

MA Arndale Fund

Asset Management

Investor update
December 2024

The MA Arndale Fund (Fund) is an investment vehicle created to acquire an interest in Armada Arndale Shopping Centre (Centre or Property).

Armada Funds Management Pty Ltd (ACN 124 754 847) is a Corporate Authorised Representative of MAAM RE Ltd (formerly Mendoza Limited) (ACN 135 855 186) (AFSL 335 783).

IMPORTANT INFORMATION

This update has been prepared by Armada Funds Management Pty Ltd (ACN 124 754 847) (Manager), the appointed manager of MA Arndale Fund (Fund) and is subject to the disclaimer at the end of this document. MAAM RE Ltd (formerly Mendoza Limited) (ACN 135 855 186) (AFSL 335 783) is the trustee of the Fund (Trustee).



Investment summary

The Fund is an investment vehicle created to acquire an interest in Armada Arndale Shopping Centre (Centre or Property). The Fund holds a 37.5% interest in the Centre, albeit where relevant the commentary included in the following report is based on 100% interest in the Centre.

The Centre is a prominent sub-regional shopping centre located in Kilkenny, 7km north-west of the Adelaide CBD, South Australia.

The Centre is anchored by six major tenants including Woolworths, Romeo's Foodland, ALDI, Big W and Harris Scarfe discount department stores, and Hoyts. These are supplemented by three mini majors, 86 specialty tenancies, 12 kiosks, and four pad sites.

Fund commentary

As outlined in the latest investor report, The Fund has officially reached the end of its 10-year term and the 50% co-owner exercised their right to require the Centre to be formally put to market. The Manager therefore conducted an on-market campaign to divest the Centre commencing early August. This resulted in a sale of the Centre with unconditional contracts signed mid October. Settlement of the Centre is due on 2 January 2025.

As also previously advised the Manager ran a campaign to separately divest three lots of vacant land adjacent to the Centre (having completed a subdivision process earlier in the year). These three lots have also now been contracted with the first lot successfully settling in August this year and the other two lots due for settlement at the end of March 2025.

Following completion of the sale processes and the expiry of the warranty period under the Centre sale contract, the Fund will be wound up.

Fund overview

Fund inception date	24 October 2014
Fund term	5–10 years
Net Asset Value (NAV) per unit post sale	\$0.447

Investment Management



RICHARD GERMAIN
Managing Director



CHRIS MARJORAM
Executive Director

Manager's report

The sale processes achieved a price of \$128 million for the Centre and \$6.7 million for the three lots of vacant land generating a total sale price of \$134.7 million. This was lower than the latest external valuation conducted at 31 December 2023 of \$136.8 million. This was partially due to an arbitrary increase in land tax for the Centre during the year that alone impacted net income by about \$90k per annum (which at the latest capitalisation rate would convert to about \$1.2m in value), together with a weaker transactions market (as evidenced by a couple of key transactions of comparable centres in South Australia at relatively soft pricing).

The Manager is obviously disappointed with the result for this Fund and acknowledges that unitholders will be as well. The result translates to approximately a \$0.447 per unit final NAV for unitholders¹. Together with the distributions over the term of the Fund of approximately \$0.346 per unit, the total amount returned to unitholders over the Fund term is estimated to be approximately \$0.793 per unit. This result will be slightly different for any unitholders that acquired additional units in the rights issue conducted in 2019.

At the time of conducting the rights issue the Manager reduced its ongoing management fee by 20%. In light of the final result the Manager is also now waiving its divestment fee for the sale of the Property, together with project management fees on various capital works conducted over the period since the rights issue.

While the Manager was able to successfully execute on some key initiatives such as the upgrade of the southern mall and introduction of Aldi, Romeos and Hoyts to the Centre (who are all now trading very strongly) and materially increased the Centre MAT during the period of ownership, the Fund's results were heavily impacted by the substantial costs and valuation impacts arising from both Coles and Greater Union unexpectedly vacating the Centre and Harris Scarfe going into administration shortly after the Fund had built a brand new tenancy for them on a new long term lease.

Divestment details

Full details of the sales of the Centre and vacant land are set out in the below table

	Gross sale price	Settlement date	Purchaser
Centre	\$128.0m	02 January 2025	Nick DiMauro (Mudgee Shopping Centre Pty Ltd)
Lot 1	\$2.0m	14 August 2024 (already settled)	KCL Group Pty Ltd
Lots 2 and 3	\$4.7m	31 March 2025	KWS NO 1 PTY LTD
Total	\$134.7m		

The proceeds from the sale of Lot 1 were fully applied to reduce the debt facility held by the Fund.

1. Estimate only and assuming the Centre and vacant land settle successfully and there are no successful claims on the warranty under the Centre sale contract.

Fund distributions and wind-up

The sale contract for the Centre includes a warranty for a maximum amount of \$3.2 million (for the whole Centre). This amount will be retained during the six-month warranty period stipulated in the contract, with the balance of proceeds distributed to investors shortly after settlement. Investors will receive an additional capital return upon the settlement of Lots 2 and 3 in April 2025, with the final distribution issued upon the expiration of the warranty period.

As investors are aware, the Fund had also been withholding distributions to accumulate cash for the dining precinct and to introduce new key tenants to the Centre. Given the Centre is now being sold, the bulk of this additional cash will be distributed immediately to unitholders.

On that basis, assuming successful settlement of the Centre and Lots 2 and 3 of the vacant land and there are no warranty claims under the sale contract for the Centre, the Manager expects to pay the following distributions between now and wind up of the Fund:

Outstanding distribution summary	
December 2024	\$0.045 per unit
January 2025 (post settlement of Centre)	\$0.344 per unit (estimate)
April 2025 (post sale of Lots 2 and 3)	\$0.034 per unit (estimate)
July 2025 (post expiry of contract warranty period)	\$0.023 per unit (estimate)
Total	\$0.447 per unit (estimate)

The Manager is aiming to wind up the Fund prior to the end of Q3 CY2025.

Tax statements

Tax statements for any distributions made during the current financial year will be sent to investors post the end of the financial year. Investors should seek tax advice as to treatment of the various distributions.

Given that expected wind up of the Fund will not occur until after the 2025 financial year, there will be a further tax statement sent to investors following final wind-up of the Fund.

The Manager will provide a further final update upon Fund wind-up.

More information

For more information speak to your financial adviser.

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IMPORTANT INFORMATION

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