

# URB INVESTMENTS LIMITED

ACN: 615 320 262



## NTA AND MONTHLY REPORT

May 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 31 May 2019

Pre-Tax NTA backing was **\$1.15** per share.

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

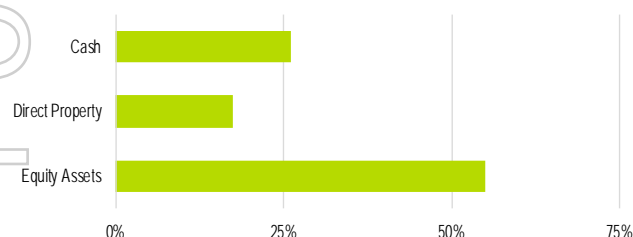
Post-Tax NTA backing was **\$1.14** per share.

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.

### 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. Following the sale of PURT5:Prestons and the continual sell down of PURT3:Kingsgrove, Direct Property currently represents less than 20% 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 31 May 2019

ASX Code	URB.ASX
Mandate	Urban Renewal
Market Capitalisation	\$70m
Investment Portfolio	\$63m
Cash & Cash Equivalents	\$23m
Total Portfolio Including Cash	\$86m
Debt	\$0
Rolling 12 Month Dividend <sup>1</sup>	2.75cps
Historical Dividend Yield <sup>1,2</sup>	2.9%
Percentage Franked	100%
Grossed Up Yield <sup>3</sup>	4.1%
DRP	Active
Share Price	\$0.95

### Net Tangible Assets (NTA)

Pre Tax NTA	<b>\$1.15</b>
Post Tax NTA	<b>\$1.14</b>

<sup>1</sup>Includes FY2018 Final Dividend of 1cps, FY2019 Interim Dividend of 0.75cps and Special Dividend of 1cps. <sup>2</sup>Based on share price as at 31 May 2019. <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 growth in the NTA for the month from \$1.11 to \$1.15 mainly came from the URB Equities Portfolio, delivering a net increase in net tangible assets of \$2.5m. During the month, we added new positions to the URB Equity Portfolio including Reece Limited, Coles Group, Cleanaway Waste Management, CIMIC Group and REA Group.

### Reece Limited (REH)

REH is Australia's leading supplier of plumbing and bathroom products with 615 outlets across Australia and New Zealand, from 60 outlets in 1994. REH has expanded into new segments of the industry, adding HVAC (Heating, Ventilation and Air Conditioning), civil, irrigation and pools to its plumbing and bathroom core. In 2018, REH acquired Morsco for \$1.9 billion which is expected to double the size of the Company. Morsco is the number three waterworks company in the US and number four in plumbing. REH has a solid reputation for quality service and products and is run by a highly capable and well aligned management team with a history of growing dividends and earnings.

### Coles Group (COL)

COL was spun out of Wesfarmers Limited on 29th November 2018. Since 2010, 268 stores (across convenience, liquor and supermarkets) have been added, representing a 10.7% increase in fleet. COL is a mature and highly cash generative business, having delivered 43 quarters of consecutive like-for-like comp sales growth for food and liquor. The Executive team are experienced retailers, with MD Steven Cain new to COL since the spin off, where previously he was chief executive of the Metcash Supermarkets and Convenience division.

### Cleanaway Waste Management (CWY)

The company was founded in August 1987 and engages in the provision of total waste management, industrial, and environment services through the segments Solid Waste Services, Liquid Waste and Industrial Services, and Toxfree.

### CIMIC Group (CIM)

CIM offers maintenance, engineering mineral processing and construction services to the mining and infrastructure sectors. Hochtief is the controlling shareholder of the company with a 73% holding. CIMIC's yield is slightly lower than the broader market, however CIM has a strong balance sheet with no net debt and earnings growth is attractive given the enormous amount of construction and infrastructure work currently underway around the country.

### REA Group (REA)

REA provides online property listings, web development and internet related technology services to the real estate industry along with providing advertising services. News Limited is the controlling shareholder with a 62% holding. The earnings growth forecasts for REA are very high and the balance sheet is solid, with interest cover particularly strong. REA has been investing in its business and is also expected to be a beneficiary of the continued shift to online and the growing housing and property market.

### Monthly Property Portfolio Update

Settlement of Lots 5 and 6 of the PURT3:Kingsgrove asset occurred in early June. We expect all funds of this investment to be returned to investors of the PURT3 Trust by the end of the financial year.

The HOME HQ Trust has now signed a Heads of Agreement for a 10 year lease, plus 10 year option, with an experienced operator to deliver the Food and Beverage precinct on the Reserve Road car park.

Company / Trust		% of Total Portfolio
1	PURT No 4 – Penrith	9.0%
2	Transurban Group	7.3%
3	Sydney Airport	5.8%
4	PURT No 3 – Kingsgrove	4.4%
5	Lendlease Group	4.4%
6	Home HQ – Artarmon	3.4%
7	Mirvac Group	3.3%
8	Harvey Norman Holdings	2.9%
9	Stockland	2.8%
10	Boral Limited	2.6%
11	Ramsay Healthcare	2.6%
12	Regis Healthcare	2.4%
13	Goodman Group	2.4%
14	360 Capital Group	2.3%
15	AP Eagers	2.2%
16	Wesfarmers	1.9%
17	Nick Scali	1.8%
18	Cedar Woods Properties	1.5%
19	AV Jennings Limited	1.5%
20	Woolworths Limited	1.0%
Cash and cash equivalents		26.5%
<b>Total of top 20 plus Cash and cash equivalents</b>		<b>92.0%</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 May 2019	1 Month	3 Months	6 Months	1 Year	2 Years
URB Portfolio Performance	2.9%	3.4%	10.3%	12.2%	6.0%
URB Total Shareholder Returns (TSR)	2.7%	1.9%	5.8%	0.8%	-3.9%
URB Total Shareholder Returns – 100% Franked	2.7%	2.7%	6.6%	2.1%	-3.2%

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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