



14 May 2020

Dear Investor,

STOCKLAND DIRECT RETAIL TRUST NO.1 (SDRT1 OR THE TRUST) - UPDATE

We refer to your investment in the Trust and wish to provide an update further to our investment report for the half year ended 31 December 2019, provided to investors on 13 March 2020.

Sale of Benowa Gardens

We are pleased to report that the sale of Benowa Gardens, the final property owned by the Trust, settled on 20 March 2020 for a sale price of \$40.1 million, in line with the price reported in the Trust's financial report and investment report for the half year ended 31 December 2019.

The proceeds from the sale, after the deduction of disposal costs, have been used to repay the Trust's remaining outstanding debt of \$5.52 million resulting in the termination of the Trust's loan facility.

As this is the final property to be sold, the Trust has been terminated and the winding-up of the Trust has commenced, pursuant to the resolution passed by unitholders at the meeting of members held on 11 March 2019.

Interim distribution

Following the sale of Benowa Gardens, the repayment of debt and payment of disposal costs, an interim distribution of 79.0 cents per unit will be paid to unitholders on or around 27 May 2020. The distribution will comprise a distribution of income totalling approximately 35.5 cents per unit and a return of capital totalling approximately 43.5 cents per unit.

Redemption and cancellation of units in the Trust prior to 30 June 2020

The sale of the Trust's properties has resulted in the realisation of capital gains in the current tax year which unitholders are expected to be subject to tax on their share. Australian resident investors may benefit from using the discount method in calculating their capital gain. For example, individuals and trusts may benefit from a 50 per cent CGT discount in respect of the capital gains distributed from the sale of the Trust's properties.

It is proposed to redeem and cancel 99 per cent of your units in the Trust at a redemption price of approximately 0.95 cents per unit on or around 3 June 2020. Where the redemption and cancellation of your units realises a capital loss and you are an Australian resident tax payer, this capital loss may be used to offset your capital gains realised in the same tax year. Please note that this information is generic in nature and is not tax advice which can be relied upon. Each unitholder's particular circumstances will be different and therefore you may wish to seek independent tax advice as appropriate.

To facilitate this redemption the Constitution of the Trust has been amended by the Board in accordance with the Corporations Act 2001 (Cth) to allow additional powers of redemption following the termination of the Trust. The Board resolved to amend the Constitution after it formed the reasonable view that the proposed amendment does not adversely affect unitholders' rights, and noting that the redemption and cancellation of units is common practice in the wind-up of a Trust where a portion of funds is required to be retained to cover a potential residual liability.

The proposed redemption at a redemption price of approximately 0.95 cents per unit will replace the March 2020 quarter income distribution of 0.95 cents per unit, declared by the Board on 20 February 2020.

Vendor warranties provided in connection with the sale of the Trust properties

As reported earlier, vendor warranties were negotiated as part of the sale of all of the Trust's properties, in line with normal market practice. The warranties primarily relate to representations made on behalf of the Trust during the sale process and will not be impacted by disruption caused by the COVID-19 pandemic.

The warranty period for Tamworth Homespace expired on 29 February 2020 without any claims being made. The warranty period in connection with the sale of Pacific Pines expires on 18 August 2020. The warranty period for Benowa Gardens will be the last to expire on 21 December 2020.

Next steps

We will be in contact again on or around 3 June 2020 to notify you of the redemption and cancellation of 99 per cent of your units.

In line with normal practice, you will receive an annual taxation statement on or around 31 August 2020 notifying you of the tax components comprising the distributions paid during the year ending 30 June 2020. As noted above, the information relating to tax is generic in nature and is not tax advice which can be relied upon. Each unitholder's particular circumstances will be different and therefore you may wish to seek independent tax advice as appropriate.

Subject to any claims on the remaining vendor warranties, we intend to wind-up the Trust and redeem and cancel the balance of your units as soon as practicable after the warranty period for Benowa Gardens expires on 21 December 2020.

If you have any questions or require further information, please do not hesitate to contact me on +61 2 9035 3120 or email paul.wyatt@stockland.com.au. Alternatively, if you have any queries in relation to your holding in the Trust, please contact Computershare on 1300 850 505.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Wyatt', written in a cursive style.

Paul Wyatt

Fund Manager on behalf of Stockland Capital Partners Limited