

CFS RETAIL PROPERTY TRUST GROUP (CFX)

Comprising:

CFX Co Limited ABN 79 167 087 363

CFS Retail Property Trust 1 ARSN 090 150 280

Responsible Entity: Commonwealth Managed Investments Limited

ABN 33 084 098 180 AFSL 235384

8 May 2014

ASX ANNOUNCEMENT

March 2014 quarterly update

CFS Retail Property Trust Group (CFX or the Group) today provides this update for the March 2014 quarter.

Key operating highlights in the March 2014 quarter included:

- the implementation of the proposal to internalise the management of CFX and for CFX to acquire the Commonwealth Bank of Australia's (CBA) retail property asset management business and commence the investment management of a number of wholesale property funds and mandates (the Internalisation)
- comparable¹ specialty store sales growing 2.2% across the shopping centre portfolio for the 12 months to 31 March 2014 compared to 1.7% to 31 December 2013, driven by stronger growth in the March quarter, particularly in apparel sales
- executing \$500 million of bank debt facilities (\$250 million in January 2014 and \$250 million in April 2014) and \$400 million of interest rate swaps, and
- completion of our major development at DFO Homebush, opening fully leased.

Post the period:

- the Emporium Melbourne development opened, fully leased with final tenancy fit-outs continuing through to July 2014, and
- new Directors were appointed to the CFX Co Limited (CFX Co) and Commonwealth Managed Investments Limited (CMIL) Boards (collectively referred to as the 'Board').

Mr Angus McNaughton, Managing Director and CEO, said: "We marked a significant milestone in the March quarter, as CFX internalised to become an independently managed retail property group with a fully integrated funds and asset management platform. The decision to internalise was voted overwhelmingly in favour by our securityholders.

"We were also pleased to open our major development at DFO Homebush and, post the period, our flagship Emporium Melbourne project, with both assets fully leased and trading well."

CFX becomes an internalised vehicle with an expanded Board

On 7 March 2014, securityholders voted overwhelmingly (over 98%) in favour of the Internalisation, which was subsequently completed on 24 March 2014.

Mr McNaughton said: "We are pleased to have executed a smooth transition to an independently managed vehicle. A number of work streams to complete the separation from CBA continue, including the transition to standalone IT systems, re-location of the Sydney office to new premises and the development of a new name and brand for the Group."

As announced on 23 April 2014, the following four new Directors have been appointed to the Board:

- Mr Trevor Gerber – Independent Non-executive Director
- Ms Karen Penrose – Independent Non-executive Director
- Mr Peter Kahan – Non-executive Director (nominated by The Gandel Group), and
- Dr David Thurin – Non-executive Director (nominated by The Gandel Group).

¹ Comparable centres refer to those centres that are not undergoing or have not undergone substantial redevelopment in either period of comparison.

It was also announced that the appointment of one further Independent Non-executive Director, Mr Peter Hay, was being finalised and that Mr James Kropp intended to retire in September 2014 after over 10 years on the Board of CMIL. After the retirement of Mr Kropp the Board will consist of eight Directors.

Mr Richard Haddock AM, Independent Chairman of the Board, added: "I am pleased to welcome such highly qualified and experienced Directors to the Board. Collectively their broad operational and executive background in the industry in which CFX operates, together with non-executive director experience, will be highly valuable and complementary to the Board's existing experience and corporate skill in ensuring that robust strategic oversight and governance of CFX is maintained.

"Importantly, the Board of CFX has been strengthened by these appointments whilst maintaining a majority of independent Directors."

Further biographical details on our Directors are available on CFX's website cfsgam.com.au/cfx.

Capital management

Mr Michael Gorman, Deputy CEO and Chief Investment Officer, said: "The Group continues to be active in the capital management space. We recently executed \$500 million in bank debt facilities to part fund the Internalisation and refinance MTNs expiring in May 2014. Additionally, a further \$400 million of interest rate swaps were entered into to take advantage of current pricing and give greater certainty over future cash flows. We are also well progressed on negotiating additional debt facilities ahead of the expiry of \$92 million of August 2014 convertible notes and the potential exercise of the investor put for the \$300 million of July 2016 convertible notes in July of this year."

"Overall, our debt metrics remain robust. By funding the Internalisation with a combination of debt and equity, we were able to maintain a strong balance sheet, whilst also providing accretion to our securityholders and maintaining gearing comfortably within our target range. Furthermore, Standard & Poor's has reconfirmed our long-term credit rating of 'A', a rating that we have maintained for more than 10 years," Mr Gorman added.

Changes to key debt metrics since the beginning of the financial year are detailed below:

	As at 31-Mar-14	As at 30-Jun-13
Weighted average interest rate ^a (%)	5.4	5.6
Weighted average debt duration (years)	3.2	3.1
Proportion of debt hedged (%)	84.2	81.3
Weighted average interest rate on hedged debt ^b (%)	4.8	5.1
Weighted average hedged debt duration ^b (years)	3.1	3.1
Gearing ^c (%)	31.3 ^d	28.8
Undrawn debt facilities (\$ million)	321	530

a. Including margins and line fees.

b. Including all fixed-rate debt and excluding margins and fees.

c. Calculated as drawn debt over total assets (excluding the fair value of derivatives).

d. Unaudited.

Retail sales

CFX's portfolio of 23 shopping centres² maintained a steady rate of sales growth for the 12 months to 31 March 2014. The comparable shopping centre portfolio reported moving annual turnover (MAT) growth of 1.4% over the prior year.

Mr Gorman said: "Pleasingly, specialty store sales were up 2.2% year-on-year, a solid increase on the rate of growth reported to December 2013 of 1.7%. This was underpinned by robust specialty sales for the March 2014 quarter, which were 3.5% higher than the March 2013 quarter."

"Sales growth accelerated during the March quarter with department stores, mini majors and specialties all showing good growth over the March 2013 quarter. The DFO portfolio continues to

² Excluding Myer Melbourne, 15 Bowes Street, Woden and DFO retail outlet centres.

shine in the challenging retail environment with strong comparable sales growth recorded once again,” added Mr Gorman.

Further details on CFX’s total centre and specialty stores MAT and quarterly sales are included in **Appendix 1**.

Development

CFX recently delivered two major development projects in its portfolio with the opening of the extensively remodelled DFO Homebush and stage one of the iconic Emporium Melbourne CBD centre.

CFX’s development pipeline is currently \$1.2 billion.³ Projects currently under construction have a development cost of approximately \$608 million (CFX share), with approximately \$78 million remaining to be spent.

DFO Homebush, NSW – Completed in March 2014

The completed project involved a significant expansion and substantial remodelling of the centre together with refining the tenant mix, culminating in the introduction of a number of luxury and premium apparel retailers and additional homemaker retailers. The project also delivered a new food court, upgraded parents’ rooms and toilets, and a reworked car parking facility which now provides over 2,000 spaces.

Mr Gorman said: “This asset is fully leased and has one of the strongest collections of retailers in Sydney. With the majority of stores opened prior to Christmas, the strong tenant mix has been reflected in retail sales growth and high traffic numbers.”

The project is expected to have a year-one yield on costs of greater than 7.5% and an internal rate of return of greater than 12%.

Emporium Melbourne, VIC – Stage one open

Mr Gorman said: “We were thrilled to open stage one of this premium retail destination ahead of the Easter trade period and have been delighted with the strong reception from our customers. Approximately two thirds of the 220 tenants are now open, including the international ‘fast retail’ icon Uniqlo, opening its first store in Australia, a four-level 3,000 sqm flagship store. Retail sales and traffic numbers continue to be strong since its opening three weeks ago.

“The centre has a premium tenant mix, housing some of the world’s best international brands, with the largest collection of Australian designers under one roof and the 1,100 seat café court when fully open will provide a strong and wide-ranging food offer.

“The development was a complex project involving the demolition and reconstruction of a number of buildings on the site bounded by Lonsdale, Swanston and Little Bourke Streets while maintaining the heritage façade. The building incorporates quality finishes and materials sourced from around the world to deliver a world-class shopping experience.

“The asset has linkages to Myer and David Jones on Bourke Street Mall and Melbourne Central, reinstating a major pedestrian traffic corridor of the Melbourne CBD which will bring a significant number of people through the centre every day.”

Mr Gorman added: “The premium development is now fully leased, with retailers continuing to open progressively through to the end of July. The \$590 million development (CFX share) continues to target a year-one yield on cost of approximately 5%.”

Chadstone Shopping Centre, VIC – Future development

Mr Gorman said: “Design development for the next stage of Chadstone is nearing completion and the project will commence following all final approvals.”

“The project will involve redeveloping the northern end of the centre to produce up to 20,000 sqm of additional retail floor area and the introduction of new luxury retailers and international flagship stores.

³ CFX share of the development of directly-owned assets.

The development will also incorporate the construction of a 10-level, 17,000 sqm office building on the site," Mr Gorman added.

The total project has an indicative cost of \$290 million (CFX share) with a target initial yield greater than 6% and a target internal rate of return greater than 10%.

Responsible investment benchmarking

During the period, Chatswood Chase Sydney became the first shopping centre in Australia to register for a Green Star – Performance rating. The rating tool will allow the centre to be assessed against best practice benchmarks for sustainable building operations and identify pathways to improve the centre over time.

Summary and outlook

Mr McNaughton said: "While the retail environment remains challenging, we are encouraged by early signs of a recovery in discretionary spending and are particularly pleased by the strong reception of our newly completed developments in Sydney and Melbourne.

"Our team remains focused on opening the remainder of the tenancies in Emporium Melbourne and gaining the final approvals to commence the next stage of Chadstone, while delivering value from the remainder of the portfolio by improving the tenant mix and customer experience to drive traffic and sales growth.

"With the completion of the internalisation and the appointment of the new Board, we look forward to completing the transition to a standalone business. We affirm our full-year distribution guidance⁴ of 13.6 cents per security for FY14."

CFX will be announcing its 2014 annual result on 21 August 2014.

ENDS

For further information please contact:

Angus McNaughton
Managing Director and CEO
Phone: +61 2 9303 3765
Email: amcnaughton@colonialfirststate.com.au

Michael Gorman
Deputy CEO and Chief Investment Officer
Phone: +61 2 9303 3448
Email: mgorman@colonialfirststate.com.au

Investor and media contacts:

Penny Berger
Head of Investor Relations and Communications
Phone: +61 2 9303 3516 or +61 402 079 955
Email: pberger@colonialfirststate.com.au

Troy Dahms
Investor Relations and Communications Manager
Phone: +61 2 9303 3491 or +61 412 055 996
Email: tdahms@colonialfirststate.com.au

About CFS Retail Property Trust Group (CFX)

CFX is one of Australia's leading independently managed retail property groups, with a fully integrated funds and asset management platform, and \$13.7 billion in assets under management. Listed on the Australian Securities Exchange, CFX holds interests in 28 directly-owned retail assets across Australia and manages a further 15 assets on behalf of strategic partners (nine of which are co-owned with CFX) and has over 17,000 investors across 15 countries. For more information, visit cfsgam.com.au/cfx

⁴ Assuming there is no unforeseen material deterioration to existing economic conditions.

Appendix 1 – Retail sales

Total portfolio sales – by store type (March 2014 quarterly sales)

Retail sales by store type for the three months to 31 March 2014 are detailed below:

Category	Comparable ⁵ quarterly turnover		Actual quarterly turnover	
	31-Mar-14 (\$m)	Annual growth (%)	31-Mar-14 (\$m)	Annual growth (%)
Department stores	134.6	4.3	139.2	4.4
Discount department stores	115.3	(5.3)	139.1	(5.1)
Supermarkets	298.9	1.3	393.7	1.8
Mini majors	147.6	5.2	174.8	4.9
Retail specialty	576.5	3.5	648.5	3.8
Other retail ⁶	106.0	(1.0)	134.6	4.1
Shopping centre portfolio⁷	1,378.9	2.1	1,629.9	2.7
DFO retail outlet centres	103.4	13.0	157.7	29.0
Total portfolio	1,482.3	2.8	1,787.6	4.6

Shopping centre specialty store sales – by store type (March 2014 quarterly sales)

Retail specialty store sales by store type for the three months to 31 March 2014 are detailed below:

Shopping centre portfolio Retail specialty category	Comparable quarterly turnover		Actual quarterly turnover	
	31-Mar-14 (\$m)	Annual growth (%)	31-Mar-14 (\$m)	Annual growth (%)
Food retail	39.5	(0.3)	49.5	5.3
Food catering	90.6	2.6	102.0	2.8
Apparel	189.1	4.2	205.4	4.2
Jewellery	44.4	4.6	48.5	3.4
Leisure	35.8	2.6	40.0	2.4
General retail ⁸	43.1	1.3	53.8	2.3
Homewares	63.5	4.5	65.9	3.8
Mobile phones	24.1	2.6	27.3	0.7
Retail services	46.3	7.1	56.1	7.6
Total retail specialty	576.4	3.5	648.5	3.8

⁵ Comparable centres refer to those centres that are not undergoing or have not undergone substantial redevelopment in either period of comparison.

⁶ Other retail includes cinemas and sales reporting tenancies under 400 sqm including travel agents, auto accessories, Lotto and other entertainment and non-retail stores.

⁷ Excluding Myer Melbourne, 15 Bowes Street, Woden and DFO retail outlet centres.

⁸ General retail includes giftware, pharmacy and cosmetics, pets, discount variety, florists and toys.

Total portfolio sales – by store type (MAT sales)

Retail sales by category for the 12 months to 31 March 2014 are detailed below:

Category	Comparable MAT		Actual MAT	
	31-Mar-14 (\$m)	Growth (%)	31-Mar-14 (\$m)	Growth (%)
Department stores	635.5	(0.1)	655.5	(0.1)
Discount department stores	599.2	(2.3)	719.3	(2.3)
Supermarkets	1,259.6	3.4	1,664.8	6.4
Mini majors	646.2	2.2	766.0	1.9
Retail specialty	2,519.2	2.2	2,829.1	2.6
Other retail	407.0	(2.1)	500.7	(0.7)
Shopping centre portfolio	6,066.7	1.4	7,135.4	2.3
DFO retail outlet centres	459.6	11.0	620.9	8.9
Total portfolio	6,526.3	2.0	7,756.3	2.8

Shopping centre specialty store sales – by store type (MAT sales)

Retail specialty store sales by category for the 12 months to 31 March 2014 are detailed below:

Shopping centre portfolio Retail specialty category	Comparable MAT		Actual MAT	
	31-Mar-14 (\$m)	Growth (%)	31-Mar-14 (\$m)	Growth (%)
Food retail	168.3	2.2	209.1	6.2
Food catering	373.8	1.3	420.8	1.8
Apparel	865.7	0.3	937.8	0.1
Jewellery	206.4	4.3	225.9	3.5
Leisure	162.5	(0.7)	182.8	(0.4)
General retail	198.0	0.2	244.0	2.8
Homewares	269.8	10.5	281.2	9.8
Mobile phones	93.9	(2.4)	107.9	(3.2)
Retail services	180.8	6.4	219.6	7.1
Total retail specialty	2,519.2	2.2	2,829.1	2.6

Total portfolio sales – by centre (MAT sales)

Property	31-Mar-14 (\$m)	31-Mar-13 (\$m)	Growth (%)	MAT/sqm (\$)
Bayside Shopping Centre	382.5	384.4	(0.5)	4,671
Broadmeadows Shopping Centre	283.4	298.6	(5.1)	5,245
Castle Plaza Shopping Centre	152.7	150.0	1.8	7,207
Chadstone Shopping Centre	1,425.7	1,380.7	3.3	9,418
Chatswood Chase Sydney	525.0	497.5	5.5	9,298
Clifford Gardens Shopping Centre	209.4	206.5	1.4	8,221
Corio Shopping Centre	163.3	164.1	(0.5)	6,537
Eastlands Shopping Centre	217.2	211.6	2.6	6,867
The Entertainment Quarter	45.7	47.0	(2.9)	2,007
Grand Plaza Shopping Centre	352.9	348.3	1.3	7,057
Lake Haven Shopping Centre	259.3	266.7	(2.8)	8,258
The Myer Centre Brisbane	360.2	362.0	(0.5)	5,952
Northgate Shopping Centre	128.0	126.1	1.5	7,356
Northland Shopping Centre	496.0	501.0	(1.0)	5,833
Post Office Square	23.2	24.9	(7.0)	15,485
QueensPlaza	270.5	258.1	4.8	7,598
Rockingham Shopping Centre	493.5	485.0	1.8	8,678
Runaway Bay Shopping Village	278.2	268.9	3.4	7,833
Comparable	6,066.7	5,981.4	1.4	7,191
Development impacted centres				
Altona Gate Shopping Centre	123.2	127.4	(3.3)	5,194
Brimbank Shopping Centre	171.7	151.5	13.4	5,347
Elizabeth Shopping Centre	355.1	351.5	1.0	5,366
Forest Hill Chase	285.6	269.5	6.0	5,354
Roxburgh Park Shopping Centre	133.1	90.8	46.5	6,963
Actual (total shopping centre portfolio)	7,135.4	6,972.1	2.3	6,874

Property	31-Mar-14 (\$m)	31-Mar-13 (\$m)	Growth (%)	MAT/sqm (\$)
DFO Essendon ⁹	146.4	141.5	3.5	7,596
DFO Moorabbin	117.3	113.1	3.7	5,072
DFO South Wharf ⁹	195.9	159.4	22.9	6,743
Comparable	459.6	414.0	11.0	6,432
Development impacted centres				
DFO Homebush	161.3	156.3	3.2	10,255
Actual (total DFO retail outlet centre portfolio)	620.9	570.3	8.9	7,122

⁹ Excluding Homemaker Hub as not all tenancies report sales.

Specialty store sales – by centre (MAT sales)

Property	31-Mar-14 (\$m)	31-Mar-13 (\$m)	Growth (%)	MAT/sqm (\$)
Bayside Shopping Centre	149.7	151.4	(1.2)	6,775
Broadmeadows Shopping Centre	92.0	96.8	(5.0)	6,434
Castle Plaza Shopping Centre	42.4	42.7	(0.8)	8,459
Chadstone Shopping Centre	790.3	761.5	3.8	15,178
Chatswood Chase Sydney	273.6	247.0	10.8	12,530
Clifford Gardens Shopping Centre	67.8	66.7	1.6	9,522
Corio Shopping Centre	43.1	43.8	(1.6)	5,551
Eastlands Shopping Centre	62.6	67.0	(6.7)	7,211
The Entertainment Quarter	15.9	17.0	(6.2)	5,070
Grand Plaza Shopping Centre	105.4	104.3	1.1	8,933
Lake Haven Shopping Centre	69.8	72.5	(3.7)	8,811
The Myer Centre Brisbane	144.0	147.4	(2.3)	11,485
Northgate Shopping Centre	52.6	54.6	(3.6)	9,313
Northland Shopping Centre	223.9	229.7	(2.5)	8,176
Post Office Square	17.1	19.3	(11.3)	12,218
QueensPlaza	136.8	119.4	14.5	18,735
Rockingham Shopping Centre	163.5	159.0	2.8	9,141
Runaway Bay Shopping Village	68.7	65.6	4.7	8,225
Comparable	2,519.2	2,465.9	2.2	10,399
Development impacted centres				
Altona Gate Shopping Centre	40.8	42.2	(3.2)	6,272
Brimbank Shopping Centre	40.7	35.9	13.3	5,613
Elizabeth Shopping Centre	121.7	122.2	(0.5)	7,058
Forest Hill Chase	80.5	78.2	3.0	6,085
Roxburgh Park Shopping Centre	26.2	13.8	89.0	5,180
Actual (total shopping centre portfolio)	2,829.1	2,758.4	2.6	9,704

Property	31-Mar-14 (\$m)	31-Mar-13 (\$m)	Growth (%)	MAT/sqm (\$)
DFO Essendon ¹⁰	137.8	133.8	3.0	7,984
DFO Moorabbin	102.1	97.6	4.6	5,540
DFO South Wharf ¹⁰	155.8	127.1	22.6	7,540
Comparable	395.7	358.6	10.4	7,022
Development impacted centres				
DFO Homebush	132.3	125.6	5.3	11,858
Actual (total DFO retail outlet centre portfolio)	528.0	484.2	9.0	7,821

¹⁰ Excluding Homemaker Hub as not all tenancies report sales.