

URB INVESTMENTS LIMITED

ACN: 615 320 262



NTA AND MONTHLY REPORT

October 2018

URB's aim is to maximise total shareholder returns via a combination of capital and income growth, through a Portfolio of unlisted property assets and Australian listed equities, which are all exposed to the urban renewal thematic.

Business Overview

URB is a research driven, listed investment company, focused on capturing long-term value by investing in a diversified portfolio of assets with exposure to urban renewal and regeneration. Listed on the Australian Stock Exchange (URB.ASX) and managed by Contact Asset Management, an investment in URB gives shareholders access to a diversified portfolio of Equity Assets exposed to urban renewal as well as direct access to exclusive urban renewal deals through a co-invest agreement with Washington H. Soul Pattinson and Company Limited (WHSP) in Direct Property opportunities.

Net Tangible Asset (NTA) – as at 31 October 2018

Pre-tax NTA backing was **\$1.06** per share.

URB is a long-term investor and does not intend to dispose of its total portfolio.

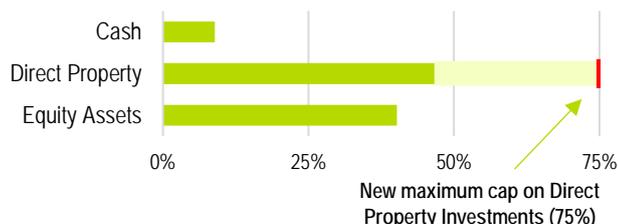
Post-tax NTA backing was **\$1.06** per share.

This measure reduces pre-tax NTA for the deferred provision for tax on net unrealized gains on the Company's investment portfolio as required by current Accounting Standards. As URB does not currently have a net deferred tax provision, pre-tax NTA and post-tax NTA are the same.

Asset Allocation

The Company structure allows URB to be opportunistic through effective asset allocation between equities and property. Liquid capital from Cash and the Equity Portfolio enables Contact to manage the asset allocation so we can move quickly to take advantage of Direct Property opportunities.

Following shareholder approval at the URB AGM on 19 October, URB's maximum cap on investments in the Direct Property Portfolio has been revised upwards from 49.9% to 75% of the Portfolio. The change provides greater flexibility for URB to take advantage of Direct Property Asset opportunities as they arise. Despite the increase in the cap, URB's Direct Property Investments remained below 50%.



The URB Equity Portfolio is a concentrated portfolio that is typically made up of 30 stocks. 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 do not invest in Banking and Resources stocks.

Company Overview – as at 31 October 2018

ASX Code	URB.ASX
Mandate	Urban Renewal
Market Capitalisation	\$71m
Investment Portfolio	\$71m
Cash & Cash Equivalents	\$7m
Total Portfolio Including Cash	\$78m
Debt	\$0
Rolling 12 Month Dividend ¹	1.5cps
Historical Dividend Yield ²	1.54%
Percentage Franked	100%
Grossed Up Yield ³	2.20%
DRP	Active
Share Price	\$0.975

Net Tangible Assets (NTA)

Pre Tax NTA	\$1.06
Post Tax NTA	\$1.06

¹Includes FY2018 Interim Dividend of 0.5cps and FY18 Final Dividend 1cps, ²Based on share price as at 31 October 2018. ³Grossed up yield based on a tax rate of 30%.

Dividend Policy

URB's long-term target is to offer shareholders sustainable and growing fully franked dividends and a yield that is competitive within the listed investment company industry. The URB Board and Contact's Portfolio Managers are shareholders in URB and are aligned in delivering these outcomes for all shareholders.

Monthly Equity Portfolio Update

October was a volatile month for world equity markets. The US market (S&P500) dropped 7%, Hong Kong fell more than 10% and locally the All Ordinaries Index lost 6.5%. The URB Equities Portfolio declined in value albeit not to the extent of the broader market. The overall URB Portfolio performed relatively well, declining 2.7% month on month. Importantly, URB's high proportion of Cash and Direct Properties was a factor in the preservation of capital.

During October, Contact Asset Management toured Harvey Norman's (HVN) Auburn Flagship store with Katie Page (CEO) and Chris Mentis (CFO).



The Flagship strategy has been implemented in eight stores around the world to offer customers a wide product range and the best shopping experience that cannot be replicated online. The 180,000 square foot Auburn Flagship store, which was also the location of Harvey Norman's first store in 1982, is impressive. The retail offering is spread over two levels featuring products at various price points for every aspect of the home; from bathroom, furniture, flooring and outdoor.

We discussed the perceived threat that online poses to the Harvey Norman format. The CEO noted that it is very difficult to disrupt a number of categories in an online only model. She noted that if someone wanted to buy a \$3,000 couch, they want to actually try it out first. The site visit confirmed our belief that market fears on the death of traditional retail are excessive. While online provides enormous opportunities, consumers of all generations require the sensory experience that allows them to touch and feel products, immerse in brand experiences, and engage with sales associates.

An important part of Contact's investment process is the quality of the management team and alignment with shareholders. Interestingly, what stood out on the site visit was the CEO's positive engagement and rapport with staff members, knowledge of the store and products and involvement in new product launches. In addition, alignment is significant with Management and the Board owning close to 50% of the shares on issue.

The HVN investment case is also tied to its property assets which, at 30 June 2018, accounted for 63% of total assets valued at \$2.9 billion. Within their property portfolio are assets that may be transformed from their current state into higher and better use assets in the future. While that long-term thematic plays out, we believe that there is significant value in HVN.

HVN market capitalisation is approximately \$3.8 billion. Its net assets, which include the above-mentioned property, other plant and equipment and cash less borrowings and other liabilities, are approximately \$2.94 billion. In FY18, HVN reported normalised net profit after tax (excluding property revaluations) of \$380 million. The retail business is generating attractive profits. We believe that, once the value of the properties is backed out, we are paying a very low earnings multiple for the HVN retail operations.

In addition, HVN offers an attractive dividend yield and the Company has significant franking credits on its Balance Sheet (over 40 cents per share as at 30 June 2018). We expect to see the Company generate good growth in the coming years from its Flagship strategy and earnings from offshore.

Company / Trust		% of Total Portfolio
1	Purt No 5 – Prestons	22.5%
2	Purt No 3 – Kingsgrove	12.6%
3	Purt No 4 – Penrith	10.0%
4	Transurban Group	6.9%
5	Sydney Airport	5.5%
6	Home HQ – Artarmon	3.7%
7	LendLease Group	2.6%
8	360 Capital Group	2.5%
9	Harvey Norman Holdings	2.2%
10	Stockland	1.9%
11	AV Jennings	1.7%
12	AP Eagers	1.7%
13	Mirvac Group	1.7%
14	Goodman Group	1.6%
15	Qube Holdings	1.3%
16	Woolworths	1.2%
17	Ramsay Healthcare	1.2%
18	Blackwall	1.1%
19	BWP Trust	1.1%
20	National Storage REIT	1.0%
Cash and cash equivalents		9.2%
Total of top 20 plus Cash and cash equivalents		93.2%

Management and Performance Fees

The Management Fee is 0.50% of URB's Total Assets.

The Performance Fee is 15% of the out performance over a Pre-Tax NTA 12 month return of 8.0%. This 8% return is calculated after the payment of any ordinary dividends to URB shareholders.

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URB Performance 31 October 2018	1 Month	3 Months	6 Months	1 Year
URB Portfolio Performance	-2.7%	1.8%	2.9%	4.6%
URB Total Shareholder Returns (TSR)	-1.5%	3.1%	6.5%	-2.9%
URB Total Shareholder Returns – 100% Franked	-1.5%	3.6%	6.9%	-2.3%

Source: Contact Asset Management, Bloomberg. Portfolio Performance is measured by change in pre-tax NTA and is after all operating expenses, provision and payment of both income and capital gains tax and the reinvestment of dividends. TSR include reinvestment of dividends. TSR including franking credits are based on URB's dividends being fully franked at 30%. Past performance is generally not indicative of future performance.

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