

INVESTOR UPDATE VERTUA OPPORTUNITIES FUND

INVESTMENT HIGHLIGHTS

6c Distribution FY2019

Target Minimum 6.5c FY 2020

Digital Marketing – relaunch
of new sites completed 2019

Exploring Development
Opportunities at the
Lismore Gateway Motel 2020



Vertua Opportunities Fund & Vertua Limited

Head Office:
Level 5, 97 Pacific Highway
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Website:
opportunities.vertua.com.au

Dear fellow Investors,

As we enter our busy period for the Fund, I thought it would be prudent to send out a short update to let you know how we are tracking and where we are up to since our last update detailing the settlement of the Gateway Motel in Lismore and release of the 30 June 2019 financial statements.

Lots has happened in the last few months, including the payment of the final distribution for the period ended 30 June 2019, with payment made in October 2019. This takes the total distribution for FY2019 to 6 cents per share.

I am pleased to confirm that the Fund is tracking well against the budget for the year to date, with actual revenue ahead of the budget by 1.96% and up on the last year by 53.49% (normalized, 11.20%) with the busiest part of the quarter still to come. The Fund is also tracking well against its other metrics and is expecting to see benefits from the strategies implemented across the portfolio over the last 12-months.

Overall, the occupancy across the portfolio is up compared to the last year, which is reflected in the revenue increased mentioned above. We expect even better results given that peak season at the end of the calendar year is still to come.

This quarter we have implemented new scheduling software, Zuus, across all sites. Zuus streamlines the scheduling and payroll process for asset managers to decrease administrative time and gives centralized visibility over the key costs of each asset. The Fund is expecting that Zuus will provide better reporting and management of overheads.

Our investor website has been updated at opportunities.vertua.com.au. The website has an improved user experience where we have articulated our investment strategy and where we will keep all our update documents publicly available for future reference.

This has coincided with an overall digital strategy for our individual sites for the operating assets, in addition to updating the digital profile for the Vertua Opportunities Fund. The launch of the new asset websites linked with a new social media strategy will leverage the insights generated by website traffic and platform analytics.

Future Strategy

Based on our current financial performance and modeling, the Fund is expecting to pay a distribution of at least 6.5 cents per unit during the financial year ended 30 June 2020. It is expected that the distribution will be paid in two tranches, being 3.5 cents per unit in February 2020, and 3 cents per unit in September 2020.

We have paused on actively seeking to acquire any new assets in the second half of 2019. We are highly focused on the delivery of the operational metrics sought to achieve. Strategies such as the Zuus implementation are good examples of this.

We expect that in early 2020 we will recommence our strategy to acquire assets meeting our acquisition metrics to further increase scale and grow the Fund.

KEY PROJECTS / MILESTONES ACHIEVED IN 2019 – ALL FUND ASSETS

1. Installation of playground at Tuross Head

The installation of playground equipment has been completed at Tuross Head. This playground has been targeted toward the 2-12 age group, which will ultimately enhance the family experience.



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VERTUA
FUNDS MANAGEMENT

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2. Re-Positioning at Tuross Head

The Park has undergone some soft furnish and general upgrades such as a newly painted interior. With a brand-new website and logo to go with the upgrades, we have received positive feedback and some glowing reviews online.

3. Zuus

With the introduction of Zuus across the Funds sites, this software will streamline the management of staff overheads. Zuus will also assist to improve forecasting in regard to budgeting and revenue tracking.

4. Digital Marketing

We have relaunched new sites that include:

- stewartsbaylodge.com.au/
- turossbeach.com.au/
- barclaymotorinn.com.au/

5. New IT infrastructure at Stuarts Bay Lodge

We fixed the internet infrastructure, so now we have a stable internet connection which has also allowed us to upgrade the server equipment on site. We will move to implement new Enterprise booking management software during next year.

KEY PROJECTS FOR EXISTING PORTFOLIO IN 2020

1. Solar power for the Gateway Motel, Lismore

We plan to implement a large 100kW solar array at the Gateway Motel in Lismore. This is a larger CAPEX activity, however, will bring reduced operating costs over the next 5 years. We expect that the operational savings will result in a 3 year payable on the CAPEX associated with these changes.

2. Lodge DA for new amenities block and changed accommodation in Tuross Head

The new amenity block will include disability amenities. Construction expected to commence in early 2020 after the summer season has ended. We are further exploring cost effective cabin options for an under-utilized section at the back of the park to boost revenue.

3. Migration to RMS Enterprise

We have started the process of getting a single unified asset and booking management solution for the group. Currently sites have individual instances of RMS (www.rmscloud.com). RMS has an enterprise edition which will provide a group overview and streamline reporting and management of sites across the group. This change will allow further expansion and scaling as we grow the business through acquisition.

4. Exploring development opportunities at the Lismore Gateway Motel

We have been preparing an initial feasibility at the Lismore site for the development of either additional units or alternately serviced apartments. A number of options exist, and we need to consider the best use of capital, impacts on the business and timing of any works. We intend on getting planning advice and market feasibility by 30 June 2020 with a view that a strategy will be implemented in late 2020.

As always, there are lots of smaller minor projects going on at each site. The Barclay recently got new beds and the Bateman's Bay Motel new signage. We are really looking forward to the upcoming Christmas busy period, which usually delivers the large proportion of the group's earnings. Early bookings indicate a promising positive holiday period.

Kind Regards,

James Manning
Director