

24 February 2017



# Charter Hall Group 2017 Half Year Results

6 months to 31 December 2016

Artist impression of 333 George Street, Sydney, NSW

# Agenda

1. Group Highlights

---

2. Property Funds Management

---

3. Property Investment

---

4. Financial Result

---

5. Outlook and Guidance

---

6. Additional Information

---



**David Harrison**  
Managing Director &  
Group CEO

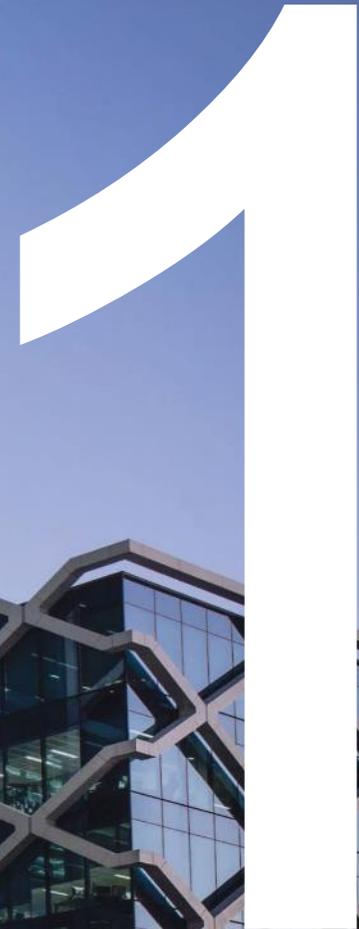


**Sean McMahon**  
Chief Investment Officer



**Phil Schretzmeyer**  
Joint Acting Chief  
Financial Officer

# Group Highlights



# Group Highlights

Group Returns	Property Investments	Funds Management	Balance Sheet
20.8% statutory profit growth pcp	16.4% Total Property Return <sup>2</sup>	8.6% FUM growth to \$19.0bn	0% balance sheet gearing <sup>4</sup>
30.7% OEPS growth pcp	\$1.3bn Property Investment portfolio	\$3.8bn in gross transactions	27.7% look through gearing <sup>5</sup>
20.2% Total Platform Return <sup>1</sup>	7.0% Property Investment yield	4.7% Property Funds Management yield <sup>3</sup>	9.2% NTA per security growth

Note figures and statistics on this slide are for the 6 months to 31 December 2016 unless otherwise stated

1. Total Platform Return is calculated as the growth in NTA per security plus the distribution per security (including both property investment and property funds management earnings) divided by the opening NTA per security adjusted for contributed equity for the 12 months to 31 December 2016
2. Total Property Return includes all cash flows for the active Property Investments portfolio only and excludes realised or non-core funds for the 12 months to 31 December 2016
3. Property Funds Management yield is calculated as operating earnings per security of the Property Funds Management business divided by opening NTA adjusted for contributed equity for the 12 months to 31 December 2016
4. Balance sheet gearing calculated as debt (net of cash) / Gross assets (less cash)
5. Look through gearing calculated as Charter Hall's look through debt (net of cash) / total assets (net of cash) of the Property Investments and Charter Hall's balance sheet

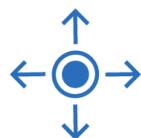
# Our Strategy

We use our property expertise to access, deploy, manage and invest equity in our core real estate sectors – office, retail and industrial – to create value and generate superior returns for our customers.



## ACCESS

Accessing equity from wholesale, retail and listed investors.



## DEPLOY

Creating value through attractive investment opportunities.



## MANAGE

Property funds management, asset management, leasing and development services.



## INVEST

Investing alongside our capital partners.

6 MONTHS<sup>1</sup>

**\$1.3bn**  
gross equity raised

**\$3.8bn**  
gross transactions

**\$1.5bn**  
FUM growth

**\$1.3bn**  
Property Investments

\$2.2bn acquisitions  
\$1.6bn divestments

314  
properties

**16.4%**<sup>2,3</sup>  
Total Property Return

3 YEAR<sup>1</sup>

**\$5.2bn**  
gross equity raised

**\$11.3bn**  
gross transactions

**\$8.4bn**  
FUM growth

**20.4%**<sup>2</sup> p.a.  
Total Property Return

\$7.8bn acquisitions  
\$3.5bn divestments

121  
additional properties

5 YEAR<sup>1</sup>

**\$7.9bn**  
gross equity raised

**\$15.9bn**  
gross transactions

**\$11.5bn**  
FUM growth

**17.5%**<sup>2</sup> p.a.  
Total Property Return

\$10.9bn acquisitions  
\$5.0bn divestments

138 additional properties

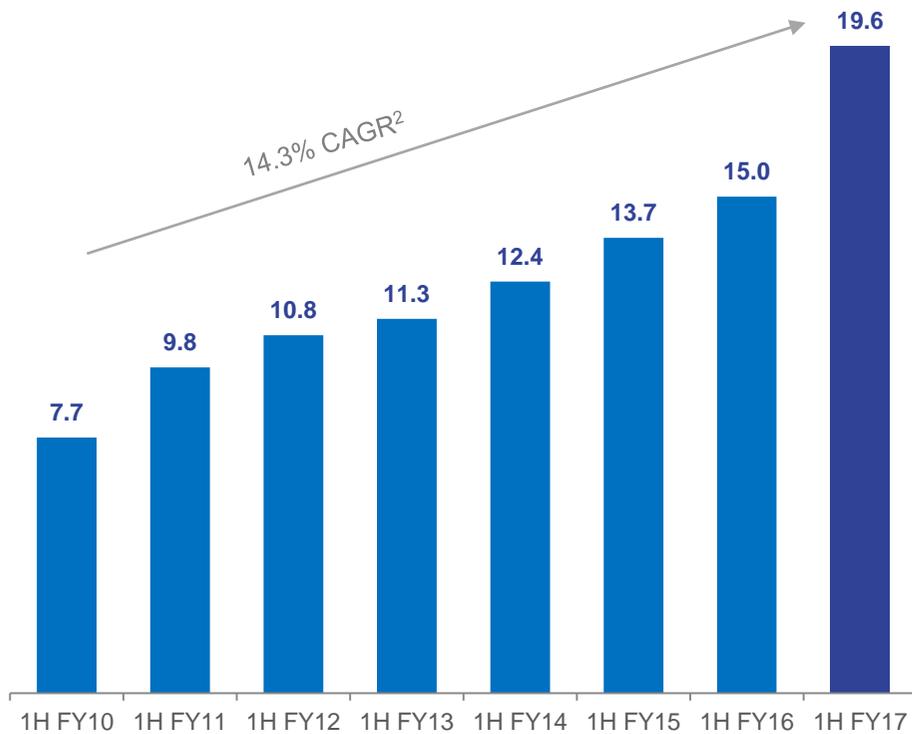
1. For the period ending 31 December 2016

2. Total Property Return includes all cash flows for the active Property Investments portfolio only and excludes realised or non-core funds

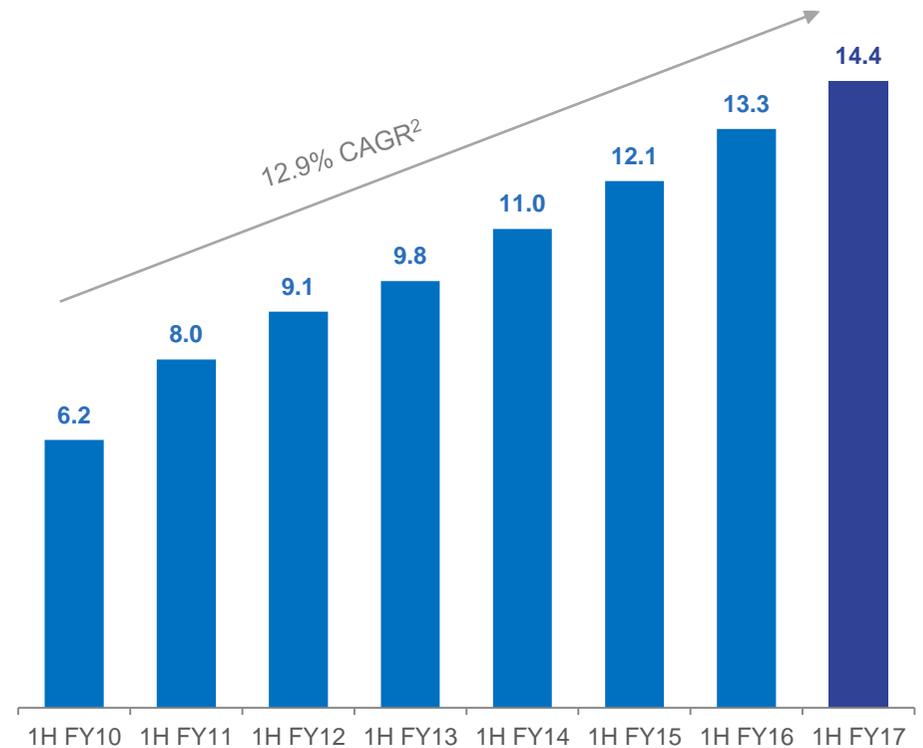
3. 12 months to 31 December 2016

# Sustained Growth

## Operating earnings per security growth<sup>1</sup>



## Distributions per security growth



1. Operating earnings per security prior to FY14 restated to include security-based benefits expense  
2. Compound annual growth rate (CAGR) from 1H FY10 to 1H FY17

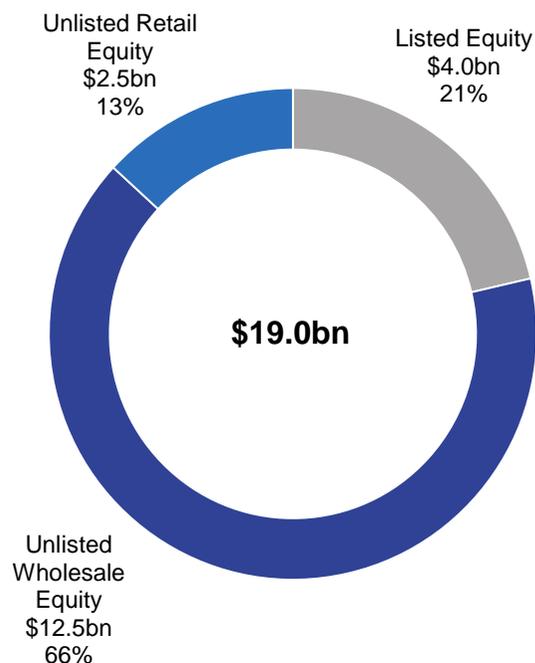
# Property Funds Management



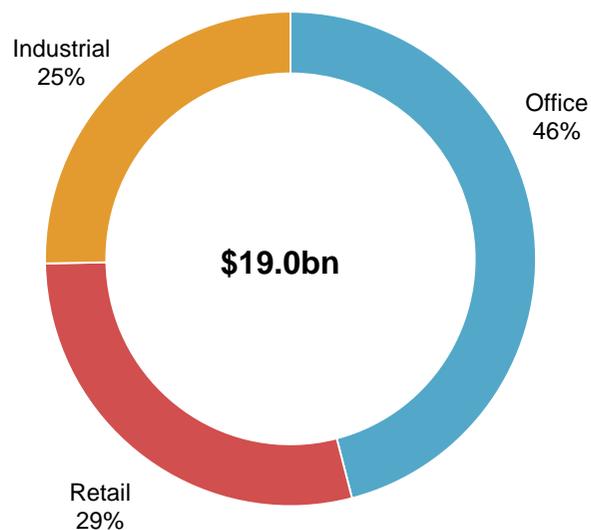
# Group Funds Management Portfolio

	Portfolio Value (\$bn)	Portfolio Size (m sqm)	No. of Properties	No. of Tenants	Gross Income (\$m)	WALE <sup>1</sup> (years)	Occupancy (%)	WACR <sup>2</sup> (%)
<b>31 Dec 16</b>	<b>19.0</b>	<b>4.9</b>	<b>314</b>	<b>2,644</b>	<b>1,402</b>	<b>7.9</b>	<b>98.0</b>	<b>6.19</b>
30 Jun 16	17.5	4.8	296	2,550	1,306	7.9	98.6	6.54

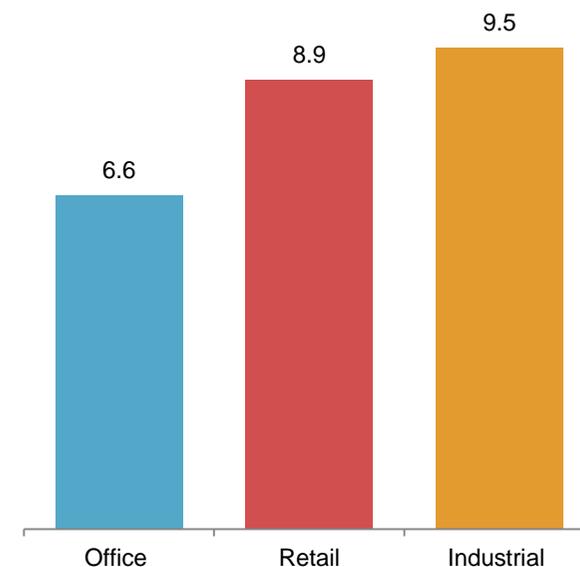
Diversification by equity source



Asset type diversification



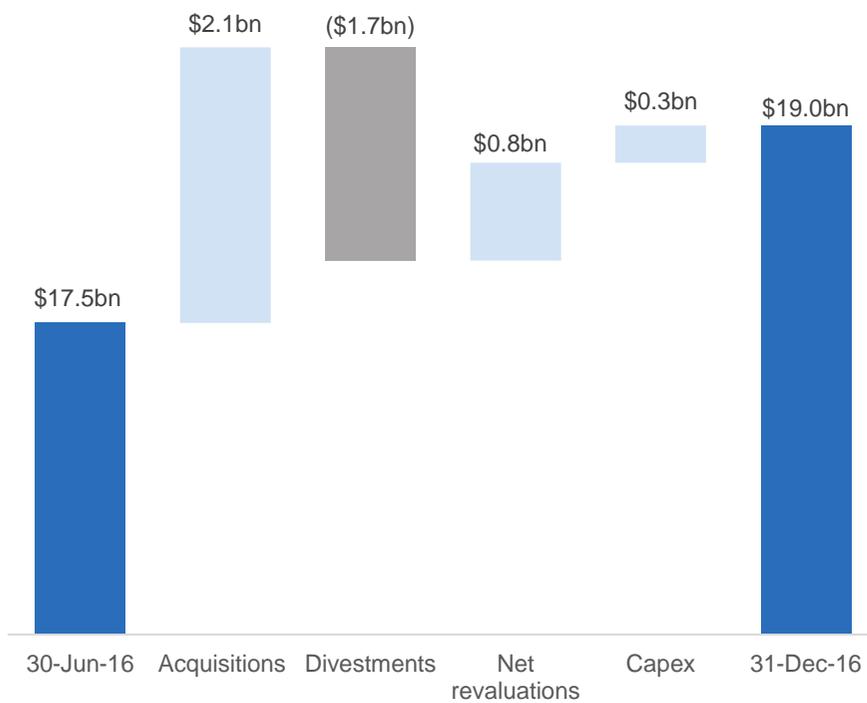
WALE by sector



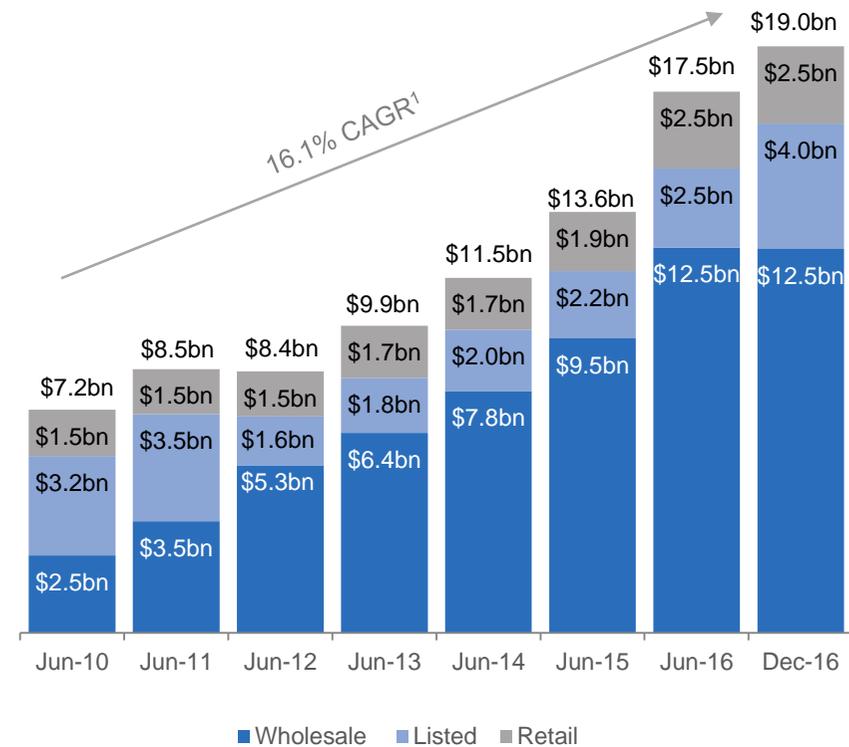
1. WALE is the weighted average lease expiry for the Property Funds Management portfolio and is weighted by gross income  
 2. WACR is the weighted average cap rate for the Property Funds Management portfolio and is weighted by gross asset value

# FUM Growth

Funds under management movement (\$bn)



Funds under management by equity source (\$bn)



1. Compound annual growth rate (CAGR) from 30 June 2010 to 31 December 2016

# Property Transactions

	Office	Industrial	Retail	TOTAL
<b>Acquisitions (\$m)</b>	\$501	\$999	\$664	\$2,164
<b>Divestments (\$m)</b>	\$541	\$727	\$408	\$1,676
<b>Net transactions (\$m)</b>	(\$40)	\$272	\$256	\$488
<b>Gross transactions (\$m)</b>	<b>\$1,042</b>	<b>\$1,726</b>	<b>\$1,072</b>	<b>\$3,840</b>



1. Property transactions for the 6 months to 31 December 2016

# Development Activity Enhances Fund Performance

- All development activity is undertaken by Funds/Partnerships to enhance income yield and total returns for managed funds
- In-house development skills are a core competency of Charter Hall
- Committed projects / development pipeline includes 45 office, industrial and retail projects
- Majority of projects are de-risked through pre-leases and fixed price building contracts

Development activity (completion value \$m)	Committed projects	Development pipeline <sup>1</sup>	Total <sup>2</sup>
Office	747	1,273	2,020
Industrial	418	886	1,304
Retail <sup>3</sup>	178	277	455
<b>Total</b>	<b>1,343</b>	<b>2,436</b>	<b>3,779</b>

1. Includes potential end value of DA approved schemes and industrial land banks and future retail redevelopments

2. \$1.7b included in FUM at 31 December 2016

3. Reflects development spend only

# Development Projects



# Equity Flows

Diversified equity sources with \$1,284 million gross equity raised in the 6 months to 31 December 2016 including:

- \$701 million in Listed Funds including \$692 million from the successful IPO of Charter Hall Long WALE REIT
- \$405 million in Wholesale Funds and Partnerships with further equity raising underway in CPIF, CPOF, CPRF
- \$178 million in Direct Funds with further equity raising underway in DOF and DIF4

	FY14 (\$m)	FY15 (\$m)	FY16 (\$m)	1HY 17 (\$m)
Wholesale Pooled Funds	651	653	606	247
Wholesale Partnerships	261	598	467	158
Listed Funds <sup>1</sup>	260	274	76	701
Direct Funds <sup>2</sup>	277	180	318	178
<b>Gross equity raised</b>	<b>1,449</b>	<b>1,705</b>	<b>1,467</b>	<b>1,284</b>
Net equity raised	987	1,297	1,099	1,018

Equity flows includes equity received or returned only and excludes undrawn equity commitments

1. Listed Funds include equity raised in CHC, CQR and CLW

2. Funds and syndicates for retail, SMSF and high net worth investors

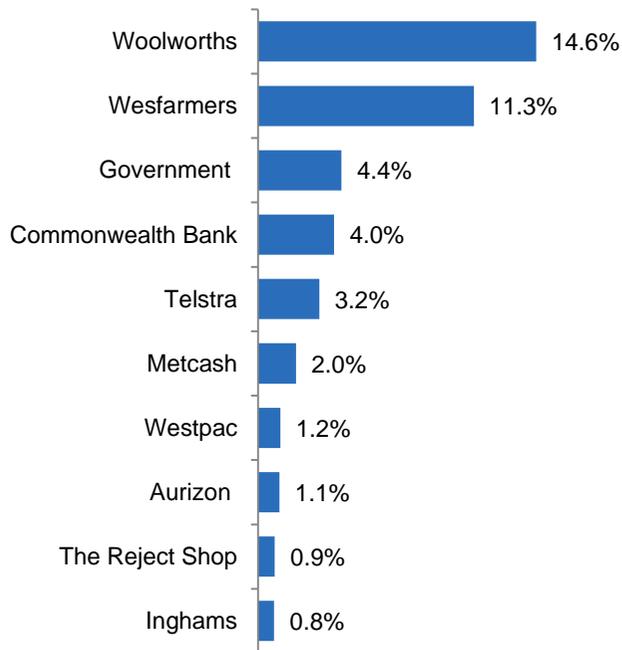
# Property Investment



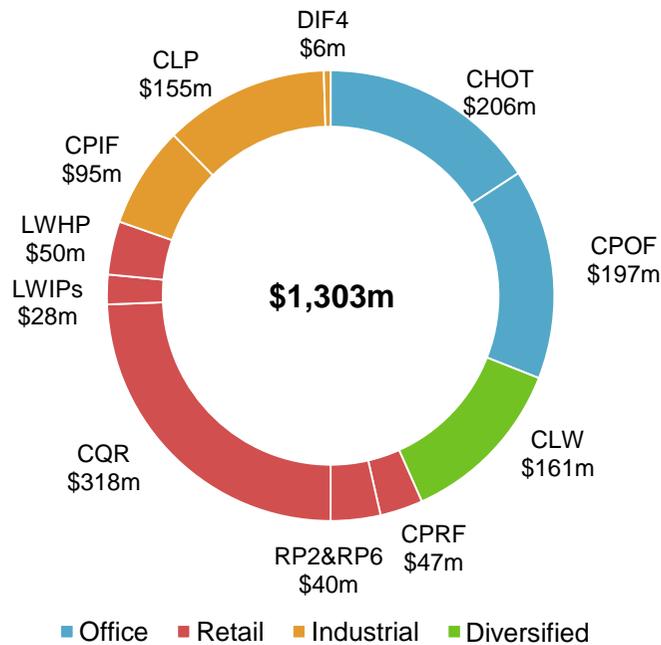
# Property Investment Portfolio

	Portfolio Value (\$m)	No. of Properties	WALE <sup>1</sup> (years)	Occupancy (%)	WARR <sup>2</sup> (%)	WACR <sup>3</sup> (%)	WADR <sup>4</sup> (%)
31 Dec 16	1,303	276	7.5	97.9	3.6	6.17	7.5
30 Jun 16	1,098	258	8.8	98.6	3.4	6.46	7.9

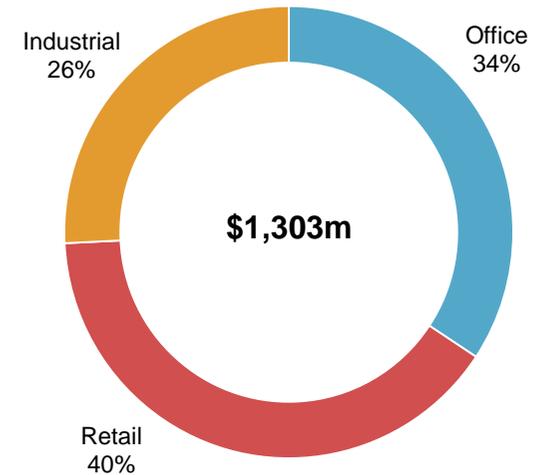
Top 10 Tenants by Gross Income



Diversification by Fund<sup>5</sup>



Diversification by Sector<sup>5</sup>

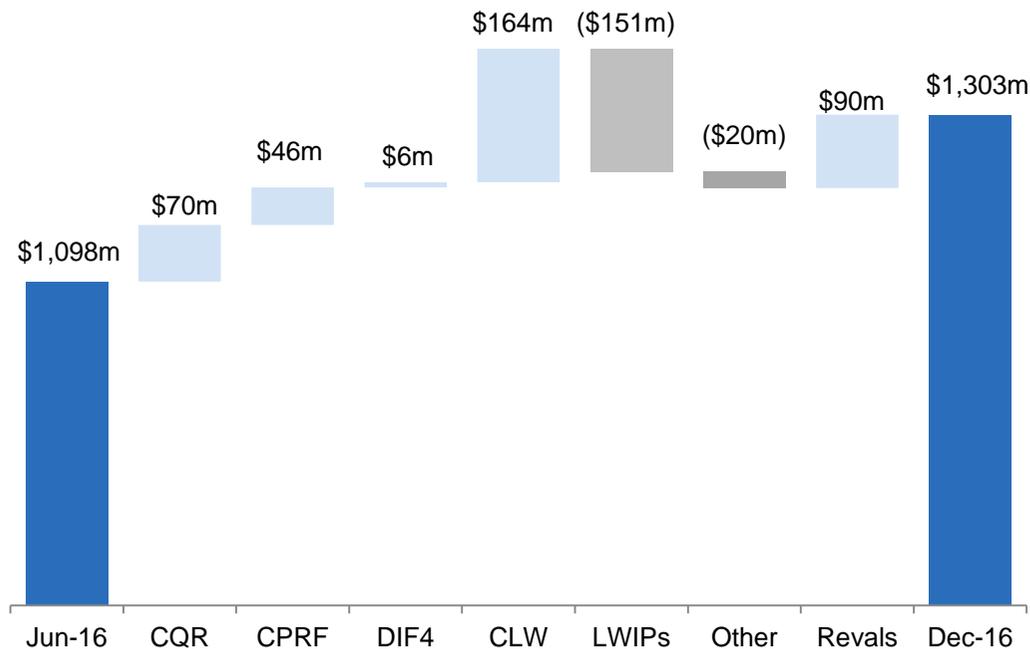


1. Weighted average lease expiries is weighted by gross income of the Property Investment Portfolio
2. Weighted average rent review is weighted by gross income of the Property Investment Portfolio
3. Weighted average capitalisation rate is weighted by the Investment value of each Property Investment
4. Weighted average discount rate is weighted by the Investment value of each Property Investment
5. Represents investment by CHC in each fund

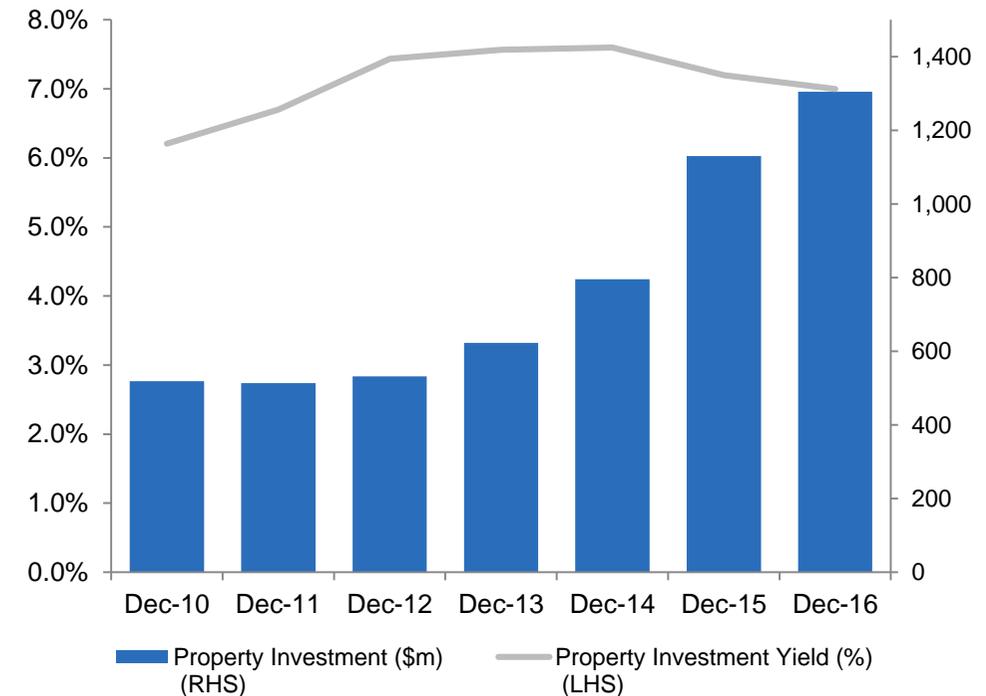
# Property Investment Portfolio Movement

- During the 6 months to 31 December 2016 the Property Investment Portfolio increased by 19% (+\$205m) to \$1,303m comprising:
  - \$115m of net investments
  - \$90m of net revaluations
- Attractive Property Investment earnings yield of 7%

Property Investments movement (\$m)

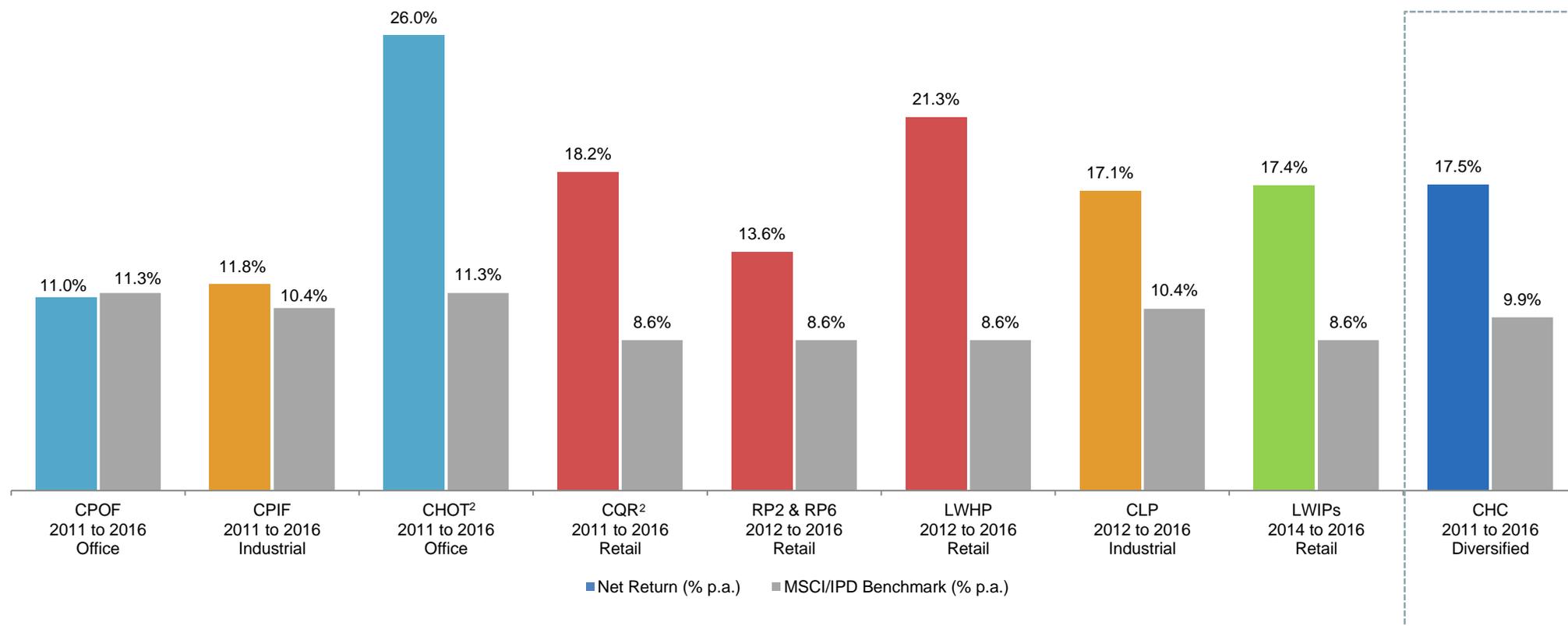


Property Investment Earnings



# Property Investment Portfolio Returns

- The Property Investment Portfolios total property return<sup>1</sup> over the five years to 31 December 2016 is 17.5% per annum, outperforming the MSCI/IPD Unlisted Wholesale Property Fund Index (NAV post fees) which returned 9.9% over the same period
- The total property return of each core Property Investment was in line or outperformed its sector specific MSCI/IPD index over the same period



1. Total Property Return includes all cash flows for the active portfolio only and excludes realised or non-core funds and funds with an investment period of less than a year

2. CHOT (formerly CQO) and CQR starting value based on security price on ASX

# Major Cross Sector Tenant Customer Relationships

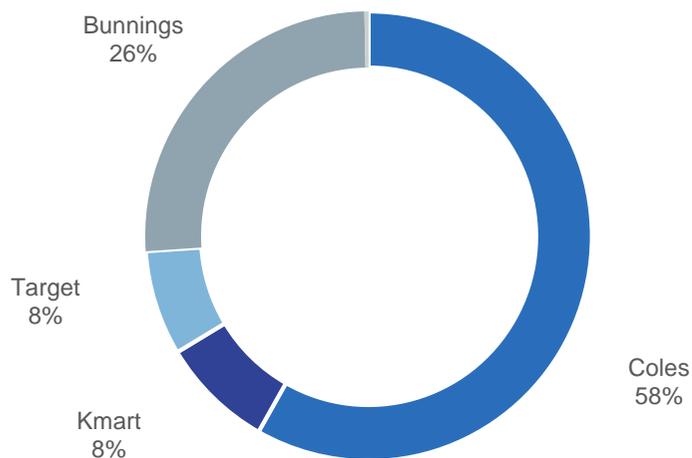
## Overview of Wesfarmers Subsidiary Leases

Sector	Area (NLA '000's m <sup>2</sup> )	Tenancies (#)
Retail	476	100
Industrial	281	5
Office	42	4
<b>Total</b>	<b>799</b>	<b>109</b>
% of Platform Gross Income	11.6%	

## Existing Tenants



## Tenant Breakdown by Annual Gross Income



# Major Cross Sector Tenant Customer Relationships

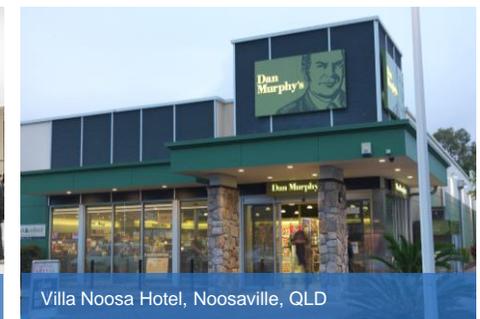
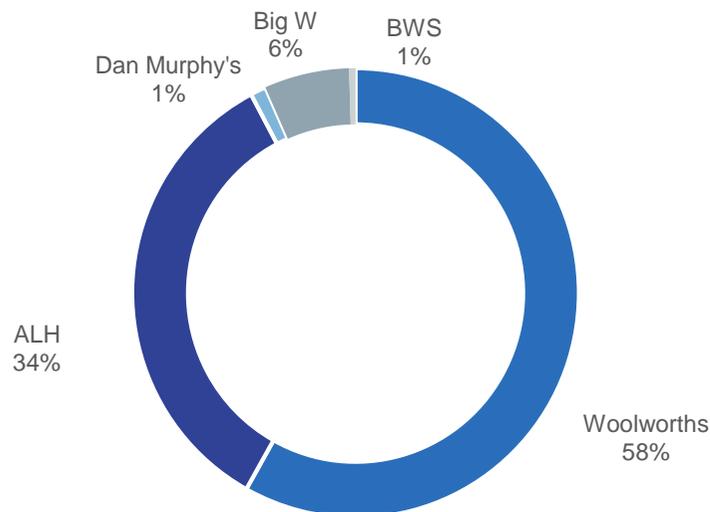
## Overview of Woolworths Group Subsidiary Leases

Sector	Area (NLA '000's m <sup>2</sup> )	Tenancies (#)
Retail	380	129
Industrial	190	7
<b>Total</b>	<b>570</b>	<b>136</b>
% of Platform Gross Income	10.5%	

## Existing Tenants



## Tenant Breakdown by Annual Gross Income



# Sustainability



## ECO-INNOVATION



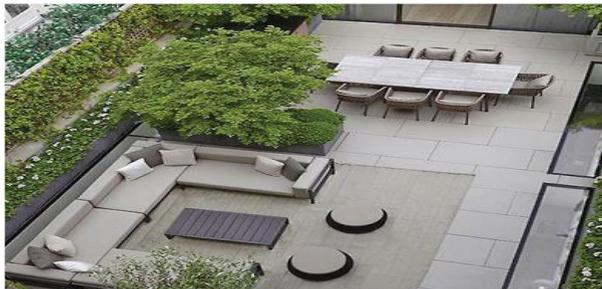
- 183 buildings across the portfolio are currently registered for Green Star Performance ratings, which will result in Charter Hall being Australia's largest Green Star rated portfolio
- Targeting 5 Star Green Star Design and As Built rating on all new large developments



National Average NABERS Weighted Rating	NABERS Energy	NABERS Water
Office	4.26	3.40
Retail	3.77	3.49



Charter Hall is a member of GRESB, with funds CHOT and CPOF achieving top quartile Green Star status, while CPIF continued year on year improvements



## PLACE CREATION



Charter Hall have joined international philanthropy movement Pledge 1%. Our Pledge is through Our People: Our Places: Our Partnerships



**Our People** – pledge their time to making a difference in their communities



**Our Places** – pledge spaces for use by community groups



**Our Partnerships** – provide programs and services for our people, our customers and in our communities



## WELLBEING



Charter Hall have three registered International WELL Building Projects



# Financial Result



# Profit and Loss

- 20.8% growth in Statutory Earnings to \$173.3m
- 32.0% growth in Operating Earnings to \$80.8m
- OEPS post tax growth of 30.7% to 19.6cps and DPS growth of 8.3% to 14.4cps
- PI operating earnings up 9.8% to \$41.3m
  - Invested an additional \$115m (net of divestments)
  - Property Investment income yield 7.0%
- PFM earnings increased by 112.3% to \$50.1m with strong revenue growth in all areas including 20.0% growth in annuity style revenues
- \$90.1m net revaluation growth adds 22cps (7.2%) to NTA

\$m	1H FY17	1H FY16	Change %
Property investment	41.3	37.6	9.8%
Property funds management (incl Corporate)	50.1	23.6	112.3%
<b>Operating earnings (pre tax)</b>	<b>91.4</b>	<b>61.2</b>	<b>49.3%</b>
Income tax expense	(10.6)	-	-
<b>Operating earnings (post tax)</b>	<b>80.8</b>	<b>61.2</b>	<b>32.0%</b>
Property valuations (net) <sup>1</sup>	90.1	88.7	
Amortisation and impairment of intangibles	(3.8)	(4.3)	
Gain on disposal of investments and inventory <sup>1</sup>	4.1	6.0	
Realised and unrealised gains or losses on derivatives <sup>1</sup>	10.0	(1.8)	
Income tax expense <sup>2</sup>	(2.8)	(4.0)	
Other non-operating items <sup>1</sup>	(5.1)	(2.3)	
<b>Total non-operating items</b>	<b>92.5</b>	<b>82.3</b>	
<b>Statutory profit after tax</b>	<b>173.3</b>	<b>143.5</b>	<b>20.8%</b>
OEPS pre tax (cps)	22.2	15.0	48.0%
OEPS post tax (cps)	19.6	15.0	30.7%
DPS (cps)	14.4	13.3	8.3%
Distribution payout ratio	73%	89%	(16%)

1. Includes the Group's proportionate share of non-operating items of equity accounted investments on a look through basis

2. Deferred tax due to temporary expense difference

# Segment Result

- Property funds management earnings increased by 67.4% driven by:
  - Strong transactional revenue
  - 19.6% growth in annuity style revenue
  - 5.6% total expense growth, driven by FUM growth with corporate MER declining 1.9bps
- Property investments continue to grow following \$115m net investments during the period which continue to attract an average Property Investment yield of 7.0%

\$m	1H FY17	1H FY16	Change %
PFM revenue	93.7	64.9	44.4%
PFM expenses	(32.9)	(30.9)	6.5%
Corporate expenses <sup>1</sup>	(10.7)	(10.4)	2.9%
<b>PFM earnings (pre tax)</b>	<b>50.1</b>	<b>23.6</b>	<b>112.3%</b>
Income tax expense	(10.6)	-	-
<b>PFM earnings (post tax)</b>	<b>39.5</b>	<b>23.6</b>	<b>67.4%</b>
Property investments income	41.1	37.6	9.3%
Interest and expenses	0.2	0.0	-
<b>Property investment earnings</b>	<b>41.3</b>	<b>37.6</b>	<b>9.8%</b>
<b>Operating Earnings</b>	<b>80.8</b>	<b>61.2</b>	<b>32.0%</b>
<i>PI Yield</i>	7.0%	7.2%	(0.2%)
<i>PFM margin (excluding corporate)<sup>2</sup></i>	66.8%	54.5%	12.3%
<i>PFM margin (including corporate)<sup>2</sup></i>	55.4%	38.5%	16.9%
<i>Corporate MER<sup>3</sup></i>	11.2bps	13.1bps	(1.9bps)

1. Includes \$0.4m of depreciation expense allocated to Corporate

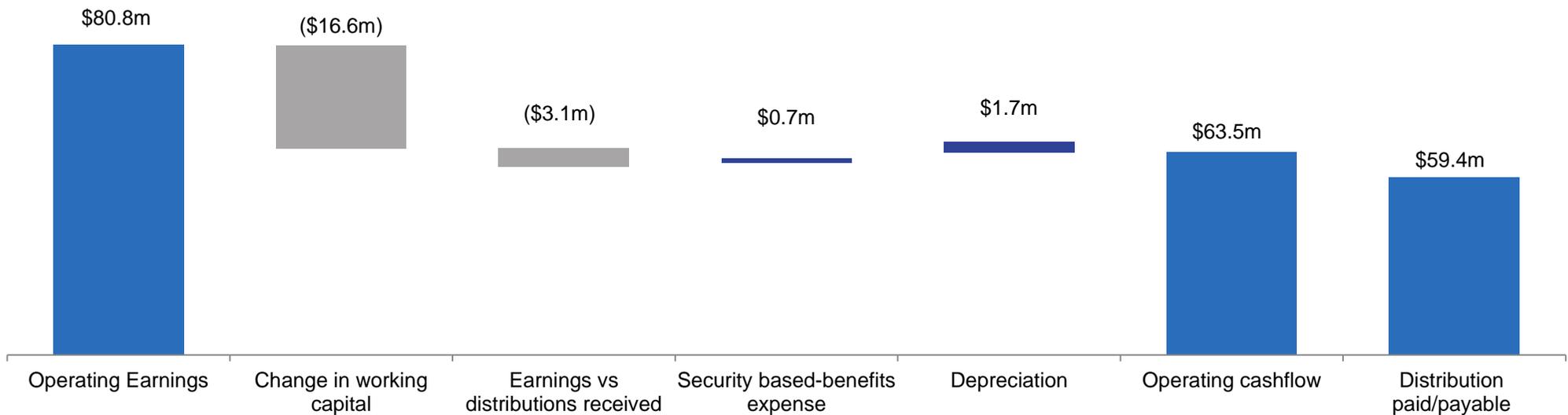
2. Calculated as PFM earnings (excluding depreciation and tax expense) divided by PFM revenue.

3. Calculated as Corporate expenses divided by closing FUM, as a basis points

# Cashflow

- 1H17 Distribution covered 107% by operating cashflow
- DRP has been suspended based on current liquidity position
- Working capital movement driven by timing of fees and payment of expenses in the first half

## Operation Earnings to Operating Cashflow



# Balance Sheet

- Strong balance sheet maintained:
  - Cash position of \$43m and nil debt
  - \$205m increase in Property Investments made up of \$115m net investments (\$286m investments and \$171m capital return) and \$90m of net revaluations
  - Property Investments represent 95% of net tangible assets
- NTA per security uplift of 28cps primarily due to cap rate compression and rent reviews in existing property investment portfolio

\$m	31 December 2016	30 June 2016	Change %
Cash	43	145	(70.3%)
Property investments	1,303	1,098	18.7%
Other assets	128	108	18.5%
Intangibles	66	70	(5.7%)
<b>Total assets</b>	<b>1,540</b>	<b>1,421</b>	<b>8.4%</b>
<b>Total liabilities</b>	<b>102</b>	<b>95</b>	<b>7.4%</b>
<b>Total equity</b>	<b>1,438</b>	<b>1,326</b>	<b>8.4%</b>
NTA per security	\$3.32	\$3.04	9.2%
NAV per security	\$3.48	\$3.21	8.4%
Balance sheet gearing <sup>1</sup>	0.0%	0.0%	-
PI look through gearing <sup>2</sup>	27.7%	25.3%	2.4%

Return Metrics	31 December 2016	30 June 2016	Change %
Return on Equity <sup>3</sup>	11.7%	10.8%	0.9%
Total Property Return <sup>4</sup>	16.4%	19.1%	(2.7%)
Total Platform Return <sup>5</sup>	20.2%	18.1%	2.1%

1. Debt (net of cash) / Gross assets (less cash)

2. Calculated as Charter Hall's debt (net of cash) / total assets (net of cash) of the Property Investments and Charter Hall's balance sheet

3. Return on equity is calculated as operating earnings per security divided by opening NTA per security adjusted for contributed equity for the 12 months to 31 December 2016

4. Total property return includes all cash flows for the active Property Investments portfolio only and excludes realised or non-core funds for the 12 months to 31 December 2016

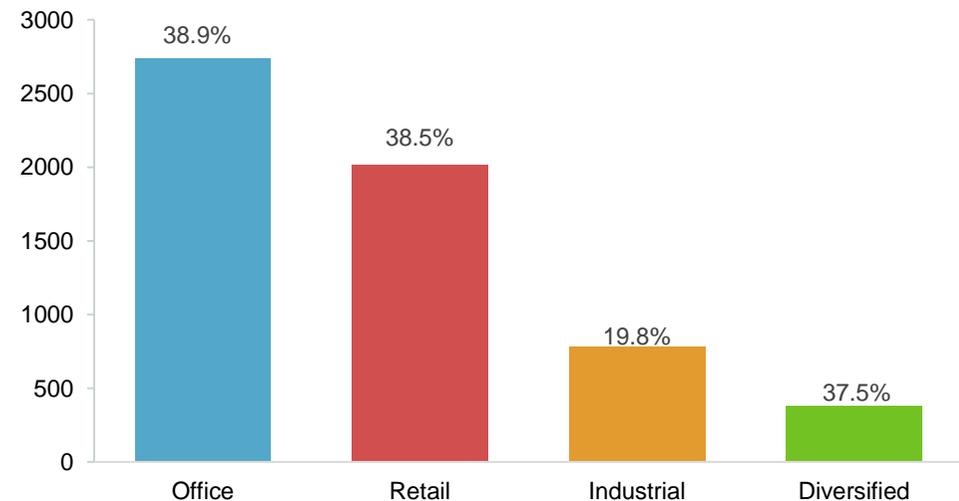
5. Total platform return is calculated as the growth in NTA per security plus the distribution per security divided by the opening NTA per security adjusted for contributed equity for the 12 months to 31 December 2016

# Debt and Capital Management

- Substantial funding capacity available across the funds platform
  - \$8.0bn of debt facilities across 30 funds and the Group
  - \$2.0bn available undrawn debt plus \$0.3bn of cash
- \$937m of new debt facilities and \$610m of refinanced debt in 1HY FY17
- Look through weighted average debt maturity<sup>1</sup> remained stable at 3.8 years
- Look through weighted average cost of debt<sup>2</sup> of 4.22% down from 4.55%
- Look through interest rate hedging decreased to 67% from 70%

Key debt metrics	Dec 16	Jun 16
Funds management debt platform (\$m)	7,958	7,527
Funds management undrawn debt (\$m)	2,034	1,667
Look through gearing (%)	27.7%	25.3%
Look through weighted average debt maturity (yrs) <sup>1</sup>	3.8	3.8
Look through WACD <sup>2</sup>	4.22%	4.55%
Look through interest rate hedging (%)	67%	70%

Drawn Debt (\$m) and Gearing (%) by Sector<sup>1</sup>



1. Debt duration is based on facility limits

2. Weighted average cost of debt is on a look through basis and includes floating rate, hedge rate, margins, line fees but excludes undrawn line fees and amortised bowing costs

# Outlook & Guidance



# Upgrade to FY17 Earnings Guidance

We believe the property market landscape will continue to accommodate growth

- **Relative attractiveness** of commercial property
- **Continued equity flows** expected for institutional fund managers with strong track records
- We continue to expect further **upward pressure** on asset values

## Our guidance is as follows:

Based on no material change in current market conditions, our FY17 guidance for operating earnings per security growth over FY16 is

- On a pre-tax basis approximately 24% (previously 17-18%)
- On a post-tax basis approximately 12% (previously 7%)

The distribution payout ratio is expected to be at the bottom end of the distribution policy range of 85% to 95% of OEPS on a full year basis



Norwood Hotel, Norwood, SA



Coles Headquarters, 800 Toorak Road, Hawthorn East, VIC

# Additional Information

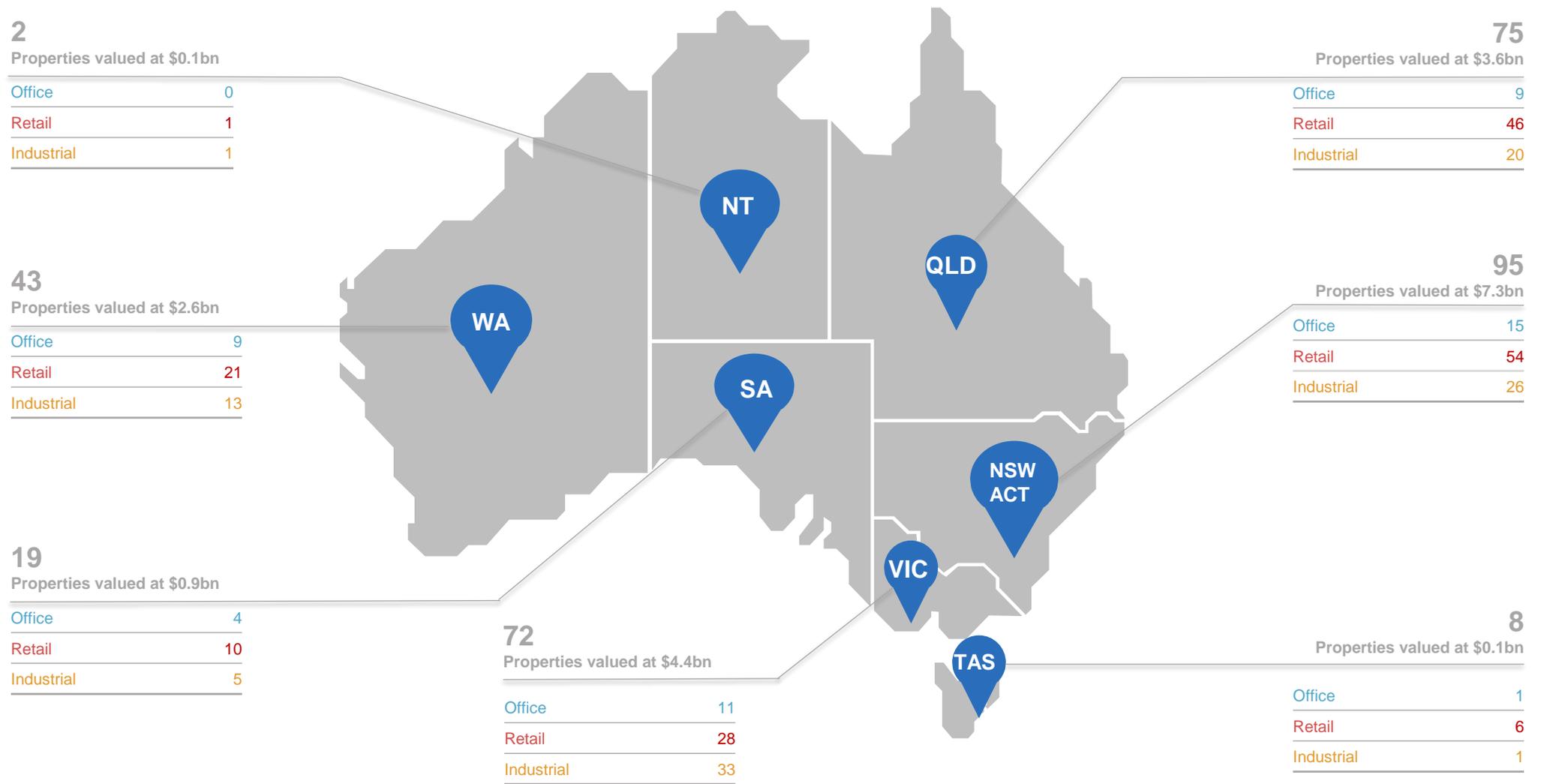
1. Property Funds Management
2. Property Investment
3. Financial Result



# Appendix – Property Funds Management



# Charter Hall Group Property Overview



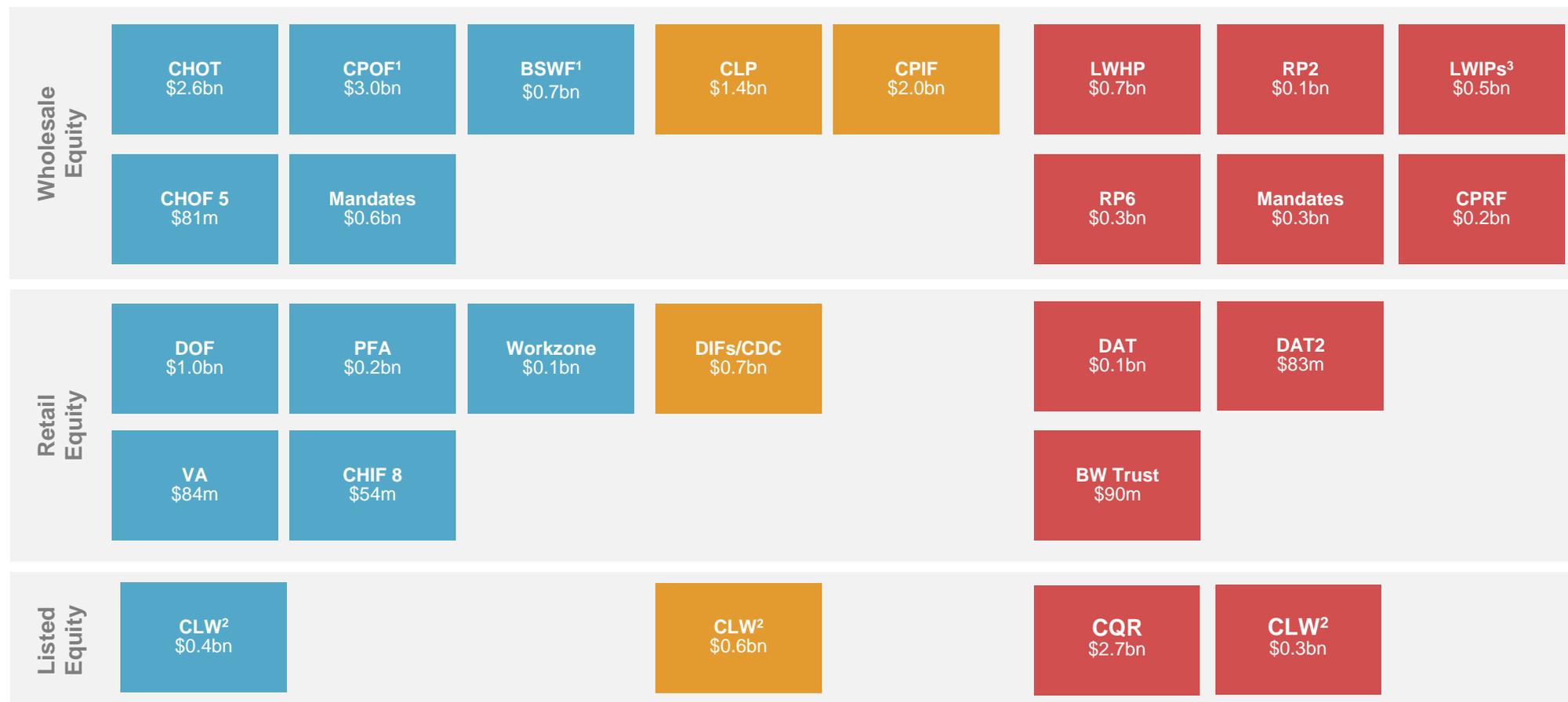


# Charter Hall Managed Funds

Office \$8.8bn

Industrial \$4.8bn

Retail \$5.4bn



Note Statistics on this page may not add due to rounding

1. CPOF holds 33% of the units in the Brisbane Square Wholesale Funds (BSWF)
2. Charter Hall Long WALE REIT (CLW) is a \$1.3bn listed REIT diversified across the Office, Industrial and Retail sectors.
3. LWIPs include LWIP 1 and LWIP2. CLW hold 45% of the units in LWIP1



# Office

“As one of the largest managers of CBD office properties in Australia, our strategy to actively manage our portfolio is creating enhanced value for investors through the successful re-development of existing assets, strategic acquisition of core office properties and divestment of non-core properties.”

**ADRIAN TAYLOR**  
GROUP EXECUTIVE – OFFICE



FUM  
**\$8.8b**



PROPERTIES  
**49**



OCCUPANCY  
**98.1%**



WALE  
**6.6yrs**



CAP RATE  
**6.01%**



CHC INVESTMENT  
**\$447m**



# Industrial

“As one of Australia’s leading managers and developers of industrial and logistics real estate our focus is on owning and managing a geographically diverse portfolio of properties with strong tenant covenants, whilst leveraging relationships with our tenant customers across all sectors of our business.”

**PAUL FORD**  
GROUP EXECUTIVE – INDUSTRIAL



FUM  
**\$4.8b**



PROPERTIES  
**99**



OCCUPANCY  
**98.0%**



WALE  
**9.5yrs**



CAP RATE  
**6.55%**



CHC INVESTMENT  
**\$337m**



# Retail

“As the leading owner and manager of Australian supermarket anchored shopping centres and with a portfolio of hardware, automotive showroom and hospitality assets, we are providing a secure and growing income stream for our investors.”

GREG CHUBB  
GROUP EXECUTIVE – RETAIL



FUM  
**\$5.4b**



PROPERTIES  
**166**



OCCUPANCY  
**97.7%**



WALE  
**8.9yrs**



CAP RATE  
**6.17%**



CHC INVESTMENT  
**\$521m**



# Charter Hall DIRECT

“Charter Hall Direct is Australia’s leading manager of unlisted property funds and syndicates for retail investors including high net worth, self managed super funds and mum and dad investors that are self directed or use financial advisers.”

**RICHARD STACKER**  
GROUP EXECUTIVE – GLOBAL INVESTOR RELATIONS



FUM  
**\$2.5b**



PROPERTIES  
**49**



OCCUPANCY  
**99.9%**



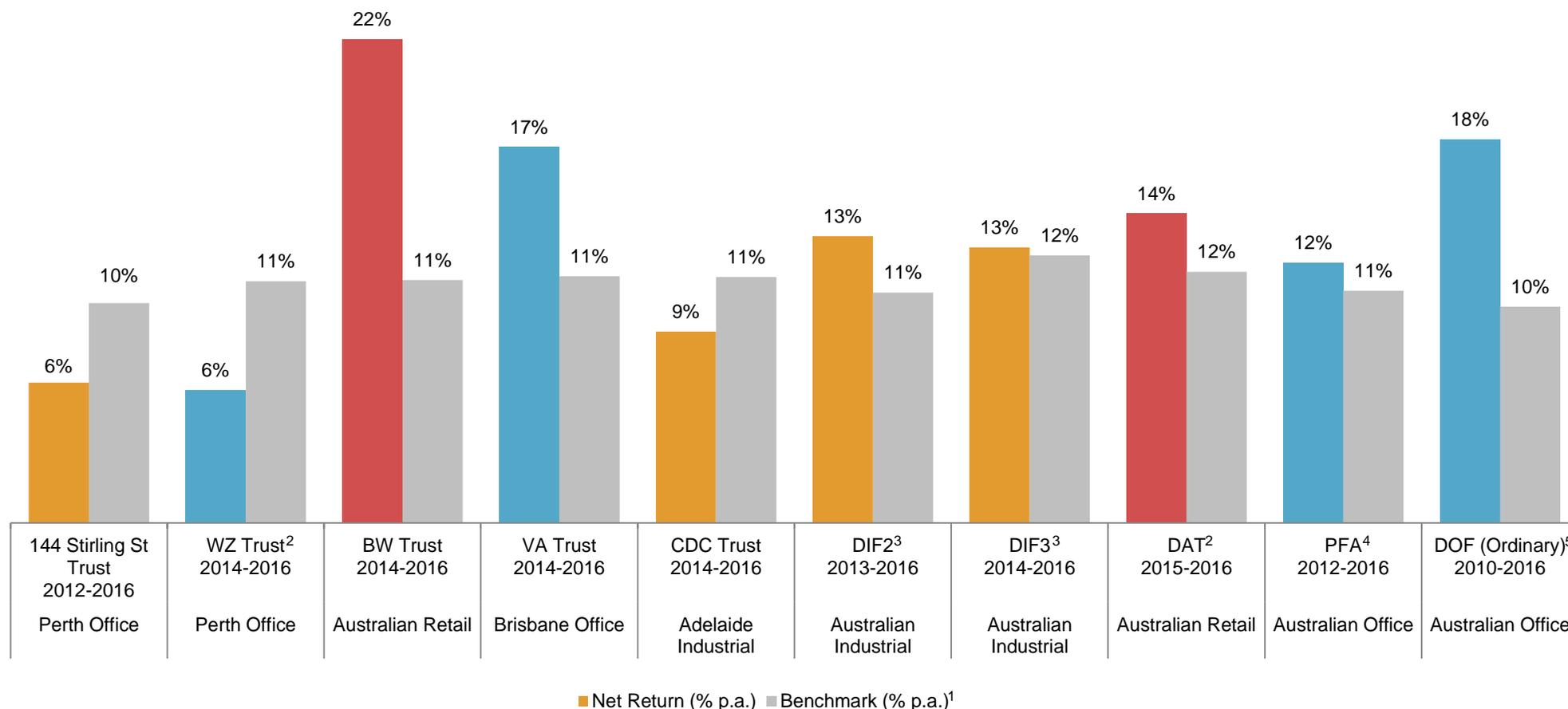
WALE  
**9.7 yrs**



CAP RATE  
**6.55%**

# Direct Funds Net Returns

- Charter Hall Direct Syndicates & Funds have an average return of 14.0% p.a. over 18 years. Outperforming the MSCI/IPD Unlisted Core Wholesale Property Funds Index by an average of 3.8%



Note Income return is based on accumulation index, which assumes distributions are reinvested

- Benchmark is MSCI/IPD Unlisted Core Wholesale Property Fund Index.
- Assumes investment under the limited offer (bonus units)
- Assumes investment in Wholesale units under the limited offer (bonus units)
- PFA inception date represents when Charter Hall became Fund Manager
- Assumes investment under the entitlement offer (with 2.5% discount to the unit price)

# Appendix – Property Investment



# Property Investment Portfolio

	Ownership Stake (%)	Charter Hall Investment (\$m)	Charter Hall Investment Income (\$m)	WALE (years)	WACR (%)	WADR (%)	WARR <sup>1</sup> (%)	PI Yield <sup>2</sup> (%)
<b>Office</b>		<b>403.7</b>	<b>12.2</b>	<b>5.5</b>	<b>5.84%</b>	<b>7.2%</b>	<b>3.9%</b>	<b>7.2%</b>
Charter Hall Office Trust (CHOT)	14.3%	206.6	6.6	4.8	5.69%	7.1%	3.9%	8.0%
Charter Hall Prime Office Fund (CPOF)	10.4%	196.9	5.6	6.5	6.00%	7.4%	3.9%	6.1%
PFA Diversified Property Trust (PFA)	0.1%	0.2	0.0	7.6	7.68%	8.3%	2.9%	7.8%
<b>Industrial</b>		<b>256.3</b>	<b>8.4</b>	<b>9.3</b>	<b>6.49%</b>	<b>7.8%</b>	<b>3.0%</b>	<b>6.5%</b>
Core Logistics Partnership (CLP)	14.3%	154.9	5.3	9.6	6.46%	7.7%	3.0%	6.3%
Charter Hall Prime Industrial Fund (CPIF)	5.7%	95.0	3.1	8.0	6.53%	7.9%	3.1%	6.5%
Direct Industrial Fund No. 4 (DIF4)	16.5%	6.4	0.0	16.7	6.53%	8.3%	3.0%	7.5%
<b>Retail</b>		<b>482.3</b>	<b>17.6</b>	<b>7.1</b>	<b>6.23%</b>	<b>7.6%</b>	<b>3.9%</b>	<b>7.4%</b>
Charter Hall Retail REIT (CQR) <sup>1</sup>	18.3%	317.7	9.7	7.0	6.40%	7.6%	4.1%	7.9%
Charter Hall Prime Retail Funds (CPRF) <sup>1</sup>	38.0%	46.8	0.5	4.6	6.00%	7.8%	4.4%	6.6%
Retail Partnership No. 6 Trust (RP6) <sup>1</sup>	20.0%	33.8	1.0	3.8	5.84%	7.8%	2.9%	6.4%
Long WALE Hardware Partnership (LWHP)	10.0%	49.9	1.3	9.9	5.73%	7.4%	3.0%	5.5%
Long WALE Investment Partnership (LWIP)	5.0%	17.7	4.6	17.8	6.06%	7.5%	2.0%	7.4%
Long WALE Investment Partnership 2 (LWIP2)	10.0%	9.9	0.3	18.5	6.02%	7.5%	2.5%	7.5%
Retail Partnership No. 2 (RP2) <sup>1</sup>	5.0%	6.5	0.2	5.3	5.75%	7.5%	4.4%	7.1%
<b>Diversified</b>		<b>161.1</b>	<b>1.4</b>	<b>12.2</b>	<b>6.31%</b>	<b>7.6%</b>	<b>2.8%</b>	<b>6.3%</b>
Charter Hall Long WALE REIT (CLW)	19.7%	161.1	1.4	12.2	6.31%	7.6%	2.8%	6.3%
<b>Total Property Investments Portfolio</b>		<b>1,303.4</b>	<b>39.6</b>	<b>7.5</b>	<b>6.17%</b>	<b>7.5%</b>	<b>3.6%</b>	<b>7.0%</b>
Other <sup>3</sup>		36.5	1.7					
<b>Total</b>		<b>1,339.9</b>	<b>41.3</b>					

1. Average rent reviews is contracted weighted average rent increases of specialty tenants

2. Yield is calculated as operating earnings divided by average investment during the period . Excludes MTM movements in NTA during the year

3. Other includes co-investment income from funds realised during the year and CIP

# Charter Hall Retail REIT (CQR)

## Key events during 1H FY17

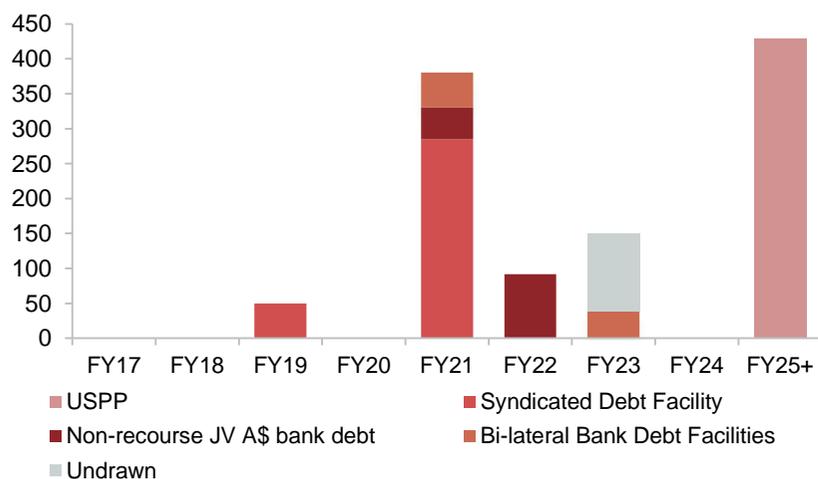
- Acquired Arana Hills Plaza, QLD for \$67.1m
- Disposal of non-core assets for \$72.2m reflecting a combined 5.8% yield including Pakington Strand (50% share), Caboolture and Moe Kmart
- Introduction of a new lender to the fund increasing debt capacity by \$50m
- Weighted average debt maturity of 6.0 years
- Balance sheet gearing of 32.1% towards the lower end of the target range
- Secret Harbour development due for completion in April 2017

## Portfolio characteristics

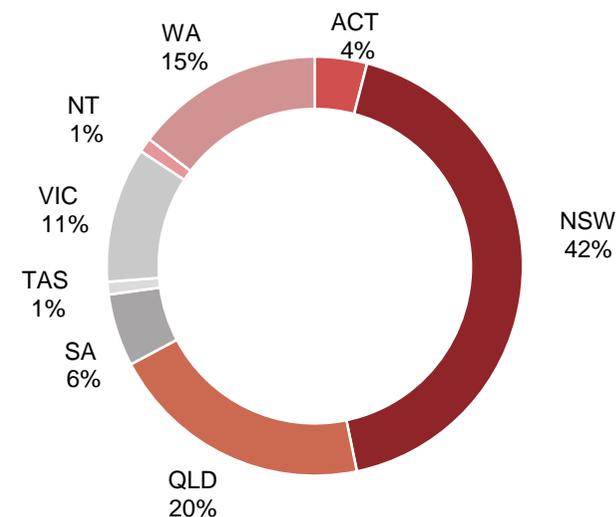
## Key metrics

Gross property assets	\$2.7bn
Total look through debt (net of cash)	\$1.0bn
Gearing (look through)	35.3%
Total number of assets	72
Occupancy (weighted on GLA)	98.0%
Anchor WALE	10.7 years
Weighted average cap rate	6.40%
Same property NOI growth (1H FY17)	2.4%
Weighted averaged rent review <sup>1</sup> (next 12 months)	4.1%
Charter Hall co-investment	\$318m / 18.3%

## Debt expiry profile (by facility limit)<sup>2</sup>



## Geographic allocation (by GAV)



1. For specialty stores only  
 2. Pro-forma post refinance of JV bank debt

# Charter Hall Office Trust (CHOT)

## Key events during 1H FY17

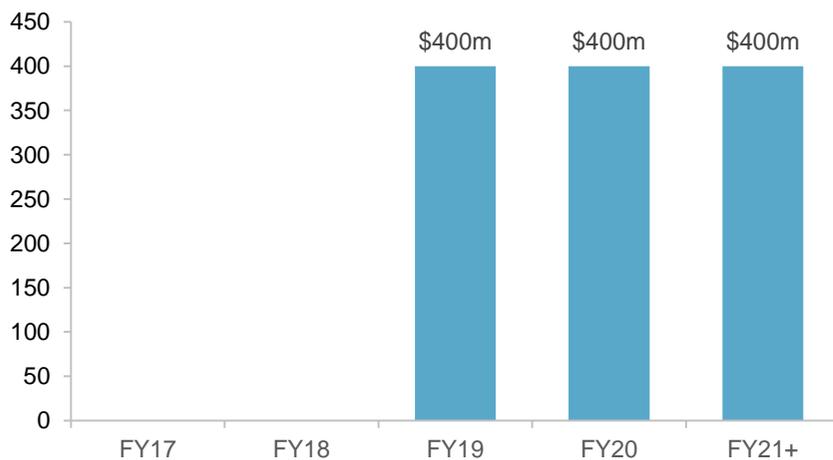
- The Fund divested of 5 Queens Road, St Kilda and exchanged on Avaya House, Macquarie Park (settled Jan17) reflecting a \$57m profit over the December 2015 book valuation
- The portfolio was independently valued at \$2.5bn as at 31 December 2016 representing a net valuation increase of 14.6% against the December 2016 book valuations
- Significant leasing activity was achieved with 16,732sqm (5% of portfolio) executed during the period

## Portfolio characteristics

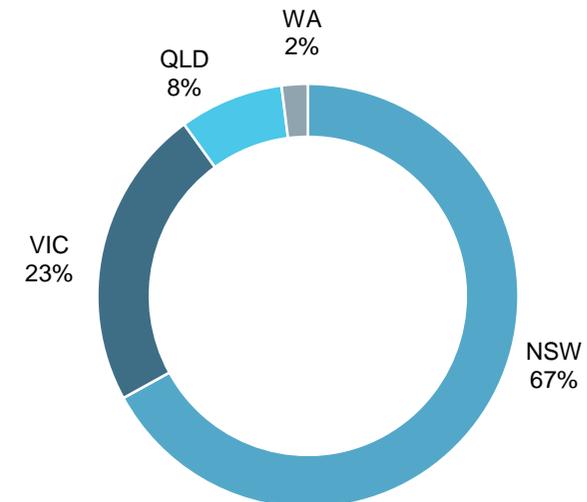
## Key metrics

Gross property assets	\$2.6bn
Total debt	\$1.1bn
Gearing (balance sheet)	42.1%
Number of assets	11
Occupancy	98.4%
Weighted average lease expiry	4.8 years
Weighted average cap rate	5.69%
Weighted average rent review (next 12 months)	3.9%
Charter Hall co-investment	\$207m / 14.3%

## Debt expiry profile (by facility limit)



## Geographic allocation (by GAV)



# Core Plus Office Fund (CPOF)

## Key events during 1H FY17

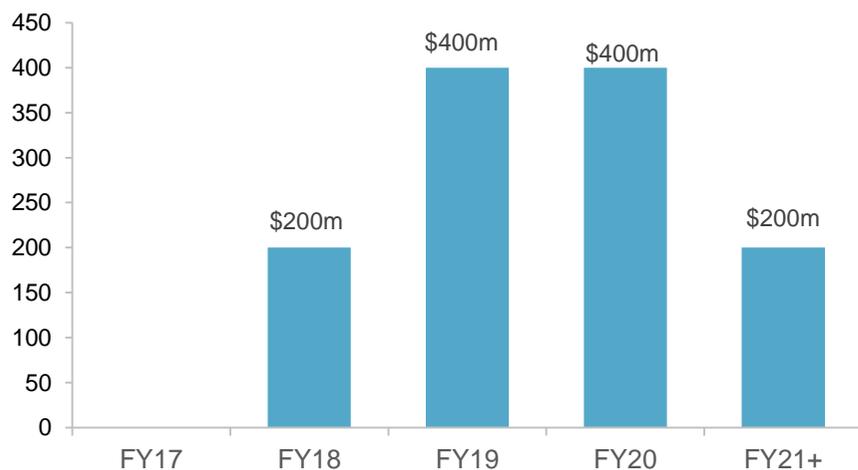
- The Fund achieved a 16.5% return for the 12 months to December 2016 being the highest performing office fund in the IPD office index
- 333 George Street, Sydney and 169 Macquarie Street, Parramatta (WSU campus) both reached practical completion in December 2016
- Assets currently under construction include 900 Ann Street, Fortitude Valley (new Aurizon headquarters) and Raine Square retail upgrade. Development opportunities being progressed at 130 Lonsdale Street, Melbourne and GPO Adelaide
- Significant leasing was achieved over the period with the fund executing 81,065sqm in new leases or lease renewals representing approximately 18% of total portfolio NLA
- CPOFs equity raising remains open with \$311m raised of the \$300-\$500m target. The balance is under consideration by a range of Australian and International Institutional investors

## Portfolio characteristics

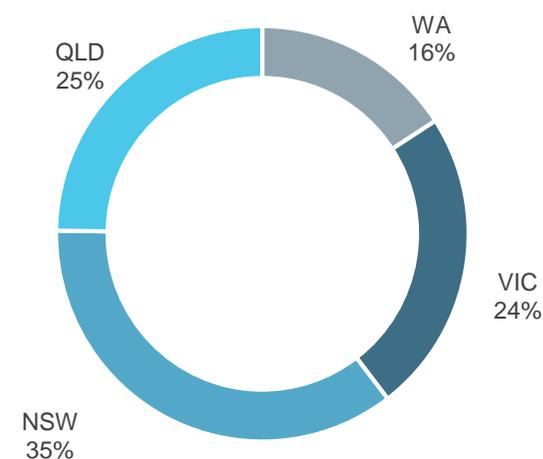
## Key metrics

Gross property assets <sup>1</sup>	\$3.0bn
Total debt (look through)	\$0.9bn
Gearing (look through)	29.5%
Number of assets	19
Occupancy	97.4%
Weighted average lease expiry	6.5 years
Weighted average cap rate	6.00%
Weighted average rent review (next 12 months)	3.9%
Charter Hall co-investment	\$197m / 10.4%

## Debt expiry profile (by facility limit)



## Geographic allocation (by GAV)



1. Includes 333 George Street, 169 Macquarie Street, Parramatta and 900 Ann Street at on-completion values

# Charter Hall Long WALE REIT (CLW)

## Key events during 1H FY17

- Successful listing on the ASX on 8 November 2016
- Acquired a portfolio in Dec 16 of 10 Australian industrial assets leased to SUEZ<sup>1</sup>, with a portfolio WALE of 15 years
  - \$66m purchase price, reflecting a portfolio capitalisation rate of 6.0%
  - Earnings per unit and portfolio WALE accretive
- 24% of the portfolio was revalued recording a \$9m valuation uplift
  - 3.0% increase for properties valued
- Introduced NAB to the REIT's syndicated debt facility, increasing the limit by \$100m to \$450m
- \$185m of new interest rate swaps, increasing look through hedging from 35% to 65%

## Portfolio characteristics

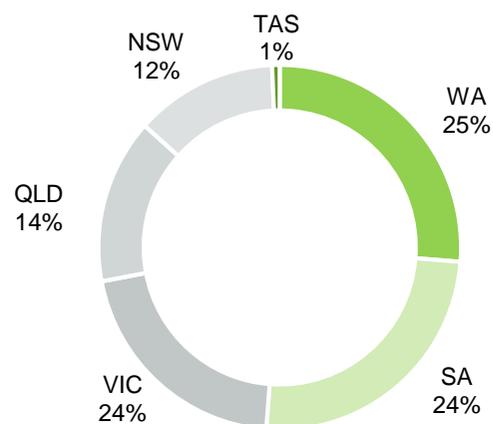
## Key metrics

Property valuations <sup>2</sup>	\$1.3bn
Balance Sheet debt	\$0.3bn
Look through gearing	37.5%
Number of assets	76
Occupancy	100%
Weighted average lease expiry	12.2 years
Weighted average cap rate	6.31%
Weighted average rent review	2.8%
Charter Hall co-investment	\$161m (19.7%)

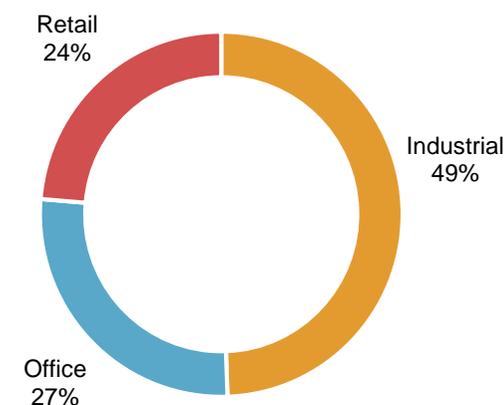
## Look through debt expiry profile<sup>3</sup> (by facility limit)



## Geographic allocation<sup>2</sup>



## Sector allocation<sup>2</sup>



1. SUEZ Recycling & Recovery Pty Limited

2. Includes valuation for Woolworths Distribution Centre, Dandenong on a lease commencement basis

# Core Logistics Partnership (CLP)

## Key events during 1H FY17

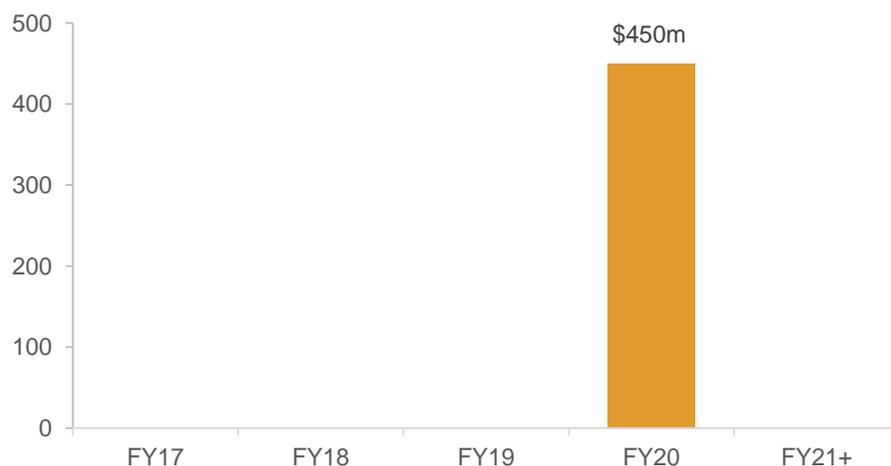
- CLP divested five assets for a combined realisation of \$233m in 1H FY17
- CLP executed new leases over 30,542sqm of GLA during the half. These included Warwick Fabrics (8,503sqm) at Somerton Logistics Centre, DHL (13,161sqm) at Parkwest Industrial Estate and Linfox (8,878sqm) at Parkwest Industrial Estate
- CLP delivered of three new pre-leased facilities at Drystone Estate, Victoria. These included The Reject Shop (38,000sqm GLA), Target (63,000sqm GLA) and Rand (18,000sqm GLA) with a combined on completion value of \$145m
- The Fund secured an additional prelease at Drystone Estate to Couriers Please (15,000sqm GLA) with practical completion scheduled for August 2017 and an on completion value of \$16m

## Portfolio characteristics

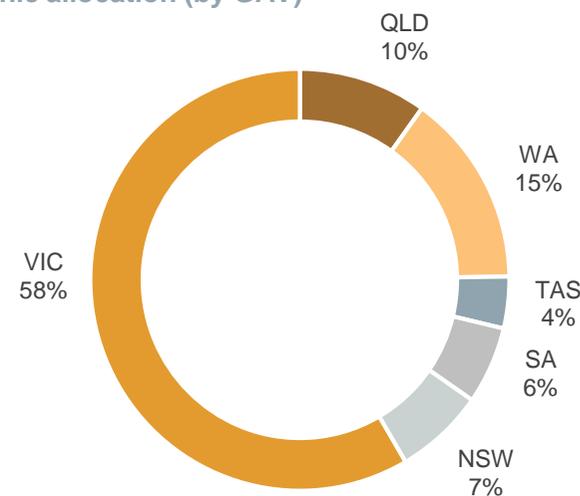
## Key metrics

Gross property assets	\$1.4bn
Total debt	\$0.3bn
Gearing (balance sheet)	23.7%
Number of assets	25
Occupancy	100.0%
Weighted average lease expiry	9.6 years
Weighted average cap rate	6.46%
Weighted average rent review (next 12 months)	3.0%
Charter Hall co-investment	\$155m / 14.3%

## Debt expiry profile (by facility limit)



## Geographic allocation (by GAV)



# Charter Hall Prime Industrial Fund (CPIF)

## Key events during 1H FY17

- CPIF acquired three assets for \$180m during the period including 50% of Truganina Distribution Facility, VIC and 50% of Somerton Logistics Centre, VIC
- CPIF executed new leases over 166,00sqm of GLA during the half. These included CUB Pty Ltd (30,655sqm) at Rosehill Distribution Centre, Fastway Couriers (21,500sqm) at Chullora Logistics Park and Ceva (18,390sqm) at Parkwest Industrial Estate
- CPIF obtained a Baa1 private rating (S&P BBB+ equivalent) by Moody's
- CPIF circled a US Private Placement in February diversifying its debt sources

## Portfolio characteristics

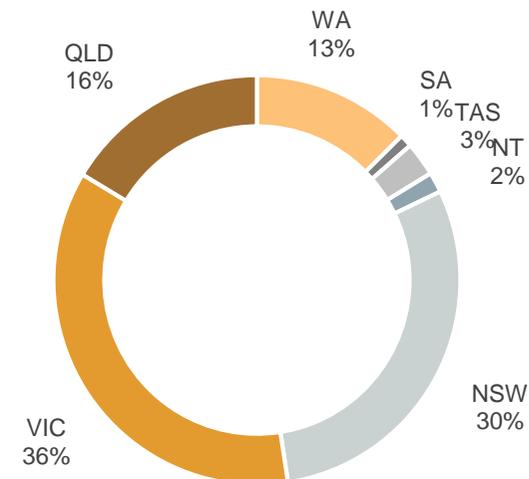
## Key metrics

Gross property assets	\$2.0bn
Total debt	\$0.1bn
Gearing (balance sheet)	11.9%
Number of assets	44
Occupancy	95.1%
Weighted average lease expiry	8.0 years
Weighted average cap rate	6.53%
Weighted average rent review (next 12 months)	3.1%
Charter Hall co-investment	\$95m / 5.7%

## Debt expiry profile (by facility limit)<sup>1</sup>



## Geographic allocation (by GAV)



1. Post USPP in February 2017

# Appendix – Financial Result

A large, stylized white number '3' is positioned on the right side of the page. The background is a clear blue sky with a modern building facade on the left. The building features white and dark blue geometric panels and a black light fixture.

# Segment Earnings – Proportional Basis

1H FY17	Property Investments (\$m)	Property Funds Management (\$m)	Total (\$m)
Property rental income	76.4	-	76.4
Property expenses	(14.8)	-	(14.8)
Management fee revenue	-	84.4	84.4
Net property development EBITDA <sup>1</sup>	1.4	-	1.4
Net operating expenses	(0.4)	(33.1)	(33.5)
Corporate expenses <sup>2</sup>	-	(10.3)	(10.3)
<b>EBITDA</b>	<b>62.6</b>	<b>41.0</b>	<b>103.6</b>
<b>EBITDA as a % of total EBITDA</b>	<b>60.4%</b>	<b>39.6%</b>	
Inter-segment fees and expenses <sup>3</sup>	(6.3)	10.7	4.4
Depreciation and amortisation expense	(0.1)	(1.6)	(1.7)
Net interest expense	(14.6)	-	(14.6)
Income tax expense	(0.3)	(10.6)	(10.9)
<b>Operating earnings</b>	<b>41.3</b>	<b>39.5</b>	<b>80.8</b>
<b>Other Segment Items:</b>			
Realised gains/(losses) on disposal of investments <sup>4</sup>	23.0		
<b>EBITDA as a % of total EBITDA, including realised gains/(losses) <sup>5</sup></b>	<b>67.6%</b>	<b>32.4%</b>	

Reconciliation of Property and management revenue as per Segment Note to Funds Management Income	1H FY17	1H FY16
PFM Revenue per segment note	84.4	57.8
Inter-segment revenue	10.7	8.2
Less: recoveries eliminated against expenses	(1.4)	(1.1)
<b>PFM Revenue</b>	<b>93.7</b>	<b>64.9</b>
PFM EBITDA Expenses per segment note	(33.1)	(30.9)
Less: Inter-segment expense recoveries	1.4	1.1
Add: Depreciation	(1.2)	(1.1)
<b>PFM Expenses</b>	<b>(32.9)</b>	<b>(30.9)</b>

1. CIP EBITDA less depreciation, interest and tax
2. Corporate expenses includes the costs to manage the listed stapled entity of CHC and non sector costs of managing the group wide platform including the Board, CEO, CFO, heads of group wide functions (People and IT), group finance, CHC investor relations, group marketing, corporate share of security-based benefits expense and restructuring costs.
3. Inter-segment fees and expenses are made up of fees and expenses paid by the funds to the Group whether treated as expenses or capitalised by the fund
4. Realised gains/(losses) are calculated on property disposals based on sales price less historical acquisition costs plus capital expenditure on a look through basis
5. This ratio is calculated by dividing the Property Investments and Property Funds Management EBITDA plus the realised gains/(losses) on disposal of investments by the total EBITDA plus realised gains/(losses) on disposal of investments

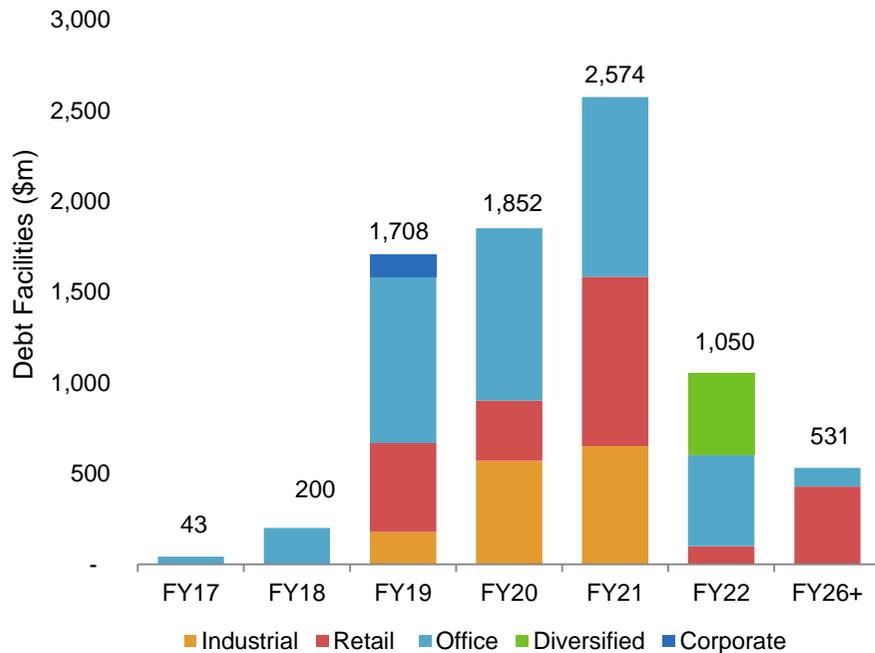
# Property Funds Management Operating Earnings

\$m	1H FY17	1H FY16	Change	Change %
<b>Revenue</b>				
Fund management fees	35.7	29.3	6.4	21.8%
Transaction and performance fees	34.8	17.2	17.6	102.3%
<b>Investment management</b>	<b>70.5</b>	<b>46.5</b>	<b>24.0</b>	<b>51.6%</b>
Property management fees	7.5	8.1	(0.6)	(7.4%)
Development management fees	5.5	3.1	2.4	77.4%
Leasing fees	8.3	5.3	3.0	56.6%
Facilities and project management fees	1.9	1.9	0.0	0.0%
<b>Property services</b>	<b>23.2</b>	<b>18.4</b>	<b>4.8</b>	<b>26.1%</b>
<b>Total funds management revenue</b>	<b>93.7</b>	<b>64.9</b>	<b>28.8</b>	<b>44.4%</b>
Net PFM operating expenses	(32.9)	(30.9)	(2.0)	6.5%
Corporate expenses	(10.7)	(10.4)	(0.3)	2.9%
<b>Operating earnings pre tax</b>	<b>50.1</b>	<b>23.6</b>	<b>26.5</b>	<b>112.3%</b>
Tax	(10.6)	0.0	(10.6)	-
<b>Operating earnings post tax</b>	<b>39.5</b>	<b>23.6</b>	<b>15.9</b>	<b>67.4%</b>

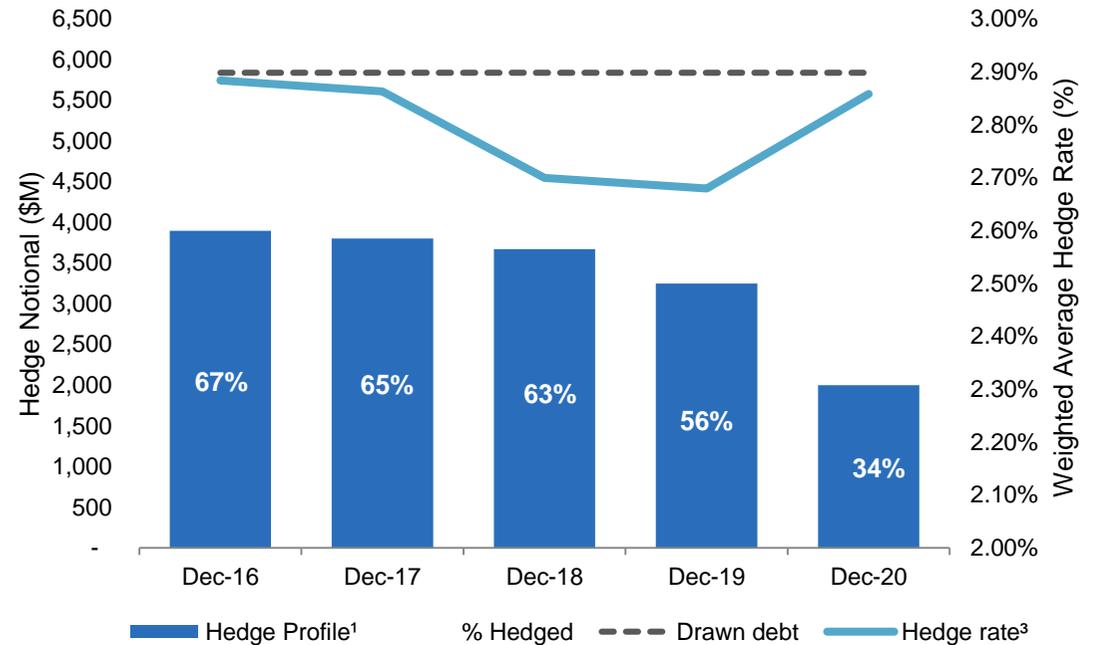
# Funds Management Platform Debt Profile

- The hedge portfolio has a duration of 4.3 years
- The passing weighted average hedge rate is 3.01%
- The passing weighted average cost of debt is 4.28%

## Debt Maturity Profile (\$m)



## Group Hedge Maturity Profile (\$m)



1. Interest rate hedging as at 31 December 2016
2. Current Drawn Debt as at 31 December 2016 and is projected on a straight line basis for illustrative purposes only
3. Hedge Rate is weighted average rate as at 31 December 2016

# Fund Key and Glossary

Listed Entities	
CHC	Charter Hall Group
CQR	Charter Hall Retail REIT
CLW	Charter Hall Long WALE REIT
Wholesale	
BSWF	Brisbane Square Wholesale Fund
CHOT	Charter Hall Office Trust
CLP	Core Logistics Partnership
CPIF	Charter Hall Prime Industrial Fund
CPOF	Charter Hall Prime Office Fund
CPRF	Charter Hall Prime Retail Fund
LWHP	Long WALE Hardware Partnership
LWIP	Long WALE Investment Partnership
LWIP2	Long WALE Investment Partnership No. 2
RP1	Retail Partnership No.1
RP2	Retail Partnership No.2
RP6	Retail Partnership No.6
Funds being realised	
CHOF5	Charter Hall Opportunity Fund 5

Direct Funds	
BW Trust	BW Trust (Direct syndicate)
CDC	Charter Hall Direct CDC Trust
CHIF8	144 Stirling Street Trust
DIF, DIF2, DIF3, DIF4	Direct Industrial Fund series
DOF	Direct Office Fund
PFA	PFA Diversified Fund
VA	Charter Hall Direct VA Trust
DAT	Charter Hall Direct Automotive Trust
Other	
CAGR	Compound Annual Growth Rate
Cap Rate	Capitalisation Rate
FUM	Funds Under Management
NTA	Net Tangible Assets
OEPS	Operating Earnings per Security
PFM	Property Funds Management
PI	Property Investments
WACR	Weighted Average Cap Rate
WALE	Weighted Average Lease Expiry

# Contact Us



**David Harrison**  
**Managing Director & Group CEO**

Charter Hall Group

**T:** +61 2 8651 9142  
david.harrison@charterhall.com.au



**Phil Schretzmeyer**  
**Joint Acting Chief Financial Officer**

Charter Hall Group

**T:** +61 2 8651 9246  
phil.schretzmeyer@charterhall.com.au



**Sean McMahon**  
**Chief Investment Officer**

Charter Hall Group

**T:** +61 2 02 8651 9147  
sean.mcmahon@charterhall.com.au



**Richard Stacker**  
**Group Executive - Global Investor Relations**

Charter Hall Group

**T:** +61 2 8651 9260  
richard.stacker@charterhall.com.au



**Philip Cheetham**  
**Head Of Listed Investor Relations**

Charter Hall Group

**T:** +61 2 8651 9214  
philip.cheetham@charterhall.com.au

# Disclaimer

This presentation has been prepared by Charter Hall Funds Management Limited ACN 082 991 786) (together, with its related bodies corporate, the Charter Hall Group).

This presentation has been prepared without reference to your particular investment objectives, financial situation or needs and does not purport to contain all the information that a prospective investor may require in evaluating a possible investment, nor does it contain all the information which would be required in a product disclosure statement prepared in accordance with the requirements of the Corporations Act 2001 (Commonwealth) (Corporations Act). Prospective investors should conduct their own independent review, investigations and analysis of the information contained in or referred to in this presentation and the further due diligence information provided.

Statements in this presentation are made only as of the date of this presentation, unless otherwise stated. Charter Hall Group is not responsible for providing updated information to any prospective investors. Any forecast or other forward looking statement contained in this presentation may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material.

In making an investment decision, prospective investors must rely on their own examination of the Charter Hall Group, and any other information they consider relevant. All information is provided as indicative only.

This presentation is provided to each prospective investor on the condition that it is strictly confidential and is for the sole use of prospective investors and their advisers. It must not be provided to any other party without the written consent of Charter Hall Group which it may withhold in its absolute discretion.

None of Charter Hall Group, its officers, employees, advisers or securityholders (together, the Beneficiaries) guarantee or make any representation or warranty as to, or take responsibility for, the accuracy, reliability or completeness of the information contained in this presentation. Nothing contained in this presentation nor any other related information made available to prospective investors is, or shall be relied on, as a promise, representation, warranty or guarantee, whether as to the past, present or the future. To the extent permitted by law, the Beneficiaries disclaim all liability that may otherwise arise due to any information contained in this presentation being inaccurate, or due to information being omitted from this document, whether by way of negligence or otherwise. Neither the Beneficiaries nor any other person guarantees the performance of an investment with or managed by Charter Hall Group.

All information contained herein is current as at 31 December 2016 unless otherwise stated. All references to dollars (\$) are to Australian dollars, unless otherwise stated.

**Sydney  
Head Office**  
Level 20, No.1 Martin Place  
Sydney, NSW, 2000

**T:** +61 2 8651 9000

---

**Melbourne**  
Level 12, 570 Bourke Street  
Melbourne VIC 3000

**T:** +61 3 9903 6100

---

**Brisbane**  
Level 22, Northbank Plaza  
69 Ann Street  
Brisbane QLD 4000

**T:** +61 7 3228 2000

---

**Perth**  
Level 5, St Georges Square  
225 St Georges Terrace  
Perth WA 6000

**T:** +61 8 9269 5900

---

**Adelaide**  
Suite 604, 147 Pirie Street  
Adelaide SA 5000

**T:** +61 8 8417 5900

---