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ASX Announcement

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URB Investments FY2017 Result and Market Update

URB FY2017 Performance Overview

	<i>Ordinary Operations \$'000</i>	<i>Abnormal Items \$'000</i>	<i>Statutory Numbers \$'000</i>
Ordinary revenue from equity portfolio	522	-	522
Other income	122	-	122
Income from operations	644	-	644
Operating expenses	(255)	-	(255)
Transaction costs on investments in direct property assets	-	(1,249)	(1,249)
Operating result before tax	389	(1,249)	(860)
Income tax (expense) / benefit	(90)	343	253
Net operating result	299	(906)	(607)
	<i>Cents per share</i>		<i>Cents per share</i>
Basic and diluted earnings per share (EPS)	0.41		(0.83)

After the successful initial public offering (IPO) of URB Investments Limited (URB) in April 2017, URB today announced its Full Year Results to 30 June 2017.

URB had operated for less than three months as at 30 June 2017. During this period the Company generated income from operating activities of \$644,125, while operating expenses for the period to 30 June 2017 were \$254,792. This resulted in an operating profit from ordinary operations before tax of \$389,333, net operating profit from ordinary operations of \$298,684, and basic & diluted earnings per share from ordinary operations of 0.41 cps.

Portfolio Manager Tom Millner said, "We are pleased with the progress we have made in establishing the Equity Portfolio and remain optimistic on the prospects for URB's Seed Assets. The Portfolio is well placed to benefit from the urban renewal and regeneration theme, which is as strong as ever. We believe we have made good progress in positioning these assets to capture value and maximize returns for URB shareholders."

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Prior to listing, and as described in URB's IPO Prospectus, URB entered into Call Option Agreements allowing it to acquire a 49.9% interest in each of the Direct Seed Property Assets. After listing URB incurred \$1,249,090 in transaction costs exercising its options to acquire the Seed Assets. This resulted in a statutory net operating loss after tax of \$606,906 and a basic and diluted loss per share of 0.83 cps for the period ended 30 June 2017. The Company does not expect to incur similar transaction costs in future purchases of direct property assets, and therefore views these expenses as abnormal.

As foreshadowed during the IPO, no dividend has been declared in respect of the 2017 Financial Year.

Net assets of URB at 30 June 2017 were \$76.1 million, including an Investment Portfolio of \$74.9 million.

Pre-tax NTA per share and post-tax NTA per share as at 30 June 2017 were both \$1.02, lower than pre-tax NTA and post-tax NTA of \$1.04 disclosed in the Company's June 2017 NTA & Monthly Report released to the ASX on 12 July 2017. This is due to the reclassification of the \$1,249,090 transaction fees from the cost base of the direct property assets to expenses, and from the change in assumed tax rate from 30% to 27.5%.

URB's prime objective is to seek to capture long-term value by investing in a portfolio comprising both equities and direct property that are exposed to the urban renewal and regeneration investment theme. URB provides shareholders with access to investments that have traditionally only been available to a select few. That is, URB is making investments into direct property alongside Washington H Soul Pattinson and Company Limited (Soul Pattinson), one of Australia's oldest and most respected investment houses.

Portfolio Movements

From the date of listing, the Company's Investment Manager, Contact Asset Management (Contact), began acquiring equity assets for the Investment Portfolio. As at 30 June 2017, \$29.5 million had been invested into the Equity Portfolio.

While it is focused on urban renewal, the Equity Portfolio is well diversified across many sectors of the market including Real Estate, Healthcare, Consumer, Utilities, Building Materials and Industrials. We seek to complement more mainstream equity portfolios as URB does not hold banking or resource stocks.

Major investments into the Equity Portfolio for the period included, Sydney Airport, Transurban Group, CSR Limited, Stockland, The GPT Group, BWP Trust, Harvey Norman Holdings Limited, National Storage REIT, Mirvac Group and Goodman Group. With many of these positions we took advantage of some attractive Final Distributions on offer; Transurban Group (distribution up 15%), Sydney Airports (distribution up 10%), Goodman Group (distribution up 9%), GPT Group (distribution up 7%), Mirvac (distribution up 6%), Stockland (distribution up 5%) and National Storage REIT (distribution up 5%).

Contact has identified an Urban Renewal Universe made up of 88 stocks from the ASX All Ordinaries Index of 500 stocks as at 30 June 2017 (the Urban Renewal Universe). The Urban Renewal Universe is not an official index but is rather a universe of Australian equities that we consider to have exposure to urban renewal and regeneration and that falls within URB's investment strategy. Equity Assets that we consider comprise the Urban Renewal Universe will vary from time to time, however, when weighted based on market capitalisation, it represented approximately 21.6% of the ASX All Ordinaries Index as at 30 June 2017.

Prior to the IPO, URB entered into an agreement with Soul Pattinson to purchase Direct Property Assets, defined as "Seed Assets" within the Prospectus, at Kingsgrove, Prestons and Penrith. URB's call options, granted by Soul Pattinson, to acquire a 49.9% interest in these properties have been exercised. As a result URB acquired a 49.9% interest in each of the three Trusts; PURT3: Kingsgrove, PURT4: Penrith and PURT5: Prestons. Soul Pattinson owns the remaining 50.1% of these three Trusts. A total of \$33.4 million has been invested into the Direct Property Portfolio.

These properties continue to benefit from the urban renewal and regeneration theme and as referenced below, we've made some good progress in developing these assets in a way that will maximise returns for all URB shareholders.

As expected, no distributions were received from the Seed Assets in the Direct Property Portfolio in FY2017. Initial distributions are forecast to be received in FY2018. We believe that URB's current Direct Property Assets are set to benefit from changes in use, such as rezoning, gentrification and the maximisation of land use in order to enhance returns.

Contact will continue to manage the Equity Portfolio rigorously, including utilising the expertise of Pitt Street Real Estate (PSRE) for follow-on investments required for the Direct Property Portfolio.

Dividend Policy

URB's long term aim is to deliver shareholders a sustainable and growing fully franked dividend yield that is competitive within the listed investment company market.

The Company intends to accumulate and then maintain sufficient retained profits to allow it to achieve its strategic objectives. Then, having regard to prudent business practices, the Company intends to pay out between 50% and 70% of Net Operating Profits each year to shareholders as fully franked dividends to the extent permitted by the Corporations Act 2001 and the Income Tax Assessment Act 1997.

In circumstances where the Company accumulates sufficient Special Investment Revenue after ensuring the business retains sufficient working capital in accordance with its capital management objectives, the Board will consider declaring special fully franked dividends to the extent permitted by the Corporations Act 2001 and the Income Tax Assessment Act 1997.

The Company has not yet accumulated sufficient working capital, and as such has not yet declared any dividends.

Top 20 Investments

1	PURT4 – Penrith Property	16.3%
2	PURT5 – Prestons Property	16.0%
3	PURT3 – Kingsgrove Property	11.2%
4	Sydney Airport	5.2%
5	Transurban Group	4.7%
6	CSR Limited	3.3%
7	Stockland	3.3%
8	GPT Group	2.8%
9	BWP Trust	2.1%
10	Harvey Norman Holdings	1.7%
11	National Storage REIT	1.7%
12	Mirvac Group	1.7%
13	Goodman Group	1.6%
14	AP Eagers Limited	1.2%
15	Wesfarmers Limited	1.1%
16	Blackwall Limited	1.1%
17	Abacus Property Group	1.0%
18	CIMIC Group Limited	0.9%
19	Seymour Whyte Limited	0.7%
20	Woolworths Limited	0.7%

Cash and cash equivalents **18.5%**

Total of Top 20 Investments plus cash and cash equivalents **96.8%**

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Urban Renewal and Regeneration Opportunities

There continues to be many opportunities to benefit from urban renewal and regeneration. We will continue to invest in assets that have exposure to population growth, population density, major infrastructure investment, housing growth, new employment, revitalisation of town centres, re-zoning and use of land changes, education services, healthcare services and tourism growth.

URB's current Equity Portfolio is well diversified across many sectors of the market that should be beneficiaries of urban renewal and regeneration. We will always seek to complement more mainstream equity portfolios, as URB does not hold banking or resource stocks.

In relation to future investment opportunities in Direct Property Assets, URB will continue to work very closely with PSRE. We are targeting the acquisition of real estate assets with urban renewal and regeneration upside focusing specifically on acquiring, developing, structuring and managing undervalued assets which require a short term repositioning for income; require capital for restructuring; or have an underlying opportunity for capital revaluation through changes in use. We will also target assets, which will have strong underlying investment fundamentals including, sustainable income, location benefits, beneficiaries of infrastructure investment; and opportunity for uplift in value from re-zoning and/or increased use and density.

The theme of urban renewal and regeneration continues to present an immediate and attractive investment opportunity in Australia and we are excited about the year ahead. URB is in a strong financial position, with no debt and cash representing 18% of the investment portfolio as at 30 June 2017, and strategically placed to take advantage of these opportunities as and when they arise.

For further enquiries:

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