



Annual Meetings 2019 Chairman and Chief Executive Address

Slide 1 – Stride Property Group Annual Meetings 2019

Good afternoon ladies and gentlemen.

My name is Tim Storey, and I am an Independent Director and Chairman of Stride Property Limited (referred to as SPL) and Stride Investment Management Limited (referred to as SIML), the two companies that comprise Stride Property Group (Stride).

On behalf of the Directors of each Board, the Chief Executive and the Executive Team, it's my great pleasure to welcome you to this year's annual meetings of shareholders.

First, to some housekeeping matters - in the event of a fire, an alarm will sound. To exit the building, head out the door you came in, turn right and then exit through the external fire exit doors at the end of the corridor, and congregate on Princes Street. Please follow all instructions of Pullman staff in the event of an evacuation.

The bathrooms are located out the door, turn left, and continue down the corridor to the end. If we can be of any assistance, please approach one of our team.

Finally, as a matter of courtesy, please ensure your mobile phones are switched to silent.

Thank you.

Slide 2 – Board of Directors

I would now like to introduce your Directors and Executives who are seated next to me. Firstly, the independent Directors of Stride Property Limited and Stride Investment Management Limited:

- John Harvey, who is the Chair of the Audit and Risk Committee. John has over 35 years' professional experience as a chartered accountant and was a partner in PricewaterhouseCoopers for 23 years where he held a number of management and governance responsibilities. John retired from PwC in 2009 to pursue a career as a professional independent director;
- Michelle Tierney has more than 20 years' experience in the property industry, and is currently the Chief Operating Officer for ASX listed SCA Property Group;
- David van Schaardenburg has worked in financial analysis and portfolio management roles for over 30 years. As announced earlier this month, David will be retiring today and is not seeking re-election as a director;

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- Philip Ling has more than 30 years' experience in funds and property management entities throughout New Zealand, Australia, Asia Pacific and the United Kingdom; and
- And finally, our newest Directors, appointed in the past 6 months to the Stride Boards - Jacqueline Robertson and Nick Jacobson - both of whom are standing for election today. I will let them tell you about themselves during the formal part of the meeting.

Each of your Directors hold a number of governance roles in a number of entities, from domestic to international, listed and non-listed, across a diverse range of industries. You can view each of the Directors' profiles in more detail and their other directorships on the Stride website or in the latest Annual Report – hard copies of which are available here today.

Finally, a little bit about myself: I was appointed Chair of Stride in 2009 and have more than 30 years' business experience across a range of sectors. I have practised as a lawyer in Australia and New Zealand, retiring from the Bell Gully partnership in 2006, and I am a director of a number of private and public entities.

I am standing for re-election today and look forward to your support. I believe I contribute to the overall leadership and governance of Stride, and have seen it grow significantly over the last ten years, a period of time during which Stride has evolved and grown to the business it is today.

Slide 3 – Management

In addition to the Board, we also have members of our Executive here today:

- Philip Littlewood, the Chief Executive Officer of Stride Investment Management Limited;
- Jennifer Whooley, the Chief Financial Officer of Stride Investment Management Limited; and
- Louise Hill, the General Manager Corporate Services and Company Secretary of Stride Investment Management Limited and Stride Property Limited.

I acknowledge the attendance of other members of the Stride leadership team who are here today, and you will have the opportunity to meet with them following the conclusion of the meetings.

I also welcome:

- Karen Shires, Stride Property Group's audit partner from PricewaterhouseCoopers;
- Stride's solicitors, Bell Gully; and
- Representatives of Computershare, the share registrar for Stride Property Group.

Slide 4 – Agenda

Moving to the formalities of the meetings, I record that the Notice of Meetings for Stride Property Limited and Stride Investment Management Limited was dispatched to shareholders and Stride's auditors on 1 August 2019.

I am pleased to confirm that we have a quorum present for each of the meetings and accordingly, I declare the annual meetings open.

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The order of events for this afternoon will be as follows:

- Shortly Philip Littlewood and I will provide a brief overview of Stride's financial and business performance for the year in review.
- Following this, questions and comments from shareholders will be taken in relation to the Annual Report and financial statements of Stride Property Group. Related to this, I note recent comments from the Financial Markets Authority (FMA)¹, in response to its findings following a recent survey to better understand public and industry perceptions of audit quality, and the suggestion made that perhaps auditors need to have more of a presence at shareholder meetings. As noted, Stride's audit partner Karen Shires is available here today to take any questions from shareholders on the PricewaterhouseCoopers audit report and audit process during discussion of the Annual Report and financial statements.
- We will then move to the formal business of the meeting of Stride Property Limited to consider the two resolutions proposed in the Notice of Meetings.
- Following that, we will move to the formal business of the meeting of Stride Investment Management Limited, to consider the six resolutions proposed in the Notice of Meetings.
- The process for discussion and voting on each of the resolutions will be outlined at the appropriate time.
- And finally, we will attend to any general business and final questions.

At the conclusion of the meetings, please join the Directors and Executive Team for light refreshments.

Turning now to our formal presentation.

Slide 5 – Chairman's Address - Tim Storey

On behalf of the Board, I am proud to be able to share with you:

1. An overview of our performance and activities for the financial year ended 31 March 2019 (FY19);
2. Detail around our recent activity; and
3. A glimpse of what's on the horizon for Stride.

You will recall that when we listed as the stapled entity Stride Property Group in 2016, we set ourselves the ambitious goal of building the best performing NZX-listed property investment and management company. We set out to do this through:

1. Investing in the best places;
2. Managed by the best team; and

1. 20 May 2019 speech by Rob Everett, speaking to the Audit Forum New Zealand, <https://www.fma.govt.nz/news-and-resources/speeches-and-presentations/fma-audit-forum-speech/>

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3. Delivering the best performance.

This vision and the balance of our four strategic pillars of performance, people, places and products guides our organisation in the day-to-day management of our portfolios and the growth we target for our real estate investment management business.

As an organisation we have been very deliberate in the execution of our vision, which relies on the following elements that we actively pursue:

- Develop and grow a real estate investment management business for the long term.
- Utilise our expertise to invest in and manage quality investment portfolios that attract the highest demand and deliver market-leading returns.
- Focus on delivering value to our managed funds by creating sustainable products with growth opportunities, while leveraging the specialist expertise that we have developed within SIML. Articulated another way, if our funds are successful for our customers, shareholders will also benefit.

Slide 6 – Delivering Performance

Turning now to our FY19 performance, if I had to articulate the two main themes underpinning our performance and operations for the year-ended 31 March 2019, it would be:

- An underlying business that is stable and steadily growing in a considered and multi-faceted manner through the two entities that make up Stride Property Group; and
- The continuing development of, and investment in, the foundations of Stride, positioning us for the next phase of our targeted growth aspirations.

During the last financial year we delivered a solid result and we are satisfied with the performance achieved across our business. Some of the key highlights are as follows:

- We delivered consistent and strong shareholder returns for FY19, with total shareholder returns (TSR) of 24.6%. Total shareholder return is made up of our share price growth over the year plus dividends.²
- Stride's profit after tax attributable to shareholders for the year was \$76.2 million. Net rental income was slightly down on the previous period, but this was expected due to the loss of rental income from the divestments of the three Bunnings assets in the previous year - the impact of which was \$4.0 million - and the subsequent loss of rental from the Springs Road property which is currently under development.
- What I would like to emphasise is that pleasingly - divested assets and current developments aside - the growth of net rental income from the underlying Stride Property Limited portfolio was up on FY18 by \$2.6 million, and up by \$3.4 million when you include the completed development at Rockridge Avenue.

2. TSR is calculated as: (closing share price on the last traded day of the year to 31 March 2019 plus dividends paid during the year to 31 March 2019 less the closing share price on the last traded day of the year to 31 March 2018) divided by the closing share price on the last traded day of the year to 31 March 2018.

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- Stride Property Limited (SPL) achieved a positive net revaluation gain of \$36.5 million, representing a 4.2% increase, taking the total SPL portfolio value as at 31 March 2019 to \$966.3 million.
- We were very pleased to see the growth in the portfolio translate to increased value in our investments, with NTA up 5.5% to \$1.92 as at 31 March 2019.
- Finally, I note that Loan to Value Ratio is a key metric for the property sector, and while SPL's loan to value ratio was 34.4% as at 31 March 2019, consistent with the previous year at 34.1% on 31 March 2018, throughout the 12 months of FY19 the LVR was, on average, 5% lower when compared to the prior year, reflecting the active repositioning of the portfolio through the previously mentioned disposals, and the commencement of the development projects, to enable future growth in assets that better fit with our long term strategy and targeted growth profile.

Slide 7 – Delivering Performance

- Profit before other income/(expense) and income tax of \$38 million, was down on FY18 by \$2.8 million, primarily due to the timing of properties under development and lower rental income resulting from our disposals (totaling \$5.8 million), partially offset by higher income from the existing portfolio and the completed Rockridge development as previously outlined, in an amount of \$3.4 million.
- Despite some of the variability, distributable profit³ after current income tax of \$38.8 million was consistent with FY18 at 10.62 cents per share.
- Total cash dividend for the year ended 31 March 2019 was 9.91cents per share, in line with guidance. This dividend represented a payout of 93.4% of distributable profit after current income tax, which is slightly below Stride's payout policy of 95% to 100% of distributable profit.

Slide 8 – Managed by the Best Team

As we continue to increase our focus on investment management, we are committed to building depth and capability across a full range of services for our customers, from asset management to property development, from financial and corporate services to investment management, positioning SIML as New Zealand's best, full-service property investor and manager.

Our people are an essential component to the success of Stride, and as Chairman it's exciting to see the depth of commercial and industry experience and diversity of skills amongst our Board and Executive – which also flows through our organisation. With the appointment of two new executives in the roles of Investore Fund Manager and General Manager Investment, Stride's executive now number

³ Distributable profit is a non-GAAP financial measure adopted by Stride to assist Stride and investors in assessing Stride's profit available for distribution. It is defined as profit/(loss) before income tax, adjusted for determined non-recurring and/or non-cash items, share of profits in associates, dividends received from associates and current tax. Further information, including the calculation of distributable profit and the adjustments to profit before income tax, is set out in note 4.3 to Stride's consolidated financial statements for the year ended 31 March 2019.

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eight and we have a total employee base of just over 100. We have collectively built a great team to create and deliver environments people will enjoy and prosper in.

At a governance level there have also been some changes.

This is a good time to acknowledge the contribution of David van Schaardenburg, who, as you have heard, is retiring as a director of both Stride Property Limited and Stride Investment Management Limited at the conclusion of these meetings. On behalf of the Board and shareholders, I thank David for his contribution to our business for over 9 years, providing a significant contribution to Stride through a period of change. We wish him all the best.

As announced in July 2018, the Board is continuing its refresh programme, with the appointment of two new Directors; Jacqueline Robertson in March 2019 and Nick Jacobson in July 2019. Jacqueline's considerable professional experience and broader financial sector skills, as well as her knowledge of corporate responsibility and sustainability, are highly relevant and valuable to Stride. Nick has a strong background in investment banking and property, which will be extremely beneficial to Stride as we continue to execute our funds management strategy. Our new Directors will complement the Board's current skill and expertise mix.

The Board will continue to review its composition and skill set, to ensure Stride governance and leadership remains industry leading.

As our CEO will comment shortly, our business remains vibrant and focussed on delivering on our property funds management business.

With that, it is a good time for me to hand over to the Chief Executive, Philip Littlewood, who will provide an overview of some of the operational highlights for FY19 and activity over recent months.

Slide 9 – Chief Executive's Report – Philip Littlewood

Good afternoon everyone, it is a pleasure to be here and to share some of our highlights for the year.

Our integrated structure is unique in New Zealand and allows Stride to develop both our property investment and our real estate investment management businesses.

Today I will firstly discuss Stride's directly held portfolio, owned by SPL, and then will turn to discuss our investment management business, SIML.

Slide 10 – Portfolio by Sector

As at 31 March 2019, Stride's directly held portfolio was valued at \$966 million, representing an increase of \$64 million or 7.1% on a gross basis, and \$37 million or 4.2% on a net basis.

Stride's directly-held properties can be grouped into four sectors, Office, Industrial, Large Format Retail and Shopping Centres.

To provide some insight into the portfolio of each sector, as at 31 March 2019:

- Our **office portfolio** was valued at \$237 million, made up of 8 properties, with 70 tenants, including the likes of Meridian Energy in Wellington and Heartland Bank in Auckland, totaling

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approximately forty-nine thousand square metres, with an occupancy rate of 95.5%, generating \$16 million in net contract rental⁴;

- Our **industrial portfolio** is valued at \$263 million, made up of 11 properties, with 21 tenants, including New Zealand Post, Laminex Group and Hydraulink, totalling approximately one hundred thousand square metres, with an occupancy rate of 100%, generating \$12 million in net contract rental;
- Our **retail portfolio** consists of two sectors, Shopping Centres comprising four properties and valued at \$338 million – approximately 35% of Stride's portfolio, and Large Format Retail, comprising three properties and valued at \$129 million – approximately 13% of Stride's portfolio. In aggregate these sectors had an occupancy rate of 96.3% across approximately one hundred thousand square metres of net lettable area, generating net contract rental for the period of \$30 million.

Our strategy for our investment management business is to target specialist sectors, which will form foundation portfolios for stand-alone future SIML products, as we have done with Investore and Diversified, supporting Stride's strategy of growing funds under management. We have made some strong progress on this in the year to date and I'll touch on this in more detail at the end of my presentation.

Slide 11 – Investing in the Best Places

Our strategy for the places we create focusses on selecting assets and delivering outcomes that result in market leading returns to shareholders. Over the past year, strong underlying market dynamics have contributed to growth in property values across all commercial property sectors, particularly the industrial, office and large format retail sectors.

Some of the key highlights across our portfolio of places for the year were:

- Portfolio occupancy was up as at 31 March 2019, to 97.6%. Since year end, I'm pleased to report that occupancy has increased further to 98.2% as at 31 July 2019.
- Over the 12 months to 31 March 2019, market rental across the portfolio grew by \$3.3 million or 5.9%, with a market capitalisation rate contraction of 26 basis points to 6.35%.
- There was significant growth in our underlying business during the year, with 270 leasing transactions completed, resulting in annualised rental increases of 4.3% for the year, with market reviews delivering increases of 8%, and CPI and fixed reviews contributing an increase of 3%.
- For our retail assets, we continued to see strong sales performance, with comparable sales⁵ growth of 4.7% for NorthWest Shopping Centre and NorthWest Two and 4.4% for Silverdale

4. Contract rental is the amount of rent payable by each tenant, plus other amounts payable by that tenant under the terms of the relevant lease as at the relevant date, annualised for the relevant 12 month period on the basis of the occupancy level for the relevant property as at the relevant date, and assuming no default by the tenant.

5. Comparable sales only includes sales from those tenancies which have traded for the past 24 months and includes commercial services categories.

Centre⁶ over the 12 months to 31 March 2019. Recent sales continue to support this trend, with Moving Annual Turnover growth up 3.6% for NorthWest and 4.4% for Silverdale for the 12 months to 31 July 2019.

Slide 12 – Investing in the Best Places

Acquisitions

- We were pleased to announce during FY19 the industrial property acquisitions at The Concourse, Henderson for \$35 million, comprising a 1.8 hectare site with established buildings and 2.2 hectares of development land, and the acquisition at 439 Rosebank Road, for \$8 million – with settlement of that acquisition due to occur in July 2020.
- These acquisitions align with SPL's strategic investment focus on acquiring and developing properties in key sought-after industrial locations which are well serviced, with connection to significant roading infrastructure.
- Associated with the acquisition at The Concourse is the opportunity to work alongside Waste Management on a second development following the Springs Road development, with Waste Management again agreeing to a new 25-year lease for a purpose-built facility at the site which is now under development and due to be completed in 2020. This approach to activity is demonstrative of the importance SIML places on partnering with tenants.

Divestments

- There was limited divestment activity for SPL during the period, with one asset sold post balance date - at 33 Corinthian Drive, for \$50.5 million, representing a +4.7% premium to the property's book value in the consolidated interim financial statements as at 30 September 2018.
- This sale is an example of optimising the SPL portfolio for future growth and recycling non-core assets, with the funds received from the sale to be redeployed into new investments as we continue to develop our investment management strategy.

Slide 13 – Investing in the Best Places

Development Projects

- 12-months on from establishing an in-house development team, SIML has a growing pipeline of development activity, with the team currently managing over \$200 million of development projects across our various products.

These include for SPL:

6. Sales data is not collected for all tenants at Silverdale Centre. Some tenants are not obliged to provide sales data under the terms of their lease.

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- The large industrial project at Springs Road, East Tamaki, where we have partnered with Waste Management to develop a new head office and logistical facilities site, with completion expected towards the end of 2019.
- As previously mentioned, the development at the recently acquired property at The Concourse, Henderson.
- A \$5 million expansion project of the Briscoes and Rebel Sport premises at the Bay Central shopping centre, in Tauranga with new 10-year leases to commence post development. Our Bunnings tenanted property has also been earmarked for a \$6 million expansion, however we note that these works are currently on pause at the request of the tenant, while Stride and the tenant review alternative options for the expansion of the site.
- For Diversified NZ Property Trust (Diversified), we have the rebuild project at Queensgate continuing, as well as various other asset management and property upgrade works, which in aggregate total over \$100 million.

Overall this brief snapshot of our activity provides evidence of our strategy in action, our ability to transact effectively in this market and produce results, and the skill set of our people and SIML as a reliable and effective partner, with the ability to deliver.

Slide 14 – Products

I'll now turn to our investment management business.

Our products are the funds we manage. Our investment management business, SIML, currently manages three property portfolios – SPL, Investore Property Limited (Investore) and Diversified NZ Property Trust (Diversified).

As at 31 March 2019, SIML was managing over \$2.2 billion of investment property across the portfolios of SPL, Investore and Diversified. There has been pleasing growth in funds under management since listing in 2016 and we have further growth aspirations for our investment management business.

The Investore mandate is focused on large format retail property, and Diversified owns four retail shopping centres.

SPL owns a 19.9% stake in Investore, and a 2% interest in Diversified. Stride has a high level of alignment with the success of its products, through its co-investment performance and through management fees earned.

We have again continued to have a successful and highly active year for both Investore and Diversified.

Slide 15 – Products – Investore

For Investore:

- Many of you may also be shareholders in Investore and will know that Investore produced strong FY19 results and completed a number of initiatives.

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- These initiatives included the successful renewal of two key leases in Rotorua and Hamilton, a \$100 million inaugural bond issue, an on-market share buyback, completion of Investore's divestment programme with the sale of its asset at Dunedin South at a 5.6% premium to book value, and the commencement of a SIML-appointed dedicated resource for Investore.
- The culmination of many of these initiatives contributed to an increase in FY19 dividend guidance from 7.46 cents per share to 7.60 cents per share.
- This portfolio activity and sales evidence also contributed to a six cents per share gain in net tangible assets value to \$1.70 per share, and takes the total gain in net tangible assets since listing in July 2016 to 15.6%.
- Investore's performance since listing has translated into SIML earning its first performance fee of \$0.5 million in relation to its management of Investore, as a result of the total return delivered to Investore shareholders over the 24 months to 31 March 2019.

Slide 16 – Products – Diversified

In the case of Diversified:

- SIML, on behalf of Diversified, has had another highly active year, including the completion of 290 leasing transactions, with a 2% increase in rental – a positive result for our retail team in what has included some challenging circumstances associated with the rebuild of Queensgate Shopping Centre following the 2016 Kaikoura earthquake.
- In particular, the rebuild has resulted in some constraints around normal trading, with reduced car parking supply and facilities. However, we are pleased to report that the rebuild project is well underway and the centre can look forward to a strong future with a new cinema complex to anchor the entertainment precinct.
- Diversified continues to invest in its assets in order to make them contemporary and relevant for its customers, driving continued demand for the centres – this is evident most recently with the very successful opening of H&M in Chartwell. SIML is confident that the introduction of the iconic international fashion retailer to Chartwell will increase the appeal of the centre to both customers and potential new tenants.

Slide 17 – Future Property Product

As we have explained today, Stride is targeting a sustainable and long-term structure for our business for the future. This means considered investment to build quality portfolios of assets, providing further growth opportunities for our existing and future investment management Products.

We are targeting establishing a new SIML-managed product during this financial year.

We expect this will be in the industrial sector, as this sector has been a significant focus for Stride recently. We have successfully grown our industrial portfolio to \$263 million as at 31 March 2019, with a further \$100 million of property development underway in this sector. That would take our committed industrial portfolio value to over \$360 million, representing an increase in value of almost

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\$150 million since March 2018. In our view, this growth has put Stride into a position to establish a SIML-managed product in this sector.

We are well advanced with the establishment of Stride's next investment management product, which we expect will be consistent with our strategy as follows:

1. The product will be sector-specific, and as noted above we are focussed on the industrial sector;
2. The new product is likely to be in the form of a wholesale vehicle with a long term, enduring structure, and will provide a clear path way for Stride to grow its investment management business;
3. It will leverage SIML's core management capabilities across all investment, asset and development management services;
4. And finally, as with our other products, Stride will continue to hold a significant and long term holding, both in the industrial property sector and in the industrial product.

We look forward to being able to update you on this exciting initiative as developments progress.

And so on that note, it's my pleasure to hand you back to Tim Storey to provide an overview of the outlook going forward.

Slide 18 – Focus on the Year Ahead

Thanks Phil.

As we bring this presentation to a close, you can see Stride is well placed for the future. We have built strong foundations since listing, positioned the business for growth and are starting to build capability and depth within our business and with the assets we are targeting, as we execute our strategy and deliver on performance.

Stride is investing for the long term. We will invest in places with 'enduring demand', which attract the highest demand in all market conditions. This will support our strategy of establishing a group of products in specific sectors to provide growth in our investment management business. Our focus will be to:

- Maintain a diversified investment portfolio through a combination of investments in our investment management products and our directly-held portfolio.
- Support and grow Stride's established investment management products through carefully considered transaction and development activity, while maintaining our cornerstone shareholdings.
- Grow our directly-held portfolio of commercial office properties, with a view to establishing a sector-specific investment management office product in the future.
- Review new investment management opportunities in markets adjacent to the core commercial property sector.

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We see our value proposition as identifying and managing properties with enduring demand and managing investment management products which deliver leading returns for our shareholders and investors, with SPL owning a share in each specific property sector product.

We will evolve our sustainability strategy, a journey that we have just started to formalise and articulate. You will have seen from our Annual Report that we have completed a sustainability materiality matrix and framework, identifying a broad range of issues that are material to our business operations and to our stakeholders.

Finally, in terms of dividend guidance, the Board has confirmed a target combined cash dividend of 9.91 cents per share for the 2020 financial year, in line with that for 2019. As noted, this dividend is expected to be within the policy range of 95% to 100% of distributable profit.

Consistent with this guidance, earlier today we announced to the market a combined cash dividend for SPL and SIML of 2.4775 cents per share for the first quarter of FY20, being the period 1 April 2019 to 30 June 2019, to be paid on 20 September 2019.

End

For further information please contact:

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A Stapled Security of the Stride Property Group comprises one ordinary share in Stride Property Limited and one ordinary share in Stride Investment Management Limited. Under the terms of the constitution of each company, the shares in each can only be transferred if accompanied by a transfer of the same number of shares in the other.

Stapled Securities are quoted on the NZX Main Board under the ticker code SPG. Further information is available at www.strideproperty.co.nz or at www.nzx.com/companies/SPG.