

MARCH 2020



VERTUA
FUNDS MANAGEMENT

Vertua Opportunities Fund & Vertua Limited

Head Office:
Level 5, 97 Pacific Highway
North Sydney, 2060

Website:
opportunities.vertua.com.au

Dear Fellow Investors,

The end of last year and the beginning of 2020 have been challenging for Australia with bushfires, floods and now the disruption of COVID-19 virus.

Our team has been working tirelessly to reduce any negative impact on the Fund's performance and towards achieving its objectives. Despite all challenges, the Fund is tracking well against the budget for the year to date, with actual revenue of \$4,125,215, ahead of the budget by \$18,273. This is substantially up on the last year revenue of \$2,974,112 for the same period, but reflects the addition of the Gateway Motel. The Gateway revenue during the period was \$1,005,531, so adjusting for this and on a like for like basis, we are up 4.89% year-on-year.

While no one can say with any certainty what the future will hold for us at the moment, we believe our assets appear to be well positioned. Two of our venues are in close proximity to regional hospitals, which should result in continued trade during the period.

We hope that domestic tourism kicks off in a few months, where both Stuarts Bay Lodge and Tuross Head could both benefit. If you are looking for a great spot to self-isolate, let us know!

Dividend

We are currently finalising all necessary financial documents together with OneRegistry Services to process first tranche of 2020 dividend distributions, being 3.5 cents per unit. This reflects an increase of 0.5 cents per unit compared to the previous period and reflects the strong management results.

KEY PROJECTS / MILESTONES ACHIEVED

1. Bank Facilities

We renegotiated our facilities with NAB during the period. This has seen a reduce of 1.25% across the board, reducing our overall cost of funding to circa 3.2%. While this is a great outcome, we will only see the benefits of this over the forward period.

2. Gateway

The Gateway has been fully operational and performing well year to date. We have changed the management team during the period, and while the change caused short term issues, we are very pleased with the longer-term benefits. We have finally received a provisional approval for Gateway Motor Inn to install a new 100KW solar panel system. We are expecting to lodge DA for the new system within this month to progress with the installation. The installation of solar will reduce our long-term operating costs and add value to the fund.

3. Tuross Head

We were lucky to be spared by the fires at the last minute, however trade has been impacted. We are collaborating with NAB on their program of assistance to those affected by bushfires. NAB has offered one extra day of leave for all their employees who is going to stay at affected areas. To make Tuross Head more attractive for people we have put together an exclusive offer for the bank's employees if they have chosen to use the program and will want to stay at our Tuross Beach Cabins & Campsites. We are hoping to attract more visitors to support local people and their businesses around Tuross Head to bring the area back to life as soon as possible.



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4. Barclay Motor Inn

Trading this calendar year has seen a 13.4% increase compared to the same period of 2019. This reflects the reviews we receive in relation to the room upgrades we did last year and the great job the onsite managers are doing with guest relations and cleanliness. In general Tasmania tourism has declined, it is great to see we are staying ahead of the pack. Our year to date revenue is on budget.

5. Stewarts Bay Lodge and On The Bay Restaurant

The Fund's management team started the 2020 year with a visit to Tasmania at the beginning of January to personally meet managers and employees from both sites. Our goal was to discuss the main challenges that keep them from achieving their KPIs and what we can do to improve this.

We have also made a great progress in improving expense management in both assets due to implementation of Zuus, new rostering and payroll management system, and changing of staff. We continue to manage the costs in the restaurant, which is an ongoing challenge and behind our purchase assumptions, however within our expectations this year.



6. Corporate Updates

We continue to be focused on systems to increase management performance and reduce our overall costs. We have started to see the benefits of these programs in the February 2020 numbers. Key things we implemented was ZUUS - a specialised cloud-based rostering and payroll management system to give us more real time control of employee hours. This implementation alone has provided an opportunity to reduce labour cost by 15% across the group. We are going to keep working on improvements in this area.

7. Brand Presence

We are currently working on improving the overall Vertua Opportunities Fund's brand strategy to be able to articulate our investment approach better to our potential investors to further increase scale and growth of the Fund. An updated website is expected to be launched within next two months.

As always, there are many other smaller projects going within the Fund. We will keep working on improvements at each site to achieve the best possible results for higher returns.

We continue monitoring numerous sites as potential acquisition targets for the Fund to expand its portfolio and to satisfy its investment strategy and objectives.

We are really happy to talk with any investors who have queries, want to understand the impacts of COVID-19 or just catch up.

Please don't hesitate to contact Olga (olga@vertua.com.au) to schedule a time to meet.

Kind Regards,

James Manning
Chief Investment Officer