

Newmark Hardware Trust

Quarterly Report

FOR THE
PERIOD ENDING
30 JUN 2020



**Distribution
of 2.25cpu
(9.0cpu
annualised)**

**Unit price
↑ of 17.6%
in the last year**

**Valuation
↑ of 10%
in the last year**

**Total Return
since inception
of 15.8%**

General Market Conditions

The property sector like most parts of the economy has been significantly impacted by the COVID-19 pandemic.

We are pleased that Bunnings and the vast majority of the tenants at our centres have been able to continue to operate with little or no negative impact to their viability. The Warragul centre trade has been uninterrupted under stage 3 restrictions applicable to Victoria, (stage 4 restrictions apply to the Melbourne metropolitan area).

The Trust has a lease to a gym and a yoga studio representing less than 1% of income that closed on a temporary basis due to COVID-19.

A Code of Conduct (The Code) has been legislated in all states which prescribes how landlords and qualifying tenants impacted by COVID-19 should cooperate in this period. The Code applies to smaller tenants such as the gym and yoga studio, (but not to major tenants Bunnings, Kmart, Officeworks, JB Hi Fi). Arrangements have been put in place with the affected tenants pursuant to the Code of Conduct.

The Newmark Hardware Trust is well placed to deal with the headwinds that remain ahead of us..

Fund update

Fund highlights

We are pleased to advise:

- Investors have earned a Total Return 24.1% in the last 12 months, 15.8% since inception.
- Independent valuations in May confirmed an annual increase of 10% in property values.
- Distribution retained at 2.25cpu.
- Bunnings and other tenants trading strongly through COVID -19 conditions.
- Warragul Development completed on time and on budget.
- WALE increased on opening of Warragul.

- The Newmark Hardware Trust continues to trade exceptionally in this period of economic uncertainty.
- It remains difficult to quantify the impact or duration that COVID-19 will have on future trading and distributions.
- The Stage 4 restrictions on Melbourne announced on 3rd August do not apply to Warragul at this stage.

Investment profile

2.25 CPU Trust Distribution

Quarter ending 30 June 2020 – Paid 11 August 2020
2.25 CPU for the quarter ending 31 March 2020

9.0 CPU Trust Distribution Annualised

\$1.6689 Unit Price Unaudited as at 30 June 2020

\$1.5719 as at 31 March 2020

5.4% Distribution yield

Based on ex distribution Unit Price as at 30 June 2020

Exceptional trading performance by the Newmark Hardware Trust has enabled an increase to both the distribution and the Unit Price in recent months.

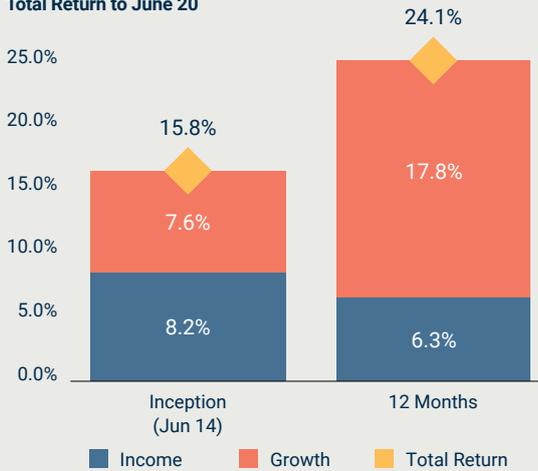
Investors have received consistent distributions and capital growth delivering a Total Return of 15.8% since inception.

The last 12 months have again seen consistent distributions and capital growth from all four assets in the Trust.



Fund returns at a glance:

Total Return to June 20



Inception return based on Unit Price of \$1.00 at June 2014
 12-month return is based on Unit Price of \$1.42 at June 2019
 Capital Growth is based on current valuations -refer below.

Finance facility

50% LVR as at 30 June 2020
 (47% at 31 March 2020)

We have extended the existing debt facilities to September 2020 while we finalise a new debt facility with two major Australian banks.

The current LVR is consistent with the target stabilised LVR of 45%, other than on an interim basis during development or acquisition phase when the LVR may be up to 55%.

Asset update

Property valuations

\$217.0M as at June 2020
 \$210.4m as at 31 March 2020.

All properties were independently valued as at 31 May 2020 as part of the refinance process.

The portfolio has recorded capital growth of 10% in the last year attributable to:

- income growth from annual rental reviews, and
- firmer market Capitalisation Rates as a result of increased investor demand for Bunnings anchored properties.

Property valuation

Asset Name	Value at June 20 \$m	Date of Valuation	Cap. Rate	Value at June 19 \$m	% Increase
Launceston	54.0	May-20	5.7%	47.0	15%
Maroochydore	63.5	May-20	5.3%	56.3	13%
Lake Haven	46.5	May-20	5.0%	42.5	0%
Warragul (on completion)	53.0	May-20	6.0%	50.9	4%
TOTAL	217.0		*5.5%	196.7	10%

*The weighted average cap rate of the total portfolio is 5.5%.
 Newmark reviews the market value of the properties regularly and instructs Independent Valuations when there is a material change in value, or to comply with our finance facility obligations.

Leasing and operations

7.9 Years **WALE by income** as at June 2020
 (7.6 years as at 31 March 2020)

97% **Occupancy** as at June 2020
 (100% as at 31 March 2020 – excluding Warragul pre completion)

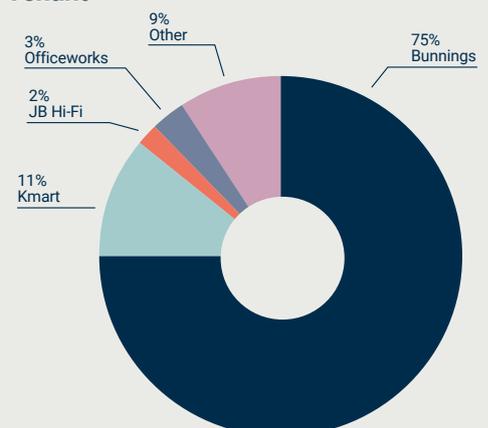
Operations

This quarter we include Warragul as a completed asset following the commencement of trading in May. The tenancy mix remains anchored by Bunnings along with Kmart, JB Hi-Fi and Officeworks comprising 91% of the Trust's income. Other tenants include other leading retailers such as Reject Shop, Petstock, My Car, and Howards Storage.

Our tenants have traded strongly throughout the COVID-19 period with temporary closure of less than 1%. The trading strength of our retailers in strategic sites in growing local economies has been exceptional.

We understand that some of the Warragul stores on opening reported record turnover within their national chains. The strong support from the Warragul demographic of new homeowners is consistent with our pre-acquisition diligence.

Income by Tenant



Warragul Development

Construction and other obligations by the developer are now complete and we have accepted final practical completion. The development was completed on time and budget with the asset completed to a high standard.

The inclusion of Warragul further diversifies our geographical spread and income and increases the Weighted Average Lease Expiry (WALE).

We have agreed commercial terms with a recognised national retailer for one of the three Warragul vacant tenancies. We are pleased with the enquiry on the remaining two tenancies and expect to finalise these within the forecast let up period.

Market update

We are pleased to see our anchor retailer Bunnings report a 19% growth in sales nationally in the first half of 2020 during these challenging economic times. Bunnings in a recent media release stated "Significant demand growth has continued in Bunnings and Officeworks as customers continue to spend more time working, learning and relaxing at home."

Source: Westfarmers news release 9 June 2020

The most recent relevant transaction of a Bunnings based centre remains the Charter Hall purchase of a new freestanding Bunnings in Clyde North in Melbourne's south east on a yield of 4.5 per cent. Charter Hall paid \$42.3 million for the Bunnings which opened in September 2019.

Source: AFR 1 March 2020

Key Dates

2020 Tax statements issued by	31 August 2020
August Withdrawal cut off	31 August 2020
September distribution date*	30 October 2020

* Distributions due within 6 weeks of end of quarter. Newmark targets earlier payment by end of month.

Newmark Hardware Trust - Open for Investment

BUNNINGS warehouse

OPEN 7am WEEKENDS

Total Return 15.8% p.a. Since Inception⁽³⁾

For investors seeking regular and reliable income

- Quarterly **tax-advantaged income**
- Liquidity** monthly withdrawal facility
- 75%** of income from **Bunnings⁽²⁾**
- Minimum investment **\$10,000**

Current income yield 5.4% per annum⁽¹⁾

To invest: contact your **Financial Adviser** or **Newmark Capital** at invest.newmarkcapital.com.au/nht or call **03 9066 3966**

(1) Calculated by dividing the annualised distribution by the unit price as at 30 June 2020. (2) As at 30 June 2020. (3) Capital Growth 8.2% p.a. and Distribution 7.6% p.a. since inception June 2014 - Subject to audit.

Newmark Capital is a property investment management company with a commercial property portfolio in excess of \$1 billion.

Newmark Capital owns and manages office, retail, large format retail and other key investment-grade assets for both wholesale and retail investors.

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