



Global Asset Management

Colonial First State Property Retail Pty Limited
ABN 19 101 384 294

Manager of CFS Retail Property Trust

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CFS RETAIL PROPERTY TRUST (CFX)

Chairman's Address, CFX Unitholder Meeting

Good morning ladies and gentlemen

I would like to welcome you to this Unitholder Meeting for CFS Retail Property Trust, which I shall refer to throughout this meeting as CFX. Thank you for taking the time to join us here today.

My name is Richard Haddock and I am the Chairman of Commonwealth Managed Investments Limited, the responsible entity of CFX.

I would like to introduce the other Directors joining me here today:

- Jim Kropp
- Ross Griffiths, and
- Nancy Milne

I would also like to welcome members of the CFX Management team:

- Angus McNaughton, Managing Director of Property for Colonial First State Global Asset Management, and
- Michael Gorman, CFX Fund Manager.

We also have Troy Dahms from our Investor Relations team; Greg Freeman, Company Secretary of the Responsible Entity and a representative from our solicitors, Freehills.

Purpose of the Meeting

We are here today to provide you with an update on CFX, as well as to put two proposals to you. If approved by you, our unitholders, the CFX constitution will be amended to allow units in a new trust, Retail Trust 2, to be stapled to your units in CFX.

The Board believes this is an appropriate initiative, and will allow the Manager to investigate new potential sources of revenue for unitholders, initially through such activities as operating digital in-mall advertising screens.

We will provide more details on this later in the meeting.

Before we consider the resolutions, Angus McNaughton will begin by providing you with an update on Colonial First State Global Asset Management. Entities within this business provide property and fund management services to CFX. Angus will also provide an overview of the domestic market.

Michael Gorman will then provide an update on the Trust. At the conclusion of Michael's update, we will invite you to participate and ask questions, after which we will turn to the formal business of the meeting and voting on the two resolutions.

I will now hand you over to Angus.

CFSGAM Property
Angus McNaughton

Thank you Richard, and good morning ladies and gentlemen. It's great to see you all here today.

For those that don't know me, I am Angus McNaughton, the Managing Director of Property for Colonial First State Global Asset Management (or CFSGAM). CFSGAM provides property and fund management services to CFX.

A little bit of history about me...I have been with the business for over 17 years in various roles, most recently as the head of CFSGAM's wholesale property business.

I was also the Chief Executive of the Manager of Kiwi Income Property Trust, which is New Zealand's largest listed property trust and a top 15 entity on the New Zealand Stock Exchange.

So, who is CFSGAM Property?

We are one of Australia's leading property investment and asset managers.

As well as CFX, we manage its sister trust Commonwealth Property Office Fund and also Kiwi Income Property Trust. We also manage a suite of wholesale property funds and third party mandates.

We are a leader in sustainability. This is integral to our focus on providing above benchmark long-term investment returns. To us, it just makes good business sense.

Importantly for you, our property funds are supported by one of the largest asset management teams in Australia.

Our focus is to ensure that CFX's assets remain attractive and competitive, and that they operate as efficiently as possible so that we may generate quality returns for you.

To give you a better feel for our business, the three major pillars of our property platform are Listed Funds, Wholesale Funds and Asset Management, and also the extensive corporate infrastructure behind us.

We have expert teams who also draw on the knowledge of their counterparts in the Commonwealth Bank, in the areas of Finance, Treasury, Legal, Tax, Responsible Investment, HR, Strategy, Transactions and Risk and Compliance.

Our \$18 billion business has a 26 year history and employs more than 950 people across Australia and New Zealand, who all work to drive value for you, our investors.

The scale of our business, and the strength of our property team are the real benefits.

I would now like to spend a brief moment talking about our operating environment.

While there remains uncertainty on the global stage – and I'm sure you have all been watching events unfold in Greece and broader Europe – here in Australia, the underlying fundamentals are showing some positive signs.

The labour market remains tight, with the Australian economy expected to return to trend growth over the next couple of years.

Interest rates have been falling, however the share market continues to be impacted by global sentiment. In these uncertain times, the Australian Real Estate Investment Trust sector has outperformed the broader market in the year to date, and the share price gap to net asset value for real estate trusts has narrowed.

The Australian consumer, however, remains cautious. This has brought the retail sector to a cyclical low, but the outlook is improving.

Real population growth, combined with solid real wages growth and falling interest rates augers well for the retail sector, and with that, I will hand you over to Michael Gorman, the Fund Manager of CFX.

Trust Overview

Michael Gorman

Thank you Angus, and good morning ladies and gentlemen.

CFS Retail Property Trust is without doubt one of Australia's leaders in owning and managing shopping centres, and we are the sixth largest A-REIT by market capitalisation.

We are also one of the few Australian REITs that, since our listing 18 years ago, has never deviated from its strategy, which for us is very simple.

- We own quality Australian shopping centres.
- We maintain a conservative balance sheet.
- We focus on long-term sustainable returns for you, our investors.

We own interests in 29 retail properties that today, have an occupancy rate of 99.7% – which in essence means they are full.

These underlying core fundamentals have assisted us in maintaining a consistent earnings growth and are a key feature of why the Trust is a top 50 entity on the ASX.

Over 10 years, CFX has delivered a total unitholder return of 202%, or 11.7% per annum.

In other words, if you invested \$100 10 years ago and reinvested all of your distributions, you would have \$302 at 31 March 2012, compared to the Retail A-REIT index where you would have just \$154 and the broader A-REIT index where you would have just \$116.

Operational highlights

Since we last came before you, your management team has been very active and focused on enhancing unitholder value.

We sold 50% of The Myer Centre Brisbane, enabling us to realise some of the significant value we have added to this asset over time.

We were also able to initiate a unit buy-back and reprice many of our interest rate hedges.

In the development pipeline, which we consider to be another core value driver, works continued at the Trust's flagship development, Emporium Melbourne, and we have commenced construction on the redevelopment of Roxburgh Park.

The Trust remains well placed as measured by a number of key metrics.

- We have improved the Trust's net tangible asset backing.
- We have reduced our debt costs.
- Our leasing team continues to work hard in keeping our shopping centres full, and while retail sales growth remains weaker than normal, improved sales productivity has kept our retailers occupancy costs in check.
- All the while, we remain on target to deliver a distribution per unit of 13.1 cents this year, an increase of 3.1%.

Capital management

The Trust's average cost of debt now sits at 6.1%, which is down significantly from 7.0% in June 2011.

We have a moderate level of gearing and maintain a high level of hedging in the short-term to reduce the impact of interest rate volatility on the Trust's income.

We also maintain a well diversified portfolio of debt sources.

Combined with CFX's high credit rating and our active approach to capital management, these strong fundamentals have enabled the Trust to deliver on strategy as usual through the recent global financial crisis, and since then.

Portfolio overview

Approximately 87% of the Trust's \$8.3 billion portfolio is located on the eastern seaboard of Australia, where around 80% of Australia's population resides.

And over 77% of our assets are of regional centre size or larger.

You heard Angus talk earlier about some of the challenges the retail sector is facing. It's worth having a look at how this is playing out across the CFX portfolio.

Consumer sentiment and retail sales growth have both been relatively weak over the past year. On the other hand, consumers are diverting some of their discretionary spend into non-retail areas like overseas holidays which, I would argue, is not the sign of a very nervous consumer at all.

Across our portfolio, fresh food, cafes, food courts and technology retailers are enjoying strong sales growth.

At the same time, mid-level apparel retailers are experiencing cyclical weakness and a number of leisure categories are becoming less prominent in shopping centres.

Our leasing team, however, continue to work very hard to ensure that the CFX portfolio remains full. In fact, we are seeing a reasonable level of tenant demand at the top end, particularly from international casual and luxury retailers, and also for services and general merchandise.

On Responsible Property Investment, we believe that making our shopping centres more energy and water efficient makes good business sense.

We are on track to have 10 of the Trust's shopping centres rated for NABERS Energy and Water by the end of the financial year, with the balance of the portfolio to be assessed next year.

Our efforts to date have resulted in the Trust receiving a number of industry awards, recognising our best practice standards in the areas of corporate governance, carbon disclosure and sustainability.

Development pipeline

Our development pipeline is a source of growth in value for the Trust.

We have some \$620 million of projects in progress.

The Emporium Melbourne project has commenced construction and is targeting a tenant mix including international brands, large concept stores and high level fashion. We know from the level of demand we are receiving from both domestic and international retailers that we are creating something quite special for the Melbourne CBD.

Works are underway at Roxburgh Park, which is looking to enhance its service and general merchandise focus with the introduction of a new-format Coles super-store and Aldi, as well as 40 specialty retailers.

Looking forward, we have a further \$600 million of developments planned over the short to medium term, including another stage of Chadstone, which is already Australia's leading shopping centre.

Forward focus

Looking ahead, we will, as always, focus on enhancing unitholder value.

- We will continue to intensively manage our shopping centres to drive investment performance.
- We will investigate further sources of income, part of which is the subject of your vote today.
- We will continue to work through our accretive development pipeline.
- We will continue the buy-back program, where it makes sense.
- And we will recycle capital over time.

In good times and in bad, we will also work with our retailers to assist their sales, both through in-mall marketing activities, as well as through online, digital and social media strategies.

Summary and outlook

We see a retail environment that has a mixture of both headwinds and tailwinds, and while we expect a choppy period in the short-term, there are positive signs for the road ahead.

We maintain our expectation of 3% specialty sales growth for the 2012 calendar.

And finally we are confident of a distribution for the 12 months to 30 June 2012 of 13.1 cents per unit, at the upper end of our guidance and reflecting 3.1% growth for the year.

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About CFS Retail Property Trust

CFS Retail Property Trust (CFX or the 'Trust') is a retail sector-specific Australian Real Estate Investment Trust (A-REIT) which invests in high quality retail assets including super-regional, regional, sub-regional and retail outlet shopping centres across Australia. Its stock market trading code is CFX. The Trust comprises 29 retail assets and is managed on behalf of more than 18,000 investors from 21 countries.

About Colonial First State Global Asset Management (CFSGAM)

CFSGAM is the consolidated asset management arm of Commonwealth Bank of Australia ABN 48 123 123 124 (the 'Bank'), and sits within the Bank's Wealth Management division. Entities within CFSGAM provide management services to the Trust. CFSGAM Property is a fully integrated real estate investment business with approximately \$18 billion in funds and assets under management, employing more than 950 people across Australia and New Zealand.