Commonwealth Managed Investments Limited
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ABN 33 084 098 180

7 March 2014

The Manager, Listings
Australian Securities Exchange
Company Announcements Office
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

Chairman’s address and speakers’ notes
Extraordinary General Meeting of CFS Retail Property Trust 1 and CFS Retail Property Trust 2, together CFS Retail Property Trust Group (CFX)

I attach a copy of the Chairman’s address and speakers’ notes which will be delivered today at the Extraordinary General Meeting of CFS Retail Property Trust 1 and CFS Retail Property Trust 2.

Yours sincerely

MHBrady

Michelle Brady
Company Secretary
Commonwealth Managed Investments Limited

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CFS Retail Property Trust Group (CFX)

7 March 2014

ASX ANNOUNCEMENT

Extraordinary General Meeting of CFS Retail Property Trust 1 and CFS Retail Property Trust 2, together CFS Retail Property Trust Group (CFX) Chairman's address and speakers' notes

Chairman's address
Mr Richard Haddock AM
Chairman of Commonwealth Managed Investments Limited (CMIL)

On 24 July 2013, CMIL announced that it had received a proposal from Commonwealth Bank of Australia (the Bank) to internalise the management of CFX (the Proposal).

To ensure total independence from the Bank in its assessment of the Proposal, CMIL immediately established an Independent Board Committee, comprising the three Independent Directors, to consider the Proposal.

After careful consideration of the Proposal, which included undertaking extensive due diligence with the assistance of external financial, legal, accounting and taxation advisers, and after a lengthy period of negotiations, the Independent Board Committee reached agreement with the Bank, the outcome of which will be directed by your votes today.

The internalisation continues to be unanimously supported by your Independent Directors.

The Independent Expert has also concluded that the Proposal is fair and reasonable to, and in the best interests of, non-associated CFX securityholders.

CFX's largest securityholder, The Gandel Group, intends to vote in favour of the Proposal.

In addition, we are in a pleasing position to have the Proposal fully funded with equity proceeds received from the institutional placement completed in December last year and the Security Purchase Plan (or SPP) which we finalised in January, together with additional borrowings. This funding approach allows CFX to maintain a strong financial position post internalisation, with a gearing level in the middle of its target range and its 'A' credit rating affirmed by Standard & Poor's.

An institutional placement and SPP were considered the most appropriate form of equity funding, given the quantum of equity required and the desire to minimise the discount on new securities for the benefit of all securityholders.

It also resulted in retail securityholders receiving in aggregate around 5% of the new securities issued, which is in line with their proportionate holding as a group prior to the offer.

Internalisation improves the structure of the vehicle. CFX will have an enhanced platform that provides scale and diversification benefits as well as opportunities for incremental growth.

Internalisation will also replace fees paid to the Bank by CFX, with lower directly-incurred costs over which CFX has greater control.

The Proposal is 2.1% accretive to distributions and 4.2% value accretive on a per security pro forma basis, and governance is also enhanced with the CFX Co Board being directly elected by securityholders and there will be superior alignment with management.

With regards to the future governance of CFX, internalisation does provide an opportunity to reshape the Board whilst also maintaining continuity through the transition period.

It is proposed that the Board of CFX Co will comprise a majority of independent directors, and an independent chairman.

All existing independent CMIL Directors will remain on the CMIL and CFX Co boards, while the existing non-independent Directors will resign their positions upon implementation of the Proposal, subject to the outcome of today's proceedings.

Angus McNaughton, who is currently the Managing Director of Property for Colonial First State Global Asset Management and proposed to be the Chief Executive Officer and Managing Director of the internalised CFX, will be invited to join the CMIL and CFX Co boards.

Post implementation, the CFX Co Board will invite two Non-executive Directors to be nominated by The Gandel Group. In addition, a further two independent non-executive directors are to be appointed in due course.

This will eventually bring Board numbers to eight.

One of the key differences you will see under an internalised model is that you, our securityholders, will have the opportunity to vote on non-executive directors at Annual General Meetings.

For the reasons I have outlined, your Independent Directors continue to unanimously recommend that you vote in favour of the Proposal, and all of the 10 resolutions to be put to you today.

Internalisation proposal overview
Angus McNaughton, Managing Director, Property, Colonial First State Global Asset Management

The proposed internalisation of CFX is an opportunity to bring under one roof a group of businesses with a proven track record in retail property investment and asset management.

It will be one of the largest vehicles of its kind in Australia, and leverage off what is already a quality portfolio, backed by a team of more than 850 property professionals.

The enhanced platform will include the direct investments in the 28 properties which CFX already has in its existing portfolio.

If the internalisation is approved, a strategic partnerships business will be added to CFX, making our offer complete through the addition of wholesale property funds and retail property asset management. On a pro-forma basis, this would provide around 8% of CFX's total revenue, so you shouldn't see a material shift to our risk or earnings profile. The majority of CFX's revenue will continue to be driven by the existing CFX platform with which you are already familiar.

Under the internalised structure, on day one CFX will have:

- $13.9 billion of assets under management
- 15 strategic partners
- over 5,000 retailers, and
- a broader business with skills in investment management, corporate services and asset management.

CFX's existing portfolio of directly-owned assets will remain the revenue driver of the Group.

Our approach to strategic partnerships will provide an avenue for incremental growth.

CFX will look to maintain, and where appropriate, establish new retail sector funds and mandates by targeting like-minded partners. This provides us with the potential opportunity to derive income diversification and incremental growth by leveraging both our retail expertise and the relationships we have developed across the broader business.

The benefits to CFX will be both tangible and strategic. There are immediate benefits from scale efficiencies and improved diversity of earnings and capital sources.

We will maintain our existing focus on the intensive asset management of our shopping centres. This includes the redevelopment and strategic remixing of our assets to create a compelling retail offer and drive shopper traffic and sales.

We will also continue to take a disciplined approach to investment decisions, maintaining a strong balance sheet and making targeted acquisitions and disposals as appropriate.

It is these fundamentals that have driven the success of CFX to date.

Internalisation will also bring an increased focus on the people and culture of our business. The culture of excellence that has been nurtured and grown under CFSGAM Property will not only be preserved but further developed.

In terms of transition arrangements, there are a number of work-streams that are in place to ensure a smooth transition to an internalised structure. These transition arrangements will benefit from continuity of management, with the large majority of the team coming with us to the new internalised CFX. This includes the core team that already manages CFX, the wholesale property funds and our asset management platform.

We are well advanced on work-streams to ensure a smooth transition of IT systems and business processes and, if the Proposal is approved today, we will begin the process towards rebranding CFX, although we will continue to utilise the CFX name under licence for a transitional period.

CFX operational update
Michael Gorman, Fund Manager, CFS Retail Property Trust Group

I am going to take you through the highlights of our December 2013 interim results which were reported last month. We had a solid result in what has been a relatively challenging operating environment.

Our distribution of 6.8 cents per security was in line with the prior period and we remain on track to meet our full-year guidance.

On intensive asset management, we have been very active on the leasing front, executing 660 deals, and our portfolio remains effectively full, with occupancy at 99.2%. Leasing spreads have come down in line with our peers, while specialty store sales growth has remained modest at 1.7%.

We have, however, made good progress on our Emporium Melbourne and DFO Homebush developments, which are both expected to be fully leased on completion.

In the capital management space:

- S&P confirmed our ‘A’ credit rating post the announcement of the proposed internalisation, and
- we continued our asset recycling program, selling Rosebud Plaza at a premium to book value.

Finally, our responsible property investment program took another step forward this period. CFX ranked number three globally for listed entities in the GRESB sustainability survey. And we ranked equal first for disclosure in the CDP survey.

In the retail environment, drivers remain mixed but are starting to look up.

Positive real wages growth, rising house prices and low interest rates all bode well for the sector, and the falling Australian dollar has reduced the attractiveness of spending money offshore. Notwithstanding, cautious consumers are still saving at relatively high rates, given a weaker labour market and rising petrol prices.

On balance, we believe we are through the trough and we shall see a more positive retail environment as the year progresses.

So what does this mean for the CFX portfolio?

Our retailers continue to review their supply chains and business models to reduce costs and maintain or improve profit margins.

For CFX, we are actively remixing our centres to improve the retail offer and its attractiveness to our customers.

Customers are very focused on strong brands, with retailers such as Cotton On and Peter Alexander in expansionary mode while international retailers are also expanding in our malls. On top of the big names at Emporium Melbourne and DFO Homebush:

- Coach is now in Chatswood Chase
- Louis Vuitton has doubled in size at QueensPlaza, and
- Japanese retailer, Muji has opened its first Australian store at Chadstone.

In addition, we continue to improve the in-mall experience with a focus on improving the cafés, food courts and parents rooms in our regional and sub-regional malls and in the DFO centres, all of which allow shoppers to make the most of the social experience of our malls and extends dwell time.

From our development pipeline, DFO Homebush in Sydney has exceeded all of our expectations. We have added a range of luxury and premium international retailers as well as great food and cafes. The majority of stores opened ahead of schedule in early December and traded exceptionally well over the Christmas period. The carpark works were also complete in December including a new convenient ground-level carpark with 850 spaces. A Park Assist customer guidance system is now operational throughout all the carparks. Centre foot traffic in January was up over 50% on the same period last year.

We are making good progress at our major project in Victoria, Emporium Melbourne, and are working towards an opening for the important Easter trading period. With the public spaces nearing completion, the focus is now on tenant fit-outs and getting shops open. The multi-level Uniqlo and Topshop flagship stores, as well as many other retailers, are now fitting out their stores.

Also in Melbourne, we continue to progress a further expansion of Chadstone, with the next round to include an additional 20,000 sqm of retail space and an office component. The retail concept will look to satisfy continued strong demand from international retailers and luxury brands, and involves redeveloping the northern end of the centre. We are targeting an initial return of greater than 6% on the retail component. The office development proposes a 10-level, freestanding A-grade tower of approximately 15,000 sqm. We are targeting an initial return of greater than 8% on the office project. All the required planning permits have now been secured for these projects to progress. We still have a great deal of work to do before any physical work commences, including finalising the project scope, advancing the design, tendering the construction work and completing key leasing deals. This work will be complete within the next six months, which would allow work to commence later this year.

ENDS

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