STATEMENT OF INVESTMENT POLICY AND OBJECTIVES

SIR WILLIAM PICKERING DRIVE LIMITED PARTNERSHIP

DESCRIPTION OF THE LIMITED PARTNERSHIP

Sir William Pickering Drive Limited Partnership (the *LP*) is a limited partnership investment of 455 interests to acquire 20-26 Sir William Pickering Drive, Burnside, Christchurch (the Property) and to develop a fourth building at the Property, a base isolated Importance Level 4 Air Traffic Control Centre (the *Development*).

Legal title to the Property is held by Sir William Pickering Drive Custodian Limited as bare trustee for the LP.

The LP is managed by Augusta Funds Management Limited (the *Manager*). The LP's supervisor is Covenant Trustee Services Limited (*Supervisor*).

A SIPO has been in place since 29 March 2018 and this replaces the SIPO dated 29 March 2018 and is effective from 10 July 2019.

INVESTMENT OBJECTIVES

This LP has a long-term investment horizon and the primary objectives are to:

- Maintain investor distribution levels as per the projected cash returns set out in the LP's product disclosure statement and as set out in the investment performance monitoring benchmarks in this statement of investment policy and objectives document (*SIPO)*;
- Take reasonable steps to preserve and grow the value of the Property by ensuring the Development is completed to a high standard and as required under the Development Agreement and Construction Contract, attending to necessary ongoing repairs, maintenance and capital expenditure (CAPEX) requirements.
- Seek potential future value add opportunities such as should the Tenant not continue to lease the Andy Herd Building, the LP's investment strategy will be to lease the building to a new tenant(s) or potential subdivision and subsequent sale of the building, and secondly, improving functionality or appearance of the Property; and
- Leverage lease extension options for the Property to increase lease terms and/or rent where possible.

INVESTMENT PHILOSOPHY

The Manager's philosophy, as a leading property funds manager, is to select and manage high quality commercial and industrial real estate which has a quality tenant(s) with a long lease term(s) in a good location. The approach is to ensure that any risks taken are appropriate and commensurate with the LP's goals, protecting the investor's interests and to create satisfied investors who seek repeat investment opportunities.

INVESTMENT STRATEGY

The strategy of the LP is to acquire the Property, oversee the Development and do everything possible to allow it to be completed on time, continue to lease it to quality tenant(s) and preserve and then grow equity by active management of the LP and the Property. Below are the parameters and minimum investment performance monitoring benchmarks against which the performance of the LP will be monitored:

Benchmarks:

1. Provide investors a minimum cash return of 7% per annum before tax on the investor's original equity amount until 31 March 2020. The cash return does not take into account any increase or decrease in the value of the Property or any other non-cash items;
2. During the Development:
    - All milestone dates are achieved and the development progresses in accordance with the Development Agreement and Construction Contract; and
    - There are no material cost increases incurred by the LP.
3. Weighted average lease expiry *(WALE)* not less than two years;
4. Property occupancy greater than 90%;
5. There is to be a period of at least 12 months remaining on the loan term at each financial reporting date (31 March);
6. Maintain the loan to value ratio (*LVR*): (a) at any time prior to Practical Completion occurring, 60% of the As If Complete Valuation; and (b) at any time following Practical Completion occurring, 55% of the greater of the As If Complete Valuation and the most recent valuation obtained for the Property (which may be an "as if complete" valuation if there is any development, maintenance or capital expenditure being completed on the Property);
7. Maintain the interest cost cover ratio at a level not less than 2 times EBITDA (earnings before interest, taxation, depreciation and amortisation);
8. Net tangible assets (*NTA*) not less than 90% of NTA when the Property was acquired; and
9. The LP's bank account holds funds equivalent to at least one month of investor distributions.

The benchmarks will be reviewed as necessary and a minimum of four times per year.

ASSET ALLOCATION

The only assets the LP may hold are:

- The Property and any leases/licences of the Property;
- Cash deposits with registered New Zealand banks; and/or
- Any other assets arising in connection with holding the Property including prepayments, accounts receivables, interest rate swap agreements and insurance receivables.

There are no limits on the proportion of the above assets that the LP may hold.

INVESTMENT POLICIES

Cash flow management policy

The Manager will manage the LP's cash flow in such a way to not cause undue risk or expense to the LP by:

- Incurring only costs that are deemed appropriate and reasonable;
- Maintaining and regularly reviewing a cash flow budget for a minimum of two years in advance and provide an early warning system for potential problems;
- Undertaking six monthly reviews with the LPs lender to assess the steps required to ensure that the best finance package and interest rate management strategy is in place. These will include review of the loan term, interest rate margin, LVR and assessing when it is prudent to amortise debt;
- The circumstances in which the Manager may reduce or withhold investor distributions:
    - Projected reduction or cessation of rental income;
    - Breach of lender interest cover ratio covenant;
    - Breach of lender LVR covenant;
    - The bank account balance is less than the benchmark requirement;
    - Unexpected expenditure;
    - Interest rate movement; or

    - Any other circumstance where the Manager deems appropriate.
- The circumstances in which the Manager may increase investor distributions:
    - There are sufficient funds in the bank account to fund all anticipated expenses, repairs and maintenance and CAPEX costs for the medium term;
    - There is a regular monthly surplus from rent receipts after paying expenses and investor distributions; or
    - Any other circumstance where the Manager deems appropriate.

Interest Cover Policy

The interest cost cover ratio is to be maintained at a level that is not less than 2 times EBITDA.

Development Monitoring Policy

The development works that the LP will be responsible for include construction of a new Importance Level 4, two-storied office building, of approximately 1,560sqm being an Air Traffic Control Centre. These construction works will be undertaken in the period from 10 May 2018 to 17 July 2019. During the Development Phase, the Manager will monitor progress of the Development and do everything reasonably practicable to ensure it is completed on-time and to a high standard and as required under the Development Agreement and the Construction Contract.

Capital Expenditure Policy

The Manager's ongoing CAPEX policy is to work closely with the property manager to monitor the general condition of the site and the building and to ensure ongoing routine repairs and maintenance for plumbing, air conditioning, roofing and other relevant building services are undertaken with a high level of workmanship and has sought a building condition report to assist in identifying future CAPEX requirements, which have been provisioned for at the LP's establishment.

The Manager will request and review all tenders if and when required for any CAPEX needed for the Property, produce potential strategy(s) of how to fund costs and seek investor consent if it is necessary as per the LP's governing document. Furthermore, the Manager will ensure that any works being undertaken comply with current health and safety legislation.

A future CAPEX fund of approximately $100,000 is provided for on establishment of the LP which will be supplemented by operating cashflow retentions over the life of the LP. This fund has been allowed for to provide for additional working capital at the commencement of the LP, and funding for any property related capital costs over the life of the LP.

Hedging/Interest Rate Policy

The Manager's interest rate management policy is to hedge a minimum of 50% and up to a maximum of 100% of the drawn debt balance post Practical Completion. The Manager will manage the benchmark component of the interest rate with a combination of short-term and long-term interest rate swap/fixed rate agreements and/or floating rates, and will actively monitor the margins available in the market during the life of the LP (and would consider changing lender if better margins were available elsewhere). The hedging strategy also considers the remaining lease term and forecast future income profile of the LP.

The future return to investors is subject to interest rate variations on the bank loan and interest rate movements are unable to be accurately predicted. The Manager's current overarching interest rate policy is to adopt a minimum 50% hedging position, but in some cases increasing or decreasing, depending on the Manager's assessment of managing the overall risk profile.

The manager adopts and frequently reassesses the appropriate interest rate policy for the LP depending on the following factors:

- Current and predicted economic and market conditions (in consultation with economists and interest rate specialists);

    - Overall LP risk profile;
    - Remaining WALE;
    - Cash flow impacts – assessing if there is a material impact in the short term and investor yield expectation is compromised;
    - The condition of the Property and any requirements for structural repairs, maintenance or CAPEX; and
    - Flexibility requirements of the LP – potential future development, sale and/or wind up of the LP.

The LP's interest rate policy is regularly reviewed and is subject to change.

Leverage Policy

- The maximum allowable loan amount for the LP is: (a) at any time prior to Practical Completion occurring, 60% of the As If Complete Valuation; and (b) at any time following Practical Completion occurring, 55% of the greater of the As If Complete Valuation and the most recent valuation obtained for the Property (which may be an "as if complete" valuation if there is any development, maintenance or capital expenditure being completed on the Property);
- The LP's lending leverage is tested at least annually against the independent market Property revaluation from a qualified registered valuer.
- If the maximum allowable loan amount exceeds this policy anticipated strategies to remedy are:
    - Undertake a strategic LP review and assess options (such as a sale of the Property);
    - Debt reduction through principal repayments;
    - Reduce or cease investor distributions; and/or
    - Raise further equity, subject to compliance with applicable laws.

INVESTMENT PERFORMANCE MONITORING

The Manager's finance team and asset management team are jointly responsible for the management of investment risk by monitoring the benchmarks set out in this document. These are designed to be measured and reported in a transparent manner. They are measured every quarter or more frequently if necessary if a potential problem has been identified. This monitoring provides an early warning system for any issues.
Quarterly performance tests include:

- Sustainability of investor distribution;
- WALE;
- Property occupancy rate;
- Term remaining on the LP's loan;
- LVR;
- Interest cover ratio;
- NTA; and
- The LP's bank account balance.

Performance is measured against the result from the previous quarter. If any result has deteriorated beyond what is expected or breaches the benchmark it is communicated to the Manager's Chief Financial Officer, the Head of Funds Management and, if applicable, to the Manager's Compliance Committee. Furthermore, any downward trends in performance are monitored relative to benchmark indices and investment objectives.

Investment Reporting

The Manager will report in writing to investors biannually, or more frequently if required, on aspects of the LP and the Property. Investor updates will include, at a minimum, data and/or commentary on the following:

- Tenant: WALE, updates and any concerns;
- Property: current independent market valuation, any issues or anticipated costs, keys risks or opportunities (if applicable); and

- Loan: loan amount, loan maturity, LVR and interest rate.

The Manager will hold an annual investor LP meeting, and special meetings as required.

INVESTMENT STRATEGY REVIEW

The long-term hold strategy is subject to rigorous review as follows:

- Reviewing the cash flow budget for a minimum of two years in advance, assessing liquidity, LVR projections, sustainability of investor distribution rate, future repairs and maintenance, CAPEX requirements and tenant inducement requirements;
- Reviewing the bank facilities and interest rate management strategy, researching interest rate forecasts and implementing opportunities to hedge interest rate costs where appropriate;
- Reviewing the annual Property revaluation and, where necessary, examine why there are value differences to the prior year;
- Reviewing and placing suitable insurance cover for the Property including a provision for two years of loss of rents cover;
- Assessing the tenant's business operations and gather financial information where possible to ascertain their financial standing;
- Proactively negotiating rent reviews and lease extensions;
- Reviewing potential development opportunities to attract or retain quality tenant(s) and to add value to the Property;
- Researching and investigating any potential external factors relating to the location of the Property that could affect the use and/or value; and
- Reviewing opportunities for a sale of the Property (and therefore an end to the LP), making assessments of return on capital, and if a recommendation to sell is made, put a plan into place to ensure the Property is in good saleable condition.

REVIEW AND AMENDMENT OF SIPO

The Manager undertakes a full strategic review of the LP and Property at least once per year. This review will analyse the strategic position by considering or discussing the following factors:

- The cashflow budget out for a minimum of two years;
- Assess sustainability of investor distribution rates;
- The age of the LP;
- Bank funding;
- Whether to hold or sell the Property;
- Current versus prior year valuation, examine any changes and the reason why;
- Review of lease expiry. If due to expire within two years, consider a strategy of retaining the existing tenant or marketing for a replacement tenant;
- Consider any potential tenant inducements and/or re-leasing costs;
- Examine the rent review dates;
- Compare rent levels against current market rent to determine if an over or under rented situation exists and the potential impact on the LP;
- What is the future capital spend, considering building age and tenant inducements;
- Calculate LVR projections;
- Explore the Property adaptability for future or alternative uses;
- Evaluate interest rates and an appropriate interest rate management policy; and
- Assess if there any opportunities to add value to the Property, for example early lease renewal and increasing occupancy percentages.

At the time of this investment strategic review the SIPO benchmarks will be measured and if it is deemed appropriate a formal review of the SIPO may be undertaken at this time.

If necessary the SIPO may be updated with any proposed amendments to be made in consultation with the Supervisor.

Ad-hoc SIPO Review

Should a breach of any SIPO benchmark occur at the time of quarterly monitoring, a full strategic review of the LP and Property will be undertaken and the requirement of an ad-hoc review of the SIPO will be triggered.