

# URB INVESTMENTS LIMITED

ACN: 615 320 262



## NTA AND MONTHLY REPORT

December 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 December 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.

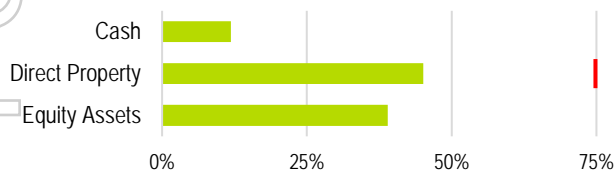
Post-tax NTA backing was **\$1.06** per share.

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 December 2018

ASX Code	URB.ASX
Mandate	Urban Renewal
Market Capitalisation	\$65m
Investment Portfolio	\$68m
Cash & Cash Equivalents	\$10m
Total Portfolio Including Cash	\$78m
Debt	\$0
Rolling 12 Month Dividend <sup>1</sup>	1.5cps
Historical Dividend Yield <sup>2</sup>	1.69%
Percentage Franked	100%
Grossed Up Yield <sup>3</sup>	2.41%
DRP	Active
Share Price	\$0.89

### Net Tangible Assets (NTA)

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

<sup>1</sup>Includes FY2018 Interim Dividend of 0.5cps and FY18 Final Dividend 1cps. <sup>2</sup>Based on share price as at 31 December 2018. <sup>3</sup>Grossed 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.

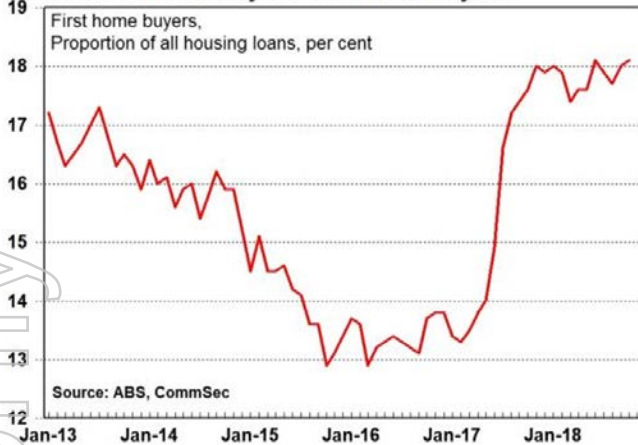
### Monthly Equity Portfolio Update

The volatility continued in December for world equity markets. Locally the All Ordinaries Index continued its downward trajectory falling 0.2% for the month. The overall URB Portfolio performed relatively well in comparison, growing 0.7% month on month. Importantly, URB's high proportion of Cash and Direct Properties was a factor in the preservation of capital.

While house prices were higher than a year ago in four of the eight capital cities, an overall decline nationally is being driven by Sydney and Melbourne, down 8.9% and 7.0% respectively. In response to lower prices, demand is rising particularly from first home buyers. As can be seen in the chart on the following page, the number of loans (commitments) by home owners (owner-occupiers) rose 2.2% in October making it the largest gain in 15 months (Source: CommSec).

This is favourable for residential developers targeting this demographic including Stockland and AV Jennings. According to Stockland CEO, Mark Steinert, owner occupiers account for circa 85% of their buyer demand and over 50% are first home buyers.

### Better affordability for first home buyers



During December, Stockland (SGP) announced the sale of The Grove residential community in Melbourne for \$202.5m, a 59% premium to book value. The sale illustrates that there is latent value in SGP's residential land bank. SGP is the largest residential community developer in Australia with 41 active residential communities in growth corridors across the country.

SGP also announced a distribution for the 6 months to 31 December 2018 of 13.5 cents per stapled security (cps), reflecting their previous FY19 guidance of 27.6 cps.

### Direct Property Portfolio Update

**PURT 3** - Settlement of Lots 1 & 1A occurred on 11<sup>th</sup> December 2018 which has resulted in URB receiving a distribution of profit from PURT 3. Latter stages of development are continuing with Lots 2 - 7 and whilst completion remains subject to obtaining approvals from various authorities, these sales are expected to become unconditional in January with settlement to follow thereafter.

**PURT 5** - Practical Completion was achieved during the month and the lease with Mainfreight has now commenced. Following settlement of the sale of the property, which is expected to occur shortly, URB will receive its share of profit from the project.

**Home HQ** - Looking long term, the NSW Department of Planning and Environment's St Leonards and Crows Nest 2036 Draft Plan includes plans to provide an additional 16,500 jobs over the next 20 years. The region is located approximately 5kms northwest of the Sydney CBD and the new Sydney Metro station, expected to open in 2024, will bring opportunities to rejuvenate the area with new jobs, open space, infrastructure and homes according to the report.

Company / Trust	% of Total Portfolio
1 PURT No 5 – Prestons	22.5%
2 PURT No 3 – Kingsgrove	10.9%
3 PURT No 4 – Penrith	10.0%
4 Transurban Group	7.1%
5 Sydney Airport	5.8%
6 Home HQ – Artarmon	3.7%
7 360 Capital Group	2.7%
8 Harvey Norman Holdings	2.2%
9 Stockland	1.8%
10 Lendlease Group	1.7%
11 Mirvac Group	1.7%
12 Goodman Group	1.6%
13 AV Jennings	1.5%
14 AP Eagers	1.4%
15 Qube Holdings	1.3%
16 Woolworths	1.3%
17 Ramsay Healthcare	1.2%
18 Regis Healthcare	1.1%
19 BWP Trust	1.1%
20 National Storage	1.0%
Cash and cash equivalents	12.3%
<b>Total of top 20 plus Cash and cash equivalents</b>	<b>93.9%</b>

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### 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.

URB Performance 31 December 2018	1 Month	3 Months	6 Months	1 Year
URB Portfolio Performance	0.7%	-2.7%	2.1%	2.5%
URB Total Shareholder Returns (TSR)	-2.7%	-10.1%	-0.1%	-13.5%
URB Total Shareholder Returns – 100% Franked	-2.7%	-10.1%	0.3%	-13.0%

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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