

Arena REIT

Overview Q4. As at 30 June 2014



Bryce Mitchelson
Joint Managing Director

Dear Investor

Arena Investment Management Ltd (**Arena**) as the Responsible Entity of Arena REIT (**ARF**) is pleased to provide this update to investors as at 30 June 2014.

Quarterly distribution

Enclosed is a copy of your distribution statement for the quarter ended 30 June

2014. A distribution of 2.325 cents per security was paid on 14 August 2014 for the period 1 April 2014 to 30 June 2014. This brings the FY14 total year distribution to 8.75 cents per security, in line with guidance previously provided.

FY15 distribution guidance

ARF appears well placed to continue delivering relatively high earnings growth in FY15 and is pleased to announce ARF's distribution guidance for FY15 of 9.75 cents per security¹. This is an increase of 1 cent per security and equates to 11.4% distribution growth over FY14.

FY14 taxation statement

Also enclosed is your FY14 annual taxation statement. Please note that 24.18% of the total FY14 distribution was tax deferred for the stapled security.

Opening of DRP

To assist with the funding of the current development pipeline, ARF has announced that it has opened its Distribution Reinvestment Plan (**DRP**) applying for the September quarter distribution onwards. The reinvestment price will be a 1.5% discount to the volume weighted average price calculated under the DRP Rules. Arena encourages investors who wish to participate in the DRP to complete their election form (enclosed) and lodge this with the registry prior to 30 September 2014 (participation deadline is close of business on 1 October 2014).

A copy of the DRP rules is available to download from the Arena website at www.arenainvest.com.au/funds/arena-reit/DRP, or you may also request a copy to be sent out to you by calling 1800 008 494.

Arena REIT: at a glance

Total assets

\$375.3m

a 56% increase over FY13

Number of properties held

193²

an increase of 16 properties over FY13

WALE (by income)

8.5 years

a 2.5% increase over FY13

Distributable income per security

8.75 cents

an increase of 9.4% on past 12 months

¹ On a status quo basis assuming no new acquisitions and developments in progress are completed in line with budget assumptions, and tenants comply with all their lease obligations.

² Includes development sites.

Internalisation opportunity

Arena has entered into an exclusivity agreement for a period of six months with Citrus II Investments Pty Limited (the ultimate owner of Arena Investment Management Limited) for ARF to consider an internalisation of its responsible entity function and to assume the management rights over two wholesale funds, being PHC Darlinghurst Syndicate and Trust and BSH Joint Venture (which both own healthcare properties).

The implied purchase price, after net asset adjustments, would be approximately \$10.7 million for the ARF and wholesale funds management (intangible) rights; which is equivalent to 2.65% of total assets under management.

If Arena decides to proceed with a proposal, it would be subject to several key conditions including:

- ARF security holders approving the proposal;
- An independent expert concluding that the proposal is in the best interests of ARF security holders;
- No superior proposal;
- All required consents of financiers and other third parties.

The opportunity outlined above will be actively considered by the independent directors of the Arena Board. No decision has been made by Arena to proceed with any proposal and as such, there is no certainty that the proposal will proceed.

If Arena decides to proceed with a proposal, it is intended that a Notice of Meeting and Explanatory Memorandum would be issued for a security holder meeting to be held towards the end of calendar 2014.

Quarterly activities

ARF's key activities for the quarter are as follows:

- **Childcare developments** – construction work has progressed in relation to 5 developments and management continues to seek out and identify well located sites for new childcare centres. Arena believes this is the best strategy for new investment by ARF, in the context of the high prices being paid for existing centres. Arena is only acquiring sites where it has a long term tenancy pre-commitment in place.
- **Childcare disposals** – As part of ARF's ongoing strategy to remix and improve the overall quality of its childcare centre portfolio, 10 smaller and older childcare centres were put up for sale at a Burgess Rawson auction in June. Pleasingly these centres were sold at prices above book value for \$14.2 million and on a passing yield of 6.69%.
- **Acquisition of Caboolture Medical and Dental Centre** – In May 2014, ARF purchased Caboolture Medical and Dental Centre, strategically located within the Caboolture-Morayfield principal activity



centre in Queensland. The property is 100% leased for 15 years to a subsidiary of Primary Health Care Limited and was re-opened in June 2012 following a significant refurbishment by the tenant. The acquisition is accretive to earnings.

- Updated NTA as at 30 June 2014 – Arena has recently advised that as a consequence of updated property revaluations and the profit booked on the childcare disposals, the Trust's NTA has lifted by 10.8% to \$1.13 per security. Further details regarding the revaluations are provided in the FY14 Annual Results Announcement and Presentation discussed below.

FY14 Annual Results Announcement

Arena announced ARF's FY14 financial results to the Australian Securities Exchange and investors on 25 August 2014. A copy of the Announcement, Presentation, Annual Financial Statements and Corporate Governance Statement can be located on the Arena website at www.arenainvest.com.au/Investors/results-presentations.

Pleasingly ARF's total return for FY14, its first year as a listed entity, provided a total return (ASX price movements and distributions paid) of 26% to investors, out-performing both the ASX 200 All Ordinaries Index and A-REIT property index over the period.

Communications

Healthcare and childcare property presentations

Arena recently held two presentations on the benefits of investing in childcare and healthcare property and the strong underlying fundamentals which support the sectors. The presentations have now been made available to view on the presentations section of the Arena website.

Morgan Stanley Emerging Companies conference

Arena also presented at the Morgan Stanley Emerging Companies Conference in May, a copy of the presentation is available to download from the presentation section on the Arena website.

Corporate website

The corporate website has recently been updated, giving visitors better access to information on ARF, including historical reports, presentations and updates. If you have any feedback regarding the website or any of our communications, please contact Arena using the contact details supplied overleaf.

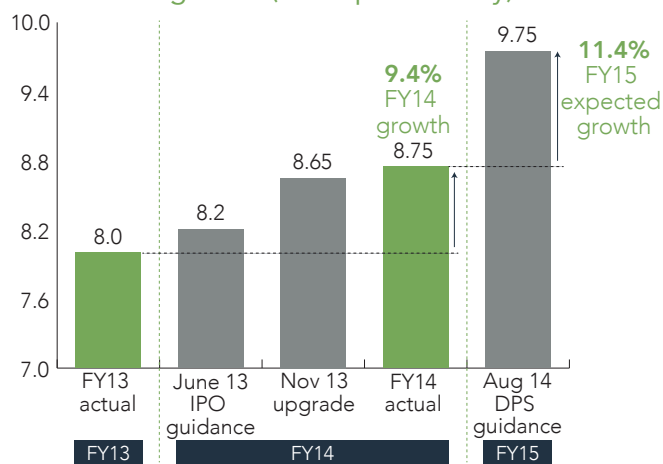
Yours faithfully

Bryce Mitchelson
Joint Managing Director



Caboolture Medical and Dental centre.

Distribution growth (cents per security)



¹ On a status quo basis assuming no new acquisitions and developments in progress are completed in line with budget assumptions, and tenants comply with all their lease obligations.

Stay up to date with arenainvest.com.au

The Arena corporate website (www.arenainvest.com.au) provides a wealth of information on the Fund and its activities.

Information available on the site includes full and interim year financial reports, presentations and webinars as well as Arena tax statement guides.

Social media

Arena is now active on different social media channels so you can keep up to date with our news and activities. Connect with us through the following:



@arenainvest



arenainvestmentmanagement



Arena Investment Management

Managing your investments

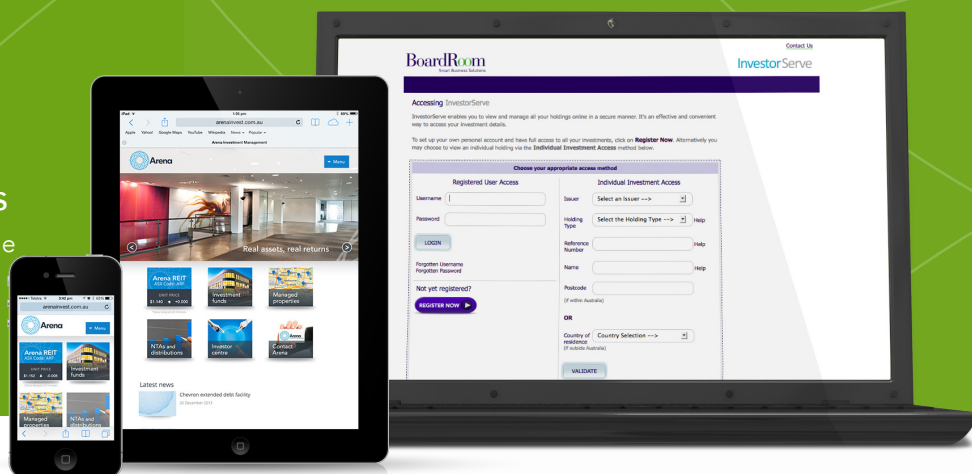
Arena's registry; Boardroom is responsible for maintaining the register of members. Investors with queries relating to their holding should contact Boardroom directly using the contact details below.

InvestorServe

Investors are able to manage their investments through InvestorServe, accessible via the Investor Centre section of Arena's website. This allows investors to view holding balances, transaction history and distribution payments, along with other useful functions.

To register with InvestorServe:

1. Call 1800 008 494 and request a password for InvestorServe.
2. Once received, visit Arena's website and click on the InvestorServe link shown on the Investor Centre page. Once there, simply select Register Now.
3. Enter the required information and follow the prompts to verify your identity and create your own account.
4. You should now be able to access and manage your investments online.



Contact information

For any further information or if you have any queries please contact one of the following:

Relating to your holding:

Registry
BoardRoom
Locked Bag 32001
Collins Street East
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Relating to Fund performance:

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All other queries:

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Important notice

This summary has been prepared by Arena in relation to publicly announced information as at 30 June 2014 or as otherwise stated herein, is for information purposes only and is not financial product advice. Arena has not considered the investment objectives, financial circumstances or particular needs of any particular recipient. You should consider your own financial situation, objectives and needs and if necessary obtain professional advice in relation to this update. No representation or warranty, express or implied, is made as to the accuracy, completeness or correctness of this update or as to the reasonableness of any assumption, contained in this update. This document contains certain forward-looking statements which involve known and unknown risks, uncertainties and assumptions which are beyond the control of Arena and its directors, and are not guarantees of future performance. Actual results may differ materially from the anticipated results and neither Arena nor any other person gives any representation, assurance or guarantee (express or implied) that the occurrence of these results will actually occur.