

URB INVESTMENTS LIMITED

ACN: 615 320 262



NTA AND MONTHLY REPORT

February 2019

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 provides Shareholders access to a diversified portfolio of ASX Listed Equity Assets and Direct Property Assets exposed to urban renewal and regeneration. For Direct Property opportunities URB has a co-investment agreement with Washington H. Soul Pattinson and Company Limited (SOL.ASX).

Net Tangible Asset (NTA) – as at 28 February 2019

Pre-tax NTA backing was **\$1.13** per share.

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

Post-tax NTA backing was **\$1.13** per share.

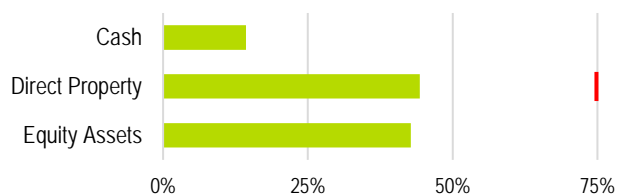
This measure reduces pre-tax NTA for the deferred provision for tax on net unrealised gains on the Company's investment portfolio as required by current Accounting Standards. As URB does not currently have a net deferred tax provision, pre-tax NTA and post-tax NTA are the same.

All calculations are before providing for the FY2019 Interim Dividend of 0.75cps and Special Dividend of 1cps

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.

URB's maximum cap on investments in the Direct Property Portfolio is 75% of the Portfolio. This provides flexibility for URB to take advantage of Direct Property Asset opportunities as they arise. Direct Property currently represents 44% of the Portfolio.



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 28 February 2019

ASX Code	URB.ASX
Mandate	Urban Renewal
Market Capitalisation	\$70m
Investment Portfolio	\$73m
Cash & Cash Equivalents	\$12m
Total Portfolio Including Cash	\$85m
Debt	\$0
Rolling 12 Month Dividend ¹	2.75cps
Historical Dividend Yield ²	2.89%
Percentage Franked	100%
Grossed Up Yield ³	3.93%
DRP	Active
Share Price	\$0.95

Net Tangible Assets (NTA)

Pre Tax NTA	\$1.13
Post Tax NTA	\$1.13

¹Includes FY2018 Final Dividend of 1cps, FY2019 Interim Dividend of 0.75cps and Special Dividend of 1cps. ²Based on share price as at 28 February 2019. 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

Overall, the results from the February reporting season were mixed with both opportunities and risks apparent. Within the URB portfolio, Goodman Group, Cedar Woods, QUBE Holdings, Ramsay Healthcare, Mirvac and Sydney Airport were the standout performers while Companies exposed to east coast residential housing experienced a slowdown in settlements, driven by longer credit approvals periods for home buyers.

Based on our discussions with various management teams, it is evident that each state is at a different point in the property cycle. However, the fundamentals that underpin demand remain intact with population growth continuing, GDP growth, low interest rates and stable levels of unemployment.

Cedar Woods reported a strong result, benefiting from their geographically diversified portfolio. Future earnings are expected to come from Victoria, Western Australia, South Australia and Queensland with circa 50% of current pre-sales expected to settle in FY20 securing around 45% of required revenue. This diversification outside of New South Wales complements URB's Sydney Direct Property exposure. Post result and meeting with management we are confident on the outlook for Cedar Woods.

During the month we added Nick Scali (NCK) to the Equities Portfolio, with a weighting of 1.0%. NCK is a well-managed, top tier furniture retailer trading on a forecast FY19 PE of 10.9x with a grossed up dividend yield of 11%. The Managing Director, Anthony Scali has been with the Company since 1982 and is well aligned with Shareholders. The Balance Sheet is strong with net cash of \$6 million as at 31 December 2018. NCK's 5 year average return on equity and return on capital of 48% and 52% respectively is also attractive.

Monthly Property Portfolio Update

During February, the PURT5: Prestons Trust settled on the sale of this asset with the Charter Hall Direct Industrial No.4 Fund, recognising the estimated profit on the sale of this property in its financial statements. Based on the PURT5: Prestons February 2019 management accounts, URB has recognised a total uplift in fair value/book value of its investment in PURT5: Prestons of \$5.1m for FY2019.

In addition, the PURT 3: Kingsgrove Trust settled on the sale of Lot 2 and Lot 3, with URB receiving a cash distribution of \$2.7m, being a \$2.0m return of capital and a \$0.7m distribution of profit which was received as a special dividend. The remaining Lots are expected to be settled gradually over the coming months.

We are delighted that we are now starting to realise value uplift from our Direct Property investments. The completion of both PURT3: Kingsgrove and PURT5: Prestons developments will generate significant cash for URB, providing the Company with improved flexibility to take advantage of new opportunities.



PURT5:Prestons June 2017



PURT5:Prestons February 2019

Company / Trust	% of Total Portfolio
1 PURT No 5 – Prestons	22.8%
2 PURT No 4 – Penrith	9.4%
3 PURT No 3 – Kingsgrove	7.9%
4 Transurban Group	7.2%
5 Sydney Airport	5.8%
6 Home HQ – Artarmon	3.6%
7 360 Capital Group	2.5%
8 Harvey Norman Holdings	2.4%
9 Lendlease Group	2.4%
10 Boral Limited	1.9%
11 Regis Healthcare	1.9%
12 Mirvac Group	1.9%
13 Goodman Group	1.8%
14 Stockland	1.7%
15 AP Eagers	1.7%
16 AV Jennings	1.4%
17 Qube Holdings	1.3%
18 Ramsay Healthcare	1.3%
19 Woolworths	1.2%
20 Nick Scali	1.0%
Cash and cash equivalents	14.1%
Total of top 20 plus cash and cash equivalents	95.2%

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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 28 February 2019	1 Month	3 Months	6 Months	1 Year
URB Portfolio Performance	4.2%	6.6%	6.8%	9.7%
URB Total Shareholder Returns (TSR)	6.7%	3.8%	-3.1%	-3.1%
URB Total Shareholder Returns – 100% Franked	6.7%	3.8%	-2.7%	-2.4%

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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