

# URB INVESTMENTS LIMITED

ACN: 615 320 262



## NTA AND MONTHLY REPORT

July 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 July 2019

Pre-Tax NTA backing was **\$1.19** per share.

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

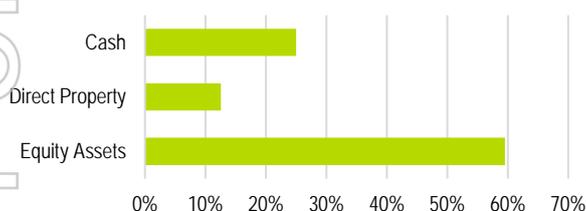
Post-Tax NTA backing was **\$1.17** per share.

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 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 July 2019

ASX Code	URB.ASX
Mandate	Urban Renewal
Market Capitalisation	\$77m
Investment Portfolio	\$66m
Cash & Cash Equivalents	\$23m
Total Portfolio Including Cash	\$89m
Debt	\$0
Rolling 12 Month Dividend <sup>1</sup>	2.75cps
Historical Dividend Yield <sup>1,2</sup>	2.6%
Percentage Franked	100%
Grossed Up Yield <sup>3</sup>	3.7%
DRP	Active
Share Price	\$1.05

### Net Tangible Assets (NTA)

Pre Tax NTA	<b>\$1.19</b>
Post Tax NTA	<b>\$1.17</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 July 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

During July Lendlease (LLC) announced the biggest project in its 61-year history, signing a \$20 billion agreement with Google to jointly undertake the Master Planning and Development of three major sites in the San Francisco Bay Area. Spanning between 10 to 15 years, LLC estimates that it will develop up to 15 million square metres of residential, retail, hospitality and other associated community uses including 15,000 new homes. The deal brings LLC's development pipeline close to \$100 billion – an impressive increase from the \$38 billion reported just five years ago. We remain positive on LLC and its urbanisation strategy, which aligns well with URB's urban renewal and regeneration thematic.

CIMIC Group (CIM) announced its first half 2019 result which included an increase in the interim dividend, increase in net profit after tax, and a buyback. Construction was weaker than expected on a challenging Hong Kong project and some timing issues. In all, CIM reported 1H NPAT of \$367 million, up 1% on the prior year but 5% below consensus expectations. Despite reaffirming guidance, the stock dropped almost 25% on the day of its result.

URB had a small position in CIM before the result was announced.

We have taken the opportunity to increase exposure to the stock in recent weeks amid the volatility. We note the following investment characteristics of CIM:

- Reasonable yield, which we think is sustainable.
- Excellent market share across several locations and sectors.
- Alignment alongside Hochtief (Germany) who own almost 75% of the company and likely to provide downside protection.
- Management are capable and experienced. Few other groups have the ability to execute on the mega projects.
- A solid Balance Sheet.
- A reasonable valuation with a PE of <15x.

Following AP Eagers' (APE) announcement in April to acquire all the shares in Automotive Holdings Group (AHG) that it does not already own, the ACCC has authorised the transaction, subject to APE's divestment of Kloster Motor Group. The deal provides the combined entity with exposure to motor vehicle retailing markets in all Australian States and Territories excluding ACT, representing approximately 11.9% of the Australian new vehicle sales market, cost synergies and a more flexible balance sheet to pursue growth opportunities.

Woolworths Group (WOW) announced its intention to merge ALH and Endeavour Drinks into a combined entity called Endeavour Group with further plans to then separate Endeavour Group into a standalone drinks and hospitality business. Management believe the transaction would allow both businesses to unlock their full potential, enabling WOW to focus on the core supermarkets business that is entering a new era of retailing that will require "agility, simplicity and partnerships". WOW is targeting a demerger or value accretive alternative by the end of calendar year 2020.

BlackWall (BWF) has proposed the spinoff of wholly owned, flexible workplace operator WOTSO WorkSpace as a standalone business. BWF launched WOTSO in 2014 and has internally funded its growth to include 17 sites to date. The intention is for BWF shareholders to receive new WOTSO shares on a pro rata basis.

### Monthly Property Portfolio Update

There is no new material information on URB's Property Portfolio. We continue to assess several opportunities.

The portfolio structure of URB allows us to be patient and opportunistic when seeking new Direct Property investments and generate returns and income through our Equity Portfolio while we wait.

Company / Trust		% of Total Portfolio
1	Purt No 4	8.8%
2	Transurban Group	7.9%
3	Sydney Airport	6.3%
4	LendLease Group	5.0%
5	Harvey Norman Holdings Limited	4.0%
6	Mirvac Group	3.4%
7	Home HQ Artarmon	3.3%
8	CIMIC Group	3.0%
9	Woolworths Limited	3.0%
10	Stockland Limited	2.8%
11	Ramsay Health Care Limited	2.6%
12	Regis Healthcare Limited	2.6%
13	Goodman Group	2.6%
14	360 Capital Group Limited	2.3%
15	Wesfarmers Limited	2.0%
16	Coles Group Limited	2.0%
17	Nick Scali Limited	1.8%
18	Cedar Woods Properties Limited	1.4%
19	AV Jennings Limited	1.4%
20	AP Eagers Limited	1.3%
Cash and cash equivalents		25.7%
<b>Total of top 20 plus Cash and cash equivalents</b>		<b>93.2%</b>

### Contact Us

Web	www.urbinvest.com.au
E-Mail	info@urbinvest.com.au
Tom Millner	0408 754 180
Will Culbert	0410 627 378
Jaime Pinto	02 9210 7000

### 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.

Note: The July 2019 NTA figure is based on accounts that include an accrual for a performance fee to Contact Asset Management for the year ended 30 June 2019.

URB Performance 31 July 2019	1 Month	3 Months	6 Months	1 Year	2 Years
URB Portfolio Performance	3.2%	6.6%	11.6%	15.4%	9.6%
URB Total Shareholder Returns (TSR)	0.0%	13.5%	20.2%	13.2%	1.5%
URB Total Shareholder Returns – 100% Franked	0.0%	13.5%	21.2%	14.6%	2.2%

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.

The material contained within the URB Investments Limited Monthly Report (The Report) has been prepared by Contact Asset Management (AFSL 494045). Figures referred to in The Report are unaudited. The Report is not intended to provide advice to investors or take into account an individual's financial circumstances or investment objectives. This is general investment advice only and does not constitute advice to any person. The opinions within The Report are not intended to represent recommendations to investors, they are the view of Contact Asset Management as of this date and are accordingly subject to change. Information related to any company or security is for information purposes only and should not be interpreted as a solicitation of offer to buy or sell any security. The information on which The Report is based has been obtained from sources we believe to be reliable, but we do not guarantee its accuracy or completeness. Investors should consult their financial adviser in relation to any material within this document.