

# CFS Retail Property Trust (CFX)

Unitholder meeting

28 May 2012

# Richard Haddock AM

Chairman, Commonwealth Managed Investments Limited

## Purpose of the meeting

- Provide an update on CFX
- Vote on the proposed resolutions

### Resolution 1

– Approve the proposed amendments to the CFX constitution to allow the stapling of CFX units

### Resolution 2

– Subject to the approval of Resolution 1, approve the Stapling Proposal

## Agenda

- CFSGAM Property
- State of the market
- Trust overview
- Questions
- Formal business



Forest Hill Chase, Forest Hill, Vic

## Angus McNaughton

Managing Director, Property, Colonial First State Global Asset Management

### CFSGAM Property

One of Australia's leading property investment managers

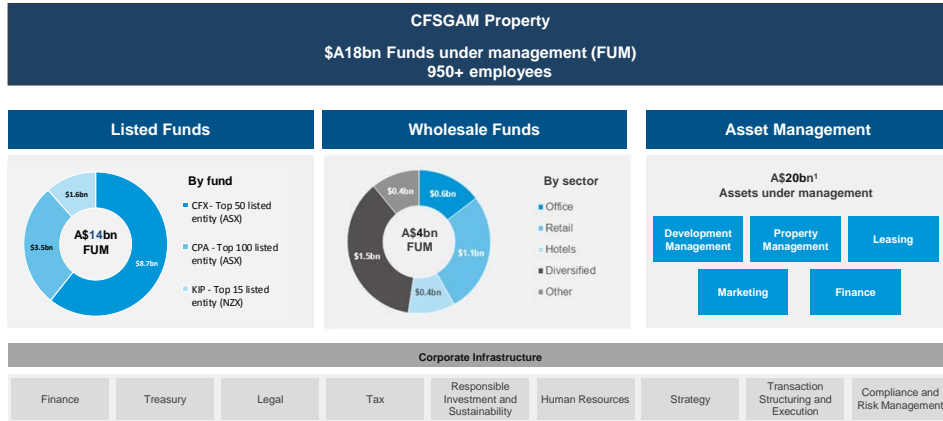
- We have a broad property funds platform including:
  - CFS Retail Property Trust
  - Commonwealth Property Office Fund
  - Kiwi Income Property Trust
  - A suite of wholesale property funds and third party mandates
- A leader in sustainability
- Focused on long-term, quality investment returns
- Supported by one of the largest asset management teams in Australasia



Chatswood Chase, Sydney NSW

## Overview CFSGAM Property platform

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CFX – CFS Retail Property Trust  
CPA – Commonwealth Property Office Fund  
KIP – Kiwi Income Property Trust

1. Includes assets that are managed by CFSGAM Property on behalf of third parties.  
Source: CFSGAM Property at 31 December 2011.

## State of the market Mixed indicators

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- Australian economy**

  - Low unemployment
  - Growth forecast to return to trend
- Capital markets**

  - Debt costs have reduced
  - Share markets continue to be impacted by global sentiment
- A-REIT sector**

  - 8.8% outperformance vs ASX200 YTD<sup>1</sup>
  - Gap to NTA has reduced in recent times
- Retail**

  - Retail sales growth going through cyclical low point
  - Some tailwinds are evident

1. As at 21 May 2012.

## Michael Gorman

Fund Manager, CFS Retail Property Trust (CFX)

### Trust overview

CFX invests in a high quality Australian shopping centre portfolio

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- Experienced management team
- Sixth largest A-REIT by market capitalisation<sup>1</sup>
- Listed on the ASX<sup>2</sup> for more than 18 years
- Invests in quality Australian shopping centres
- Strong balance sheet with low gearing
- Focused on sustainable long term returns
- 29 retail assets with a total asset value of \$8.3 billion<sup>3</sup>
- Occupancy rate of 99.7%
- Consistent earnings growth
- Top 50 entity on the ASX<sup>2</sup>



QueensPlaza, Qld

1. As at 31 March 2012.

2. Australian Securities Exchange.

3. As at 31 December 2011, adjusted for the sale of a 50% interest in The Myer Centre Brisbane.

## Trust overview

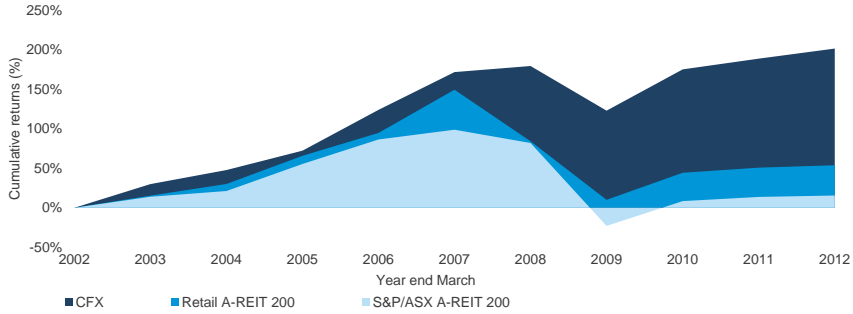
CFX has provided solid long-term performance



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### CFX cumulative total returns<sup>1</sup>

Total cumulative returns since March 2002



### Total returns over 10 years:

- CFX 202% (11.7% p.a.)
- Retail A-REIT 200 54% (4.4% p.a.)
- S&P/ASX A-REIT 200 16% (1.5% p.a.)

Note: Past performance is not indicative of future performance.  
 1. Assuming the reinvestment of distributions.  
 Source: UBS Australia 2012.

## Operational highlights

Focused on unitholder value



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### Divested an asset

- \$366 million sale and settlement of 50% interest in The Myer Centre Brisbane

### Commenced unit buy-back

- Commenced an on-market buy-back for up to \$150 million of CFX units

### Repriced debt

- Reset pricing on interest rate hedges to reduce the average cost of debt to 6.1% from 7.0% since June 2011

### Progressed developments

- Works continue on Emporium, commenced Roxburgh Park and imminent start at Brimbank and Forest Hill

## Operational highlights

Portfolio and balance sheet remain well placed

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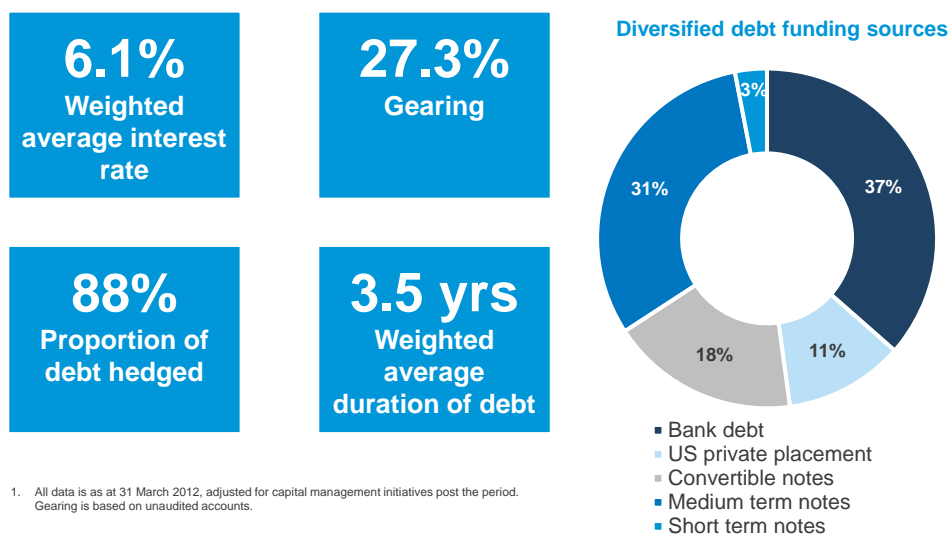
|                                   |   | 30 June 2011  | Current                    |                              |
|-----------------------------------|---|---------------|----------------------------|------------------------------|
| Total Assets                      | ↓ | \$8.5 billion | \$8.3 billion <sup>1</sup> | • Actively recycled capital  |
| NTA                               | ↑ | \$2.05        | \$2.06 <sup>2</sup>        | • Unitholder value improved  |
| Average cost of debt              | ↓ | 7.0%          | 6.1% <sup>3</sup>          | • Lower cost of debt         |
| Gearing                           | ↔ | 27.0%         | 27.3% <sup>4</sup>         | • Well positioned            |
| Occupancy rate                    | ↔ | 99.7%         | 99.7% <sup>2</sup>         | • Centres remain full        |
| Comparable specialty sales growth | ↔ | 2.0%          | 2.2% <sup>4</sup>          | • Retail sales remain weak   |
| Specialty sales per sqm           | ↑ | \$8,886       | \$9,171 <sup>4</sup>       | • Mall productivity improved |
| Occupancy costs                   | ↔ | 17.1%         | 17.3% <sup>2</sup>         | • Occupancy costs are stable |
| Annual distribution               | ↑ | 12.70 cents   | 13.10 cents <sup>5</sup>   | • Solid distribution growth  |

- Adjusted for the sale of a 50% interest in The Myer Centre Brisbane.
- As at 31 December 2011.
- As at 31 March 2012, adjusted for capital management activities post the period.
- As at 31 March 2012. Gearing is based on unaudited accounts and is adjusted for the resetting of swaps up to 19 April 2012.
- Distribution guidance.

## Capital management

Debt well diversified by source and duration<sup>1</sup>

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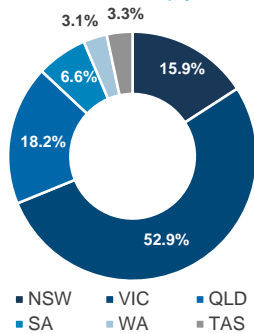
## Portfolio overview

### High quality portfolio

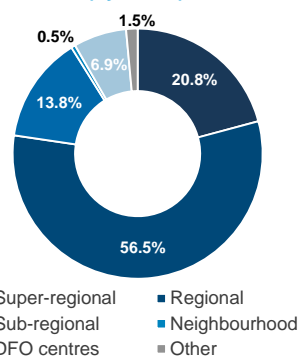
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- 29 shopping centres and retail outlet centres
- \$8.3 billion portfolio<sup>1</sup>
- Portfolio is well diversified by centre type and geographic location

Portfolio geographic diversification (by value)<sup>1</sup>



Portfolio by centre type (by value)<sup>1</sup>



1. As at 31 December 2011 and adjusted for the sale of a 50% interest in The Myer Centre Brisbane.

## Portfolio overview

### Weaker retail sales environment, solid portfolio performance

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#### Challenging conditions

- Third quarter sales were flat and below historical averages
- Consumer sentiment has continued to decline over the past quarter
- International travel diverting discretionary spend away from domestic retail, but anticipated to reduce

#### Stronger performers

- Food categories including fresh food sales and food catering sales continue to show growth
- New technology e.g. mobile phones and tablet devices are keeping demand strong

#### Weaker performers

- Mid-level apparel retailers continue to experience difficulty, particularly in the smaller centres
- Leisure retailers selling books, games, music and DVDs are becoming less prominent in shopping centres

#### Retailing demand remains solid

- CFX has maintained a healthy leasing deal rate and occupancy
- Demand continues from international casual and luxury retailers



## Portfolio overview

Responsible property investment makes good business sense

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- On track to have 10 centres rated for NABERS Energy and Water
- CFX awarded \$0.8 million by Australian Federal Government Green Building Fund to contribute to efficiency improvement schemes over four centres

### Recent recognition

- Carbon Disclosure Project
  - Equal leading score for disclosure in Australia and New Zealand
- Global Real Estate Sustainability Benchmark
  - One of the top performing Australian funds
- Asia Pacific Real Estate Association
  - Two merit awards and best country submission



Chadstone Shopping Centre, Vic

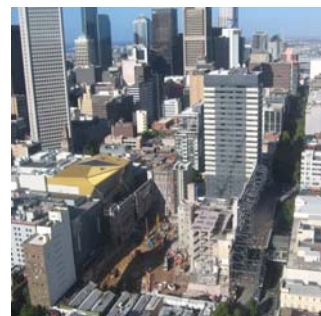
## Development update

CFX development pipeline is a source of growth

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- CFX has a number of projects at various stages of the development cycle to provide growth to investors

| Development pipeline as at 31 March 2012       | CFX total cost \$m | CFX cost to complete \$m |
|--|--------------------|--------------------------|
| Projects in progress                           | 620                | 236                      |
| Likely to proceed - current                    | 394                | 394                      |
| <b>Current projects</b>                        | <b>1,014</b>       | <b>630</b>               |
| Planning, concept stages and deferred projects | 195                |                          |
| <b>Total development pipeline</b>              | <b>1,209</b>       |                          |



Construction work on Emporium Melbourne, Vic (Top)  
Works underway at Roxburgh Park, Vic (Bottom)

## Forward focus

Delivering on strategy, focusing on value

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### Drive revenue

- Intensive asset management of our portfolio
- Investigate sources of non-rental income

### Enhance value

- Progress our accretive development pipeline
- Continue on-market buy-back where return hurdles are attractive
- Recycle capital over time
  - Investigate opportunities to sell or swap 50% interests in wholly-owned regional centres
  - Sell 100% interest in smaller non-core assets

### Assist retail sales performance

- Support retailers through online, digital or social media strategies

## Summary and outlook

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- The retail market remains subdued and will continue to face challenges throughout 2012, albeit with quality centres remaining resilient
- Maintain our expectation for specialty sales growth of 3% for the 2012 calendar year
- Confident of distribution guidance of 13.1 cents per unit for the 12 months ending 30 June 2012<sup>1</sup>



Shoppers in the CFX portfolio

<sup>1</sup>. Assuming performance fees are payable for the full financial year and there is no unforeseen material deterioration to existing economic conditions.

## Questions

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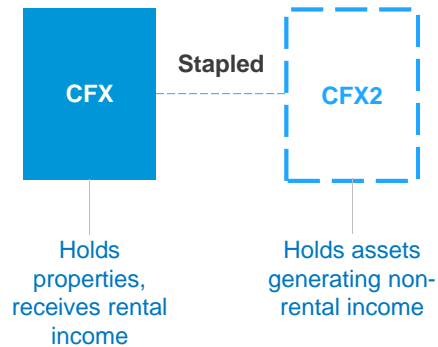
Formal business

## Proposed amendments to CFX structure

Opportunity to investigate non-rental income opportunities

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- Proposal to reconstruct CFX by stapling units in CFX to units in a new trust, Retail Trust 2 (**CFX2**)
- Allows CFX to retain its pass-through tax status, while allowing CFX2 to explore potential non-rental income streams from its shopping centres, such as digital in-mall advertising screens, bringing CFX in line with its peers
- Subject to unitholder approval



## Formal business

Resolution 1

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- Special resolution and will be passed if more than 75% of the votes cast by unitholders entitled to vote on the resolution are cast in favour of the resolution
- Approve the proposed amendments to the CFX constitution to allow the stapling of CFX units

*"That the constitution of CFX be amended in the manner described in Annexure A to the Booklet which includes the Notice of Meeting of unitholders of CFS Retail Property Trust dated 19 April 2012."*

**Formal business**  
Proxy votes held - Resolution 1

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– Summary of proxy votes

|  | For           | Open      | Against   | Total         |
|--|---------------|-----------|-----------|---------------|
| Resolution 1 proxy votes                       | 2,054,180,888 | 6,432,387 | 3,943,712 | 2,064,556,987 |
| % of vote                                      | 99.50%        | 0.31%     | 0.19%     | 100%          |
| Chairman proxy votes (included in votes above) | 2,054,133,385 | 5,378,790 | 3,770,043 | 2,063,282,218 |

**Formal business**  
Resolution 2

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- Special resolution and will be passed if more than 75% of the votes cast by unitholders entitled to vote on the resolution are cast in favour of the resolution
- Subject to the approval of Resolution 1, approve the Stapling Proposal

*“That, subject to the passage of Resolution 1, approval be given to the Stapling Proposal, as described in the Booklet which includes the Notice of Meeting of unitholders of CFS Retail Property Trust dated 19 April 2012.”*

**Formal business**  
Proxy votes held - Resolution 2

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– Summary of proxy votes

|   | For           | Open      | Against   | Total         |
|---|---------------|-----------|-----------|---------------|
| Resolution 1 proxy votes                          | 2,054,075,907 | 6,512,300 | 3,939,556 | 2,064,527,763 |
| % vote  | 99.49%        | 0.32%     | 0.19%     | 100%          |
| Chairman proxy votes<br>(included in votes above) | 2,054,023,541 | 5,458,703 | 3,765,887 | 2,063,248,131 |

**CFS Retail Property Trust (CFX)**

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