3.19%	\$3.92M	-\$4.96M	6.00%	0.00%	9.57%	0.10%
2 Riverside Quay, Southbank	VIC	\$156.50M	1.86%	\$2.86M	-\$1.08M	4.75%	0.00%	9.77%	0.09%
3-5 National Circuit, Barton	ACT	\$156.00M	-1.89%	-\$3.25M	-\$3.25M	5.50%	0.00%	4.31%	0.04%
18 Marcus Clarke St, Canberra	ACT	\$154.00M	0.03%	-\$0.31M	-\$4.26M	6.25%	0.00%	1.09%	0.01%
1 National Circuit, Barton	ACT	\$150.00M	0.37%	\$0.29M	\$0.29M	5.00%	0.00%	13.31%	0.11%
10 Smith St, Parramatta	NSW	\$128.00M	0.22%	-\$0.53M	-\$3.81M	5.50%	0.00%	3.83%	0.03%
7 London Circuit, Canberra	ACT	\$123.00M	-1.83%	-\$2.43M	-\$5.64M	6.00%	0.00%	2.51%	0.02%
50 Lonsdale St, Melbourne	VIC	\$89.23M	-1.61%	-\$1.46M	N/A	5.00%	0.00%	9.89%	0.05%
2 Constitution Ave, Canberra	ACT	\$86.00M	1.39%	-\$0.63M	-\$2.81M	6.75%	0.25%	13.33%	0.06%
1 Julius Ave, North Ryde	NSW	\$79.30M	-2.71%	-\$3.12M	-\$5.21M	6.00%	0.00%	-0.47%	0.00%
2 Julius Ave, North Ryde	NSW	\$49.00M	-4.36%	-\$2.34M	-\$2.86M	5.75%	0.00%	6.49%	0.02%
150 Elizabeth St, Brisbane	QLD	\$42.50M	0.00%	-\$0.02M	-\$0.02M	N/A	N/A	-2.50%	-0.01%
2 National Circuit, Barton	ACT	\$38.00M	-1.30%	-\$0.51M	-\$0.51M	5.50%	0.00%	7.49%	0.02%
6 National Circuit, Barton	ACT	\$37.00M	3.24%	\$0.81M	\$0.45M	6.25%	0.00%	0.94%	0.00%
8-9 Julius Ave, North Ryde	NSW	\$35.00M	0.00%	\$0.00M	\$0.00M	N/A	N/A	-3.84%	-0.01%
7 National Circuit, Barton	ACT	\$12.25M		-\$2.95M	-\$2.95M	6.00%			
<b>Total commercial portfolio value</b>		<b>\$9,220.77M</b>		<b>\$43.93M</b>	<b>-\$161.94M</b>				<b>3.98%</b>

Data reflect all Fund's interests.

## LEASING HIGHLIGHTS

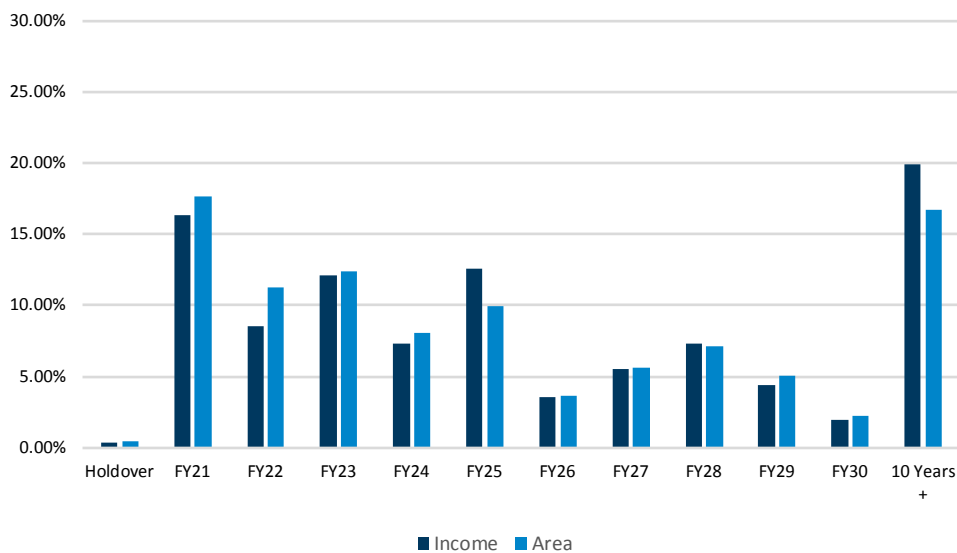
Leasing activity has slowed dramatically since the end of March. Property inspections practically ceased throughout April and May, with a slow improvement in June. Transactions slowed dramatically as businesses reassessed their needs as a result of the economic uncertainty and expected increase in staff working from home.

A few transactions that were underway prior to the onset of COVID-19 were successfully negotiated during the quarter. Amongst them is a newly executed lease with Macquarie Telecom, a tenant at 477 Pitt Street, Sydney NSW, which took up a new office at 100 Creek St, Brisbane QLD (200 sqm). The remaining negotiated leases include National Aboriginal Community Controlled Health Organisation (NACCHO)'s 2-year option at 2 Constitution Ave, Canberra ACT (917 sqm) and Microsoft's 3-year option term to remain at 6 National Circuit, Barton (1,815 sqm). These leases are expected to be executed shortly.

## MAJOR LEASES EXECUTED

Commercial property	Tenant	Area (sqm)	Type	Commencement	Expiry
2 Constitution Ave, Canberra ACT	Department of Home Affairs	9,874	Variation	1 Jul 20	30 Jun 24
363 George St, Sydney NSW	Atlassian	1,284	Lease (New)	1 Sep 20	30 Jun 23
100 Creek St, Brisbane QLD	Macquarie Telecom	200	Lease (New)	15 May 20	14 May 25
<b>Total commercial leases Q2 2020</b>		<b>11,358</b>			

## LEASE EXPIRY PROFILE<sup>1</sup>

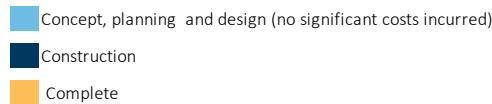


<sup>1</sup> Data reflect all Fund's interests, except interest in ISPT 50 Lonsdale Street Trust.

## DEVELOPMENTS AND CAPITAL EXPENDITURE

### EXPECTED PROGRESS

Property	Budgeted <sup>1</sup>	Incurred to date <sup>2</sup>	Cost to complete	2018				2019				2020				2021				2022				2023												
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4									
<b>Developments completed FY2019 - FYTD</b>				<b>Book value Jun 2020</b>																																
270 Pitt St, Sydney NSW	\$20M	\$20M	\$0M																													\$267.00M				
255 Pitt St, Sydney NSW	\$9M	\$9M	\$0M																																	\$287.00M
100 Pacific Hwy, North Sydney NSW	\$9M	\$9M	\$0M																																	\$345.00M
George Place, Sydney NSW	\$80M	\$80M	\$0M																																	\$1,117.00
345 Queen St, Brisbane QLD (Annex)	\$10M	\$10M	\$0M																																	\$416.50M
100 Creek St, Brisbane QLD	\$11M	\$11M	\$0M																																	\$174.00M
271 Spring St, Melbourne VIC	\$112M	\$110M	\$2M																																	\$181.00M
447 Collins St, Melbourne VIC* <sup>3</sup>	\$253M	\$223M	\$31M																																	\$327.50M
<b>Total completed</b>	<b>\$504M</b>	<b>\$471M</b>	<b>\$33M</b>																																	
<b>Development in progress</b>																																				
477 Pitt St, Sydney NSW (St3)^	\$150M	\$5M	\$145M																																	
405 Bourke St, Melbourne VIC*^	\$420M	\$171M	\$249M																																	
<b>Development pipeline (subject to funding approval)</b>																																				
500 Bourke St, Melbourne VIC	\$243M	\$0M	\$0M																																	
150 Elizabeth St, Brisbane QLD	\$400M	\$0M	\$0M																																	
<b>Total in progress and pipeline</b>	<b>\$1,213M</b>	<b>\$176M</b>	<b>\$394M</b>																																	



Data reflect the Fund's interests in fully owned and joint venture properties.

1 Development Budgets: Includes D&C, incentives, design, legal, contingency. Excludes the cost of land and interest expense.

2 Rounding to nearest \$10M.

\* Joint venture projects.

^ Approved by ISPT Board.

3 End value \$302M including \$29M development profit.

### DEVELOPMENT HIGHLIGHTS

#### 477 Pitt St, Sydney NSW

Six floors are undergoing refurbishment with expected completion by September 2020. A development application has been lodged with the City of Sydney for a new building façade and refurbished ground plane. This will reposition the property to target Technology businesses and space occupiers taking advantage of the NSW Government's policy and investment initiatives in the Central to Eveleigh corridor.

#### 447 Collins St, Melbourne VIC

While practical completion of the office tower occurred on 31 March 2020, a range of defects and incomplete works are being finalised. Ground plane works including the pocket park are expected to complete by end of 2020.

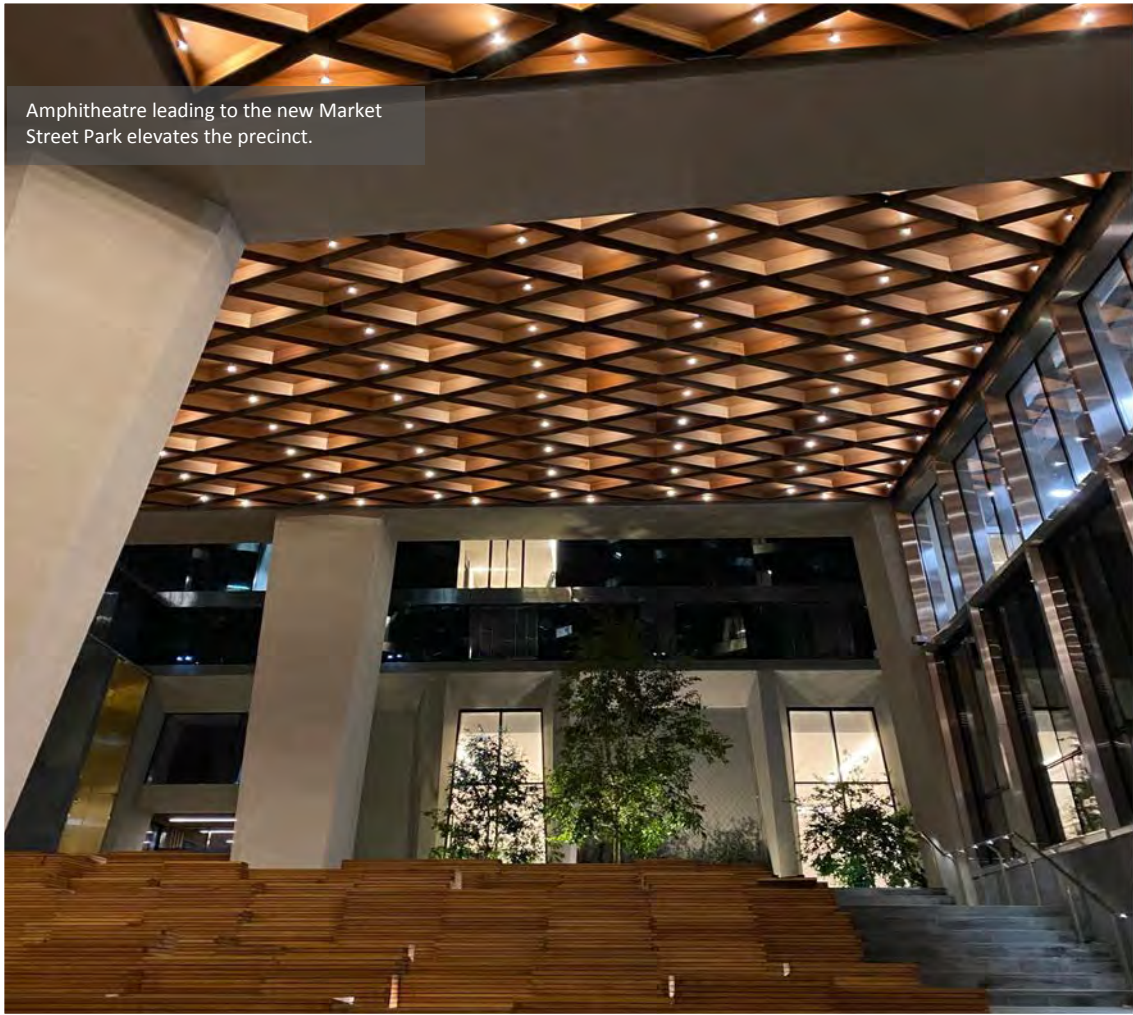
#### 405 Bourke St, Melbourne VIC

Construction is advancing well, with recent completion of level 28 of the 39-level building and core formation works to level 33. Practical completion and NAB occupancy is now planned for end of June 2021 when the completion payment of approximately \$250M will be due.

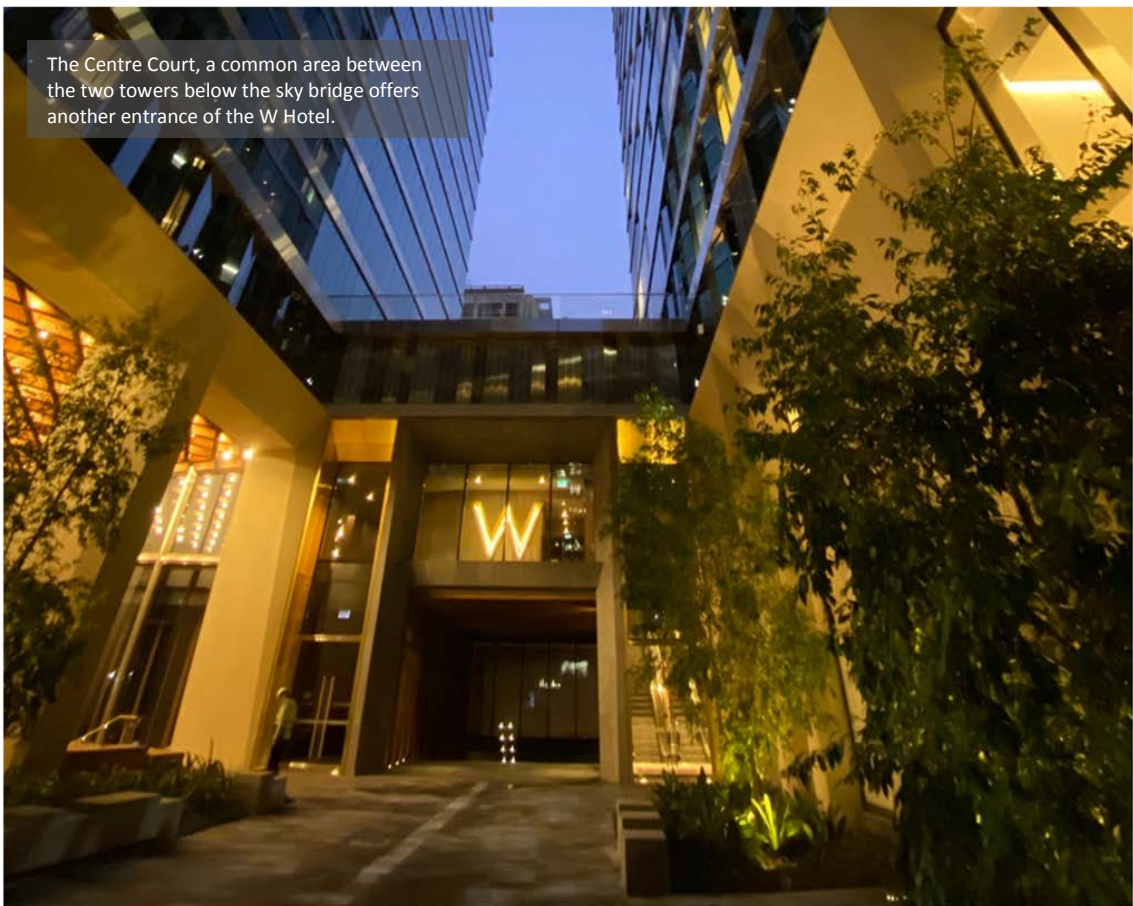


Construction of the structure progressing simultaneously with the installation of the façade.



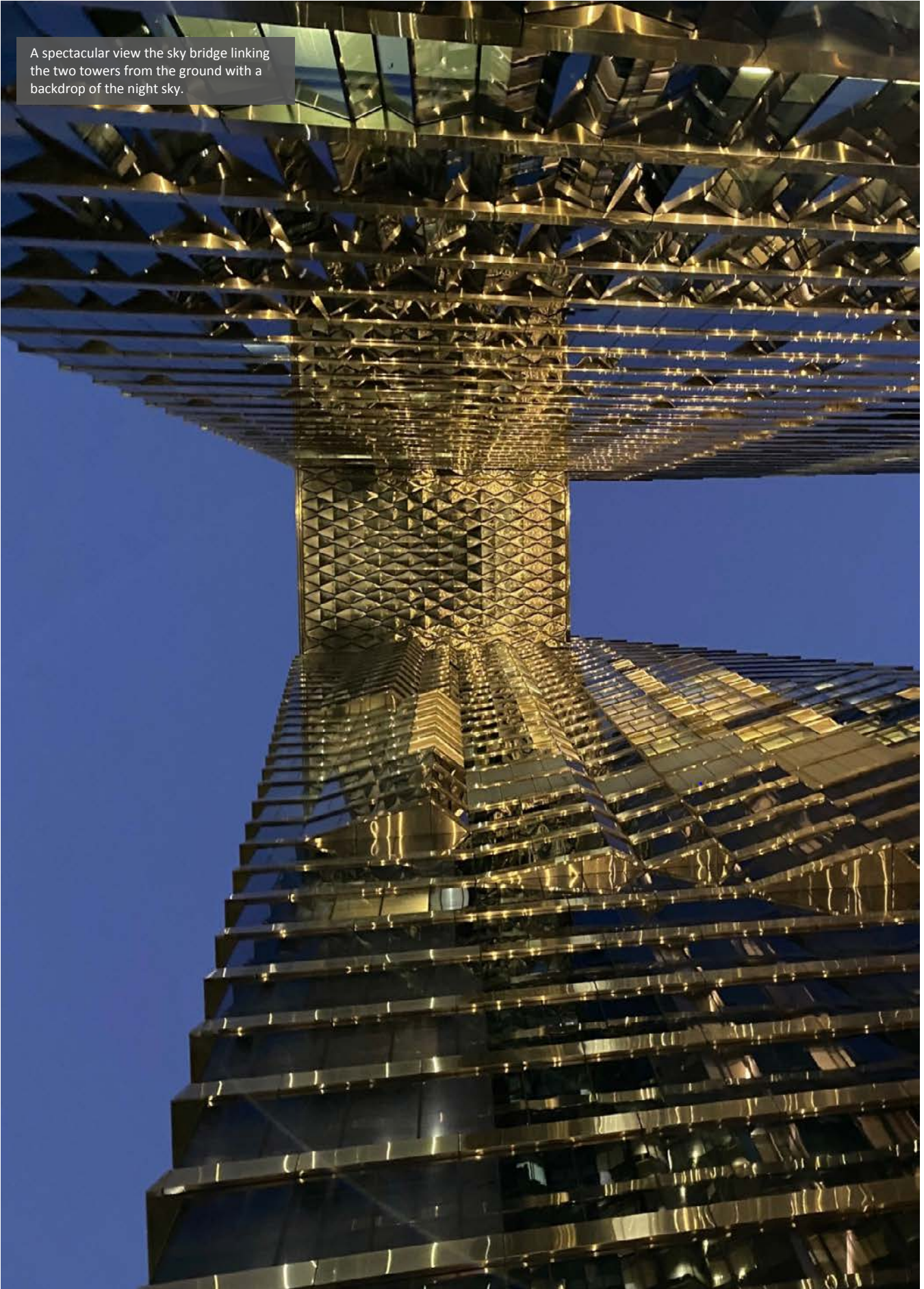


Amphitheatre leading to the new Market Street Park elevates the precinct.



The Centre Court, a common area between the two towers below the sky bridge offers another entrance of the W Hotel.

A spectacular view the sky bridge linking the two towers from the ground with a backdrop of the night sky.



# RETAIL

Turning retail into destination  
The Strand Melbourne





# RETAIL

## KEY STATISTICS

	31 Mar 20	30 Jun 20
Retail portfolio value	\$4.93B	\$5.01B
% of Fund value	31.93%	31.81%
Economic footprint <sup>1</sup>	\$8,782.18M	\$7,934.01M
- Fund's interest	\$5,533.84M	\$5,007.26M
- Joint venture partners' interests	\$3,248.34M	\$2,926.76M
Total properties	31	31
Occupancy by area	94.71%	94.36%
WALE by income (years)	4.14	3.93
Weighted average capitalisation rate	5.31%	5.56%

Data reflect all Fund's interests unless otherwise stated.

1 The Fund's combined property exposure (which includes joint venture partners' interests) before provision for future loss.

## RETAIL PROPERTY RETURNS

	Income	Capital	Total
3 mths	0.98%	0.88%	1.86%
FYTD	4.68%	-12.46%	-7.78%
1 yr	4.68%	-12.46%	-7.78%
3 yrs (p.a.)	4.95%	-4.63%	0.32%
5 yrs (p.a.)	5.22%	-1.02%	4.20%
10 yrs (p.a.)	5.87%	0.72%	6.59%

The compound residual effect has been allocated to the capital return.

Property performance reflects carve-out returns for the sector, excluding the effect of Fund expenses and gearing, and is not equivalent to Fund return.

## WHAT DRIVES OUR STRATEGIC FOCUS ON RETAIL

### INVESTMENT

#### Diversification

Quality retail is a pillar of a core diversified portfolio seeking stable yields and capital returns.

#### Location

The focus on retail properties in core CBD locations, major metropolitan and select regional markets anchors future growth.

#### Mixed used

Well-situated retail properties provide long-term upside opportunities through mixed-use redevelopments.

### ECONOMIC

#### Economic exposure

Retail centres are directly exposed to consumer demand, spending and population growth.

#### Scarcity

High quality retail centres are strongly positioned to benefit from future reuse as land becomes scarce within a growing city.

#### Supply

Retail centres exposed to population growth, densification and gentrification are well positioned to play a crucial role in delivering a retail experience, retailer distribution and fulfilment of online sales.

### SOCIAL

#### Experience

Retail centres are playing a greater role as destinations creating experiences beyond transactional retailing with events, food, leisure and entertainment.

#### Community

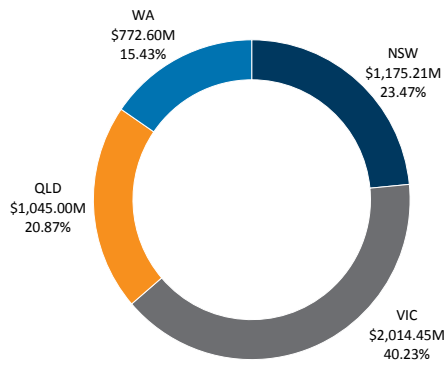
Retail centres have become important community hubs with the integration of health services, libraries, social facilities, fitness and entertainment.

#### Evolution

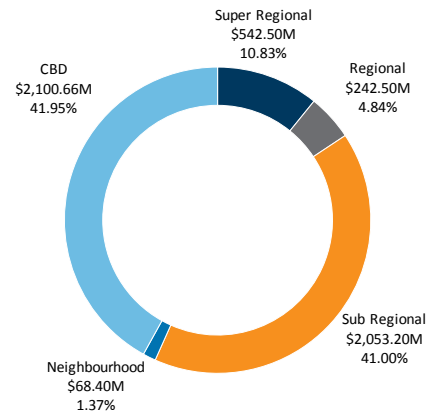
The rise of e-commerce has created new opportunities to blend logistics and retail. More retailers are utilising both online and physical presence to remain relevant to customers by providing trusted products, fulfilment choice and convenience.

## DIVERSIFICATION

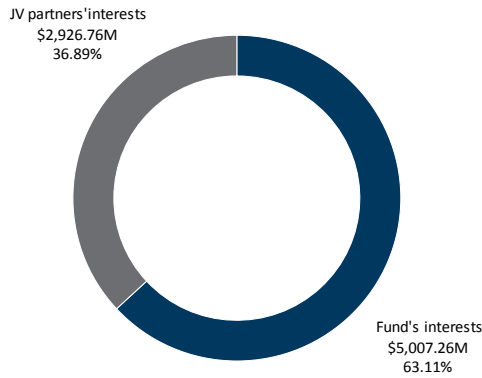
### GEOGRAPHIC WEIGHT BY VALUE



### PROPERTY TYPE



### ECONOMIC FOOTPRINT<sup>1</sup>



### TOP 20 TENANTS (BY INCOME)

Tenant	Income	Tenant	Income
Woolworths/Big W	\$20.19M 5.95%	Victoria Police	\$2.68M 0.79%
Myer	\$16.97M 5.00%	Cotton On	\$2.56M 0.75%
Coles	\$15.13M 4.46%	Event Cinemas	\$2.48M 0.73%
Wesfarmers	\$13.79M 4.07%	ALDI	\$2.46M 0.72%
H&M	\$10.05M 2.96%	Lululemon	\$2.41M 0.71%
Telstra	\$5.39M 1.59%	Commonwealth Bank of Australia	\$2.22M 0.66%
Uniqlo	\$3.43M 1.01%	The Reject Shop	\$2.13M 0.63%
Zara	\$3.42M 1.01%	SEED	\$2.12M 0.63%
Mecca Maxima	\$3.09M 0.91%	S&K Car Park Management	\$2.08M 0.61%
National Australia Bank	\$2.77M 0.82%	OPSM	\$2.07M 0.61%

Data reflect all Fund's interests unless otherwise stated.

<sup>1</sup> The Fund's combined property exposure (which includes joint venture partners' interests).

## VALUATION HIGHLIGHTS\*

### The Myer Centre, Brisbane QLD (75%)

Decreased \$93.75M after capital expenditure due to a softening of the capitalisation rate and terminal yield by 50 basis points, a decrease in assessed market rents, an increase in allowances for current vacancies and near-term expiries, a reduction in forecast market income growth and allowances for COVID-19 related income loss.

### Westfield Doncaster, Doncaster VIC (25%)

Decreased \$62.73M after capital expenditure due to a softening of the capitalisation rate and terminal yield by 25 basis points, a decrease in assessed market rents, an increase in allowances for current vacancies and near-term expiries, a reduction in forecast market income growth and allowances for COVID-19 related income loss.

### Wintergarden, Brisbane QLD

Decreased \$42.65M after capital expenditure due to a softening of the capitalisation rate and terminal yield by 50 basis points, a decrease in assessed market rents, an increase in allowances for current vacancies and near-term expiries, a reduction in forecast market income growth and allowances for Covid-19 related income loss.

\*Exclude the impact of provision for future loss in Q1 2020.

## VALUATION RESULTS

Retail	State	Book value			Valuation	Cap rate		Total (FYTD)	
		30 Jun 20	Qtly chg	Qtly chg after capex	Qtly chg after capex	30 Jun 20	Qtly chg	Return	Contribution
Westfield Doncaster, Doncaster	VIC	\$542.50M	-0.14%	-\$2.37M	-\$62.73M	4.50%	0.25%	-5.66%	-0.20%
The Myer Centre, Brisbane	QLD	\$420.00M	-3.82%	-\$16.69M	-\$93.75M	5.50%	0.50%	-16.96%	-0.54%
Forrest Chase, Perth	WA	\$376.00M	5.83%	\$21.02M	-\$41.68M	5.75%	0.25%	-5.03%	-0.11%
World Square Shopping Centre, Sydney	NSW	\$304.86M	-0.99%	-\$3.46M	-\$28.41M	4.50%	0.00%	-5.16%	-0.10%
Waurm Ponds Shopping Centre, Waurm Ponds	VIC	\$285.20M	1.47%	\$3.43M	-\$18.95M	6.00%	0.25%	-3.57%	-0.07%
Southgate Shopping Centre, Sylvania	NSW	\$250.85M	2.42%	\$3.59M	-\$18.04M	5.50%	0.25%	-3.44%	-0.05%
Mandurah Forum, Mandurah	WA	\$242.50M	6.65%	\$15.53M	-\$24.59M	6.00%	0.25%	-14.09%	-0.25%
Wintergarden, Brisbane	QLD	\$224.00M	-0.93%	-\$2.75M	-\$42.65M	6.25%	0.50%	-12.98%	-0.21%
Karingal Hub, Frankston	VIC	\$203.10M	11.19%	-\$1.18M	-\$33.42M	6.00%	0.25%	-14.74%	-0.20%
Kawana Shopping Centre, Buddina	QLD	\$202.50M	1.12%	\$2.24M	-\$14.00M	5.50%	0.00%	-1.07%	-0.01%
Midtown, Melbourne	VIC	\$200.00M	-1.62%	-\$4.20M	-\$14.90M	5.75%	0.00%	0.41%	0.01%
Bendigo Marketplace, Bendigo	VIC	\$189.15M	4.70%	\$8.50M	-\$22.48M	6.50%	0.50%	-13.15%	-0.18%
170 Queen St, Brisbane	QLD	\$145.50M	1.48%	\$1.95M	-\$9.68M	5.50%	0.25%	3.21%	0.03%
Wagga Wagga Marketplace, Wagga Wagga	NSW	\$143.00M	6.60%	\$8.88M	-\$5.97M	6.50%	0.00%	2.36%	0.02%
Warriewood Square, Warriewood	NSW	\$137.50M	-0.90%	-\$1.14M	-\$12.39M	5.75%	0.13%	-5.88%	-0.05%
Cranbourne Park, Cranbourne	VIC	\$129.00M	3.24%	\$4.06M	-\$17.99M	6.50%	0.50%	-8.90%	-0.08%
Barkly Square, Brunswick	VIC	\$128.00M	3.64%	\$4.45M	-\$2.05M	5.25%	0.00%	3.29%	0.03%
Eastgate Shopping Centre, Bondi Junction	NSW	\$121.00M	-2.02%	-\$3.62M	-\$10.12M	5.50%	0.25%	-5.23%	-0.04%
Richmond Marketplace, Richmond	NSW	\$121.00M	-1.65%	-\$2.16M	-\$12.14M	6.00%	0.25%	-9.62%	-0.08%
206 Bourke St, Melbourne	VIC	\$105.00M	3.81%	\$3.60M	-\$14.25M	5.50%	0.25%	-8.35%	-0.06%
Ashfield Mall, Ashfield	NSW	\$97.00M	-2.64%	-\$3.39M	-\$8.63M	5.50%	0.00%	-2.82%	-0.02%
The Strand Melbourne, Melbourne	VIC	\$83.60M	-0.25%	-\$0.28M	-\$15.07M	5.25%	0.50%	-16.36%	-0.10%
Melbourne's GPO, Melbourne	VIC	\$78.00M	-6.31%	-\$5.53M	-\$12.28M	5.25%	0.50%	-8.99%	-0.05%
enex, Perth	WA	\$68.50M	6.74%	\$2.95M	-\$8.38M	6.00%	0.00%	-30.77%	-0.19%
Central West Shopping Centre, Braybrook	VIC	\$68.40M	2.99%	\$1.91M	-\$3.48M	6.25%	0.00%	0.05%	0.00%
155 Queen St, Brisbane	QLD	\$53.00M	4.18%	\$2.10M	-\$2.03M	5.75%	0.25%	-1.68%	-0.01%
Halls Head Village, Halls Head	WA	\$45.90M	12.87%	\$5.32M	-\$1.66M	6.50%	0.00%	-1.04%	0.00%
713-721 Hay St Mall, Perth	WA	\$20.50M	0.49%	-\$0.06M	-\$3.66M	5.75%	0.00%	-22.92%	-0.04%
705-707 Hay St Mall, Perth	WA	\$11.50M	-3.36%	-\$0.41M	-\$2.51M	5.00%	0.00%	-29.11%	-0.03%
709-711 Hay St Mall, Perth	WA	\$7.70M	9.14%	\$0.64M	-\$0.61M	4.75%	-0.50%	-31.96%	-0.02%
108-110 Sydney Road	VIC	\$2.50M	5.26%	\$0.10M	-\$0.02M	N/A	0.00%		
<b>Total retail portfolio value</b>		<b>\$5,007.26M</b>		<b>\$43.02M</b>	<b>-\$558.52M</b>				<b>-2.65%</b>

Data reflect all Fund's interests.

## LEASING HIGHLIGHTS

This has been an extremely challenging quarter with the full impact on retailers' sales performance being seen across the portfolio. Supermarkets experienced small growths of +1% for April and 6% for May. Discount Department Store sales were impacted in April by -10% but recovered in May as restrictions eased by +13%. Speciality sales continue to be significantly impacted with only essential services opened in April and May while national retailers commenced re-opening store networks in late May and early June.

Despite continued minimal leasing activity across the sector, new stores were completed – Silk Laser at Wagga Wagga Marketplace, Wagga Wagga NSW, Alter It at Karingal Hub, Frankston VIC and a Medical Centre at Waurin Ponds Shopping Centre, VIC – in anticipation of opening once restrictions eased.

Whilst retailers are cautious, there is still confidence in the market evidenced by the execution of the Marketplace Fresh deal as part of the Karingal Hub redevelopment that will open in mid-2021.

Our leasing team and property partners are working closely with all retailers to understand the impacts of the current crisis on their businesses. This is particularly important for the application of the National Code of Conduct for SME retailers.

## MAJOR LEASES EXECUTED

Retail property	Tenant	Area (sqm)	Type	Commencement	Expiry
705-707 Hay Street Mall, WA Perth	Dymocks	893	Renewal (New )	17 May 15	31 Jan 21
Karingal Hub, Frankston VIC	Marketplace Fresh	753	Lease (New)	27 May 21	26 May 31
Wagga Wagga Marketplace, Wagga Wagga NSW	Priceline	511	Lease (New)	17 Mar 19	16 Mar 26
Richmond Marketplace, Richmond NSW	Star Car Wash	295	Lease (New)	25 Nov 19	24 Nov 26
Karingal Hub, Frankston VIC	Red Rooster	215	Option	27 Nov 18	26 Nov 23
<b>Top 5 leases</b>		<b>2,667</b>			
<b>Total retail leases Q2 2020</b>		<b>3,174</b>			

## LEASE EXPIRY PROFILE



Data reflect all Fund's interests.

## DEVELOPMENTS AND CAPITAL EXPENDITURE

### EXPECTED PROGRESS

Property	Budgeted <sup>1</sup>	Incurred to date <sup>2</sup>	Cost to complete	2018		2019				2020				2021				2022					
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Developments completed FY2019 - FYTD</b>				<b>Book value Jun 2020</b>																			
Richmond Marketplace, Richmond NSW	\$10M	\$10M	\$0M	\$121.00M																			
Kawana Shoppingworld, Buddina QLD*	\$30M	\$30M	\$0M	\$202.50M																			
Southgate Shopping Centre, Sylvania NSW (refurbishment)	\$10M	\$10M	\$0M	\$250.85M																			
Forrest Chase, Perth WA	\$127M	\$115M	\$12M	\$376.00M																			
<b>Total completed</b>	<b>\$177M</b>	<b>\$165M</b>	<b>\$12M</b>																				
<b>Development in progress</b>																							
Westfield Doncaster, Doncaster VIC (ELP)*	\$10M	\$8M	\$2M																				
Karingal Hub, Frankston VIC <sup>^</sup>	\$164M	\$42M	\$122M																				
<b>Development pipeline (subject to funding approval)</b>																							
Waurm Ponds Shopping Centre, Waurm Ponds VIC	\$10M	\$0M	\$0M																				
Westfield Doncaster, Doncaster VIC (extension & mixed use)*	\$125M	\$0M	\$0M																				
The Myer Centre, Brisbane QLD*	\$150M	\$0M	\$0M																				
Wintergarden, Brisbane QLD	\$50M	\$0M	\$0M																				
Southgate Shopping Centre, Sylvania NSW (extension)	\$150M	\$0M	\$0M																				
World Square, Sydney NSW (refurbishment)*	\$25M	\$0M	\$0M																				
<b>Total in progress and pipeline</b>	<b>\$684M</b>	<b>\$50M</b>	<b>\$124M</b>																				

■ Concept, planning and design  
■ Construction  
■ Complete

Data reflect the Fund's interests in fully owned and joint venture properties.

1 Development Budgets: Includes D&C, incentives, design, legal, contingency. Excludes the cost of land and interest expense.

2 Rounding to nearest \$10M.

\* Joint venture projects.

<sup>^</sup> Approved by ISPT Board.

### DEVELOPMENT HIGHLIGHTS

#### Karingal Hub, Frankston VIC

The construction phase of the redevelopment has advanced on program despite the impacts of COVID-19, with Probuild undertaking ground excavation foundation piling and retention works, as well as demolition to facilitate the construction of a new food court and fresh food offer.

The ongoing operations of the centre as well as the development leasing campaign have been impacted by COVID-19. A redesigned scheme with reduced discretionary retail spend has been adopted to mitigate emerging downside risk.

#### Westfield Doncaster, Doncaster VIC

The redevelopment of Westfield Doncaster's existing Dining Precinct (ELP) has been undertaken by the joint venture to introduce new dining offers and vibrancy into the ageing facility.

The project works commenced in August 2019. Project consists of approximately 12 new dining sites amended entrances for both Village Cinemas and Rebel Sport and is expecting completion by December 2020.

KARINGAL HUB, FRANKSTON VIC

Main extension, excavation and car park construction underway.



FORREST CHASE, PERTH WA



A closer look at the enhancements of the redevelopment completed in Q3 2019.





# LOGISTICS & WAREHOUSING

Designing logistics parks of the future  
44 Clunies Ross St, Prospect NSW



# LOGISTICS & WAREHOUSING

## KEY STATISTICS

	31 Mar 20	30 Jun 20
Logistics & warehousing portfolio value	\$1.17B	\$1.25B
% of Fund value	7.55%	7.92%
Economic footprint <sup>1</sup>	\$1,321.90M	\$1,366.39M
- Fund's interest	\$1,220.57M	\$1,247.57M
- Joint venture partners' interests	\$101.33M	\$118.81M
Total properties	18	18
Occupancy by area	95.32%	94.51%
WALE by income (years)	6.36	5.90
Weighted average capitalisation rate	5.53%	5.55%

Data reflect all Fund's interests unless otherwise stated.

1 The Fund's combined property exposure (which includes joint venture partners' interests) before provision for future loss.

## LOGISTICS & WAREHOUSING PROPERTY RETURNS

	Income	Capital	Total
3 mths	0.79%	4.89%	5.68%
FYTD	3.33%	4.00%	7.33%
1 yr	3.33%	4.00%	7.33%
3 yrs (p.a.)	4.91%	6.89%	11.80%
5 yrs (p.a.)	5.73%	6.09%	11.82%
10 yrs (p.a.)	7.09%	4.00%	11.09%

The compound residual effect has been allocated to the capital return.

Property performance reflects carve-out returns for the sector, excluding the effect of Fund expenses and gearing, and is not equivalent to Fund return.

## WHAT DRIVES OUR STRATEGIC FOCUS ON LOGISTICS & WAREHOUSING

### INVESTMENT

#### Diversification

A diversified and high quality income stream from a portfolio of prime industrial estates provides long leases and stable income.

#### Location

Securing greenfield or brownfield sites adjacent key transport infrastructure is key to our build-to-core strategy, enabling creation of estates with varied scale, tenants and income sources.

#### Mixed used

Industrial properties in city fringes and middle ring locations provide long-term upside potential through rezoning for mixed-use or residential development.

### ECONOMIC

#### Growth cycle

The Industrial sector has entered a long-term growth phase, spurred by globalisation, improved transport networks and technological advancement.

#### Demand

The logistics and distribution sub-sectors are expanding to meet new demands in fulfilment and delivery from the rise of e-commerce.

#### Supply

Densification and gentrification are driving the repurposing of industrial land to residential, creating development opportunities and a driver of industrial rental growth.

### SOCIAL

#### Consumption

The rise of online spending is enlarging the market for logistics and distribution. Industrial properties close to infrastructure networks and intermodal/transport hubs will be highly sought.

#### Choice

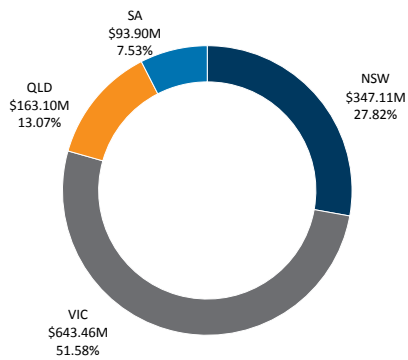
Expanding consumer choice, online spending and increased stock ranges, have created demand for adaptable industrial facilities which can accommodate automation technology.

#### Evolution

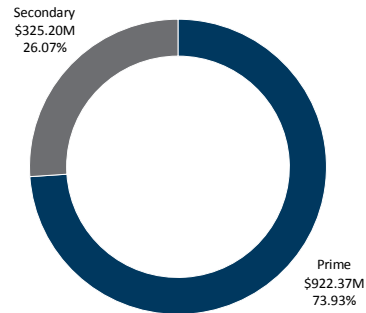
Consumers' expectations on delivery costs and timeframe have shifted the focus towards efficiency and effectiveness in fulfilment and delivery.

## DIVERSIFICATION

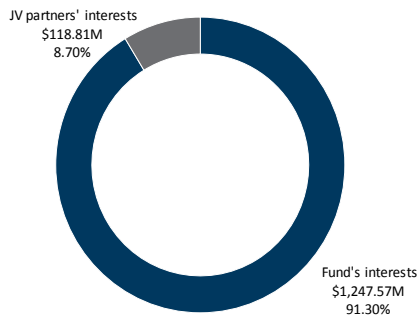
### GEOGRAPHIC WEIGHT BY VALUE



### PROPERTY TYPE



### ECONOMIC FOOTPRINT<sup>1</sup>



### TOP 20 TENANTS (BY INCOME)

Tenant	Income	Tenant	Income
Saputo Dairy Australia	\$7.57M	TABCorp	\$0.97M
VIP Plastic Packaging	\$2.15M	Guala Closures Australia	\$0.94M
Penguin Random House Australia	\$2.04M	Apex Building Products (QLD)	\$0.86M
Bunnings	\$1.97M	Nintendo Australia	\$0.86M
Grace Records Management (Australia)	\$1.93M	Modern Star	\$0.86M
ZircoDATA	\$1.78M	Chess Hanley's Removals	\$0.82M
Austral Masonry (NSW)	\$1.71M	Zf Services Australia	\$0.77M
Harvey Norman	\$1.18M	NW Group Australasia	\$0.71M
Woolworths Group	\$1.14M	Encore Event Technologies	\$0.69M
Cleanaway	\$1.09M	Nexday Logistics	\$0.66M

Data reflect all Fund's interests unless otherwise stated.

<sup>1</sup> The Fund's combined property exposure (which includes joint venture partners' interests).

## VALUATION HIGHLIGHTS\*

### Portlink Logistics Estate, Altona North VIC (Lots 6-11)

Increased \$0.34M after capital expenditure due to rounding and reconciliation.

### Parklands Estate, Rydalmere NSW

Decreased \$2.22M after capital expenditure due to an increase in allowances for near-term expiries and a reduction in forecast market income growth. This was partially offset by leasing activity.

\*Exclude the impact of provision for future loss in Q1 2020.

### 13 Bessemer Street, Blacktown NSW

Decreased \$3.03M after capital expenditure primarily due to a softening of the capitalisation rate and terminal yield by 25 basis points.

### Central West Industrial Park, West Footscray VIC

Decreased \$2.22M after capital expenditure due to an increase in allowances for near-term expiries and a reduction in forecast market income growth.

## VALUATION RESULTS

Logistics & warehousing	State	Book value			Valuation		Cap rate		Total (FYTD)	
		30 Jun 20	Qtly chg	Qtly chg after capex	Qtly chg after capex	30 Jun 20	Qtly chg	Return	Contribution	
Central West Industrial Park, West Footscray	VIC	\$166.50M	1.45%	\$2.16M	-\$2.22M	5.25%	0.00%	12.34%	0.12%	
85 William Angliss Drive, Laverton North	VIC	\$145.00M	2.56%	\$3.63M	\$0.00M	4.75%	0.00%	9.54%	0.08%	
Parklands Estate, Rydalmere	NSW	\$144.00M	9.59%	\$12.38M	-\$2.22M	5.50%	0.00%	5.84%	0.05%	
Pellicano property trusts	VIC	\$118.81M	17.25%	\$16.25M	N/A	N/A	N/A	19.16%	0.12%	
Portlink Logistics Estate	VIC	\$103.15M	22.23%	\$7.10M	\$0.34M	5.13%	0.00%	21.07%	0.10%	
Charles Sturt Industrial Estate, Woodville	SA	\$93.90M	7.20%	\$3.65M	-\$0.96M	7.00%	0.00%	4.54%	0.03%	
Scoresby Industry Park, Scoresby	VIC	\$90.00M	5.49%	\$1.59M	-\$0.59M	5.25%	0.00%	11.44%	0.06%	
44 Clunies Ross St, Prospect	NSW	\$61.01M	4.53%	\$2.18M	-\$0.89M	N/A	N/A	-1.69%	-0.01%	
Barracks at Metroplex, Wacol	QLD	\$59.80M	5.26%	\$2.19M	-\$0.80M	N/A	N/A	N/A	-0.01%	
Interchange Industrial Estate, Narangba	QLD	\$52.90M	9.94%	\$1.53M	-\$1.00M	6.29%	0.00%	4.04%	0.01%	
250 South Pine Road, Brendale	QLD	\$50.40M	3.42%	\$1.95M	-\$0.62M	6.00%	0.00%	3.12%	0.01%	
Kookaburra Logistics Estate, Prestons	NSW	\$35.90M	6.45%	\$1.29M	-\$0.49M	N/A	N/A	-0.36%	0.00%	
13 Bessemer St, Blacktown	NSW	\$35.00M	-5.53%	-\$2.08M	-\$3.03M	6.00%	0.25%	-0.91%	0.00%	
Lot 107 Clunies Ross St, Prospect	NSW	\$24.50M	5.26%	\$1.23M	\$0.00M	N/A	N/A	N/A	-0.01%	
9 Bessemer St, Blacktown	NSW	\$20.20M	5.26%	\$1.01M	\$0.00M	N/A	N/A	4.15%	0.01%	
11 Bessemer St, Blacktown	NSW	\$20.00M	5.26%	\$0.96M	-\$0.04M	N/A	N/A	-3.28%	0.00%	
744 Boundary Rd, Truganina	VIC	\$20.00M	0.25%	\$0.06M	-\$0.99M	N/A	N/A	-6.84%	-0.01%	
585 Reservoir Rd, Prospect	NSW	\$6.50M	5.26%	\$0.33M	\$0.00M	N/A	N/A	-1.12%	0.00%	
<b>Total logistics &amp; warehousing portfolio</b>		<b>\$1,247.57M</b>		<b>\$57.40M</b>	<b>-\$13.49M</b>				<b>0.52%</b>	

Data reflect all Fund's interests.

## LEASING HIGHLIGHTS

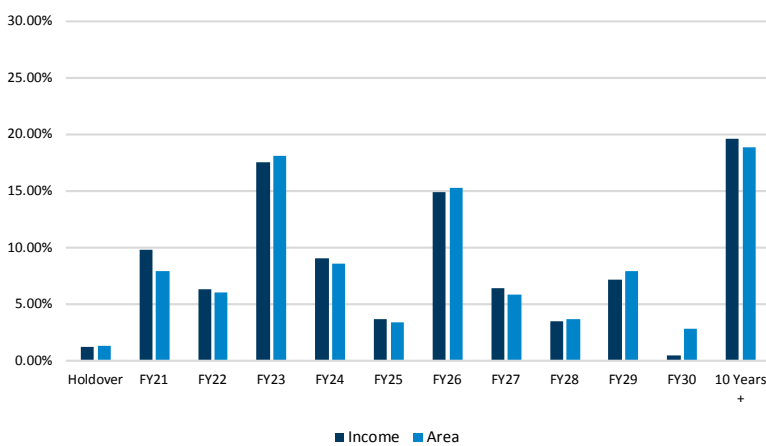
Despite the impact of COVID-19, the level of enquiries received for new accommodation was pleasing. Three transactions were completed during the quarter, the most significant being a lease with Chubb Fire and Security to occupy 7,618 sqm in the former Smith's Snackfoods' headquarters at Parklands Estate, Rydalmere NSW which offers substantial office space.

A number of renewals and new transactions were advanced during the quarter which are on track to complete in early FY2021.

## MAJOR LEASES EXECUTED

Logistics & warehousing property	Tenant	Area (sqm)	Type	Commencement	Expiry
Parklands Estate, Rydalmere NSW	Chubb Fire and Security	7,618	Lease (New)	1 Oct 20	30 Sep 25
Charles Sturt Industrial Estate, Woodville SA	Fienza	3,539	Lease (New)	1 Apr 20	31 Mar 25
Central West Industrial Park, West Footscray VIC	Calvista Australia	2,059	Option	1 Jun 20	31 May 25
<b>Total logistics &amp; warehousing leases Q2 2020</b>		<b>13,216</b>			

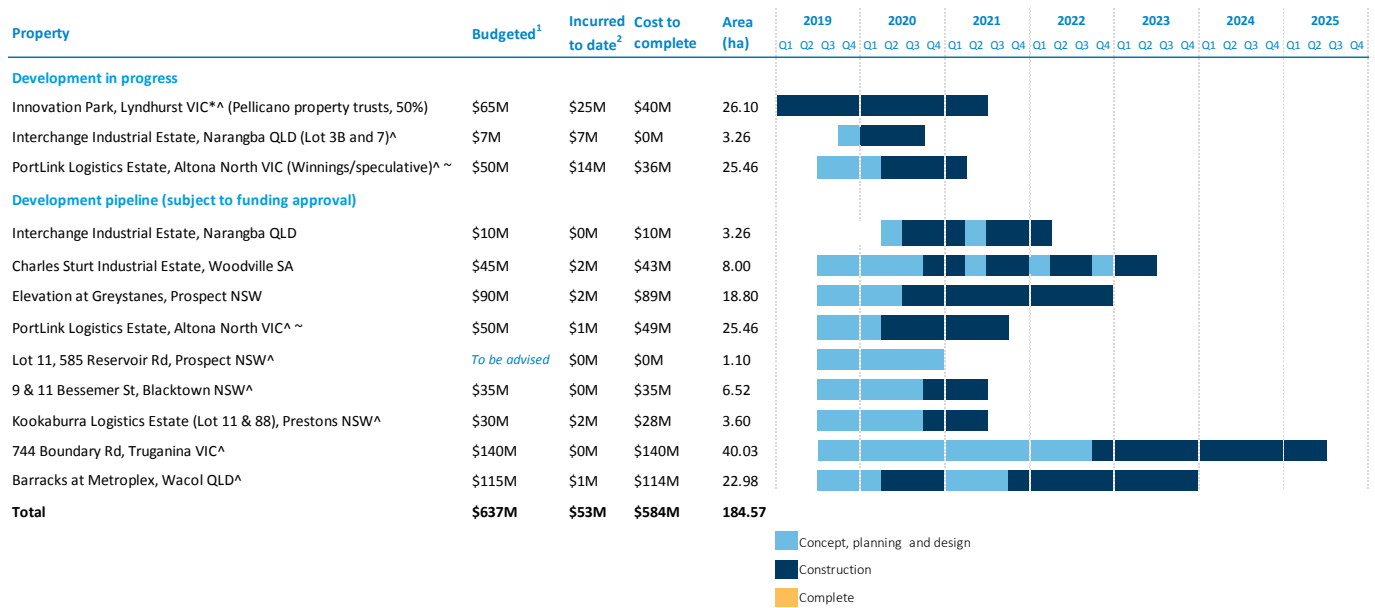
## LEASE EXPIRY PROFILE



1 Data reflect all Fund's interests

## DEVELOPMENTS AND CAPITAL EXPENDITURE

### EXPECTED PROGRESS



Data reflect the Fund's interests in fully owned and joint venture properties.

<sup>1</sup> Development Budgets: Includes D&C, incentives (including rent free), design, legal, contingency. Excludes the cost of land and interest expense.

<sup>2</sup> Rounding to nearest \$10M

\* Joint venture projects

^Subject to ISPT Board approval

~ Excludes 4,061 sqm leased to Toll

### DEVELOPMENT HIGHLIGHTS

#### Innovation Park, Lyndhurst VIC (Pellicano property trusts)

Two new pre-commitments were secured with construction progressing in line with program and uninterrupted by the COVID-19 pandemic. The facilities are expected to be completed in August and November 2020.

#### Portlink Logistics Estate, Altona North VIC

A 10-year lease has been secured with Winning Appliances to occupy a logistics warehouse of 45,500 sqm within the 25.87 ha estate. Construction of the facility for Winnings Appliances is underway, as is the delivery of another logistics warehouse on the adjoining lot on a speculative basis. Winnings Appliances' warehouse is due for completion in February 2021, and the speculative warehouse, October 2020.

#### Charles Sturt Industrial Estate, Woodville SA

Final planning conditions are being finalised. Minor works are being conducted to satisfy Authority requirements. Pre-commitments are currently in negotiations with two potential tenants.

#### Kookaburra Logistics Estate, Prestons NSW

A Development Approval is expected shortly for 33,500 sqm of GLA.

#### Interchange Industrial Estate, Narangba QLD

Speculative construction of two warehouses totalling approximately 6,700 sqm achieved practical completion in July 2020. The larger facility of 4,450 sqm was recently leased to commence from August 2020.

#### Elevation at Greystanes, Prospect NSW

A State Significant Development application for 95,000 sqm of GLA was lodged in June 2020.

## PORTLINK LOGISTICS ESTATE, ALTONA NORTH VIC

Future site for Winnings (Lot 7) – Structural steel and footings are almost complete while installation has commenced for precast dado panels.



Speculative development (Lot 6) – Structural steel, footings and warehouse roof are completed, with precast panels well advanced.



## INTERCHANGE INDUSTRIAL ESTATE, NARANGBA



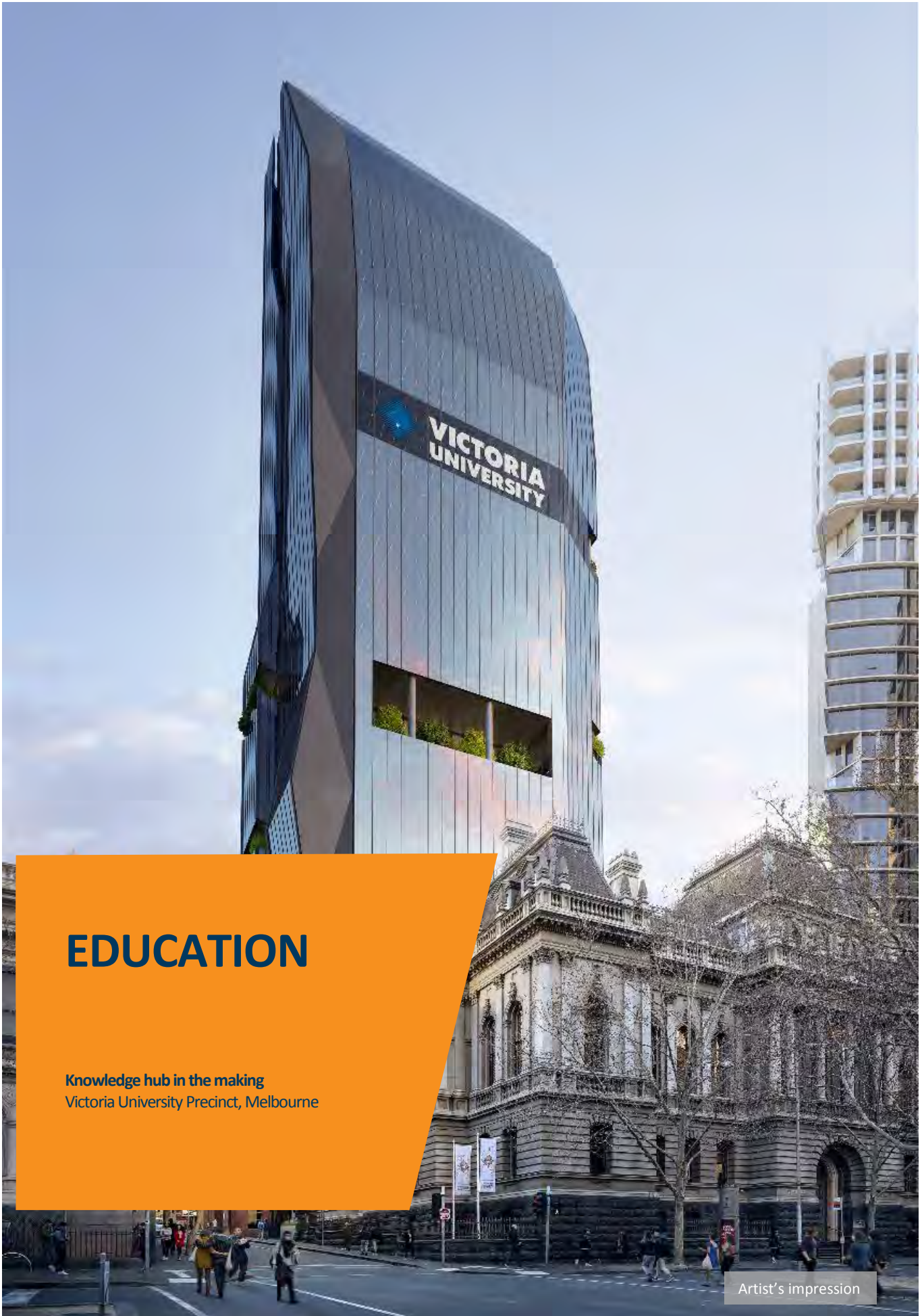


Inside the warehouse



Office 1B and outdoor staff amenity area.





# EDUCATION

**Knowledge hub in the making**  
Victoria University Precinct, Melbourne

Artist's impression

# EDUCATION

## KEY STATISTICS

	31 Mar 20	30 Jun 20
Education portfolio value	\$0.17B	\$0.19B
% of Fund value	1.07%	1.20%
Total properties <sup>1</sup>	2	2
Occupancy by area (%)	100.00%	100.00%
WALE (by income in years)	28.58	28.33
Weighted average capitalisation rate (%)	4.63%	4.63%

The Fund owns 100% of the Education property portfolio.

1 295 Queen St, Melbourne VIC includes the VU tower and Former Records Office sites.

## EDUCATION PROPERTY RETURNS

	Income	Capital	Total
3 mth	0.19%	-0.51%	-0.32%
FYTD	0.99%	0.83%	1.82%
1 yr	0.99%	0.83%	1.82%

The compound residual effect has been allocated to the capital return.

Property performance reflects carve-out returns for the sector, excluding the effect of Fund expenses and gearing, and is not equivalent to Fund return.

## WHAT DRIVES OUR STRATEGIC FOCUS ON EDUCATION

### INVESTMENT

#### Diversification

Education is evolving into an institutional quality property sector, providing additional fund diversification, significant scale and land-rich investment stock.

#### Development

Partnerships with education providers deliver bond-like income stability with development upside from partnering to create the next generation of facilities.

#### Mixed use

Education assets often have the strategic advantage of being precincts with mixed uses across education, food, retailing and adaptability for commercial purposes.

### ECONOMIC

#### Export growth

Education is amongst Australia's largest and most important exports and is a key contributor to national income.

#### Demand

The education sector has been resilient through economic cycles, attributed to high quality brand recognition, inelastic local demand, state and federal funding of university education.

#### Supply

Re-skilling and upskilling arising from the technology revolution and a dynamic employment market continually drive demand for education with barriers to entry in a heavily regulated sector.

### SOCIAL

#### Consumption

Universities are evolving and diversifying their offer to meet changing demand from international and local students as a result of pandemic risks and competing content delivery alternatives.

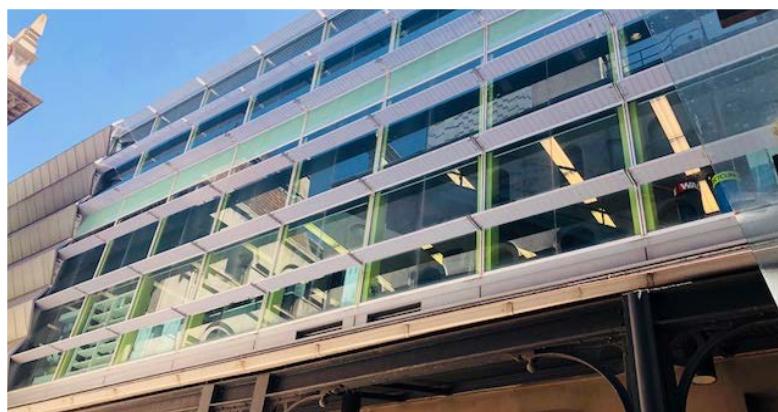
#### Choice

Increasing social perception of education as an equitable and accessible right with online and offline course delivery. Growth in part-time study alongside work is driving demand for CBD campuses.

#### Evolution

Growing aspirations in pursuing education as a means to achieve greater socioeconomic status and mobility.

## PORTFOLIO PROFILE



### **VU tower site** **264-378 Little Lonsdale St, Melbourne VIC**

The site comprises two buildings which will be demolished for the construction of a brand new A grade 32-level vertical campus.

Construction has commenced with ISPT as sole developer and owner at an estimated cost of \$260M, inclusive of Design and Construct contract for \$160M.

The new vertical campus is expected to be completed by December 2021 and ready for teaching at the beginning of the 2022 calendar year.

### **Former Records Office** **287-295 Queen St, Melbourne VIC**

The Former Records Office site is adjacent to the VU tower site and consists of a four-level heritage building. Built in 1900, the building has been extensively redeveloped and restored by VU in 2003.

It is secured by a 30-year lease (co-terminus with the VU tower site) to VU and currently used by the VU Law School and Library.

Both the VU tower and Former Records Office sites occupy 4,227 sqm.

### **Former Land Titles Office** **247-286 Queen St, Melbourne VIC**

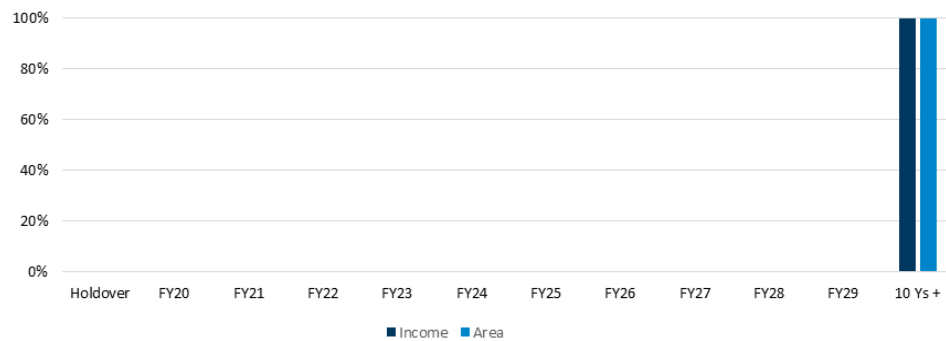
This site comprises a vacant four-level heritage building constructed in 1875 over an area of 4,295 sqm. Renovated by VU between 1983 and 1987, extensive restoration will be required for the building to be fit for occupation. A proposal to construct a tower at the rear of this site is subject to planning and heritage approvals. If the proposal is unable to proceed, the building will be refurbished and leased to VU on a co-terminus lease with rest of the assets.

## TENANCY PROFILE

As part of the acquisition transaction on the three properties, VU has committed to a new 24,000 sqm vertical campus and two heritage buildings for a minimum lease term of 30 years.

Tenant	Income
Victoria University	\$1.96M 100.00%

## LEASE EXPIRY PROFILE



## VALUATION HIGHLIGHTS

### 283 & 295 Queen St, Melbourne VIC

Minor decrease after capital expenditure due to rounding and reconciliation.

## VALUATION RESULTS

Education	State	Book value		Valuation		Cap rate		Total (FYTD)	
		30 Jun 20	Qtly chg	Qtly chg after Capex	Qtly chg after capex	30 Jun 20	Qtly chg	Return	Contribution
295 Queen St, Melbourne	VIC	\$160.30M	17.52%	-\$0.54M	-\$0.54M	4.63%	0.00%	0.70%	0.01%
283 Queen St, Melbourne	VIC	\$29.25M	0.00%	-\$0.40M	-\$0.40M	4.50%	0.00%	6.85%	0.01%
<b>Total education portfolio</b>		<b>\$189.55M</b>		<b>-\$0.93M</b>	<b>-\$0.93M</b>				<b>-0.01%</b>

The Fund owns 100% of the education property portfolio.

Valuation of 295 Queen St, Melbourne VIC includes the VU Tower and Former Records Office sites.

## DEVELOPMENTS AND CAPITAL EXPENDITURE

### EXPECTED PROGRESS

Property	Budgeted <sup>1</sup>	Incurred to date <sup>2</sup>	Cost to complete	2018				2019				2020				2021			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Development in progress</b>																			
VU Tower site & Former Records Office, Melbourne	\$263M	\$73M	\$190M																
<b>Development pipeline</b>																			
Former Land Title Office, Melbourne VIC <sup>^</sup>	\$4M	\$2M	\$2.0M																
<b>Total</b>	<b>\$267M</b>	<b>\$74M</b>	<b>\$190M</b>																

Data reflect the Fund's interests in fully owned and joint venture properties.

1 Development Budgets: Includes D&C, incentives, design, legal, contingency. Excludes the cost of land and interest expense.

2 Rounding to nearest \$10M

\* Joint venture projects

<sup>^</sup> Subject to ISPT Board

### DEVELOPMENT HIGHLIGHTS

#### VU Tower site & Former Records Office, Melbourne VIC

Structural works are now complete to level 11 and construction of lift core, to level 15. Overall, construction is well advanced and ahead of program.

**VU TOWER, 264-378 LITTLE LONSDALE ST, MELBOURNE VIC**

Construction of the VU Tower in progress viewed from the roof of 500 Bourke St, Melbourne VIC.





# SUSTAINABILITY

ESG at the heart of what we do  
271 Spring St, Melbourne

# SUSTAINABILITY

We are committed to managing a sustainable portfolio that conserves resources, mitigates climate change and minimises our environmental impact. Sustainability is embedded in every facet of our business and steers the way we invest, manage and develop our properties.

## RESILIENCE

### Climatic risk

In 2018, a portfolio assessment was completed to understand the exposure of our assets to historic climate, extreme weather and projected future climate change. This was a first step in developing a strategic plan for the management of physical climate risks.

In 2019, this work progressed with the completion of vulnerability assessments for all assets. The results from the initial exposure assessment and the results of the vulnerability survey were used to develop an ISPT property-level climate matrix, linking historic and projected property exposure to actual vulnerability in order to identify higher risk assets.

During 2020, site inspections will be undertaken at assets identified as high risk to confirm the identified risks and develop asset specific adaptation and mitigation plans. Plans for improving the integration of climate risk considerations into management practices have been developed and will be implemented over the remainder of 2020.

## ENVIRONMENT

### Energy and carbon management

Together with existing energy efficiency initiatives and the continued roll-out of solar PV, opportunities for including renewable energy as part of our electricity procurement were progressed during 2019. ISPT participated in a buyers' group facilitated by the City of Melbourne to establish a corporate Power Purchasing Agreement in VIC. The group released a Request for Proposal to the market in November 2019 and following tender evaluations and negotiations, final contracts have now been executed. Through the process, ISPT have secured a long-term electricity contract that delivers value for money while significantly reducing carbon emissions across our portfolio.

As of 1 July 2020, all the electricity we procure for our property portfolio in Victoria will have a carbon neutral footprint.

## BUILDING PERFORMANCE

### Green Star performance

All commercial and retail properties in the Fund have received formal Green Star Performance certification based on a portfolio assessment from the Green Building Council of Australia (GBCA).

In 2019, the commercial portfolio achieved a one-star uplift, receiving a 4-star Green Star Performance certified rating as part of the Year 1 audit.

Year 2 audit was completed in June 2020 and the commercial portfolio maintained a 4-star rating, which represents 'Best Practice' in the operational performance of our buildings. The retail portfolio is in the process of finalising the Year 2 audit.

### NABERS performance

The portfolio had its annual review of NABERS ratings. Energy remained constant, IEQ improved and water slightly declined.

The reduction in average water ratings across the portfolio was in part a result of Australia's warmest year on record, with significant heatwaves in January and in December, and rainfall below average for most of Australia. This meant that air conditioning systems used more water for heat rejection and the low rainfall resulted in little available for rain water collection and re-use. In addition, some sites observed an increase in the use end-of-trip facilities further contributing to increased water consumption.

The improvement in IEQ ratings is a result of a range of activities implemented over the course of the year, including active monitoring and analysis of the air condition systems and internal temperatures, and regular engagement with the property teams and maintenance contractors to ensure the highest possible conditions were maintained.

The energy rating remained constant. While several sites improved their Energy ratings over the year, some sites reported lower ratings due to refurbishment activities, tenancy movements or increased air conditioning use as a result of the hot summer.



## ACCOUNTABILITY

### Building performance disclosure

#### GRESB

The Fund maintained its GRESB 5 Star Rating in the 2019 GRESB Real Estate Assessment – the highest rating and a recognition accorded for industry leadership. It ascended 71 places, standing amongst the top 10% of a larger pool of global GRESB participants, recording improved scores in four of the eight GRESB Aspects assessed.

Work is progressing for the 2020 GRESB Real Estate Assessment, and tracking well for submission by the reporting deadline.

**5 STARS**  
2019 GRESB Real  
Estate Assessment

#### RESPONSIBLE SUPPLY CHAIN MANAGEMENT

### Supply chain certification

#### Cleaning Accountability Framework (CAF)

We are a leading advocate for CAF, an industry-led scheme designed to reverse the trend of labour exploitation in the cleaning industry. In April 2019, we celebrated the launch of CAF at Foys Arcade and the certification of three of our properties under the CAF pilot framework. Following the launch, we have continued to submit our properties to CAF for audit and formal certification.

Property	Sector	Property management company
50 Lonsdale St, Melbourne VIC	Commercial	CBRE
2 Lonsdale St, Melbourne VIC	Commercial	CBRE
Wintergarden, Brisbane QLD	Retail	JLL
4 National Circuit, Barton ACT	Commercial	Knight Frank
Eastgate Shopping Centre, Bondi Junction NSW	Retail	JLL
100 Pacific Highway, North Sydney NSW	Commercial	CBRE

### Modern slavery

#### ISPT modern slavery internal working group

In 2019, ISPT established an internal Working Group to develop a cross-functional approach to implement actions and embed Modern Slavery risk considerations into our systems and processes. The working group has progressed with the development of a 3 year implementation plan, and completion of an initial supplier risk assessment to identify high-value and high-risk suppliers.

ISPT has also been participating in a modern slavery working group with the Property Council of Australia (PCA). We joined a consortium of 14 other PCA members to develop and pilot an online platform for obtaining responses from existing and prospective suppliers for evaluation against the requirements of the Modern Slavery legislation. The platform was formally launched in October 2019, and an initial list of 42 suppliers were invited to complete the questionnaire, with nearly 70% of responses now completed.

During 2020, ISPT established a Human Rights Policy as well as a Supplier Code of Conduct that outlines ISPT's expectations of our suppliers in their management of ESG risks, including modern slavery.

#### HEALTH AND SAFETY

### Safe buildings

In 2018, we completed an assessment on the fire risks associated with potentially combustible cladding at all 100% owned properties in the Fund. As at 30 June 2020:

- 51 assets given a low risk ranking
- 9 assets given a medium risk ranking
- 7 assets given a high risk ranking

Preparation of Aluminium Composite Panel (ACP) Remediation Plans have been prepared. Works expected to be completed over a two-year period and cost estimates of \$45M have been included in the valuations since December 2019.

# INVESTOR RELATIONS

Creating great places to work  
1 William St, Brisbane



# INVESTOR RELATIONS

## INVESTOR EQUITY SUMMARY

	31 Mar 20	30 Jun 20
Total no. of investors	31	31
New Investors - FYTD	0	0
Redemptions submitted - FYTD	\$0.00M	\$1,538.00M
Redemptions paid - FYTD	\$0.00M	\$0.00M
Transfer of Units (Clause 12.6)	\$0.00M	\$1,538.00M
Transfers completed – FYTD	\$24.99M	\$250.49M
FY2019 forecast no. of investors in DRP	20	4
DRP participation rate	81.17%	5.96%

### Investor Engagement Survey

Our annual Investor Engagement Survey is underway to provide a formal evaluation of investor relations, fund performance, management and leadership. The survey should take between 3 to 5 minutes to complete and we encourage all investors and asset consultants to complete and return by Monday 27 July 2020.

### Distribution Reinvestment Rate

During the quarter, 16 investors representing 74.8% of the Fund elected to change their distribution from reinvestment to cash.

For 30 June 2020, the DRP rate is 6% with 4 investors.

By 30 September 2020, the DRP rate will be 3.4% with 2 investors.

### Sale of Units on the Transfer Market (Clause 12.6) – Q2

Two transfers were submitted during April 2020:

- Hostplus: \$225.5M of the \$1.5B worth of units offered have been sold to one existing investor and two waitlisted investors.
- ACSRF: None of the \$38M units were sold.

### Sale of Units on the Transfer Market (Clause 12.6) – Q3

LUCRF has offered \$25M for sale on the transfer market.

The pre-emptive process for existing investors is from 16 July 2020 to 12 August 2020. The Waitlist of Eligible Investors will be offered any unsold units from 14 August 2020. Settlement of all units is due by no later than 1 October 2020.

## KEY DATES

### Events

Performance update: CPI+6%	Thursday 30 July 2020
Quarterly distribution payment	Thursday 30 July 2020
Core Fund Forum	Thursday 13 August 2020 12-2pm
ISPT GS007 & ODD Reports	Friday 28 August 2020
Core Fund Financial Report	Monday 21 September 2020

### Redemptions

Two redemption requests were submitted during April 2020:

- \$38M from Australian Catholic Super Retirement Fund
- \$1.5B from Hostplus

The Trustee in its absolute discretion declined both redemptions requests. At the 23 April 2020 Board meeting, the Trustee closed redemption requests from the Fund for a 6-month period until 30 September 2020. Unitholders seeking liquidity are able to utilise Clause 12.6 of the Trust Deeds to seek to sell their units.

### New Investors

The Fund welcomed Funds SA and Sunsuper on 1 July 2020.

### Waitlist of Eligible Investors

- Tasplan
- Meat Industry Employees Superannuation Fund (MIESF)
- MTAA Super
- VicSuper (merging with First State Super)
- Victorian Legal Services Board (VLSB)
- Construction Industry Long Service Leave Board (CILSLB)

After an evaluation of the Waitlist in November 2019, we estimate prospective investors on the Waitlist may not be satisfied in the medium term. For this reason, the Board has decided to close the Waitlist.

## MANAGEMENT EXPENSE RATIO (MER)

Period	Total mgmt costs	Avg GAV	MER based on Avg GAV	Avg NAV	MER based on Avg NAV
3 mths	\$6.45M	\$15.88B	0.04%	\$13.70B	0.05%
FYTD	\$38.53M	\$15.89B	0.24%	\$13.62B	0.28%
FY2019	\$35.67M	\$14.62B	0.24%	\$12.87B	0.28%

The Fund reimburses operating costs incurred by ISPT Pty Ltd in its capacity as Trustee and manager. Custodian and property accounting functions are outsourced and included within the MER calculations. FYTD average net assets is \$13.62B.

The MER for FY2020 was 24 basis points (below the forecast of 30 basis points) and includes the 3 basis points to capitalise ISPT Operations Pty Ltd.

The MER reduction reflects operating costs savings resulting from COVID-19 restrictions such as travel, project expenses and office operations as well as other business changes.

## INVESTORS AS AT 30 JUNE 2020

Investor	% of Fund	ISPT shares	Investor	% of Fund	ISPT shares
AMIST Super	1.37%	1 1015	Melbourne Anglican Trust	0.10%	1
Ausbil Investment Management	0.07%	1 1018	Mercy Super	0.33%	1
Australian Catholic Superannuation and Retirement Fund	2.64%	0 1003	Mine Super	0.40%	1
Australian Construction Industry Redundancy Trust	0.14%	0 1028	REI Super	0.46%	0
AustralianSuper	32.36%	4 1049	REI Super RFBALP	0.01%	0
Building Employees Redundancy Trust	0.09%	1 1050	REI Super RFGRWS	0.05%	0
CARE Super	4.52%	1 1051	REI Super RFGRWP	0.00%	0
Catholic Church Insurance	0.12%	0 1046	State Super NSW	0.59%	0
Cbus	9.78%	1 1019	Statewide Super	1.26%	1
Club Plus Superannuation	0.74%	1 1036	Transport Accident Commission	1.07%	0
ESS Plan Accumulation	0.96%	0 1020	TWUSUPER	1.46%	1
ESSSuper	0.93%	1 1022	UniSuper	3.91%	1
ESSSuper Defined Benefits Fund	0.73%	0 1031	University of Melbourne MUR	0.12%	0
First Super	1.61%	3 1042	University of Melbourne MUT	0.09%	0
HESTA	14.70%	1 1033	Victoria Managed Insurance Authority	0.20%	0
Hostplus	12.28%	2 1023	Vision Super	2.80%	1
LUCRF Super	1.35%	0 1032	Worksafe Victoria	1.16%	0
Media Super	1.61%	1			

Note: Sunsuper and Funds SA joined the Core Fund on 1 July 2020.

## HISTORY OF FUNDING NOTICES

Period	Requested	Received	Accepted	Utilised	Undrawn
FY2006 (Nov 2005) <sup>1</sup>	\$195M	\$193M	\$193M	\$193M	\$0M
FY2006 (Apr 2006) <sup>1</sup>	\$105M	\$108M	\$108M	\$108M	\$0M
FY2008	\$250M	\$214M	\$214M	\$214M	\$0M
FY2010	\$200M	\$182M	\$182M	\$182M	\$0M
FY2011	\$200M	\$298M	\$200M	\$200M	\$0M
FY2015	\$500M	\$913M	\$500M	\$318M	\$182M
FY2017	\$500M	\$616M	\$500M	\$500M	\$0M
FY2019	\$500M	\$500M	\$500M	\$500M	\$0M
FY2020	\$500M	\$862M	\$500M	\$500M	\$0M

1 Estimate

## SALE OF UNITS ON TRANSFER MARKET (CLAUSE 12.6)

Period	Seller	Amount	Take Up	Price
FY2016	Auscoal	\$20M	100%	NAV
FY2017	Consumer Affairs Victoria	\$27M	100%	NAV
FY2018	AustralianSuper	\$282M	100%	NAV
FY2018	AustralianSuper	\$300M	100%	NAV
FY2018	AustralianSuper	\$252M	100%	NAV
FY2018	AMIST	\$40M	100%	NAV
FY2019	AMIST	\$20M	100%	NAV
FY2020	AMIST	\$25M	100%	NAV
FY2020	Hostplus	\$1,500M	15%	NAV
FY2020	ACSRF	\$38M	0%	NAV

## FURTHER ENQUIRIES



Susannah Bourke  
Investor Relations  
E [susannahb@ispt.net.au](mailto:susannahb@ispt.net.au)  
P 03 8601 6630



Mark Bassett  
Fund Manager  
E [mbassett@ispt.net.au](mailto:mbassett@ispt.net.au)  
P 03 8601 6611



Jenny Geng  
Senior Analyst, Performance and Analytics  
E [jennyg@ispt.net.au](mailto:jennyg@ispt.net.au)  
P 03 8601 6663



Andrew Fellowes  
Deputy Fund Manager  
E [afellowes@ispt.net.au](mailto:afellowes@ispt.net.au)  
P 03 8601 6618



Andrea Long  
Investor Communications Lead  
E [along@ispt.net.au](mailto:along@ispt.net.au)  
P 03 8601 6523



Daryl Browning  
Chief Executive Officer  
E [dbrowning@ispt.net.au](mailto:dbrowning@ispt.net.au)  
P 03 8601 6636



Katie Hayes  
Assistant - Investor Relations and Strategy & Capital Markets  
E [khayes@ispt.net.au](mailto:khayes@ispt.net.au)  
P 03 8601 6517

ISPT PTY LTD LEVEL 11, 8 EXHIBITION ST MELBOURNE VIC 3000 ABN 28 064 041 283 AFSL 247 280 T 03 8601 6666 [www.ispt.net.au](http://www.ispt.net.au)

