22 February 2021

Company Announcements Office
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Attached is the Elanor Retail Property Fund (ASX:ERF) 1HFY21 Results Presentation.

Yours sincerely,

Symon Simmons
Company Secretary
Elanor Funds Management Limited

Authority and Contact Details

This announcement has been authorised for release by the Board of Directors of Elanor Funds Management Limited

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Elanor RETAIL PROPERTY FUND

Elanor Retail Property Fund

1HFY21 Results Presentation

ASX: ERF

22 February 2021

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1HFY21 Highlights

1

1HFY21 Results Highlights

Core Earnings

$6.5m

5.10c per security

Distributions Per Security

4.84c

95% payout ratio

December Half Rent Collections

95%

Income assets rent collections 98%

99% tenants trading at 31 Dec 20

NTA Per Security

$1.38

Auburn Central sale completed 23 December 2020 for $129.5m

Sale of Auburn Central reflected a 4% premium to book value

Portfolio Weighted Average Cap Rate

7.42%

Comparable weighted average cap rate unchanged from 30 June 2020

Portfolio weighted average cap rates:

- Sub-Regional 7.19%
- Neighborhood 7.85%

Gearing[1]

18.5%

Gearing substantially below target range of 30% to 40% (providing significant investment capacity)

Weighted average cost of debt 5bps lower at 1.8%

1. Net debt / (total assets less cash)

Portfolio Resilience: Collections

95% of December half rent collected as at 31 January 2021

Property Name	State	Leased Occupancy	Trading Occupancy (NLA)[1]	Actual December Half Collections
Auburn Central	NSW	Divested	Divested	92%
Tweed Mall	NSW	96%	100%	91%
Value-Add Assets		**96%**	**100%**	**92%**
Manning Mall	NSW	95%	100%	96%
Gladstone Square	QLD	88%	98%	97%
Moranbah Fair	QLD	96%	100%	100%
Glenorchy Plaza	TAS	98%	100%	97%
Northway Plaza	QLD	98%	100%	98%
Income Assets		**95%**	**99%**	**98%**
Total		**95%**	**99%**	**95%**

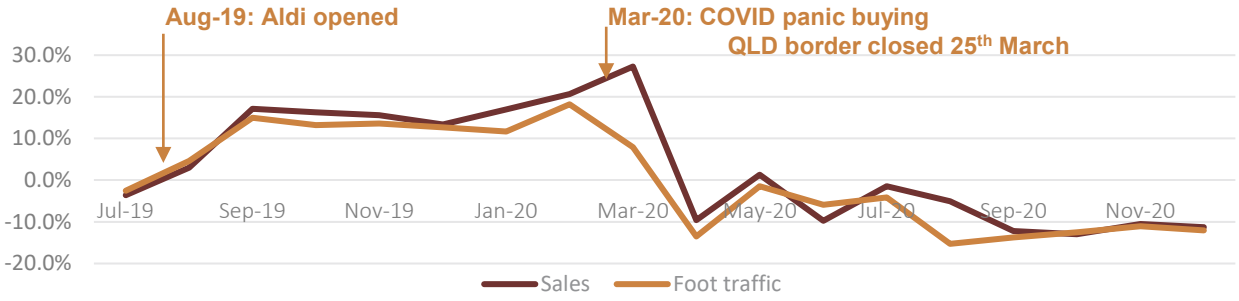
1. Calculated as percentage of leased NLA open and trading 31 December 2020

10% sales growth for 'Majors' at income assets

Major MAT Growth	Value-Add Asset[1]	Income Assets	Total
Supermarkets	(8.2%)	8.5%	3.3%
DDS	(3.4%)	18.6%	12.1%
Total	**(7.5%)**	**10.1%**	**4.7%**

1. Tweed Mall sales impacted by QLD border closure, see below

Tweed Mall Sales & Foot Traffic, monthly change



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Strategy and Business Overview

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ERF: Value-Add Retail Real Estate Fund

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Value-Add Retail Real Estate Fund

Focus on investing in retail assets with significant Value-Add opportunities

Prevailing market conditions are presenting retail Value-Add investment opportunities

Elanor has a track record of delivering strong investment returns from the repositioning of retail real estate

Experienced Management Team

Deep experience and strong capability across acquisition, asset management and development management

Investment Focus

Grow Portfolio

VALUE-ADD ASSETS

TWEED MALL

$84.5m | 40%

Delivering strong investment returns from repositioning retail tenant mix and unlocking assets' highest and best real estate use

Divest & Redeploy

INCOME ASSETS

MANNING MALL | Gladstone Square | Northway PLAZA

Glenorchy Plaza | Moranbah Fair

$124.7m | 60%

Secure cash flows from strongly performing non-discretionary supermarkets / anchor retailers

Manning Mall, Taree NSW

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Execution: Value-Add Retail Assets

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Execution of strategic initiatives at Value-Add assets

ERF continues to actively reposition the tenant mix away from underperforming DDS and discretionary retailers

Auburn Central – Repositioning Strategy Delivered

- **Transformed Auburn Central** from a Sub-Regional into a triple supermarket, Neighbourhood centre during 2020
- **Achieved significant positive rental reversion** generating a 11% project yield on cost
- **Investment yield re-rating** of Sydney metropolitan Neighbourhood centre
- **Sold in December 2020** at a 5.75% cap rate, resulting in a 4.0% premium to Book Value, delivering 24.5% IRR to ERF investors

Tweed Mall – Neighbourhood Centre Retail Repositioning

- **ALDI** supermarket opened August 2019 as third supermarket
- **Transform Tweed Mall** from a Sub-Regional into a triple supermarket Neighbourhood centre with planned commencement in 2021
- **Replace existing DDS** with full line supermarket (commercial terms agreed)
- **Further retail repositioning** to 'right size' the centre with a focus on non-discretionary goods and serviced based retail
- **Growing value** through positive rental reversion and re-rating of cap rate

Tweed Mall – Mixed-Use Master Planning

- **Favourable planning controls** allow for significant Mixed-Use development
- **DDS lease expiry** unlocks Mixed-Use Master Plan
- **Mixed-Use** Master Plan submission approval planned for 2021
- **Commercial:** Active engagement to secure 4,000m^2 Commonwealth Government office requirement
- **Residential:** COVID-19 has accelerated strong residential demand in lifestyle locations
- **Active engagement** to source residential development partners

Tweed Mall – Mixed Use Master Planning

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Mixed-Use Masterplan - Stage 1

Heads of Agreement with major supermarket to replace DDS:

- transforms asset from Sub-Regional centre to a triple supermarket, Neighbourhood shopping centre
- unlocks opportunity for the first stage of mixed-use development, to introduce higher alternative uses (in line with existing planning controls)

Option 1: A 4,000m^2 Commonwealth Government office requirement (per concept plans)

Option 2: Residential high rise development in response to the strong increase in residential demand post COVID-19 (for lifestyle / coastal locations like southern Gold Coast / northern NSW)

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Portfolio Overview

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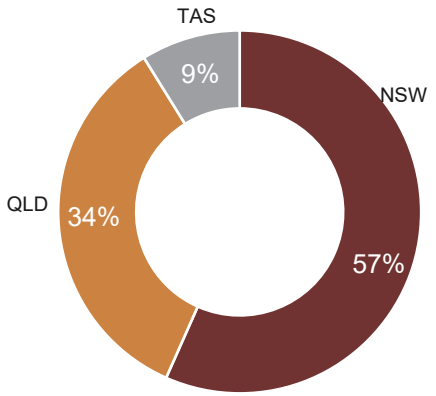
Portfolio Overview

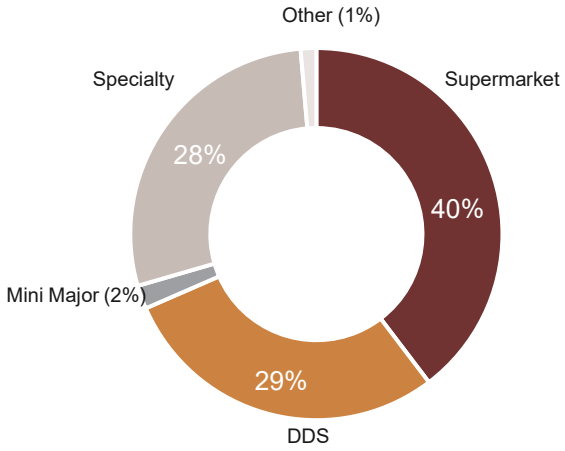
Summary

Type of Asset	Number of Centres	Valuation ($m)[1]	Cap Rate	Lettable Area (sqm)	Occupancy[2]	WALE (Income)[5]
Value-Add	1	84.5	7.0%	23,244	95.6%	3.6yrs
Income	5	124.7	7.7%	37,435	94.9%	4.3yrs
Total	**6**	**209.2**	**7.4%**	**60,678**	**95.2%**	**4.0yrs**

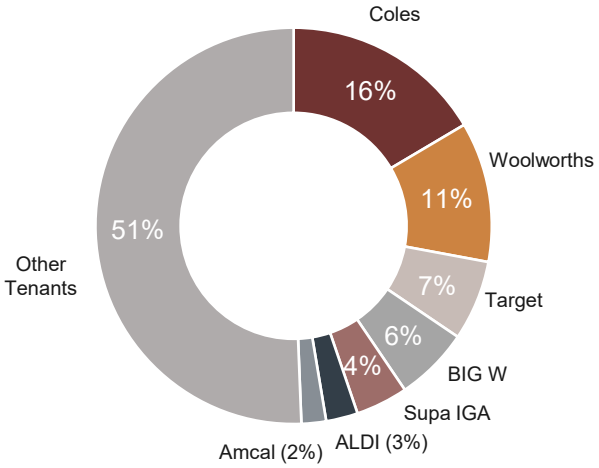
Geographic diversification[3]



Tenant mix by type[4]



Key tenants[5]



1. Excluding Auburn, sold in December 2020
2. By Lettable Area and includes the impact of Gladstone Rental Guarantee
3. By asset value
4. By lettable area
5. By base rent

Portfolio Valuation Movements

Portfolio valuation retained capitalisation rates for all assets

Valuation excludes Auburn Central which was divested for $129.5m on 23 December 2020

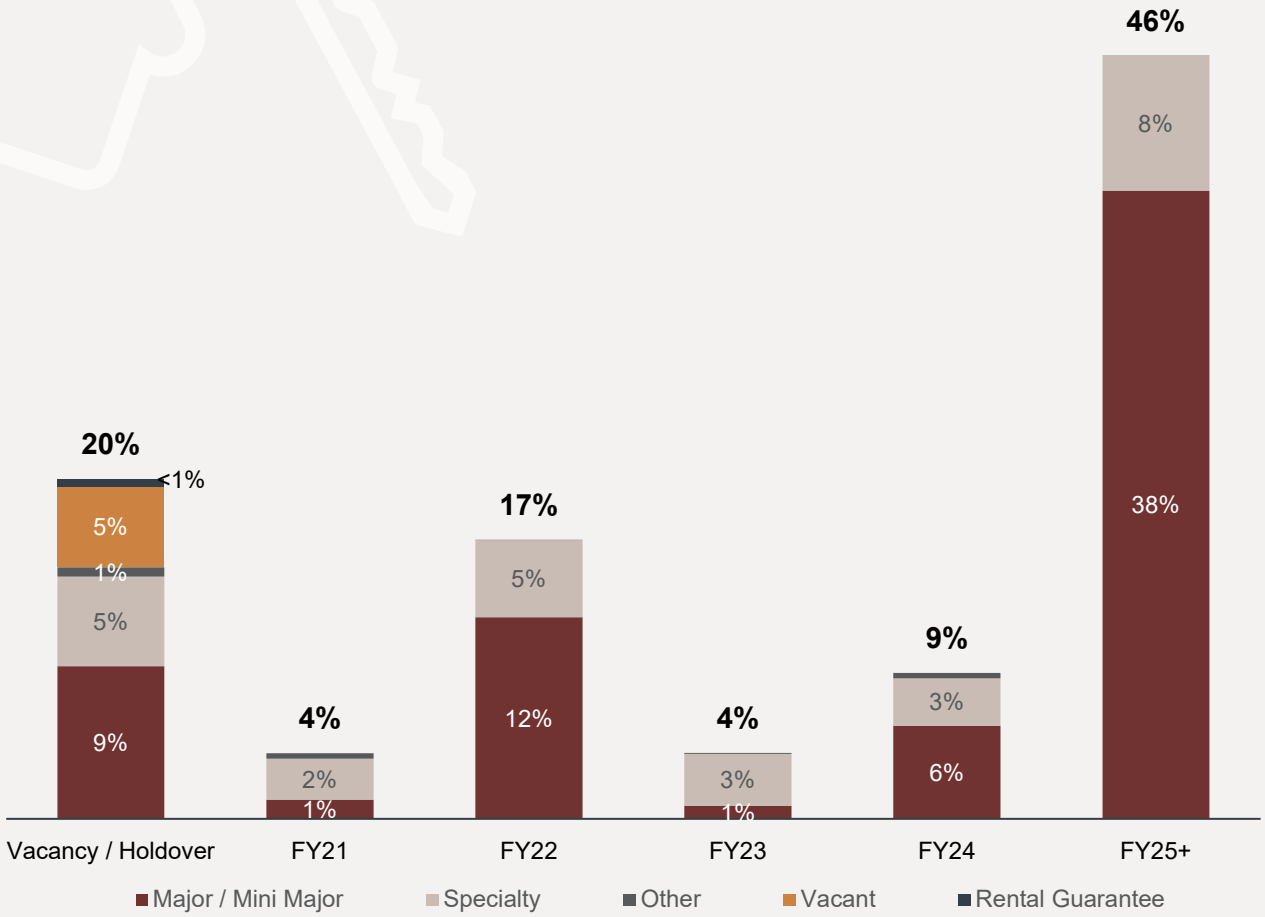
Property Name	Centre Type	Valuation	Value Dec-20 ($m)	Value Jun-20 ($m)	Change ($m)
Auburn Central	Neighbourhood	Sold	-	108.0	(108.0)
Tweed Mall	Sub-Regional	Independent	84.5	84.5	-
Value-Add Assets			**84.5**	**192.5**	**(108.0)**
Manning Mall	Sub-Regional	Independent	34.0	34.0	-
Gladstone Square	Neighbourhood	Independent	28.0	28.0	-
Moranbah Fair	Neighbourhood	Internal	28.0	28.0	-
Glenorchy Plaza	Sub-Regional	Independent	18.5	18.5	-
Northway Plaza	Neighbourhood	Independent	16.2	16.2	-
Income Assets			**124.7**	**124.7**	-
Total			**209.2**	**317.2**	**(108.0)**
Auburn Ambulance Station		Sold	-	4.0	(4.0)
Investment Property Carrying Value			**209.2**	**321.2**	**(112.0)**

Lease Expiry Profile

Lease Expiry

Portfolio is 95.2%[1] occupied with a WALE of 3.8 years by lettable area and 4.0 years by base rental income.

Mini Major holdover of 9% reflects the Target DDS at Tweed Mall which is undergoing repositioning.



1. By Lettable Area

Income Assets: Divestment Program

Sales campaign for divestment program of three Income Assets delayed due to COVID-19 / QLD border closure

Increased market recognition of defensive investment attributes of Neighbourhood shopping centres (Income Assets)

Stronger market demand anticipated given performance of Income Assets throughout the COVID-19 period

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Grow Portfolio

TWEED MALL

Value-Add assets

$84.5m | 40%

Delivering strong investment returns from repositioning retail tenant mix and unlocking assets' highest and best real estate use

Divest and redeploy capital

MANNING MALL · Gladstone Square · Northway PLAZA · Glenorchy Plaza · Moranbah Fair

Income Assets

$124.7m | 60%

Secure cash flows from strongly performing non-discretionary supermarkets / anchor retailers

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1HFY21 Financial Results

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Core Earnings

Statutory net income of

$1m

for 1HFY21

Core Earnings of

$6.5m

or 5.10 cents per security

Distribution of

4.84 cents

per security (representing 95% of 1HFY21 Core Earnings)

Reconciliation to Core Earnings	1HFY21 ($'000)
Net profit	**956**
Net fair value adjustments and transaction costs	(174)
Straight lining of rental income	167
Amortisation expense	584
Profit from sale of Auburn Ambulance Station	1,379
Transaction (swap break costs)	3,613
Core Earnings	**6,525**

1HFY21 result includes:

$1.4m

Profit Auburn Ambulance sale in 1HFY21

$0.5m

COVID-19 provisions in 1HFY21

Auburn Big W surrender fee in 1HFY20

Auburn Big W downtime in 1HFY21

Balance Sheet

Net tangible asset value per security of $1.38 at 31 December 2020

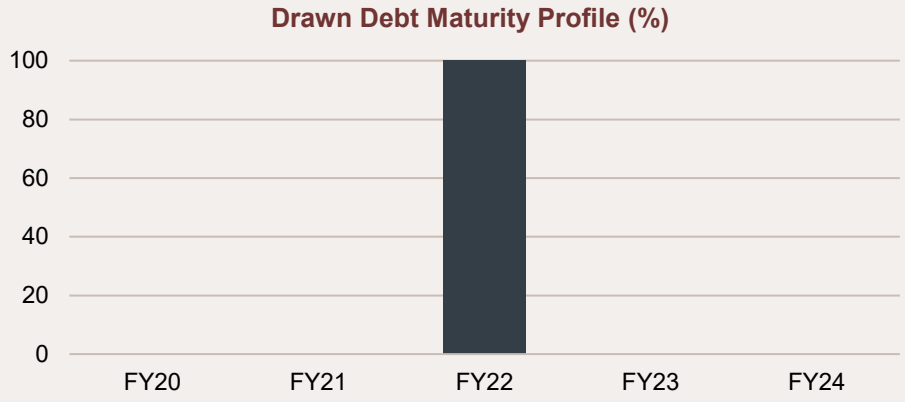
Interest bearing debt less cash of $41.1m at 31 December 2020

Gearing ratio of 18.5%

Balance Sheet as at 31 December 2020	$'000
Assets	
Cash	14,879
Receivables	13,334
Other assets	266
Investment properties	209,200
Total assets	**237,679**
Liabilities	
Payables	4,148
Rent received in advance	550
Interest bearing liabilities	56,016
Derivative financial instruments	285
Total liabilities	**60,999**
Net assets	**176,680**
Number of securities ('000)	128,055
NAV per security	$1.38
NTA per security	$1.38
Gearing (ND / TA less cash)	**18.5%**

Debt and Capital Management

	31 December 2020
Facility limit ($m)	66.7
Drawn debt (net of cash) ($m)	41.1
Gearing	18.5%
% debt fixed or hedged	74.4%
Weighted average cost of debt (p.a.)	1.8%
Average debt facility maturity (years)	1.4
Average swap / hedge maturity (years)	1.4
Interest cover ratio	4.53x



The weighted average term to maturity of the Fund's debt is 1.4 years, down from 2.3 years

Gearing reduced to 18.5% post divestment of Auburn Central

Debt is 74.4% hedged

Target range for fixed interest rate exposure of between 70% and 100% of drawn debt

Average swap / hedge maturity is 1.4 years
(down from 2.4 years as at 30 June 2020)

Key Covenants

- Loan-to-Value Ratio (LVR)[1] ≤ 50%
- Interest Cover Ratio (ICR)[2] ≥ 2.00x, assessed semi-annually

On-market securities buyback

- Commenced December 2020
- 839,907 securities at an average price of $1.21 per security to 31 December 2020

1. LVR is calculated as drawn debt divided by the value of the Portfolio
2. ICR is calculated as net rental income from the properties in the Portfolio divided by interest expense

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Strategy and Outlook

Strategy and Outlook

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Strong Position

ERF is well positioned to enhance value for security holders

Delivering value to security holders

Execution of repositioning initiatives at the Fund's Value-Add Assets

Investing in retail assets with significant Vale-Add opportunities

Executing divestment of Income Assets

Growth Potential

ERF continues to pursue capital management and other strategic initiatives to grow security holder value

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Appendix

Assets Summary

ERF has a Portfolio of six high investment quality retail shopping centre assets

Property Name	Centre Type	State	Value[1] ($m)	Cap Rate	Lettable Area (sqm)	Base Rent ($m)	Occupancy[2]	WALE (by Area)	WALE (by Base Rent)	No. of Tenants[4]	No. of Tenancies
Tweed Mall	Sub-Regional	NSW	84.5	7.00%	23,244	7.1	95.6%	3.0yrs	3.6yrs	65	77
Value-Add Assets			**84.5**	**7.00%**	**23,244**	**7.1**	**95.6%**	**3.0yrs**	**3.6yrs**	**65**	**77**
Manning Mall	Sub-Regional	NSW	34.0	7.50%	10,746	3.4	94.9%	3.0yrs	3.3yrs	31	38
Gladstone Square	Neighbourhood	QLD	28.0	7.75%	6,859	2.6	88.3%[3]	8.1yrs	7.6yrs	21	31
Moranbah Fair	Neighbourhood	QLD	28.0	8.04%	7,059	2.5	96.2%	4.6yrs	4.4yrs	23	25
Glenorchy Plaza	Sub-Regional	TAS	18.5	7.50%	8,726	1.8	97.7%	4.0yrs	3.8yrs	14	16
Northway Plaza	Neighbourhood	QLD	16.2	7.75%	4,045	1.6	98.1%	1.5yrs	1.9yrs	12	13
Income Assets			**124.7**	**7.71%**	**37,435**	**11.9**	**94.9%**	**4.3yrs**	**4.3yrs**	**101**	**123**
Total			**209.2**	**7.42%**	**60,678**	**19.0**	**95.2%**	**3.8yrs**	**4.0yrs**	**166**	**200**

1. Excluding Auburn Central, sold in December 2020
2. By Lettable Area and includes the impact of Gladstone Rental Guarantees. Occupancy excluding Rental Guarantees for the Portfolio and Gladstone Square is 94.9% and 85.6% respectively
3. Rental Guarantees valued at $0.1m in place to provide income on nominated vacancies until June 2021 for Gladstone Square
4. Includes Majors, Mini-Majors, Discount Department Stores, Specialties and Other (Kiosks, ATMs, Carwashes, Offices, Roof top leases to telecommunication providers)

Strong Operational and Strategic Upside

			FY21 Progress / Status	Short Term <12 months	Medium Term 1 – 3 years
Value Add Assets					
AUBURN CENTRAL	**Development**	DDS early lease surrender	Completed	DDS closed Jan-20, surrender fee received	
	Leasing	Repositioning project including Aldi and specialties	Completed	Achieved 100% leased	
	Capital Recycling	Divestment	Completed	Settled Dec-20	
TWEED MALL	**Leasing**	Aldi and new specialty stores	Completed	Aldi opened Aug-19	
	Leasing	Replace DDS with major supermarket	In progress		
	Development	Mixed-use master-plan approval and staging	In progress		
	Development	Mixed-use development partnership and delivery	In progress		
Income Assets					
MANNING MALL	**Capital Recycling**	Sale process	In progress		
	Leasing	Introduction of healthcare Mini-Major	Negotiating		
Gladstone Square	**Capital Recycling**	Sale process	In progress		
	Leasing	Specialty leasing and remixing of tenancies	In progress		
Moranbah Fair	**Capital Recycling**	Sale process	In progress		
	Leasing	Specialty and office leasing	In progress		
Glenorchy Plaza	**Leasing**	DDS lease renewal	In progress		
	Capital Recycling	Divest following DDS lease renewal	Ongoing		
Northway PLAZA	**Leasing**	Renewal of supermarket lease	In progress		
	Development	Develop pad sites	In progress		
	Capital Recycling	Divest following supermarket lease renewal and pad site development	Ongoing		
Elanor RETAIL PROPERTY FUND	**Operational**	Drive cost/operating efficiencies through active asset management	Ongoing		
	Acquisitions	Acquisition of further accretive, high investment quality Value-Add shopping centres	Ongoing		

Leasing Development Operational Capital Recycling Acquisitions

Retail Comparable Sales (December-20)

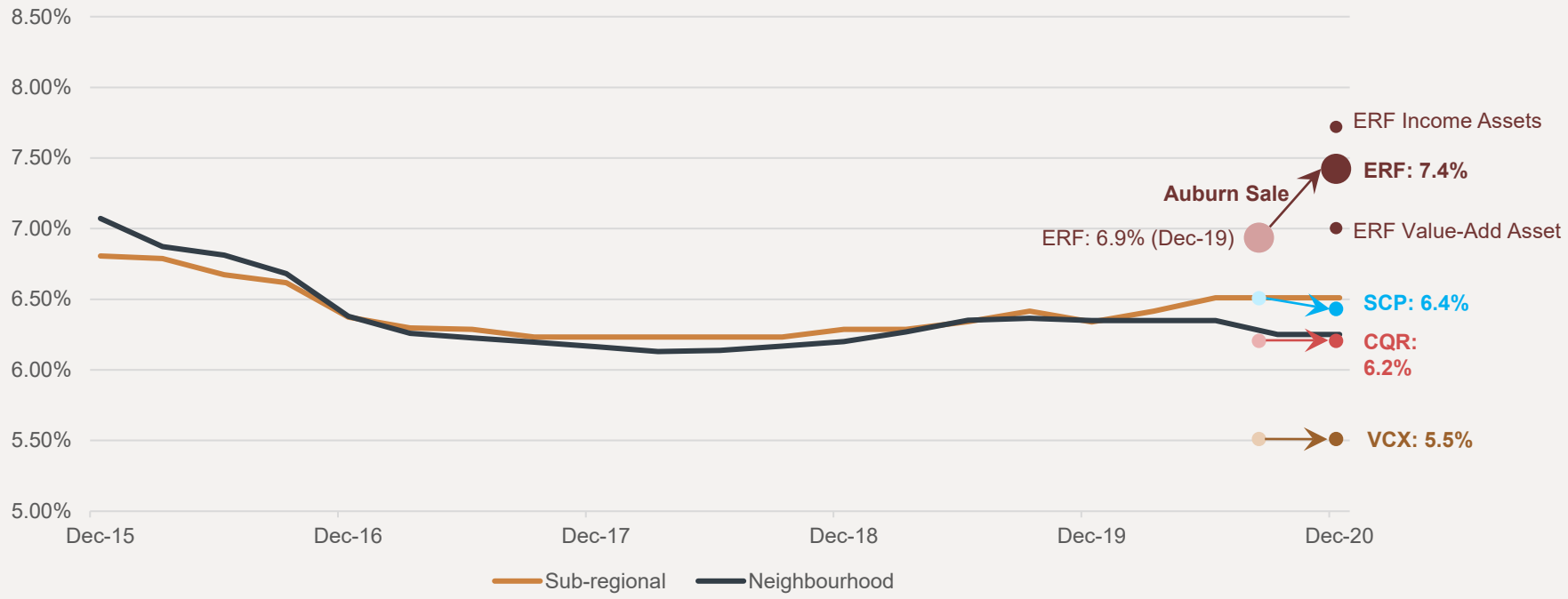
	Tweed Mall	Manning Mall	Gladstone Square	Moranbah Fair	Glenorchy Plaza	Northway Plaza
Annual Retail Sales ($m)	102.0[3]	74.5	48.0	74.8	25.8[6]	25.7
Centre Sales ($ / sqm p.a)	5,489	8,022	9,947	13,131	3,749	8,779
Supermarket Sales ($/sqm p.a)	8,295	14,328	11,271	14,382	n/a	9,083
YoY change (%)	(8.2%)[5]	6.8%	6.9%	10.4%	n/a	10.7%
Specialty Sales[1] ($psqm / p.a)	4,959	7,872	10,460	n/a[2]	n/a[2]	n/a[2]
YoY change (%)	(8.5%)[5]	(4.0%)	27.0%[4]	n/a[2]	n/a[2]	n/a[2]
Specialty Occupancy Cost[1]	12.2%	8.9%	8.6%	n/a[2]	n/a[2]	n/a[2]

Note: Analysis is limited to retailers who have traded and consistently reported sales for the 24 months ended 31 December 2020 (including temporary closures during COVID-19)

1. Excludes non retail categories of Travel Agents, Post Offices, Gyms, Medical / Veterinary and Offices
2. Insufficient specialty retailer sales data
3. Excludes Aldi (opened August 2019); pre QLD border closure in March-20; monthly sales and footfall growth peaked at 20.7% and 18.2% yoy respectively
4. Gladstone specialties experienced strong trade despite COVID-19, with larger tenants trading well
5. Impacted by QLD border closure
6. Big W DDS MAT grew 28%

ERF Portfolio Capitalisation Rates

ERF Weighted Average Portfolio Cap Rate remains significantly higher than the Sub-Regional and Neighbourhood shopping centre market and peers



Source: JLL and ASX

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