

DHA RESIDENTIAL PROPERTY FUND NO. 1 ARSN 163 921 640
HALF YEARLY REPORT
PERIOD ENDING 31 DECEMBER 2015



DHA
Investment
Management



Dear Investor

On behalf of DHA Investment Management Limited, I am pleased to present the half yearly report for the six months ended 31 December 2015, for the DHA Residential Property Fund No. 1 (Fund).

This report provides a summary of the performance of the Fund for the six months from 1 July 2015 to 31 December 2015.

Consistent with past practice, two distributions were made to Unitholders of 100% of cash profits plus a small amount of residual capital not utilised in the initial purchase of properties by the Fund.

Following Centric Capital's decision to divest out of the residential property market, DHA IML has been working closely with Centric/Findex to achieve an orderly disposal of the 79 properties in the Fund. As proceeds from sales accumulate, these will be distributed monthly, replacing quarterly distributions.

Thank you for your continued support over the past year. The Board remains focused on maintaining quality assets, duly supported by a strong corporate governance structure to maximise returns for investors.

Yours faithfully



Martin Brady
Chair
DHA Investment Management Limited

Fund particulars

DHA Residential Property Fund No. 1

ARSN: 163 921 640

ABN: 38 256 918 058

Responsible Entity

DHA Investment Management Limited

26 Brisbane Avenue

Barton ACT 2600

ACN: 161 662 255

ABN: 59 161 662 255

Custodian

Perpetual Limited

Lvl 13, 123 Pitt Street

Sydney NSW 2000

Registered Office

26 Brisbane Avenue

Barton ACT 2600

Telephone: 139 DHA (139 342)

info@dhaim.com.au

www.dhaim.com.au

Directors of the Responsible Entity

Martin Brady (Chair and Non-Executive Director)

Jan Mason (Executive Director)

Jon Brocklehurst (Executive Director)

Solicitors to Responsible Entity

Norton Rose Fulbright Australia

Lvl 18, Grosvenor Place

225 George Street

Sydney NSW 2000

Compliance Committee

Penni James (Independent Chair)

Graeme MacLaren (Independent Member)

Jon Brocklehurst

Auditors to the Fund

Ernst & Young

121 Marcus Clarke Street

Canberra ACT 2601

Secretary

Ross Jordan

Unit Registry

White Outsourcing

Lvl 3, 99 Bathurst Street

Sydney NSW 2000

Portfolio highlights

- All 79 properties received a 4.25% rental increase on 31 December 2015, in accordance with the lease agreements.
- Gross rental yield for the period under review was 5.78% (based on the initial purchase price).
- Underlying Profit of the Fund for the period 1 July 2015 to 31 December 2015 was \$688,100.
- The Cum-Distribution Unit Price for each unit held at 31 December 2015 was \$1.0563.
- Quarterly cash distributions of \$0.0084 per unit were paid on 2 November 2015 and 1 February 2016 in respect of the six month period.
- The sale process of the properties from the Fund commenced in October 2015 and as at 4 February 2016, 32 properties were either under offer/exchanged or settled.

Portfolio performance

Rent received for the period from 1 July 2015 to 31 December 2015 was \$1,232,996 with a net profit of \$688,100. As per the lease agreements in place with DHA, where DHA assumes all vacancy risk, all properties in the Fund have received rent for the whole period 1 July 2015 to 31 December 2015, including a 4.25% increase from 1 January 2016. Rent is paid one month in advance and rent for the month of January 2016 has been received, which has been accounted for as income received in advance.

Quarterly cash distributions of \$0.0084 per unit (\$395,640 in total) were paid on 2 November 2015 and 1 February 2016 in respect of the six month period.

Table 1: Key Metrics

	1 July 2015 to 31 December 2015	1 July 2014 to 31 December 2014
Underlying Profit	\$688,100 ¹	\$687,676 ¹
Gross Rent	\$1,232,996	\$1,182,730
Gross Rental Yield	5.78% ²	5.55% ²
Cum – Distribution Unit Price	\$1.0563	\$0.9895
Ex-Distribution Price	\$1.0479	\$0.9811
Cash Distribution	\$791,280	\$791,280
Net Rental Profit Margin	66.3% ³	67.9% ³

¹ Underlying Profit is a non-IFRS measure that is determined to present, in the opinion of the Directors, the ongoing operating activities of DHA Residential Property Fund No. 1 in a way that appropriately reflects its underlying performance. Underlying Profit is the basis on which distributions are determined and does not include any impact from unrealised market revaluation.

² Gross Rental Yield is a measure that shows January rental income (to show the impact of the annual 4.25% increase) extrapolated out over twelve months divided by the purchase price (not including capitalised transaction costs) of the property held at reporting date.

³ Net Rental Profit Margin is determined by dividing the net profit from rental operations (gross rent minus direct property related expenses) by gross rent received.

Update on property sales

Following Centric Capital's decision to realise its investment in the Fund, a Property Sales Committee (PSC) was established with representatives from DHA IML and Centric/Findex to oversee the sale of all the properties. Properties are being marketed through appointed real estate agents who are panel members on DHA's mid-lease sales channel. In addition, the properties are being marketed to DHA's data base where any enquiry related to a property is automatically re-directed to the respective real estate agent's web page.

The PSC has been meeting weekly to review sales progress, marketing strategies and overall performance consistent with the Centric/Findex objective of having the Fund sell down completed prior to 30 June 2016. Importantly, the PSC closely monitors prevailing market conditions to ensure pricing on properties for sale remains relevant, to maintain positive momentum going forward.

Costs of \$20,364 have been incurred during the period ended 31 December 2015 in relation to the sale of the Fund property portfolio.

The following table provides a status of the sale process as at 4 February 2016.

Table 2: Sales update

	Exchanged/Under offer				Remaining to be sold
State	No. of properties	Valuation 30 June 2015	Accepted price	Variance*	No. of properties
ACT	2	1,150,000	1,240,000	7.8%	9
NSW	8	7,115,000	7,633,000	7.3%	14
QLD	10	4,890,000	4,975,500	1.7%	4
VIC	8	4,175,000	4,447,500	6.5%	2
WA	2	970,000	975,000	0.5%	8
SA					5
NT					5
Subtotal	30	18,300,000	19,271,000	5.3%	47
	Settled				
ACT	1	705,000	798,000	13.2%	
NSW	1	670,000	690,000	3.0%	
Subtotal	2	1,375,000	1,488,000	8.2%	
Grand total	32	19,675,000	20,759,000	5.5%	47

*sale price to valuation

Future distributions

Quarterly distributions will cease forthwith and be replaced with monthly distributions of the proceeds from property settlements and rental income. One distribution will be made per calendar month, with the first of these envisaged to commence early March 2016 and continue until the final realisation of the Fund's net assets (i.e. funds remaining after making the payment of liabilities and meeting all operational and administrative expenses).

Unitholder information

Should you have any enquiries regarding your unitholding, you should contact White Outsourcing on (02) 8262 2800. If you have any questions regarding your investment in DHA Residential Property Fund No.1 you should speak to your financial advisor in the first instance or contact DHA Investment Management Limited.

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Disclaimer

This document was prepared by DHA Investment Management Limited (DHA IML) as the manager of DHA Residential Property Fund No.1. DHA IML is not licensed to provide financial product advice in relation to units in the Fund. Please refer to the product disclosure statement for further information about the DHA Residential Property Fund No.1. This document has been issued on the basis that it is only for the information and exclusive use of the particular person to whom it is provided. Past performance is not indicative of future performance. Any forecasts included are reasonably believed to be reliable on current information but due to our inability to predict future events they cannot be guaranteed. This document is of a general nature only.