

Stockland Capital Partners Limited

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13 June 2018

Dear Investor,

STOCKLAND DIRECT RETAIL TRUST NO. 1 (TRUST) – OUTLOOK FOR THE YEAR ENDING 30 JUNE 2019

We are pleased to confirm that the Trust is on track to achieve full year distribution as per guidance of 7.416 cents per unit for the year ending 30 June 2018.

We have completed our annual budget process and wish to inform you of the outlook for the year ending 30 June 2019.

As we have reported to you previously, the Trust's properties are facing challenging leasing conditions arising from declining retail sales and increased competition. Despite our continued active management of the properties, these conditions are anticipated to result in higher vacancies and lower effective rents which are budgeted to contribute to a reduction in the Trust's rental income in the year ending 30 June 2019.

Accordingly, as a result of the conditions set out above, the Trust distributions are budgeted to decline, effective from the quarter ending 30 September 2018, in the order of 9% to approximately 6.75 cents per unit, assuming no further material change in market conditions.

We will continue to actively manage and remix the tenancies to achieve the best outcome for investors in a more challenging market.

Please contact me on (02) 9035 3120 should you have any queries.

Yours sincerely,

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

Paul Wyatt
Senior Funds Manager