

PRODUCT DISCLOSURE STATEMENT

FOR AN OFFER OF UNITS IN

PMG DIRECT OFFICE FUND



Issued by Property Managers Limited

Dated: 11 March 2019

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer at <https://disclose-register.companiesoffice.govt.nz>, Offer Number **OFR12588**. Property Managers Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

1. Key Information Summary

1.1 What is This?

This is an offer of Units in the PMG Direct Office Fund (the **Fund**). Your money will be pooled with other investors' money and invested. Property Managers Limited (the **Manager**) invests the money in assets, such as commercial real estate, and takes fees. The assets and fees are described in this document. By investing in this scheme, you are relying on the investment decisions of the Manager and returns from the assets that the scheme invests in. There is a risk that you may lose some or all of the money you invest.

1.2 Who Manages this Scheme?

The Manager manages this Fund. Section 10 of this Product Disclosure Statement (**PDS**) contains further details about the Manager and others involved in this Fund.

The Manager is licensed under the Financial Markets Conduct Act 2013 (**FMCA**) as a manager of Managed Investment Schemes, (excluding managed funds) ("schemes") which invest in, or own, real property in New Zealand.

1.3 What are You Investing in?

The Fund is a managed investment scheme.

Investment Objectives and Strategy

The investment objective of the Fund is to provide Unitholders with a stable monthly income stream combined with the potential for capital growth in the value of Units. To this end, the primary objectives of the Manager are to:

- (a) achieve sustainable gross distributions of 7.50 cents per Unit or above; and
- (b) grow the value of the portfolio of buildings within the Fund.

The intention of the Fund is to create a portfolio of office buildings in major metropolitan areas of New Zealand. The investment strategy is to grow the value of the property portfolio by leasing remaining vacant space, maintaining properties within the portfolio, and finding opportunities to add value to the property portfolio.

Portfolio Property

The Fund was established on 1 November 2016, in accordance with the Master Trust Deed and the Establishment Trust Deed (together, the **Trust Deeds**), and currently holds the following six properties (together, the **Existing Properties**):

- (a) 5 Short Street, Newmarket, Auckland;
- (b) 2 Robert Street, Ellerslie, Auckland;
- (c) 8 Rockridge Avenue, Penrose, Auckland;
- (d) 22 Amersham Way, Manukau, Auckland;
- (e) 127 Durham Street, Tauranga; and
- (f) 143 Durham Street, Tauranga.

The Fund is currently planning to divest one of the Existing Properties, 22 Amersham Way, in the short term with settlement expected on 28 March 2019 (**Held for Sale Property**). Further information about the Fund's property portfolio can be found at section 2.2 of this PDS.

Acquisition Properties

The Fund will be purchasing the following properties (together, the **Acquisition Properties**):

- (a) 65B Main Highway, Ellerslie, Auckland (**Main Highway**); and
- (b) 410 Victoria Street and 12 Alma Street, Hamilton (**Victoria Street**);

Further details about each of the Acquisition Properties are set out in section 2.2 under the heading *Acquisition Properties*.

The Existing Properties, less the Held for Sale Property, plus the Acquisition Properties, form the Portfolio Properties - a total of seven properties in Auckland, Tauranga and Hamilton.

Borrowings

The Acquisition Properties will be purchased with funds raised through the issue of Units under this Offer and borrowings. The Manager has received a formal offering of funding from ASB Bank (**ASB**) for this purpose. Further details about the Fund's borrowings are set out in section 2.7 of this PDS under the heading *Borrowings*.

1.4 Key Terms of the Offer

Managed Investment Product	Units in the PMG Direct Office Fund (Units)
Offer Price	\$1.12 per Unit with a minimum initial Unit subscription per Unitholder of 10,000 Units, and multiples thereafter of 5,000 units. For existing investors, multiples of 5,000 Units. No Unitholder may hold more than 9,195,000 Units.
PDS Registration	11 March 2019
Offer Opening Date	18 March 2019 (Opening Date)
Offer Closing Date	12 April 2019 (Closing Date)
Total equity being raised	The Fund is seeking to raise \$20,160,000 (18,000,000 Units) from the Offer. The Fund must be fully subscribed for the Offer to proceed.
Underwriting agreement	The Offer is underwritten by the Manager and PMG Capital Fund Limited, where they have committed to subscribe, or procure subscriptions, for up to 13,500,000 Units. ¹ The shortfall, being 4,500,000 Units is not subject to underwriting and must therefore be raised for this Offer to go ahead.

The full terms of the Offer are set out in section 4 of this PDS under the heading *Terms of the Offer*.

1.5 How You Can Get Your Money Out

Under the Trust Deeds, the Manager has discretion to provide a redemption facility for Units, but otherwise Units are not redeemable. The Manager currently intends, subject to certain limitations, to provide redemptions of Units on an annual basis between 1 July and 31 July of any given calendar year. The Manager intends to restrict redemptions in the 2019 calendar year to nil, due to the proximity of the Offer date.

At the commencement of each redemption period, the Manager will set a redemption price for Units. The price will be based on the Net Asset Value (**NAV**) of the Fund. The Manager is entitled to charge a fee equal to 1% of the gross value of the Units redeemed. The funds available for redemption of Units will be limited to 3% of the Fund's NAV (unless the Manager decides otherwise).

Your investment in these Units can be sold but there is no established market for trading these financial products. This means that you may not be able to find a buyer for your investment.

The Manager may operate a sales facility for Units from time-to-time. Further information about Unit redemption and the sale facility are set out in section 4.2 of this PDS under the heading *How Can I Withdraw My Investment in the Fund?*

1.6 Key Drivers of Returns

The aspects of the Fund that have, or may have, the most impact on its financial performance will be:

Rental profits from the property portfolio – the Fund's primary source of income is the rental income from each of the properties in the Fund's portfolio. The amount of income available for distributions to Unitholders will be primarily drawn from the net income. This will depend on the rental income and the operating expenses of the properties in the Fund and the amount of fees paid to the Manager, the Supervisor, the auditor, the unit registrar and other ongoing expenses (further information about the fees paid by the Fund is set out in section 8 of this PDS under the heading *What are the fees?*). The Fund will pay tax on the Unitholders' share of the profit of the Fund at their respective notified investor rates (further information about tax Unitholders will pay is set out in section 9 of this PDS under the heading *Tax*).

Capital value of the property portfolio – the value of Units will be influenced by the value of the Fund's property investments. The value of these investments, in turn, will be influenced by the state of the property market, the level of rental income from each property, and the remaining terms of the leases of the properties.

The Manager's key strategies and plans in relation to these aspects of the Fund are set out in section 2.5 of this PDS under the heading *Aspects of the Fund with the Most Impact on Future Performance and the Key Strategies and Plans to Address Them*.

1.7 The Fund's Financial Information

Key Financial Metrics

	Actual		Prospective			Actual	Actual
Period length	3.5 months ²	Year	Year	Year	Year	6 months	6 months
Financial year	2017	2018	2019 ³	2020	2021	1HY2018 ⁴	1HY2019 ⁴
Gross distribution per unit ⁵	7.00 cents ⁶	7.50 cents	7.50 cents	7.50 cents	7.50 cents	7.50 cents ⁶	7.50 cents ⁶
Gross Distribution return on Offer unit price ⁷	7.0%	7.5%	7.5%	6.70%	6.70%	N/A	N/A
Gearing ratio ⁸	38.56%	33.80%	38.16%	38.99%	39.76%	N/A ⁴	44.66%
Interest cover ratio ⁹	3.16	2.51	2.35	3.27	3.19	2.72	2.25

The metrics above include actual results from the Fund's historic financial information, plus forecasts based on the assumptions in the Fund's prospective financial information.

Further details about the Fund's financial information may be found in section 6 of this PDS under the heading *PMG Direct Office Fund's Financial Information*.

Valuations

The Manager has obtained independent valuations of each of the Acquisition Properties in anticipation of this Offer. A brief description of the valuations is set out below:

Property	Valuation	Valuer	Valuation Date	Purchase Price ¹⁰	Acquisition Date ¹¹
65B Main Highway	\$21,800,000	Aim Valuation Limited	23 January 2019	\$21,743,000	17 April 2019
410 Victoria and 12 Alma Street	\$8,100,000	Colliers International	20 February 2019	\$8,100,000	17 April 2019

The Manager has also obtained independent valuations for a newly acquired Property in the 2019 financial year, summarised below:

Property	Valuation	Valuer	Valuation Date	Purchase Price ¹⁰	Acquisition Date ¹¹
8 Rockridge Avenue	\$12,200,000	Aim Valuation Limited	23 January 2019	\$12,150,000	10 July 2018

The basis for the valuation for each property, and the relevant assumptions underlying that valuation, are set out in the sections under the headings *Notes on Valuation* in respect of each property in section 2.2 of this PDS under the subheading *Acquisition Properties* (in respect to the Acquisition Properties) and *Existing Properties* (in respect of **8 Rockridge Avenue**).

Recent valuations have also been undertaken on the other Existing Properties in the Fund. A summary of these properties can be found in section 2.2 of this PDS under the subheading *Existing Properties*.

1.8 Key Risks Affecting this Investment

Investments in managed investment schemes are risky. You should consider whether the degree of uncertainty about the Fund's future performance and returns is suitable for you. The price of these Units should reflect the potential returns and the particular risks of these Units. The Manager considers that the most significant risk factors that could affect the value of the Units are as follows:

- (a) **Rental Income and Tenant Default Risk** – The Fund is reliant on rental income. Rental income from any property could stop or decrease for a number of reasons, including if a lease is terminated, or expires without being renewed, or the rent under a lease decreases following a rent review. There may be difficulty obtaining a replacement tenant and/or rental may be at a lower level than previously received. An existing tenant may also default on their obligations under a lease. A default by a large tenant, or a number of small tenants, may materially impact financial performance. A loss or reduction in rental income may have a significant detrimental impact on the Fund's ability to make distributions to Unitholders or on the value of Units. A significant drop in rental income, or increase in tenant defaults, could also result in a breach of banking covenants.

- The Manager as part of the underwriting arrangement will procure subscriptions via sub-underwriting arrangements.
- The first period presented is only for a period of 3.5 months as the Fund was established and its first units were issued on 14 December 2016, and the Fund has a financial year end of 31 March.
- The prospective period to 31 March 2019 is compiled from the 6-month interim financial statements to 30 September 2018, plus known actual results to 31 December 2018 per management reporting, plus prospective results for the 3 months to 31 March 2019.
- The interim periods presented are for the 6 months ending 30 September 2017 and 30 September 2018. The interim period to 30 September 2017 is included for comparative purposes. Only information available from the interim financial statements is presented.
- Gross distribution per unit is in NZ cents per unit, stated before tax. The payment of distributions is at the discretion of the Manager and is dependent on a number of factors, including meeting appropriate solvency requirements. Distributions are, therefore, not guaranteed.
- Equivalent annualised distribution per unit, accounting for number of days in the period.
- Gross distribution return for the periods end 31 March 2017 to 31 March 2019 are based on the initial offer price of \$1.00 per Unit. Prospective annualised gross distributions on Units issued under this Offer, being 31 March 2020 and 31 March 2021 are expressed as a percentage per annum based on Offer unit price of \$1.12 per Unit.
- The Gearing Ratio equals the Fund's total interest-bearing liabilities as a proportion of the Fund's total assets at a point in time. A higher gearing ratio represents a greater risk to the Fund as if the investment properties were to decrease in value, a greater proportion of the assets would be required to repay bank debt.
- The Interest Cover Ratio is a multiple of the Fund's EBITDA (less unrealised gains, plus unrealised losses) compared to the Fund's interest expense. The higher the ratio, the greater the ability of the Fund to pay interest on bank loans.
- Purchase prices stated are as per signed sale and purchase agreements, and specifically exclude any costs associated with acquisition which may be capitalised into the carrying value of the relevant property.
- Acquisition Date is the date, in respect of the Acquisition Properties, that the properties are intended to be acquired on. 8 Rockridge Avenue, which has already been acquired by the Fund, is required to be noted because it was acquired since the Fund's balance date.

- (b) **Interest Rate Risk** – The Fund is reliant on interest bearing bank borrowings from ASB, which generate a material expense to the Fund. Interest rates on the Fund's borrowings are not fixed. Movements in interest rates will affect returns to Unitholders and changes in interest rates are unable to be predicted with certainty. The Fund utilises interest rate swap arrangements to mitigate against unexpected interest rate changes.

This summary does not cover all of the risks of investing in Units in the Fund. You should also read section 7, *Risks to Returns from the PMG Direct Office Fund*.

1.9 What Fees will you Pay?

The table below summarises the fees and expenses that you will be charged to invest in this scheme. Further information about fees is set out in section 8 under the heading *What are the Fees?* All fees and expenses are exclusive of GST.

	Actual		Prospective			Actual	Actual
Period length	3.5 months ¹²	Year	Year	Year	Year	6 months	6 months
Financial year	2017	2018	2019 ¹³	2020	2021	1HY2018 ¹⁴	1HY2019 ¹⁴
Fees and expenses charged by the Manager (estimate)^{15,16}	\$766,652	\$811,278	\$765,731	\$1,807,595	\$618,840	\$367,489	\$368,122
Fees and expenses charged by the Manager as a percentage of net assets of the Fund:	2.65%	2.63%	2.43%	3.60%	1.23%	1.23%	1.21%
Fees and expenses charged by other persons (estimate)¹⁷	\$1,230,109	\$3,412,440	\$4,671,138	\$5,410,767	\$4,330,161	\$1,050,953	\$1,858,092
Fees and expenses charged by other persons as a percentage of net assets of the Fund:	4.25%	11.06%	14.84%	10.77%	8.62%	3.50%	6.13%

Offer Costs

Manager's Offer Costs charged to the Fund (estimated)	\$1,164,493
Other Offer Costs charged by others to the Fund (estimated)	\$535,507
Total Offer Costs charged to the Fund (estimated)	\$1,700,000

The Manager's Offer Costs charged to the Fund are included in Fees and Expenses charged by the Manager in the year ended 31 March 2020 in the table above.

Fees charged to individual investors

- (a) **Redemption Fee:** The Manager is entitled to charge a break fee on redemption of any Units. Currently, the break fee is 1% of the gross value of the Units redeemed.
- (b) **Sale of Units:** Units are freely transferable, and no fee is payable by a Unitholder on transfer of their Units to a third party. However, if Units are sold through the sales facility operated by the Manager (as described in section 4.3 of this PDS), the Manager may charge a fee for this service.

1.10 How will Your Investment be Taxed?

The Fund is a portfolio investment entity (PIE). The amount of tax you pay in respect of a PIE is based on your prescribed investor rate (PIR). To determine your PIR, go to the application form or go to <http://www.ird.govt.nz/toii/pir/workout>. See section 9 of the PDS for more information about taxation.

12 The first period presented is a period of 3.5 months as the Fund was established and its first units were issued on 14 December 2016, and the Fund has a financial year end of 31 March.

13 The prospective period to 31 March 2019 is compiled from the 6-month interim financial statements to 30 September 2018, plus known actual results to 31 December 2018 per management reporting, plus prospective results for the 3 months to 31 March 2019.

14 The interim periods presented are for the 6 months ending 30 September 2017 and 30 September 2018. The interim period to 30 September 2017 is included for comparative purposes. Only information available from the interim financial statements is presented.

15 Fees and expenses charged by the Manager include both offer related costs, and other costs. Offer related costs have been apportioned to the Manager and other persons, in both the 3.5 months to 31 March 2017 (initial offer) and the year to 31 March 2020 (current offer). The total offer costs associated with this Offer are disclosed in further detail in this PDS at section 8.1 Offer Costs.

16 The estimated Manager's fees are based on assumptions (set out in section 6.4 of this PDS). Specifically, the performance fee and termination fee are only payable in certain circumstances and, for the purposes of the prospective periods 31 March 2020 and 31 March 2021, have been assumed to not be payable and are therefore Nil.

17 The estimated fees and expenses charged by other persons specifically exclude distributions to investors, and the purchase price of properties.

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Letter from the Board

Dear Investor,

It's with great pleasure that we bring you the latest capital raising offer by Fund Source AA-rated, PMG Direct Office Fund (PMG DOF) (the Fund).

The offer will assist with the acquisition of two quality office properties for the Fund's portfolio.

PMG DOF is a robust, diversified investment fund which was formed to target and acquire sound, well-located, office properties in main metropolitan areas across New Zealand which provide the opportunity to add value through the leasing of vacant space and proactive asset management.

The goal of the Fund is to grow a portfolio of quality office properties targeting total assets of \$250 million while delivering sustainable cash distribution returns and growth in value over time. The properties in the portfolio are managed by Property Managers Limited, a member of Property Managers Group.

These proposed acquisitions are in line with the Fund's strategy to continue to lift the quality of the properties, as well as increasing the weighting of government tenants, in the Fund.

PMG DOF currently has six office properties which are home to a diversified mix of 46 unique tenants and has a total value of \$59 million. Following successful disposal of the 22 Amersham Way property and a successful capital raise, the projected value of the Fund's property portfolio will be \$81 million, with a portfolio of seven properties and 53 unique tenants.

The two properties to be acquired following a successful capital raise include:

1. 410 Victoria Street/12 Alma Street, Hamilton – major tenants include Kiwibank and the Department of Internal Affairs; and
2. 65B Main Highway, Ellerslie – in the heart of Auckland's Southern Corridor, next to the industrial hub of Penrose, with close access to the Southern Motorway and over 87% tenanted by government departments.

We believe these two proposed acquisitions meet the threshold of quality we require for the Fund. We invite you to join us as we continue to execute our strategy and goal of building a diversified portfolio to provide sustainable returns and growth in value over time to investors.

The Fund's performance has continued to meet our expectations, with a gross distribution return of 7.50 cents per unit for the financial year ended 31 March 2018, and the Fund forecasting a gross distribution return of 7.50 cents per unit for the financial years 31 March 2019, 2020 and 2021. For new Unitholders participating in this Offer, this equates to a projected gross distribution return on unit issue price of 6.70% per annum for the period ending 31 March 2020 and the year ending 31 March 2021.

This PDS contains important information about the Fund and this capital raising offer. We encourage you to read this PDS carefully and consider in particular section 7 *Risks to Returns from the PMG Direct Office Fund* before making your investment decision.

Yours faithfully,



Pictured from left: Nigel Lowe, Scott McKenzie, Denis McMahon and Daniel Lem

Denis McMahon
Director

Wayne Beilby
Director

Daniel Lem
Director

Scott McKenzie
Director

Nigel Lowe
Director

2. What PMG Direct Office Fund Invests in

2.1 SIPO Summary

The Fund has a Statement of Investment Policies and Objectives (**SIPO**), a summary of which follows:

- (a) **Purpose:** To acquire and grow a portfolio of quality commercial properties (principally office buildings) targeting total assets of \$250 million, to be held over the medium to long term, to provide regular cash distribution returns to Unitholders and growth in value over time.
- (b) **Investment Objectives:** The investment objective of the Fund is to provide Unitholders with a stable monthly income stream combined with the potential for capital growth in the value of Units.

To this end, the primary objectives of the Fund are:

- i) to achieve sustainable gross distribution levels at 7.50 cents per Unit or above; and
- ii) to grow the value of the portfolio of buildings in the Fund.

The performance benchmark for the Fund is the average 10-year government bond yield (as published by the Reserve Bank of New Zealand), plus 4% measured by the annual capital and income returns to Unitholders (**Fund Performance Benchmark**).

- (c) **Investment Philosophy:** The Manager believes that high quality commercial properties (principally office buildings), held over the medium to long term, provide Unitholders with the opportunity for income and capital growth, in excess of inflation.
- (d) **Investment Strategy:** The investment strategy of the Fund is:
- (i) to invest directly in office buildings across major metropolitan centres of New Zealand; and
 - (ii) to grow the value of the property portfolio by leasing the remaining vacant space, maintaining the properties and finding opportunities to add value to the properties.

(e) **Permitted Investments:**

Asset Classes	Direct investments in commercial property, interest rate swaps, other assets associated with property ownership (such as chattels, fixtures and related contracts and cash)
Sectors	Commercial (principally office buildings)
Geographic location	Major metropolitan centres of New Zealand

(f) **Target Asset Allocations:**

Asset Class	Target Allocation
Direct investments in commercial property	70% - 100%
Interest rate swaps	0% - 10%
Other assets associated with property ownership	0% - 10%
Cash	0% - 10%

- (g) **Investment Strategy Review:** The Board of Directors of the Manager (**the Board**) will, on an annual basis, review the key metrics for the Fund's property investments and assess if any of the property investments should be sold. The key metrics to be considered include:
- (i) *Macro-economic conditions:* the underlying macro-economic conditions that may influence the Fund's future performance;
 - (ii) *Forecast major capital expenditure:* whether any works are due on the properties, how this will be funded, and the impact it may have on cash distributions;
 - (iii) *Lease expiry profile:* whether leases are expiring at a similar time and whether it is likely that the tenants will renew their leases;
 - (iv) *Weighted average lease term (WALT):* the average length of time that the leases have to run;
 - (v) *Annual return against benchmarks:* a measure of how the Fund is performing against the Fund Performance Benchmark;
 - (vi) *Property market conditions:* the future prospects for office buildings in the Fund's target geographic areas;
 - (vii) *Property valuations:* a review of annual property revaluations and, where necessary, examination of why there are value differences to the prior year;
 - (viii) *Forecast net income:* whether the current cash distributions are sustainable; and
 - (ix) *Forecast compliance with banking covenants:* whether the Fund is at risk of breaching its banking covenants in the future.

If the Manager believes that a property investment should be sold, it will prepare a report to the Board for its consideration. If the Board approves the recommendation, the Manager will endeavour to sell the property.*

If the review by the Board identifies a material and sustained change in conditions, then the investment strategy may be amended by the Manager. This amendment in the investment strategy may involve an amendment to the SIPO, in which case the SIPO review process (detailed below) will be triggered.

- (h) **SIPO Review:** The Board will formally review the SIPO on an annual basis, or as required, in relation to market conditions and regulatory requirements. If a change to the SIPO or investment strategy is proposed, the Board must follow the procedure in its charter to amend the SIPO.

If the SIPO is amended or replaced, the Manager will notify Unitholders and the Supervisor in accordance with the FMCA.

The SIPO may be found in the scheme register at <https://disclose-register.companiesoffice.govt.nz> under Offer Number **OFR12588**.









PMG Investor Relations and Compliance Team, from left: Matt McHardy, Mat Harvie & Sally Lavis

*Any decision by the Board to sell a property is subject to the terms of the Master Trust Deed, the Establishment Deed and the FMCA. This means that the Manager must notify the Supervisor about the proposed sale, and the Supervisor is entitled to refuse to sell the property if, in the Supervisor's opinion, the transaction is manifestly not in the interests of Unitholders or is in breach of the Trust Deeds or any law.

The Fund's Property Portfolio

Portfolio Overview

All information on this page excludes the Held for Sale Property and previously disposed of properties unless otherwise stated.

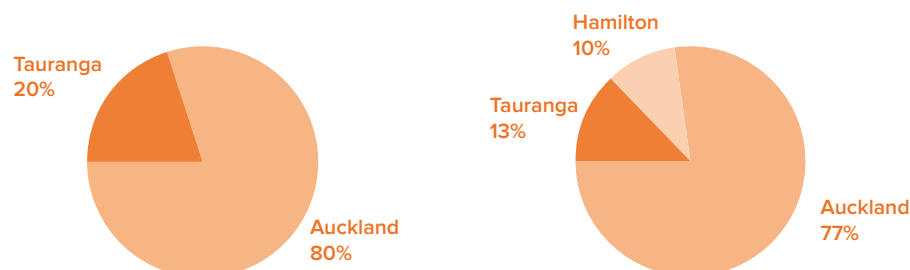
	Portfolio before Settlement Date ¹⁸	Portfolio after Settlement Date ¹⁹
Gross Distribution Return Per Annum Per Unit	BEFORE 7.50 cents per unit	AFTER 7.50 cents per unit
Gross Distribution Return per Annum on Offer unit price ²⁰	BEFORE 6.70%	AFTER 6.70%
Properties ²¹ 	BEFORE 5	AFTER 7
Number of unique tenants ²² 	BEFORE 41	AFTER 53
Portfolio Valuation ²³ 	BEFORE \$51m	AFTER \$81m
Occupancy ²⁴ 	BEFORE 94.7%	AFTER 96.5%
WALT ²⁵ 	BEFORE 3.4 years	AFTER 3.4 years
Units on issue	BEFORE 28m	AFTER 46m
Gearing 	BEFORE 38.2% as at 31 March 2019	AFTER 38.7% as at 30 April 2019

The Fund's Property Portfolio continued

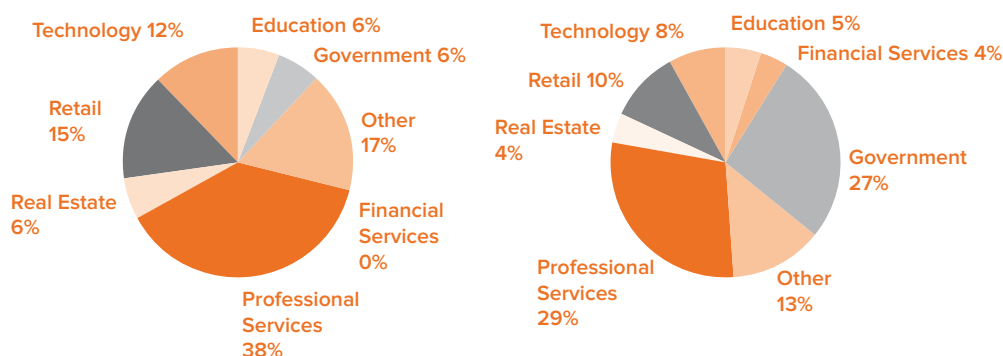
Portfolio before Settlement Date¹⁸

Portfolio after Settlement Date¹⁹

Portfolio by Region²⁶



Portfolio by Sector²⁷



¹⁸ All items in this column are stated before acquisition of the Acquisition Properties and before the successful completion of this Offer, as at the day before Settlement Date unless otherwise stated.

¹⁹ All items in this column are stated post acquisition of the Acquisition Properties, and subsequent to the successful completion of this Offer. Items are as at Settlement Date unless otherwise stated.

²⁰ For Unitholders participating in this Offer, the projected gross distribution return on unit issue price is 6.70% per annum for the periods ending 31 March 2020 and 31 March 2021.

²¹ Victoria Street comprises of 410 Victoria Street and 12 Alma Street, Hamilton (which have separate legal titles), but are treated as a single property for the purposes of this PDS. This is explained further at section 2.2 *The Fund's Property Portfolio* subheading *Acquisition Properties*.

²² Number of unique tenants is less than the ultimate number of leases, as some tenants are party to more than one lease.

²³ The Portfolio Valuation is stated as per the value on the most recent independent valuation report held by the Fund per property, with all reports dated within four months of the date of this PDS.

²⁴ Occupancy is projected before and after acquisition of the Acquisition Properties on Settlement Date, based on current facts and circumstances at the date of this PDS.

²⁵ Weighted Average Lease Term (**WALT**) is projected before and after acquisition of the Acquisition Properties on Settlement Date, based on current facts and circumstances at the date of this PDS.

²⁶ Portfolio by Region is stated as a percentage of total portfolio asset value as stated on independent valuations.

²⁷ Portfolio by Sector is stated as a prospective percentage of total portfolio revenue, including operating expenditure recoveries.

2.2 The Fund's Property Portfolio

Acquisition Properties

The purpose of this Offer is to raise capital to help fund the acquisition of the Acquisition Properties. Copies of the valuations and the Sale and Purchase Agreements for each of these properties are available on the offer register at <https://disclose-register.companiesoffice.govt.nz>, Offer Number **OFR12588 (Offer Register)** and may be inspected free of charge during normal business hours at the office of the Manager as set out in the Directory. Details about each of these properties are set out below:

65B Main Highway, Ellerslie, Auckland



Property Type

**Commercial
Offices**



Nett Lettable Area

**4,588 square
metres**



Valuation

\$21,800,000
(See notes below)



Occupancy
(as of date of PDS)

100%



WALT
(as at Settlement Date)

3.7 years

Address:	65B Main Highway, Ellerslie, Auckland
Purchase Price:	\$21,743,000
Vendor:	Mega Growth Too Limited
Key tenants:	Ministry of Justice, Ministry of Social Development, Digital Data Systems Limited
Net rental as per valuation:	\$1,480,656
Seismic rating	100% NBS after forecast capital expenditure (currently 20% NBS)

The building was constructed in 2003 and comprises a freestanding four-level office building of above average specification in the popular southern corridor area of Ellerslie, Auckland, with the Ellerslie train station about 100 metres away. The building is located alongside another building, both of which are positioned by way of a Stratum in Freehold title, on a 4,780 square metres underlying parent site.

The property is currently 100% occupied, with net contracted rent of \$1,440,099 from the office space plus car park rent from 154 carparks (most of which are underground) out of a total 189 car parks. The rental income is underpinned by two Government tenants who occupy over 87% of the building – the Ministry of Justice (**MOJ**) with a lease running through to July 2027, and The Ministry of Social Development (**MSD**) with a lease running through to February 2020.

Property Strategy

The building currently has a seismic rating of 20% of NBS. The following elements are limiting the seismic rating below 100% NBS:

- Roof purlins and rafters to act as transfer elements in Buildings A and B;
- Ground floor diaphragm slab tie capacity;
- Ground floor diaphragm shear transfer capacity; and
- Lack of appropriate stair detailing to accommodate inter-story drifts of the floors above ground floor.

The Manager's strategy is to seismically upgrade the property to 100% NBS within twelve months of acquisition. This will assist with the Manager's ongoing tenant retention strategy. The Manager has received a detailed estimate of approximately \$300,000 plus GST from a trusted construction partner to carry out the necessary works. Further information, including a detailed Seismic Assessment report and high-level strengthening advice to achieve a 100% NBS rating, is available from the Manager on request.

This property is currently 100% occupied. The Manager's strategy is to retain the existing tenants and seek ongoing rental growth through proactive lease and rental negotiations at the appropriate time.

The property currently accommodates 200 MSD staff. In addition, MSD occupy all of the neighbouring property (65A Main Highway) which accommodates approximately 500 staff. Through due diligence and based on MSD's preference for this location, the Manager has confidence the MSD lease will be renewed. The MSD leases have a right of renewal in January 2020. The Manager will seek formal confirmation of renewal as soon as practically possible.

As part of the purchase agreement, the Manager will undertake upgrade works to the Ministry of Justice (MOJ) tenancy, including new carpet, repainting, new ceiling tiles, new bathrooms and an upgrade to the entrance lobby. The Manager remains confident that these works will refresh the tenancy and secure MOJ as a tenant for the foreseeable future.

Notes on Valuation

The Main Highway property was independently valued by **Aim Valuation Limited** on **23 January 2019**.

The valuation was carried out in accordance with the latest International Valuation Standards 2017 and the Australia and New Zealand Valuation and Property Standards and was undertaken using a combination of the following approaches:

- The Capitalisation of Income Approach - the direct capitalisation of passing and market income;
- The Land and Buildings Approach – recent market sales data for comparable properties, adjusted as relevant for differences specific to this property; and
- The Discounted Cashflow Approach – utilising cash flow projections, combined with discount rates, growth rates, sustainable rental levels, vacancy allowances, capital expenditure, outgoings, and terminal yields.

The valuation is on the basis of plus GST (if any) and reflects the following:

Value per square metres of NLA	\$4,752	Value per square metre of Land Area	N/A
Initial Yield	6.79%	Yield on Net Market Income	7.44%
Weighted Average Remaining Lease Term	4.19 years		

In preparing the valuation, the critical assumptions include:

- Seismic upgrades will be required at a cost of \$300,000;
- Landlord's works associated with the Ministry of Justice tenancy will be assigned to the Fund, at an estimated cost of \$500,000;
- 3% of net income per annum allowed for capital expenditure; and
- No allowances for any expenses of realisation or to reflect the balance of any outstanding mortgages either in respect of capital or interest accrued thereon.

A copy of the valuation report is available on the Offer Register at www.business.govt.nz/disclose under Offer Number **OFR12588**.

Notes on Material Leases

The Manager considers all leases relating to this property to be material information. A summary of material leases is set out below:

Tenant Details	Ministry of Justice
Term of the Lease	Nine years, expiring 30 June 2027
Rights of Renewal	None remaining
Rent Reviews	Three-yearly from commencement date
Key Information	The Tenant has a rent holiday incentive totalling \$217,158 applied from 1 January 2019, to be applied net against tenant payables spread across 24 months

Tenant Details	Ministry of Social Development
Term of the Lease	Six years, expiring 31 January 2020
Rights of Renewal	One right of six years, due 1 February 2020
Rent Reviews	Market rent review three-yearly from commencement date, next due 1 February 2020. CPI rent review every year that is not subject to a market rent review

Tenant Details	Digital Data Systems Limited
Term of the Lease	Four years, expiring 7 February 2020
Rights of Renewal	Two rights of three years each, due 8 February 2020 and 8 February 2023
Rent Reviews	Market rent review at each renewal date. CPI rent review every year that is not subject to a market rent review
Key Information	CPI rent review has a minimum increase of 1.5% above current rental rate. Bank Guarantee in place from Tenant for \$147,185 including GST

Copies of the leases are available on the Offer Register at <https://disclose-register.companiesoffice.govt.nz> under Offer Number **OFR12588**.

410 Victoria Street & 12 Alma Street, Hamilton



Property Type

**Retail space
and Commercial
Offices**



Nett Lettable Area

**1,912 square
metres**



Valuation

\$8,100,000
(See notes below)



Occupancy
(as of date of PDS)

100%



WALT
(as at Settlement Date)

2.8 years

Address:	410 Victoria Street, Hamilton and 12 Alma Street, Hamilton
Purchase Price:	\$8,100,000
Vendor:	PMG Capital Fund Limited
Key Tenants:	Kiwibank Limited, Her Majesty the Queen
Net rental as per valuation:	\$554,931
Seismic rating	70% NBS (410 Victoria Street) 100% NBS (12 Alma Street)

Both properties named above have separate legal titles, and are capable of being sold separately. However, the assets are collectively referred to as the Victoria Street property. Victoria Street is being purchased under a single sale and purchase agreement, from the same vendor. The additional parking provided by 12 Alma Street is critical to the operation of 410 Victoria Street as an overall commercial asset for the Fund.

410 Victoria Street (more commonly known as 'the Kiwibank Centre') comprises a 1983 built, four-level, C-Grade office building that is occupied by a number of reputable tenants, with a vendor underwrite over two small vacant areas expiring December 2019. The property comprises ground level retail space as well as three levels of office accommodation above. The floors have been refurbished over the last few years and provide good quality office space. The building includes two on-site car parks, and as at Settlement Date the net rental income from 410 Victoria Street is expected to be \$519,586 per annum.

Situated in the core of the Hamilton CBD, on the corner of Victoria Street and Alma Street, the property comprises three adjoining allotments of land with a total area of 596 square metres. The property has good exposure to vehicular and pedestrian traffic and is close to central amenities. Other nearby buildings of note include the Novotel, SkyCity Casino, the Centreplace Shopping Centre, IBIS hotel, and the Westpac building.

12 Alma Street (more commonly known as 'The Stack') comprises a 32-park mechanical car stacker on a 255 square metre regular shape site. The car parking is used by tenants of 410 Victoria Street and other surrounding office tenancies. As at Settlement Date, the net rental income from 12 Alma Street is expected to be \$35,345 per annum.

Property Strategy

The property is a well-located CBD office building. The strategy is to retain the existing tenants by seeking early renewal of leases where possible. In addition, there is an opportunity to negotiate the extension of renewal terms for certain tenants within the building.

The Manager is currently in dialogue with Kiwibank, who is considering leasing additional space within the building. Assuming Kiwibank proceeds to lease additional space, there will be 181 square metres of vacant space remaining on Level 2 (albeit this space is underwritten by the vendor until December 2019). The Manager considers this space is attractive for businesses who are seeking a presence within Hamilton's CBD. The Manager is actively marketing this space to key real-estate agents within Hamilton.

Notes on Valuation

The Victoria Street property was independently valued by **Colliers International** on **20 February 2019**.

The valuation was carried out in accordance with the latest International Valuation Standards 2017 and the Australia and New Zealand Valuation and Property Standards and was undertaken using a combination of the following approaches:

- The Contract Income Approach - the direct capitalisation of passing income;
- The Market Income Approach – current market rental at an appropriate capitalisation rate, adjusted as relevant for differences to contract rent, vacancies and specific capital adjustments; and
- The Discounted Cashflow Approach – utilising cash flow projections, combined with discount rates, growth rates, sustainable rental levels, vacancy allowances, capital expenditure, outgoings, and terminal yields.

The valuation is on the basis of plus GST (if any) and reflects the following:

Value per square metres of NLA	\$4,239	Value per square metre of Land Area	N/A
Initial Yield	6.84%	Yield on Net Market Income	6.65%
Weighted Average Remaining Lease Term	3.26years		

In preparing the valuation, the critical assumptions include:

- All leases noted are executed and the income and occupancy provisions are in accordance with the tenancy information;
- There will be no major economic downturn during the projection period beyond that envisaged at the date of the valuation – a continued stable economy and reasonable levels of growth predicted over the next 5 years;
- No new taxes or rates will be introduced having a direct impact on the property over the projected period; and
- No significant capital expenditure is required in the immediate future.

A copy of the valuation report is available on the Offer Register at <https://disclose-register.companiesoffice.govt.nz> under Offer Number OFR12588.

Notes on Material Leases

The Manager considers none of the leases in the Victoria Street property to be material information in isolation. A summary of the tenants is set out below:

Tenants	Kiwibank Limited Her Majesty the Queen acting by and through the Secretary for Internal Affairs Chylie Properties Limited (Vendor underwrite in place) Quotable Value Limited Te Rito Maioha Early Childhood New Zealand Incorporated Westpac (NZ) Investments Jacobs (NZ) Holdings Limited Te Tumu Paeroa Maori Trustee Propellor Property Investments Limited
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Existing Properties

8 Rockridge Avenue, Penrose, Auckland



Acquired in the period since the last financial year end, the Rockridge Avenue Property was built in 1997 and comprises a four-level purpose-built office property providing ground level annex and covered car parking under the general building footprint and a further three floors of office accommodation. The rentable area is 3,149 square metres including a 41 square metre ground floor deck. This is all situated on a 4,900 square metre freehold front site in the industrial dominated location of Penrose, Auckland.

The property is higher specification than typically encountered and is leased at realistic market rents. The property is subject to four occupational leases, with a projected weighted average lease term of 3.3 years, as at Settlement Date, over a staggered expiry profile.

Property Strategy

The Manager's strategy is to retain the existing tenants within the property through proactively building relationships with all key tenants.

There is currently 541 square metres of remaining vacant space. The Manager is actively marketing the space and is currently in discussions with a number of prospective tenants who have expressed interest in leasing the space.

Address:	8 Rockridge Avenue, Penrose, Auckland
Property Type:	Commercial offices
Net Lettable Area (square metres):	3,149 square metres
Purchase Price:	\$12,150,000
Current Independent Valuation:	\$12,200,000 (by Aim Valuation Limited , as at 23 January 2019)
Occupancy:	83%
WALT:	3.3 years at Settlement Date
Net Rental ²⁸ :	\$804,893 per annum
Seismic rating:	90% NBS
Tenants:	Advance Retail Technology Limited Ipsos Limited Matrix Security Group Limited SGS New Zealand Limited

²⁸ Net Rental represents the expected annual net rental income for the prospective period to 31 March 2020, based on current contractual arrangements plus any prospective period assumptions related to lease renewals and rent reviews

Notes on Material Leases

The Manager considers one lease of the Rockridge Avenue property to be material information. A summary of the material lease is set out below:

Tenant Details	SGS New Zealand
Term of the Lease	6.25 years, expiring 31 January 2022
Rights of Renewal	None remaining
Rent Reviews	None remaining (last completed 1 February 2019).

Copies of the leases are available on the Offer Register at <https://disclose-register.companiesoffice.govt.nz> under Offer Number **OFR12588**.

Notes on Valuation

The Rockridge Avenue property was independently valued by **Aim Valuation Limited** on **23 January 2019**.

The valuation was carried out in accordance with the latest International Valuation Standards 2017 and the Australia and New Zealand Valuation and Property Standards and was undertaken using a combination of the following approaches:

- The Capitalisation of Income Approach - the direct capitalisation of passing and market income;
- The Land and Buildings Approach – recent market sales data for comparable properties, adjusted as relevant for differences specific to this property; and
- The Discounted Cashflow Approach – utilising cash flow projections, combined with discount rates, growth rates, sustainable rental levels, vacancy allowances, capital expenditure, outgoings, and terminal yields.

The valuation is on the basis of plus GST (if any) and reflects the following:

Value per square metres of NLA	\$3,925	Value per square metres of Land Area	\$2,490
Initial Yield	6.15%	Yield on Net Market Income	7.68%
Weighted Average Remaining Lease Term	3.03 years		

In preparing the valuation, the critical assumptions include:

- Advanced Retail Technology Limited surrenders its existing lease on 1 April 2019, and commences a new lease on a separate part of the property at a net rental income of \$144,970; and
- Vendor rental underwrite available as at the date of the valuation, expiring June 2019.

A copy of the valuation report is available on the Offer Register at <https://disclose-register.companiesoffice.govt.nz> under Offer Number OFR12588.

5 Short Street, Newmarket, Auckland



A recently refurbished 1970's eight-level commercial office building providing a rentable area of some 4,286 square metres with two ground floor retail tenancies, 29 car parks, and situated on a 1,037 square metre freehold site. Located in the heart of Newmarket, and only a short distance from Broadway and Khyber Pass Road, the Short Street property is in a well-positioned inner-city location with convenient access to both State Highway 1 and downtown Auckland. On balance, a well located and upgraded, predominantly office building suited to small and medium sized business occupiers.

Property Strategy

The Manager's strategy is to retain the existing tenants within the property, and where possible, relocate tenants to alternative floors within the property to accommodate the growth in existing tenants' space needs.

There are a number of tenants within the property who have upcoming rental reviews. The Manager and independent valuer consider that the market rental is slightly above that of the contract rental and so will be actively negotiating rental increases when the rent reviews are due which is expected to continue to add further value to the building.

Address:	5 Short Street, Newmarket, Auckland	
Property Type:	Commercial offices	
Net Lettable Area (square metres):	4,286 square metres	
Purchase Price:	\$14,200,000	
Current Independent Valuation:	\$18,150,000 (by Aim Valuation Limited , as at 23 January 2019)	
Occupancy:	100%	
WALT:	2.6 years at Settlement Date	
Net Rental:	\$1,316,284 per annum	
Seismic rating:	80% NBS	
Tenants:	NZ Family Planning Outpost Central Limited Oakland Apartment Limited APN Outdoor Limited Accountancy Insurance General Partner Limited Ashley & Martin (NZ) Limited D & J Group Limited De Lacey and Associates Limited Foodfirst Limited Anail Limited	Summerset Management Group Limited Patel Pike & Associates Limited Saturn Group Limited Pacific Islands Trade Commission Property Managers Limited Reynolds & Associates Limited S W Morris & Associates Limited SMEtric Consulting Group Limited Sun & Moon Limited Wing Kong Wong English Language Partners New Zealand

Notes on Material Leases

The Manager considers none of the leases on the Short Street property to be material information in isolation.

2 Robert Street, Ellerslie, Auckland



The Robert Street property is a modernised 1980s suburban development located in the centre of the Ellerslie suburb in Auckland. The property is a mixed-use commercial building which was renovated in the mid-2000s to provide and enable ground floor retail spaces in addition to the commercial office spaces. The building consists of two levels that are fronting Robert Street. Level 1 consists of office spaces and car parks. The indicative rentable area includes 75 unsecure car parks at a favourable ratio of one per 33.4 square metres. The average Level 1 office rent of \$215 per square metre and average ground floor rent of \$354 per square metre are to the middle of fringe suburban rental levels. Car park rent overall is circa \$27.90 per car per week. Current net contract rent is considered below market by approximately 3.0%.

The property is a mixed-use zoned corner site that borders the southern motorway next to the motorway footbridge.

Property Strategy

This property is currently 100% occupied. The Manager's strategy is to retain the existing tenants and seek ongoing rental growth through proactive lease and rental negotiations at the appropriate time.

Address:	2 Robert Street, Ellerslie, Auckland	
Property Type:	Commercial offices and retail	
Net Lettable Area (square metres):	2,504 square metres	
Purchase Price:	\$8,850,000	
Current Independent Valuation:	\$10,475,000 (by Aim Valuation Limited , as at 23 January 2019)	
Occupancy:	100%	
WALT:	4.4 years at Settlement Date	
Net Rental:	\$804,893 per annum	
Seismic rating:	The older portion of the property has a seismic rating of 39% of NBS with the newer part of the property having a seismic rating of 92% of NBS.	
Tenants:	Animates NZ Holdings Limited Team Talk Limited Dental Solutions Limited Mexicali Limited Burger Fuel	Westferry Property Services Little Lamb NZ Limited Andrew Lemalu Lawyer Subway Real Estate Limited Vodafone New Zealand Limited

Notes on Material Leases

The Manager considers none of the leases on the Robert Street property to be material information in isolation.

127 Durham Street, Tauranga



127 Durham Street is a two-level office building located on Durham Street within the central business district of Tauranga. The property is now 100% leased to the University of Waikato.

Property Strategy

127 Durham Street property is 100% leased to University of Waikato for 5 years from 1 April 2019. The Manager's strategy is to continue to maintain a strong relationship with the tenant and retain the tenant beyond the lease term expiry.

143 Durham Street, Tauranga



The adjacent 143 Durham Street property is a commercial zoned property that was developed as a three-level commercial building complex. The ground floor of the complex contains a showroom/commercial office accommodation, with office suites on the above levels. In addition, there is onsite parking provided both to the front of the building, part of which is set back from the road, and to the rear of the building.

Property Strategy

With 143 Durham Street, the Manager's strategy is to retain the existing tenants within the property. There is currently 157 square metres of vacant space within the building. The Manager is actively marketing this space for lease. In addition, the Manager is in dialogue with an existing tenant within the building who is considering leasing the existing vacant space.

Address:	127 Durham Street, Tauranga	143 Durham Street, Tauranga
Property Type:	Commercial offices	Commercial offices
Net Lettable Area (square metres):	1,003 square metres	2,229 square metres
Purchase Price:	\$2,340,000	\$4,850,000
Current Independent Valuation:	\$3,275,000 (by Preston Rowe Paterson , as at 5 February 2019)	\$6,900,000 (by Preston Rowe Paterson , as at 5 February 2019)
Occupancy:	100%	93%
WALT:	5.0 years at Settlement Date	2.5 years at Settlement Date
Net Rental:	\$220,585 per annum	\$397,842 contracted per annum
Seismic rating:	131% NBS	90% NBS
Tenants:	University of Waikato	Fire and Emergency New Zealand GPC Asia Pacific Limited (Repcos) Property Managers Limited Stellaris PTE Limited The Property Group Limited Vision Consulting NZ Limited BOP College of Homeopathy

Notes on Material Leases

The Manager considers one lease at the 127 Durham Street property to be material information. The Manager does not consider any of the leases at the 143 Durham Street property to be material. A summary of the material lease is set out below:

Tenant Details	The University of Waikato
Term of the Lease	Five years, expiring 30 March 2024
Rights of Renewal	None
Rent Reviews	Office accommodation has a fixed annual increase on 31 March each year of 2.0%, and a market rental review performed annually on carparks
Key Information	Hard ratchet clause in place. Landlord works required, including exterior repaint to cladding, part of the roof and replacing some carpet tiles

A copy of the lease is available on the Offer Register at <https://disclose-register.companiesoffice.govt.nz/> under Offer Number **OFR12588**. All other leases are considered to be immaterial in isolation.

Existing Property Held for Sale

22 Amersham Way, Manukau, Auckland



The Amersham Way property was developed in the early 1990s and is in the centre of Manukau City. The property is currently owned by the Fund but is subject to an unconditional sale and purchase agreement dated 9 August 2018 for \$7,800,000, with a settlement date of 28 March 2019. A 5% deposit on the property has been received in full. As a result, this property is not considered a Portfolio Property and does not impact the projected financial information of the Fund beyond the period to 31 March 2019.

Address:	22 Amersham Way, Manukau, Auckland
Property Type:	Commercial offices and retail
Net Lettable Area (square metres):	2,874 square metres
Original Purchase Price:	\$7,300,000
Rental Income:	\$597,212 per annum at date of disposal
Unconditional Sale Price:	\$7,800,000
Purchaser:	Confidential Information
Settlement Date:	28 March 2019

Notes on Material Leases

The Manager considers none of the leases on the Amersham Way property to be material information in isolation.

2.3 Management of the Fund

The Manager has been appointed under the Trust Deeds to manage and administer the Fund on behalf of the Unitholders. The Manager's responsibilities include managing the investments of the Fund in accordance with the SIPO (including seeking to identify future acquisition opportunities for the Fund), administering distributions and unit redemptions, communication with Unitholders, and ensuring compliance with the Trust Deeds and all applicable legal requirements. Any related party benefits derived by the Manager are included in this PDS at section 5.2 under the heading *Related Party Benefits*.

The Manager is currently responsible for the day-to-day property management of the buildings of the Fund. This role includes finding tenants, dealing with tenancy issues, ensuring that the properties are properly maintained and meet all legal requirements. The key personnel of the Manager responsible for managing the Portfolio Property are:



Denis McMahon
Chairman of the Board

Denis began his career in the public sector and held several property management positions with Auckland and then Bay of Plenty territorial authorities. In 1992, he joined a leading commercial realty company in Tauranga and, at the same time, formed PMG. Denis wanted to offer a specialised, professional service in the area of managing industrial, retail and commercial property.

Denis successfully built PMG up over the following 26 years to a company now managing a portfolio with a value in excess of \$300 million. In 1994, Denis syndicated his first property in Tauranga and has overseen a further 30 investment offerings over the last 26 years. Denis is a member of the Property Institute and was the Chairperson of the Property Council (Bay of Plenty Branch) from 1996-2000.



Dr Wayne Beilby
Director

Dr Wayne Beilby joined the Board of PMG as an Independent Director in September 2017. He brings extensive management and governance experience in the financial services industry, both in New Zealand and throughout the Asia Pacific region, to PMG. His experience includes professional appointments such as chairman, company secretary, director and chief executive for a number of companies including NZX companies and local government entities. Wayne is managing director of Pacific Advisory Services, a company which provides governance, and risk and asset management advice to its clients.

Wayne has a Doctorate in corporate governance, a Masters of Business Administration in finance and risk, Bachelor degrees in Law and Arts and is a lawyer by profession. Wayne is a fellow and mentor of the Australia New Zealand Institute of Insurance and Finance (ANZIIF) and a fellow of the Institute of Management New Zealand (IMNZ).

Born, raised and educated in Tauranga, Wayne is interested in all sports and has worked with various sporting teams, even the Papua New Guinea Sevens team. In his spare time Wayne enjoys fishing, diving and hunting.



Scott McKenzie
Chief Executive Officer
& Director

Scott has a wealth of commercial and leadership experience in diverse businesses across New Zealand and the United Kingdom, including ASB Bank in New Zealand, the Royal Bank of Scotland in London and the Bank of New Zealand.

As Director and CEO of PMG, Scott is responsible for leading and overseeing operations across the management, investment, body corporate, and digital arms within the Manager. Scott's leadership experience plays a key role in the determination and implementation of innovative strategy for PMG.

Scott holds a Bachelor of Commerce in Valuation & Agribusiness Management and a Post Graduate Diploma in Management and holds a number of personal directorships. Scott is vice-president of the Property Council Bay of Plenty, and is a member of Enterprise Angels BOP and the Institute of Directors. Scott is the largest shareholder in the Manager.



Daniel Lem
Director & Head of
Investment

Daniel is a real estate professional with 19 years' experience in asset & project management, commercial leasing and structured property finance. A previous Director and Head of Tenant Representation for Jones Lang LaSalle, Daniel represented tenants including Microsoft, IBM, Unisys and NZ Government. Between 2006 and 2010 Daniel was the joint Fund Manager of Danube Property Funds I and II, where he acquired and managed Euro \$100 million of commercial office assets across eastern Europe. Prior to this, Daniel worked for a listed property fund based out of London, acquiring and managing retail assets across central and eastern Europe, including the re-development of a major shopping mall in Warsaw, Poland.

Daniel joined the team in 2015 following the merger of his property management company with Property Managers Limited. Daniel's role is to source new investment opportunities as well as project manage the re-positioning and re-development of specific assets. Daniel holds a Bachelor of Science from Otago University and is a Member of the Royal Institute of Chartered Surveyors.



Nigel Lowe
Chief Financial Officer
& Director

Nigel joined the PMG team in August 2016 after spending 13 years at accounting firm KPMG. At KPMG, Nigel's role was to lead a team in the Private Enterprise division looking after a significant number of small to medium business, with a focus on compliance and business transactions.

Nigel's role within the Manager is to strengthen and provide additional capability to the senior management team with a focus on financial reporting, compliance and assistance with future property acquisitions within the Group.

Nigel is a Chartered Accountant and holds a Bachelor of Commerce from the University of Canterbury.



Matt McHardy
Head of Sales and
Investment

Matt joined the Manager in April 2015 to take up the role of Sales & Investment Manager for the Group and was recently promoted to Head of Sales & Investment. He has extensive experience in client and relationship management, following a banking career for Bank of New Zealand.

Matt holds a Bachelor of Commerce and Administration from Victoria University, is licensed under the Real Estate Agents Act 2008 and is an Authorised Financial Adviser under the Financial Advisers Act 2008.

Matt works closely with Group investors and is responsible for the marketing of existing investor interests in both the PMG unlisted property funds and schemes. He is also responsible for the promotion of any new opportunities to investors.

2.4 Purpose of the Offer

The purpose of this Offer is to raise the funds necessary to assist with the purchase of the Acquisition Properties and to undertake capital expenditure on the Portfolio Properties. The purchase of the Acquisition Properties is part of the Manager's investment strategy of investing directly in office buildings across major metropolitan centres of New Zealand. The proposed capital expenditure is part of the Manager's strategy of maintaining and adding value to properties in the Fund.

The funds raised by the Offer, along with bank financing, will be allocated as follows:

Acquisition Properties:	
65B Main Highway, Ellerslie, Auckland	\$21,743,000
410 Victoria Street and 12 Alma Street, Hamilton	\$8,100,000
Total purchase prices:	
	\$29,843,000
Offer costs	\$1,700,000
Proposed capital expenditure ²⁹	\$3,180,870
Total	\$34,723,870
Funded by:	
Unit subscriptions ^{30,31}	\$20,160,000
Debt ³²	\$14,563,870
Total	\$34,723,870

29 Total prospective capital expenditure for the years ending 31 March 2020 and 31 March 2021, detailed further in this PDS at section 6.4 *Principal Assumptions for Prospective Financial Information*.

30 This is the capital to be raised under the Offer, based on an issue price of \$1.12 per Unit, that must be raised before the Units can be issued.

31 The issue of up to 13,500,000 Units is being underwritten by the Manager.

32 This is the additional net debt to be drawn to purchase the Acquisition Properties and cover capital expenditure until 31 March 2021, assuming the target number of Units are issued, and the Property Held for Sale is disposed of amongst other factors. For further details on the Fund's debt, in this PDS see section 2.7 *Borrowings* and section 6.3 *Financial Measures of the Funds Borrowings*.

2.5 Aspects of the Fund with the Most Impact on Future Performance and the Key Strategies and Plans to Address Them

The current and future aspects of the Fund that have, or may have, the most impact on the Fund's financial performance, and the key strategies and plans to mitigate those impacts, are set out below:

Factor impacting on financial performance	Strategy or plan
The ability of the Fund's tenants to meet their obligations to pay the rental	<p>The Manager does not have access to current financial information about the tenants. The Manager has however managed the Existing Properties for several years and as at the date of this PDS, the Manager is not aware of any tenant that has material rental arrears of greater than 30 days.</p> <p>The Manager also notes that should a single tenant fail to meet their rental obligations, the financial impact on the Fund is likely to be low within a diverse portfolio of 53 unique tenants.</p>
Leasing of vacant space	<p>Several assumptions have been made with respect to the leasing of vacant space across the Portfolio Properties. If the actual leasing of vacant space takes longer than assumed, this may have an impact on the Fund's returns. It is also possible that existing tenants may vacate premises when their leases expire or are not renewed, which may increase the amount of vacant space that requires leasing. The Manager however is experienced in adding value to buildings and achieving leasing results. The Manager considers the strategic refurbishment and leasing plan is conservative and achievable.</p>
Rental income	<p>The Fund's financial performance, cash flows and projected return on investment are dependent on the rental income received from the Fund's property portfolio. Rental income will be driven by tenancy occupancy rates, the terms of the lease agreements, the renewal of lease agreements, and the ability of tenants to fulfil their lease obligations.</p> <p>The Manager intends to take advantage of its in-house specialist property management experience to find leasing, maintenance and value-add repositioning opportunities, to increase rental income across the Fund's property portfolio.</p>
Future capital expenditure requirements	<p>The Manager has provisioned for \$3,180,870 in capital expenditure to assist with required works and building refurbishment for the prospective financial periods from 1 April 2019 to 31 March 2021. The new bank facility includes up to \$3,000,000 to assist with capital expenditure in addition to existing bank facilities and cashflow.</p> <p>Further details about the proposed capital expenditure are set out in section 6.4 <i>Principal Assumptions for Prospective Financial Information</i>.</p>
Property Value	<p>The performance of the Fund will be influenced by the value of the Fund's property investments. The value of these investments, in turn, will be influenced by the state of the property market, the level of rental income from each property, and the remaining terms of the leases of those properties. As set out in section 2.1 of this PDS, the Manager will assess each of the Fund's property investments on an annual basis against a number of key metrics to determine whether the property should be sold or remain in the Fund.</p>
Change in interest rates	<p>The Manager manages interest rate risk with a combination of rate swap agreements and/or floating rates. The Manager's hedging/interest rate policy is set out in detail in this PDS in section 7 <i>Risks to Returns from the PMG Direct Office Fund</i>.</p>

Further information about the potential risks to Unitholders of investing in Units are set out in section 7 of this PDS under the heading *Risks to Returns from the PMG Direct Office Fund* and in *Other Material Information* disclosed on the Offer Register at <https://disclose-register.companiesoffice.govt.nz> under Offer Number **OFR12588**.

2.6 Nature of Returns and the Key Factors that Determine Returns

The return on Unitholders' investments in the Fund will be driven by the profits from the rental income of the Fund and by the capital value of the Fund's property portfolio. The key factors determining returns are:

Rental profits – the Fund's primary source of income will be from the rental income from each of the properties in the Fund's portfolio. The amount of income available for distributions to Unitholders will be drawn from the net income of the Fund. This will depend on the rental income and operating expenses of the properties in the Fund and the amount of fees paid to the Manager, the Supervisor, the auditor, the unit registrar and other on-going expenses (further information about the fees paid by the Fund is set out in section 8 of this PDS under the heading *What are the Fees?*). Unitholders will also pay tax on their share of the profit of the Fund at their respective PIR (further information about tax Unitholders will pay is set out in this PDS at section 9 *Tax*).

Interest rates – A primary cost of the Fund is interest expense, driven by both the level of borrowings and interest rates. Given the total debt held by the Fund, interest rates are a key factor in determining the overall return of the Fund. A summary of the Fund's borrowing arrangements is set out in this PDS at section 7.3 *Interest and Derivative Risk*.

Capital value – the value of Units will be influenced by the value of the Fund's property investments. The value of these investments, in turn, will be influenced by the state of the property market, the level of rental income from each property, and the remaining terms of the leases of the properties.

2.7 Borrowings

The Fund has received a formal offer of funding from ASB to help fund the purchase of the Acquisition Properties, in addition to two existing funding facilities already in place with ASB. The main terms of the overall funding arrangements are set out below:

Facility Limit:	Total facility limits with ASB will be \$34,965,000. The facility limits at Settlement Date are 42.10% of the total assets of the Fund. Included in the above is a new facility associated with this offer, totalling \$16,793,000 (being \$13,793,000 towards the registered value of the Acquisition Properties, plus an allowance for planned capital expenditure).
Expected Borrowing:	Total borrowings of \$32,165,402 are expected following settlement of the Acquisition Properties, before further capital expenditure for the year (being 38.72% of the total assets of the Fund). The level of borrowing will increase as the capital expenditure program is implemented. A commensurate increase in asset carrying value is expected.
Establishment Fees	No fees are expected as part of increasing funding facilities associated with this Offer.
Term of lending:	Committed Cash Advance Evergreen facilities on a 36-month term, extendable on mutual agreement. With an extendable term, the facilities can be renewed annually and subsequently extended by a further 12 months (to effectively reset the term to 36 months from the extension date). The current expiry profile of the three facilities is summarised in section 6.3 of this PDS - <i>Financial Measures of the Fund's Borrowing</i> . Any extension of the facilities is subject to ASB's approval (which may or may not be given). If ASB approves an extension, the Bank may re-price the facility lending margin. The Manager would not have to accept the extension if the margin was increased, but, in those circumstances, the loan term would not be extended. The current market value price for the further 12-month extension will be combined with the current rate for the remaining term of the initial facility to determine a new lending margin.
Security:	First registered mortgage in favour of ASB over the Portfolio Properties. First ranking General Security Deeds in favour of ASB over all present and after acquired personal property of the Fund and Custodian.
Interest rate:	The interest rate under the facility agreement is effectively floating and is based on the current 30, 60, or 90-day BKBID Bid Rate plus the Bank margin (which is subject to change on an extension). To hedge the risk on the floating nature of the interest rate, the Manager may enter into a swap agreement to fix the interest rate for any amount up to the entirety of the Fund's debt. The fixed term may not extend beyond the facility expiry date. An average interest rate of 4.65% has been forecast for the financial years to 31 March 2019 and 31 March 2020, increasing to 4.75% for the financial year to 31 March 2021.
Conditions after Advance:	Bank covenants applying to the Fund as a whole
Loan to Value Ratio (LVR):	The loan to value ratio is to be less than 45% of the value of the security properties, measured annually.
Weighted average Lease term (WALT):	WALT to be maintained at no less than 2.25 years at all times.
Interest Cover:	Not less than 2.0 times the interest cost (net rental income / interest expense).
Principal Repayments:	The loan facility is interest-only, and no principal repayments are required during the loan term.
Insurance:	Full replacement, loss of rental income for not less than 24 months, adequate public risk insurance, with ASB Bank noted as an Interested Party.

As the borrowings referred to above will become due before the Fund is wound up, the Manager considers that refinancing is likely to be needed.

The debt owed to ASB and all other liabilities of the Fund, will rank ahead of Units on a winding up of the Fund.

3. Key Dates and Offer Process

Key Dates for this Offer

PDS registered	11 March 2019
Opening Date	18 March 2019
Closing Date	12 April 2019
Issue Date	17 April 2019
Settlement Date for the Acquisition Properties	17 April 2019
Annual Report due to Unitholders	30 June 2019 for the period ending 31 March 2019

This timetable is indicative only and the dates may change. The Manager reserves the right to vary or extend these dates (including to close the Offer before the Closing Date in the event that acceptances of the Offer are over-subscribed). The Manager may also withdraw the Offer at any time before the allotments of Units or accept late applications (either generally or in individual cases) at the Manager's sole discretion.

4. Terms of the Offer

4.1 Terms of the Offer

A summary of the key terms of the Offer can be found in the Key Information Summary under section 1.4 *Key Terms of the Offer*.

The table below sets out the terms of the Offer:

What is the Offer?	<p>This is an offer of Units in a managed investment scheme (constituted as a unit trust) called the PMG Direct Office Fund. See section 1.1 for an overview of the Offer.</p> <p>Each Unit confers an equal interest in the Fund and ranks equally in all respects with any other Units issued in the Fund. Each Unit confers an equal right to distributions authorised by the Manager, and to cast votes at meetings of Unit holders, in accordance with the Trust Deeds.</p>
Key Dates	<p>See section 3 of this PDS for information about the key dates of this Offer.</p>
Price	<p>The price of each Unit is NZ\$1.12 with a minimum Unit subscription amount per investor of \$11,200 (10,000 Units) and multiples thereafter of \$5,600 (5,000 Units).</p> <p>To ensure compliance with the Fund's PIE status, a Unitholder's total Unit holding in the Fund (combined with Unit holdings of any "associated persons" for tax purposes in the Fund) cannot exceed 20% of the total Units in the Fund (equating to 9,195,000 Units), unless the Unitholder is itself a PIE or one of a limited class of other widely-held vehicles.</p>
Minimum Raise	<p>The Fund is seeking to raise \$20,160,000 (18,000,000 Units) from the Offer to provide it with the money that it needs to purchase the Acquisition Properties and to undertake capital expenditure on the Portfolio Properties.</p> <p>The Fund must be fully subscribed for the Offer to proceed. To ensure this, \$15,120,000 of the funds raised under the Offer are being underwritten by the Manager. This translates to 13,500,000 million Units subscribed for under the Offer. In effect, the Fund must receive subscriptions for at least 4,500,000 Units from investors which are not being procured under the underwriting arrangements.</p> <p>If the Manager does not receive valid applications under the Offer for 18,000,000 Units by the Closing Date (or, if the Manager decides to extend the Closing Date, that later date), then the Offer will lapse. You will be refunded your money within five Business Days of the Offer lapsing, and you will have no right to be issued any Units. No interest will be paid on money that is refunded.</p>
Issue	<p>Units will be issued on the Issue Date which is five Business Days following the Offer Closing Date (or, if the Manager decides to extend the Closing Date, that later date).</p> <p>The Offer is made on the terms, and is subject to the conditions, set out in this PDS and on the Offer Register.</p>
How can an Investor make Investment in the Fund?	<p>Investors must complete the Application Form correctly. Please read the instructions in the Application Form carefully before sending it to the Manager.</p> <p>Subscriptions must be made before the Closing Date (or, if the Manager decides to extend the Closing Date, that later date). This is not a continuous offer of Units in the Fund.</p>

4.2 How can I Withdraw my Investment in the Fund?

Although a holding of Units in the Fund is intended to be a long-term investment, Units are redeemable in accordance with the Trust Deeds. This means that redemptions of Units will be available solely at the Manager's discretion.

Key Dates Relating to Units

Cash distributions: 25th day of each month (with the first distribution for new Unitholders being paid on 25 May 2019, assuming the Offer closes on 12 April 2019)

Annual Redemption Window: 1 July to 31 July each year

This timetable is indicative only and the dates may change.

Annual Redemption Window

The current annual redemption window is from 1 July to 31 July in each year. However, redemptions may be suspended at any time in accordance with the terms of the Trust Deeds.

Redemptions are available at the Manager's sole discretion and may be suspended at any time in accordance with the Trust Deeds. The Manager has elected not to provide a redemption window for the July 2019 period due to the proximity of this window to the date of this Offer. The next redemption window will therefore be 1 July to 31 July 2020.

Redemption Price

For each redemption window, the Manager will set a redemption price. The redemption price will be based on the net asset value (**NAV**) of the Fund subject to the adjustment described below as at 31 March in the relevant financial year.

When determining the NAV of the Fund, for the purposes of calculating a redemption price, the valuation will be adjusted to take into account that:

- (a) the establishment costs incurred in connection with acquiring a property for the Fund (legal fees, valuations fees, brokerage, etc.) will be gradually written off on a straight-line basis over five years from the date that the relevant property was acquired; and
- (b) on the sale of that property, any remaining establishment costs that have not already been written off will be reduced to zero.

The purpose of this adjustment is to ensure that the cost of the Fund buying and selling assets is spread across Unitholders over time. These adjustments are non-GAAP adjustments and therefore are not reflected in the Fund's Financial Statements. A reconciliation of the adjustment to GAAP-compliant information is available on the Offer Register under "Other Material Information".

As indicated above, the NAV will be based on annual valuations of the properties held by the Fund. The Fund's liabilities will include accruals for fees and expenses. This means that, given performance fees (described in greater detail in section 8 of this PDS) are calculated annually in arrears, if a performance fee is payable, the fee will be accrued in the redemption price for Units at the time it is calculated.

A numerical example of the impact of the non-GAAP adjustments is set out in the table below:

Net Asset Value for the purposes of unit pricing	31 March 2020	31 March 2021
	\$	\$
Total equity as per prospective statement of financial position	50,255,424	50,255,781
Remaining acquisition costs to be amortised	361,945	265,497
Adjusted Net Asset Value	50,617,369	50,521,278
Number of Units on issue	46,000,000	46,000,000
Price per Unit	1.10	1.10

The information in this table is subject to the following assumptions:

1. The total equity for 2020 and 2021 is based on fair value adjustments to valuations received within 4 months of this PDS, plus the acquisition price of assets and prospective capital expenditure. The adjusted net asset value takes no account for future capital value appreciation.
2. The acquisition costs are based on the costs associated with both this Offer, and those unamortised from the previous offer. It does not include costs associated with any future offers.
3. The Manager has confirmed that no redemptions will be allowed in the July 2019 redemption window due to proximity to the date of this Offer. As a result, the information for the period to 31 March 2019 is not disclosed above as it may be misleading.

Redemption Fee

Refer to section 8.3 of this PDS for information about fees charged to Unitholders on redemption of units.

Payment of Redemption Price

Payments for redeemed Units will be made prior to the 20th day of the month following the close of the redemption window.

Available Funds

The funds available for redemptions will be limited to:

- (a) 3% of the NAV of the Fund as determined by the Manager at the relevant valuation date for the applicable redemption window; or
- (b) having regard to the future requirements of the Fund, such other amount as determined by the Manager from time-to-time.

In the event that the Manager receives requests for redemptions in excess of the available funds, the Manager will scale the redemption requests such that requests will be satisfied on a pro rata basis up to the limit of the available funds.

Any redemptions will be funded by debt. The Manager will not be maintaining a separate cash facility for redemptions.

4.3 Sale of Units

Units may be sold or transferred but there is currently no established market for trading in Units, nor will the Units be listed on any securities exchange.

The Manager has a large database of investors and, from time-to-time, the Manager will assist in facilitating secondary transfers of Units from one investor to another. The Manager charges 1.5% of the transaction price as a fee for this service, excluding GST, as noted in section 8.3 of this PDS.

The Manager does not represent that there will be sufficient demand or liquidity to enable a Unitholder to sell Units at any given time. The Manager is not an Authorised Financial Adviser (as defined in the FMCA) and does not provide any recommendations in relation to buying or selling Units. For more information, please contact the Manager at the contact address in section 14 of this PDS.

4.4 Distributions

Distributions with respect to the Fund are made at the discretion of the Manager. These are dependent on a number of factors which must meet the requirements of the Trust Deeds and will only be declared after meeting applicable solvency requirements. Distributions are therefore not guaranteed.

It is the Manager's future intention to declare gross distributions of approximately 100% of the Fund's adjusted net profit before tax (as detailed below), after consideration of any required re-investment in capital expenditure programmes on existing properties and debt repayment, on an annual basis. Decisions relating to required re-investment are also at the discretion of the Manager.

Distributions are primarily funded by money derived from operations. However, in periods where money from operations is insufficient to meet distribution payments, distributions may also be funded by money from financing activities – specifically borrowings secured against the value of investment property. These borrowings are from ASB, and distributions made from this source will be required where temporary timing differences in relation to operational cash flow occur. Over the life of the Fund, use of borrowings to support distributions to Unitholders is commercially sustainable, provided the value of investment property continues to rise. Should the value of investment property decrease, in periods where operating cash flow is below that of an intended distribution, the distribution may need to be reduced.

Distributions are paid monthly (or sometimes more frequently if an equity raise occurs part way through a month). Only those Unitholders registered as holding Units at the end of the preceding month are entitled to receive the distribution payment.

The intention is to declare a distribution on the last day of the month and pay the distribution on the 25th of the following month. If these dates fall on a weekend, then the distribution will be made on the following Business Day.

Adjusted net profit before tax is calculated as net profit before tax, after subsequently reversing the following items (if applicable to the relevant period and forming part of profit before tax):

- (a) unrealised changes in the value of investment properties;
- (b) realised gains on the disposal of investment properties; and
- (c) unrealised changes in the value of derivative financial instruments.

As a result of the above, the actual gross distribution per Unit for a period may vary from the prospective information. The actual gross distribution may be above or below 100% of the Fund's net profit before tax.

A reconciliation from adjusted net profit after tax to GAAP-compliant information is available on the Offer Register in the document titled *Other Material Information*.

Distributions have been declared by the Fund since December 2016 as follows:

- A distribution of 0.32 cents per Unit was declared for the period to 31 December 2016;
- For each of the months January 2017 to March 2017, a distribution of 0.58 cents per unit was declared;
- For each of the months April 2017 to March 2019, a distribution of 0.625 cents per unit has or will be declared (equivalent to 7.50 cents per unit per annum).

An interim distribution will be declared on 16 April 2019 and paid on 25 May 2019, prior to new Units being issued on 17 April 2019. This represents 16 days in the period. A distribution for the remaining 14 days in the period from 17 April 2019 to 30 April 2019, for all qualifying Unitholders, will be declared on 30 April 2019 and paid on 25 May 2019.

Forecast Distributions

Forecast distributions for the prospective period are 7.50 cents per Unit per annum before tax, distributed monthly. For new Unitholders participating in this Offer, this equates to a projected gross distribution return on unit issue price of 6.70% per annum for the period ending 31 March 2020 and year ending 31 March 2021.

These returns are not guaranteed. The actual distribution amounts may vary if the actual result varies to the prospective financial information. The stated returns throughout the forecast period are prospective, and do not guarantee that the same or better returns will be achieved in the future under Offer Number **OFR12588**. The composition of the Fund has changed over time, as has the Fund's financial performance, position, and ability to make distributions. Specifically, the properties owned by the Fund have changed over time and distributions above are based on the properties held in the period leading up to those distributions.

4.5 Governing Documents

The Fund has been established under the Master Trust Deed (dated 28 October 2016) and Establishment Deed (dated 1 November 2016) entered into by the Manager and the Supervisor (the **Trust Deeds**). The Master Trust Deed provides for a number of separate funds to be established and managed by the Manager pursuant to individual establishment deeds. The Fund is the first such fund established by the Manager. Copies of the Trust Deeds may be found on the Scheme Register (on the Disclose Register) at <https://disclose-register.companiesoffice.govt.nz> under Scheme Number **SCH10921**.

5. How PMG Direct Office Fund Works

5.1 Key Features of the Fund

The Fund is a managed investment scheme for the purposes of the FMCA. The Fund has been established with the purpose of building a diversified portfolio of commercial office properties. In the future, the Fund may acquire additional properties that satisfy the investment criteria set by the Manager (in which case, the Manager may be required to raise additional capital by issuing new Units under a new PDS). The investment objective of the Fund is to provide Unitholders with a stable income stream, payable monthly, and the potential for future capital growth in the value of Units.

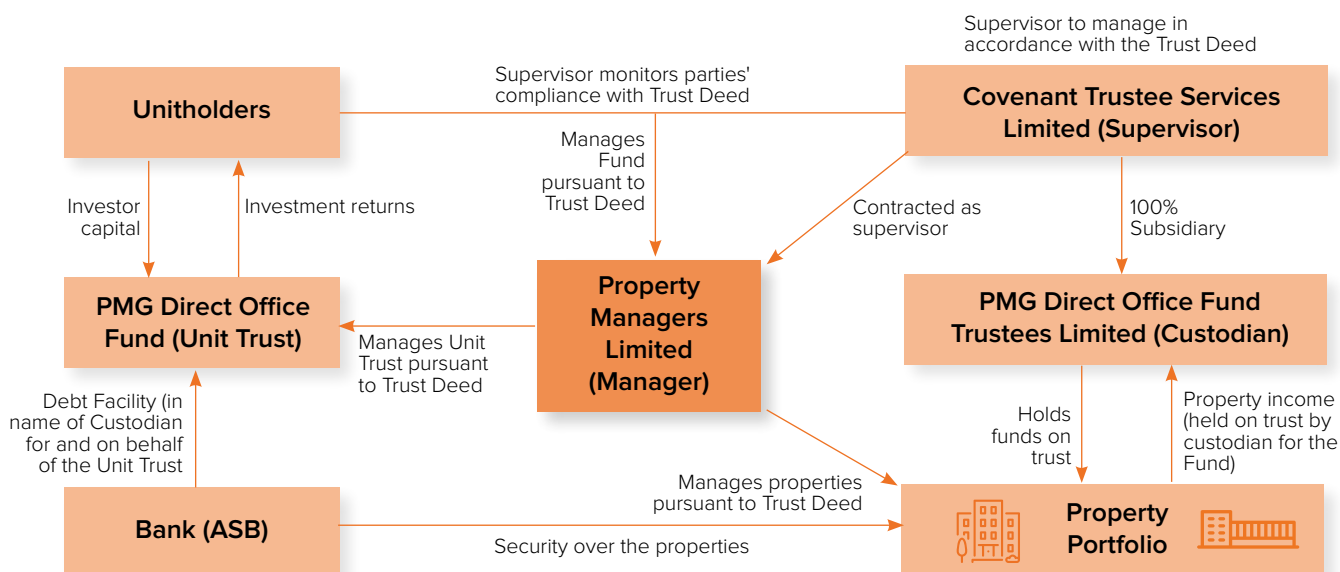
The interests that Unitholders will receive in the Fund are unitised interests in the Fund's property. The Supervisor has been appointed to act as the supervisor of the Fund. The Supervisor will hold the properties in the Fund (through a custodian company wholly-owned by the Supervisor called PMG Direct Office Fund Trustees Limited) on trust, on behalf of the Unitholders, subject to the Trust Deeds, the FMCA, and any other applicable legislation.

Each Unit confers an equal interest in the Fund and ranks equally in all respects with any other Units issued in the Fund. Each Unit confers an equal right to distributions authorised by the Manager, and to cast votes at meetings of Unit holders, in accordance with the Trust Deeds.

The Trust Deeds relate to the creation and issue of units, redemption mechanics, the Manager's powers and duties, the Supervisor's powers and duties, authorised investments, fees and expenses payable from Fund assets, the Fund's borrowing powers, changes to the Manager or Supervisor, and indemnities. The Trust Deeds must meet certain minimum requirements set out in the FMCA.

HOW PMG DIRECT OFFICE FUND WORKS

A simplified version of the Trust's structure is set out below:



5.2 Related Party Benefits

The Fund's related parties include the Manager, the Supervisor, and members of key management personnel of the Manager and Supervisor.

The Fund has previously received income from the Manager for office rentals as follows:

	Period to 31 March 2017	Year to 31 March 2018	6 months to 30 Sep 2018
5 Short Street	\$4,486	\$34,327	\$35,443

The Fund has previously had investing activity with the following specified key management personnel:

Party and type	Period to 31 March 2017	Year to 31 March 2018	6 months to 30 Sep 2018
Issuance of Units / Redemption of Units			
Denis McMahon Family Trust (related party as Denis McMahon is a director of the Manager)	\$200,000	-	
Property Managers Limited (as the Manager)	-	\$100,000	(\$100,000)
Distributions made			
Denis McMahon Family Trust	\$4,140	\$14,997	\$7,499
Property Managers Limited	-	\$3,177	\$937

The balances with related parties at each period end are as follows:

Balances	Period to 31 March 2017	Year to 31 March 2018	6 months to 30 Sep 2018
Trade Payables to Manager	\$210,540	\$483,572	\$36,759
Distribution payable to Denis McMahon Family Trust	\$1,167	\$1,250	\$1,250
Investments Held			
Denis McMahon Family Trust	\$200,000	\$200,000	\$200,000
Property Managers Limited	-	\$100,000	-

All transactions were on normal commercial terms and conditions at market rates and on an arm's length basis. All Related Party certificates have been provided to the Supervisor.

In July 2018, the Fund purchased 8 Rockridge Avenue from PMG Capital Fund Limited. Scott McKenzie and Denis McMahon are directors of both PMG Capital Fund Limited and the Manager. Denis is also a shareholder of PMG Capital Fund Limited. The purchase price was based on arm's length valuation and a related party certificate was filed with the Supervisor.

The acquisition property at Victoria Street is also to be purchased from PMG Capital Fund Limited, the same process is to be followed as for Rockridge Avenue noted above.

PMG Capital Fund Limited has funded the deposit for the Main Highway property. The deposit and a fee of \$54,358 being 5% of the deposit amount will be paid on settlement, this has been considered to be arm's length and on commercial terms.

PMG Capital Fund Limited has entered into a sub arrangement to underwrite part of this raise. This is on the same terms as other underwriters.

It is expected that all historic operating income transactions, by nature, will continue to be earned at amounts set out in the prospective financial information. This includes the lease of office space and parking space at 5 Short Street totalling \$44,729 per annum and expiring 30 September 2019, and the lease of office and parking space at 143 Durham Street totalling \$91,742 per annum, expiring 31 March 2025. The Manager has certified such transactions and notified the Supervisor of these transactions.

The Manager and Supervisor are entitled to recover fees and expenses from the Fund. It is expected that all historic operating expenditure transactions by nature will continue to be incurred, at amounts set out in the Prospective Financial Information at section 6 of this PDS.

The Directors of the Manager may invest in the Fund on the same basis as any other investor. It is the intention of Nigel Lowe (Director, Shareholder, and CFO of the Manager) and Matt McHardy (Shareholder of the Manager) to purchase Units in the Fund, from which they will be entitled to distributions, on the same terms and conditions as any other Unitholder or potential Unitholder.

There are no other transactions or proposed transactions under which the Manager or the Supervisor, or any "associated person" (as that term is defined in the FMCA) of the Manager or the Supervisor, may be entitled to receive a future benefit that either is given out of the Fund's property or creates an exposure to loss for the Fund. The Manager and Supervisor are entitled to recover fees and expenses from the Fund.

Further information about the fees and expenses is set out in section 8 of this PDS under the heading *What are the Fees?*

6. PMG Direct Office Fund's Financial Information

This table provides selected financial information about the Fund. Full financial statements are available on the Offer <https://disclose-register.companiesoffice.govt.nz> under Offer Number **OFR12588**. If you do not understand this sort of financial information, you can seek professional advice.

The Fund made an initial offer of Units in November 2016 for the acquisition of the Existing Properties (that Product Disclosure Statement and other documents are available on the Offer Register under Offer Number **OFR11122**). The information in that initial offer document may not be relevant to this Offer. Investors should not rely on any information contained within that offer document when considering whether to invest under this Offer.

The purpose of the prospective financial statements is to assist Unitholders in assessing the viability of, and return on, funds invested. The PDS and the prospective financial information may not be appropriate for any other purpose.

The prospective financial information included in the tables below has been extracted from prospective financial statements prepared in accordance with Financial Reporting Standard 42: Prospective Financial Statements (FRS42), which are available on the Offer Register.

The principal assumptions on which the prospective financial information is based are set out in section 6.4. Full description of accounting policies and assumptions relating to the prospective financial information can be obtained on the Offer Register.

6.1 Prospective Income, Expenses, and Returns

STATEMENT OF COMPREHENSIVE INCOME	Actual		Prospective			Actual	Actual
	3.5 months	Year	Year	Year	Year	6 months	6 months
Financial Year	2017 ³³	2018	2019 ³⁴	2020	2021	1HY2018 ³⁵	1HY2019 ³⁵
	\$	\$	\$	\$	\$	\$	\$
Total revenue	1,332,934	4,309,777	4,474,669	6,989,749	7,269,358	2,148,282	2,099,749
Total expenses	(556,284)	(1,976,362)	(1,880,248)	(2,137,192)	(2,242,980)	(992,481)	(890,381)
Fair value movement on investment property ³⁶	1,981,323	2,711,281	1,415,305	-	-	1,359,266	-
EBITDA ³⁷	2,698,887	4,860,053	3,763,585	4,852,556	5,026,378	2,505,924	967,843
Net financing costs	(244,064)	(864,208)	(1,040,030)	(1,481,770)	(1,576,021)	(425,961)	(467,173)
Total comprehensive income	2,454,823	3,995,845	2,723,555	3,370,787	3,450,357	2,079,963	500,670

STATEMENT OF CHANGES IN EQUITY	Actual		Prospective			Actual	Actual
	3.5 months	Year	Year	Year	Year	6 months	6 months
Financial Year	2017 ³³	2018	2019 ³⁴	2020	2021	1HY2018 ³⁵	1HY2019 ³⁵
	\$	\$	\$	\$	\$	\$	\$
Opening equity	-	28,964,243	30,860,088	31,483,194	50,255,424	28,964,243	30,860,088
Units issued net of issue costs	27,088,989	-	(449)	18,787,693	-	-	-
Total comprehensive income	2,454,823	3,995,845	2,723,555	3,370,787	3,450,357	2,079,963	500,670
Distributions for the year	(579,569)	(2,100,000)	(2,100,000)	(3,386,250)	(3,450,000)	(1,050,000)	(1,050,000)
Closing equity	28,964,243	30,860,088	31,483,194	50,255,424	50,255,781	29,994,206	30,310,758

STATEMENT OF FINANCIAL POSITION	Actual		Prospective			Actual	Actual
	3.5 months	Year	Year	Year	Year	6 months	6 months
Financial Year	2017 ³³	2018	2019 ³⁴	2020	2021	1HY2018 ³⁵	1HY2019 ³⁵
	\$	\$	\$	\$	\$	\$	\$
Assets							
Current Assets	262,212	269,832	1,077,685	704,531	608,008	N/A	8,429,717
Non-current Assets	47,825,000	47,970,034	51,000,000	83,170,093	84,300,093	N/A	48,246,773
TOTAL ASSETS	48,087,212	48,239,866	52,077,685	83,874,624	84,908,101	N/A	56,676,490
Liabilities							
Current liabilities	580,567	1,072,376	722,089	913,798	896,918	N/A	1,053,330
Non-current liabilities	18,542,402	16,307,402	19,872,402	32,705,402	33,755,402	N/A	25,312,402
TOTAL LIABILITIES	19,122,969	17,379,778	20,594,491	33,619,200	34,652,320	N/A	26,365,732
NET ASSETS	28,964,243	30,860,088	31,483,194	50,255,424	50,255,781	29,994,206	30,310,758
TOTAL EQUITY	28,964,243	30,860,088	31,483,194	50,255,424	50,255,781	29,994,206	30,310,758

33 The first period presented is only for a period of 3.5 months as the Fund was established and its first units were issued on 14 December 2016, and the Fund has a financial year end of 31 March.

34 The prospective period to 31 March 2019 is compiled from the 6-month interim financial statements to 30 September 2018, plus known actual results to 31 December 2018 per management reporting, plus prospective results for the 3 months to 31 March 2019.

35 The interim periods presented are for the 6 months ending 30 September 2017 and 30 September 2018. The interim period to 30 September 2017 is included for comparative purposes. Only information available from the interim financial statements is presented.

36 Fair value movement on investment is the difference between book value and valuation of the investment properties as at balance date.

37 EDITDA is a non-GAAP measure and therefore not reflected in the Funds financial statement. A reconciliation of the adjustment to GAAP - compliant informations is available on the Offer Register under "Other Material Information".

STATEMENT OF CASH FLOWS	Actual		Prospective			Actual	Actual
	3.5 months	Year	Year	Year	Year	6 months	6 months
Financial Year	2017 ³⁸	2018	2019 ³⁹	2020	2021	1HY2018 ⁴⁰	1HY2019 ⁴⁰
	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents at beginning of period	-	145,260	109,139	570,193	40,800	145,260	109,139
Net cash inflow from operating activities	773,782	1,794,808	863,364	3,293,757	3,507,527	871,362	607,616
Net cash inflow/ (outflow) from investing activities	(45,843,677)	2,492,404	(1,866,861)	(32,170,093)	(1,130,000)	(370,415)	(8,420,502)
Net cash inflow/ (outflow) from financing activities	45,215,155	(4,323,333)	1,464,551	28,346,943	(2,400,000)	(425,333)	7,955,000
Cash and cash equivalents at end of period	145,260	109,139	570,193	40,800	18,327	220,874	251,253

6.2 Key Return Information for Investors

	Actual		Prospective			Actual	Actual
	3.5 months	Year	Year	Year	Year	6 months	6 months
Financial Year	2017	2018	2019	2020	2021	1HY2018	1HY2019
	\$	\$	\$	\$	\$	\$	\$
Total comprehensive income	2,454,823	3,995,845	2,723,555	3,370,787	3,450,357	2,079,963	500,670
Return on subscribed units (annualised)⁴¹	29.63 cents	14.27 cents	9.73 cents	7.46 cents	7.50 cents	14.86 cents	3.58 cents
Gross distributions to Unitholders	579,569	2,100,000	2,100,000	3,386,250	3,450,000	1,050,000	1,050,000
Gross distribution per subscribed unit (annualised)	7.00 cents	7.50 cents	7.50 cents	7.50 cents	7.50 cents	7.50 cents	7.50 cents
Distribution return on Offer unit price ⁴²	7.0%	7.5%	7.5%	6.7%	6.7%	N/A	N/A

This has been based on the prospective performance of the Fund where indicated.

38 The first period presented is only for a period of 3.5 months as the Fund was established and its first units were issued on 14 December 2016, and the Fund has a financial year end of 31 March.

39 The prospective period to 31 March 2019 is compiled from the 6-month interim financial statements to 30 September 2018, plus known actual results to 31 December 2018 per management reporting, plus prospective results for the 3 months to 31 March 2019.

40 The interim periods presented are for the 6 months ending 30 September 2017 and 30 September 2018. The interim period to 30 September 2017 is included for comparative purposes. Only information available from the interim financial statements is presented.

41 The return on subscribed units (annualised) is the total comprehensive income divided by the weighted average number of units on issue. This therefore includes all fair value gains and losses on properties and interest rate swaps for the respective years.

42 Gross distribution return for the periods end 31 March 2017 to 31 March 2019 are based on the initial offer price of \$1.00 per Unit. Prospective annualised gross distributions on Units issued under this Offer, being 31 March 2020 and 31 March 2021 are expressed as a percentage per annum based on Offer unit price of \$1.12 per Unit.

6.3 Financial Measures of the Fund's Borrowing

	Year to 31 March 2018	6 months to 30 September 2018	Year to 31 March 2019	As at Settlement Date	Year to 31 March 2020	Year to 31 March 2021
Total borrowings	\$16,307,402	\$25,312,402	\$19,872,402	\$32,165,402	\$32,705,402	\$33,755,402
Gearing ratio	33.80%	44.66%	38.16%	38.72%	38.99%	39.76%
Interest cover ratio	2.51	2.25	2.35	N/A*	3.27	3.19

* No interest cover ratio is applicable to an as-at date and is therefore marked N/A.

The above assumes \$20,160,000 is raised under the Offer.

The **Gearing Ratio** equals the Fund's total interest-bearing liabilities as a proportion of the Fund's total assets. A higher gearing ratio represents a greater risk to the Fund if the investment properties were to decrease in value because a greater proportion of the assets would be required to repay bank debt.

The **Interest Cover Ratio** is a multiple of the Fund's EBITDA (less unrealised gains, plus unrealised losses) compared to the Fund's interest expense. These projections are based on assumptions, which are set out in this PDS at section 6.4 *Principal Assumptions for Prospective Financial Information*. The higher the ratio, the greater the ability of the Fund to pay interest on bank loans.

The above ratio assumes the change in value of the investment property beyond 31 March 2019 is the value of the capital expenditure on the Portfolio Properties. No other change in the value of the investment property (increase or decrease) has been forecast beyond 31 March 2019 as it is not possible to do so with a degree of certainty.

Under the terms of the ASB offer, the term of bank borrowings is a three-year term that is extendable by mutual agreement, with interest payable monthly.

The assumptions in relation to the funding facility are set out in section 6.4(d) of this PDS under the subheading *Bank Borrowings and Interest Expense*.

The loan will be secured by first registered mortgages over the Portfolio Properties and a general security agreement over all present and future acquired assets of the Fund.

The ASB offer is subject to variation at the time of the loan being drawn and assumes the conditions in the Offer are fulfilled.

The Fund's Borrowing Facility Maturity Profile

The table below summarises, in aggregate, when the amounts of the bank facility limits of \$34,965,000 referred to above and set out in detail in section 2.7 of this PDS are due for repayment or extension:

	2019	2020	2021	2022	2023
Amount of combined facilities expiring/due for renewal	\$Nil	\$Nil	\$Nil	\$12,300,000	\$22,665,000

The borrowings constitute three 36-month facilities which are extendable by mutual agreement between the Manager and ASB. For further details on the borrowing facility see within this PDS section 2.7 *Borrowings*.

6.4 Principal Assumptions for Prospective Financial Information

The principal assumptions on which the prospective financial information has been prepared are set out below. These assumptions should be read in conjunction with the risks set out further below and in section 7 of this PDS. A prospective financial information statement (together with the assumptions underlying those statements) is available on the Offer Register.

- (a) **Settlement:** The Fund intends to settle the acquisition of the Acquisition Properties on the estimated settlement date of 17 April 2019. The prospective financial statements of the Fund have been prepared for the years ending 31 March 2019, 2020 and 2021. The prospective financial statements only include information for the Acquisition Properties from the estimated settlement date.
- (b) **Offer Proceeds and Costs:** The Manager has assumed a total of \$20,160,000 is raised from the Offer from the issuance of 18,000,000 Units at \$1.12 each. Total estimated issuance costs for the Offer total \$1,700,000. Issuance costs include Manager's Acquisition and Underwriting Fees, brokerage fees, legal fees, accounting fees, property valuations, marketing costs and finance costs. For further information see in this PDS section 8.1 Offer Costs.
- (c) **Revenue, occupancy rates, and lease renewals:** The prospective financial statements assume annual net rental income as follows:

For the year ended 31 March	Actual/Prospective 2019 \$	Prospective 2020 \$	Prospective 2021 \$
65B Main Highway	-	1,418,878 ⁴³	1,531,331
410 Victoria Street and 12 Alma Street ⁴³	-	587,120 ⁴³	612,988
5 Short Street	1,262,072	1,302,648	1,365,025
2 Robert Street	725,847	837,762	849,981
8 Rockridge Avenue	648,472	866,820	863,090
127 Durham Street	86,389	229,587	229,587
143 Durham Street	314,941	421,681	455,613
22 Amersham Way	565,300 ⁴⁴	-	-
Properties Disposed	71,223 ⁴⁴	-	-
Total	3,674,244	5,664,496	5,907,616

The amounts are exclusive of all operating expenses where recoverable. Property operating expenses are generally recoverable to the extent the property is tenanted, with the exception of gross lease agreements. There are a number of leases to government agencies that are gross lease arrangements, whereby the operating expenses are included in the rental amount.

Revenue during the forecast period will increase due to contracted rental adjustments, market rent adjustments, lease renewals, and letting of vacancies during the prospective period. It has been assumed that all existing tenants will renew their lease agreements when they come up for renewal during the prospective period. However, a general vacancy allowance has been provided for in the years ending 31 March 2020 and 31 March 2021, of 2.7%. A summary of lease expectations is provided below:

	Settlement Date	Year ending 31 March 2020	Year ending 31 March 2021
Vacant space subject to new leases ⁴⁵	0.0%	0.8%	0.8%
Tenancy occupancy rates at end of period ⁴⁵	96.5%	97.3%	97.3%
Vacant space remaining ⁴⁵	3.5%	2.7%	2.7%
Leases expiring/with right to terminate ⁴⁶	0.0%	25.0%	12.5%

⁴³ Rental income from the Acquisition Properties will commence from Settlement Date.

⁴⁴ Rental income from the Held for Sale Property and properties already disposed of are included until the date of their disposal only.

⁴⁵ Tenancy occupancy rates and vacant space assumptions are expressed as net lettable area as a percentage of the total net lettable area of the Portfolio Properties.

⁴⁶ Leases expiring/with right to terminate are expressed as annualised net rental income of leases expiring or with a right to terminate as a percentage of the total annualised net rental income of the Portfolio Properties as at Settlement Date.

More detailed information about the leases coming up for renewal, the tenancies that the Manager expects to be renewed, and a summary of vacant space across the portfolio is set out in the prospective financial information on the Offer Register.

- (d) **Bank Borrowings and Interest Expense:** The total funding facilities from ASB have a limit of \$34,965,000 (42.10% of the Total Assets of the Fund at Settlement Date). The actual total borrowings drawn at Settlement Date is forecast to be \$32,165,402 (38.72% of the Total Assets of the Fund at Settlement Date), providing sufficient headroom in the facility limit on settlement to provide funding for capital expenditure.

The interest rate on bank borrowings has been assumed to be 4.65% for the period to 31 March 2020, and 4.75% for the year to 31 March 2021.

Considering interest rate hedging in accordance with the Manager's hedging policy, it is projected for the purposes of the prospective financial information that the average interest rates charged will be within forecasted limits.

The interest expense and interest paid cash flow is dependent on the balance of the funding facilities. The following has been assumed in relation to the funding facilities:

- (i) no principal repayments are expected during the term of the funding facilities;
- (ii) no recourse to Unitholders; and
- (iii) capital expenditure will be funded by the funding facilities to the extent that free cash flows are not available to fund such expenditure.

The bank borrowings will be secured by first registered mortgages over the Portfolio Properties and a general security agreement over all present and future acquired assets of the Fund.

The ASB offer is subject to variation at the time of the loan being drawn and assumes the conditions in the offer are fulfilled.

- (e) **Management Fees:** The management fees payable to the Manager have been estimated at \$353,148 for the year ending 31 March 2019, \$548,132 for the year ending 31 March 2020, and \$562,340 for the year ending 31 March 2021. The management fees consist of a management fee charge of 2.0% of the gross rental received from the Portfolio Properties and an asset management fee of 0.50% of the carrying value of the Portfolio Properties.
- (f) **Performance Fees:** The performance fees payable to the Manager have been estimated at \$56,613 for the year ending 31 March 2019. No performance fee has been presumed for the years ending 31 March 2020 and 31 March 2021 due to no forecast increases in the fair value of investment property beyond 31 March 2019 in the prospective financial information. The performance fee calculation basis can be seen in detail in this PDS at Section 8 *What Are the Fees?*
- (g) **Gross Distribution Returns:** The gross distributions before tax per unit are forecast to be 7.50 cents per unit for each of the years ending 31 March 2019, 2020 and 2021. For new Unitholders participating in this Offer, this equates to a projected gross distribution return on Unit issue price of 6.70% per annum for the period ending 31 March 2020 and year ending 31 March 2021.
- (h) **Property Acquisition, Disposal, Capital Expenditure, and Valuation:** It has been assumed that the Acquisition Properties are purchased on the Settlement Date for a total of \$29,843,000. It is further assumed that the disposal of the Held for Sale Property occurs on 28 March 2019 for \$7,800,000.

All Portfolio Properties are initially recorded at cost. All subsequent capital expenditure is recorded as an incremental cost. In the prospective financial information, properties owned by the Fund as at 31 March 2019 have been revalued to fair value as at 31 March 2019. No further fair value movements have been presumed in subsequent periods.

The prospective financial statements have been prepared on the assumption that capital expenditure is incurred for the prospective periods as follows:

For the year ended 31 March	2019	2020	2021
	\$	\$	\$
Total Capital Expenditure	2,235,874	1,994,370	1,186,500

- (i) **Taxation:** The Fund is a PIE for tax purposes. As a result, in substance the Fund will pay tax based on the notified investor rate of Unitholders and it will not be required to calculate deferred tax.
- (j) **Other Assumptions:** Other Assumptions can be found disclosed in more detail in the prospective financial information included on the Offer Register. Other Assumptions include those relating to brokerage fees, accounts receivable default rates, redemptions, and the business environment (economic, legal, taxation).

7. Risks to Returns from the PMG Direct Office Fund

This section sets out a description of the circumstances that the Manager is aware of, that exist or are likely to arise, that significantly increase the risk to returns for Unitholders. The table in this section sets out particulars of why each circumstance is of particular significance and an assessment of the likelihood of any impact arising, the nature of that impact, and the potential magnitude of that impact.

The risks have been identified by the Manager on the basis of information known to it, as at the date of the PDS and on an assessment of the probability of a risk occurring and the anticipated impact of the risk if it did occur. These risks may not be all of the risks that the Fund currently faces, or may face in the future, and there is no guarantee that the importance of each risk will not change.

These risks, were they to occur and if they were not appropriately mitigated by the Manager, could have a material adverse effect on the Fund's financial position or future financial performance. The Manager has taken, and will, in the future take, steps to mitigate the effects of these circumstances. However, some risks may not be fully capable of mitigation.

Unitholders should carefully consider these risk factors (together with other information in this PDS) before deciding whether to invest in the Units of the Fund.

The description of risks in this section does not take into account the personal circumstances, financial position or investment requirements of any person. It is therefore important that, before deciding to invest in the Units, you consider the suitability of an investment in the Units in light of your individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues).

If you do not understand the information in this section, you should consult a financial or legal adviser.

7.1 Rental Income Risk

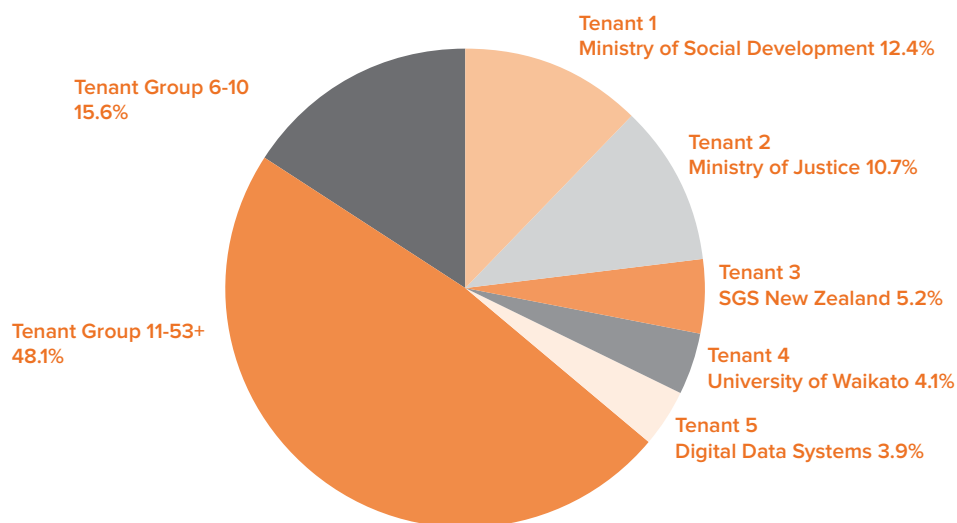
Description of risk	Manager's assessment of nature and magnitude	Mitigating factors
Rental Income Risk	<p>The Fund is reliant on rental income. Rental income from any property may stop or decrease for a number of reasons, such as if a lease is terminated, expires without being renewed, or the rent under a lease decreases following a rent review. If a lease is terminated or expires without being renewed, there may be difficulty obtaining a replacement tenant and rental may be at a lower level than previously received. This may also reduce the value of affected properties in the portfolio.</p> <p>The lease expiry profile across the portfolio and annual net rental by largest lessee are summarised below, with the largest single tenancy exposure in relation to the Ministry of Social Development lease at 65B Main Highway, \$662,000 expiring during the year ending 31 March 2020 – being 12.4% of the net rental income per annum of the Portfolio Properties as at the date of Settlement.</p> <p>The relatively low dependence on individual tenants outside of the material leases is highlighted by the annual net rental by tenant chart, with the 43 lowest contributing tenants constituting 48.1% of the Annual Net Rental of the portfolio (tenants 11-53).</p>	<p>The Manager minimises rental income risk through its strategy to grow the weighted average lease term on each property as indicated in property-specific strategy narratives in this PDS within section 2.2 <i>The Fund's Property Portfolio</i>. The Manager proactively engages with each tenant with respect to lease renewals at least six months before the lease term expiry. This assists with tenant retention, or in the event the existing tenant vacates, provides the opportunity to re-tenant the space with a minimal void period.</p> <p>The strategy with respect to the renewal of the Ministry of Social Development lease at 65B Main Highway is discussed in this PDS at section 2.2 <i>The Fund's Property Portfolio</i>.</p>

Manager's assessment of likelihood of circumstance arising	High chance of a lease not renewing with an existing tenant. Low likelihood of a tenancy expiring without either a renewal or an alternative tenant being sourced and contracted within a reasonable period of time.
Manager's assessment of the impact, were the circumstance to arise	Dependent on the identity of the tenant and their relative contribution to total revenue of the Fund. The majority of tenants are not considered material in isolation so the impact would be low. If the larger tenants such as the Ministry of Social Development, Ministry of Justice, or SGS New Zealand did not renew their lease, and no alternative tenants were contracted for a period of time, the impact would be moderate.

Portfolio lease expiry profile



Annual Net Rental by Tenant as at settlement date (% of annual net rental contribution)



7.2 Tenant Default Risk

Description of risk	Manager's assessment of nature and magnitude	Mitigating factors
Tenant Default Risk	<p>Dependence is placed on the ability of tenants to meet their contractual obligations to continue payment of rental and outgoings. If any tenant was to suffer liquidity or other financial problems of a significant nature and was unable to meet their obligations, any resulting failure to pay rental and outgoings and consequential recovery action or litigation would have a detrimental impact on the Fund's ability to pay Unitholder returns. It may also reduce the value of the property portfolio, which would reduce the value of Units.</p> <p>Should the net tenant default rate increase from 0.0% to 5.0% across the Portfolio Properties, total comprehensive income available for distribution to Unitholders would reduce significantly. The most likely cause of an increase in tenant defaults would be a specific financial issue with an individual tenant, due to specific tenant factors or a general significant deterioration in the overall macroeconomic environment.</p> <p>A summary of the aggregation of tenant risk is included in this PDS at section 7.1 <i>Rental Income Risk</i>.</p>	<p>The Fund invests in a diversified portfolio of properties, which is intended to minimise the impact of a tenant default, as the rent paid by each tenant only makes up a relatively small proportion of the total revenue and ultimately cash available for distributions by the Fund.</p> <p>The Manager undertakes due diligence on prospective tenants and (where possible) obtains personal guarantees or bank guarantees from tenants. Without undertaking a full analysis of the financial records of each tenant (which the Manager does not have access to), the Manager notes that across the Portfolio Properties at Settlement Date there are 53 tenants, of which a number are either government departments, government funded, or well-established institutions and businesses of whom the Manager has no reason to doubt their financial standing. Government entities, for example, contribute 27% of the Fund's net rental income per annum.</p> <p>As at the date of this PDS, there are no material tenant defaults of existing lease obligations and no proceedings have been issued in respect of any default. No bad debts have been recorded in the life of the Fund, established in December 2016.</p>
Manager's assessment of likelihood of circumstance arising	Moderate.	
Manager's assessment of the impact, were the circumstance to arise	Low for the majority of tenants due to their relative contribution to total revenue of the Fund. If a material tenant or multiple tenants failed to make their lease payments for 12 months, the impact would be moderate to high.	

7.3 Interest and Derivative Risk

Description of risk	Manager's assessment of nature and magnitude	Mitigating factors
Interest and Derivative Risk	<p>Interest incurred as an expense as a result of borrowings is a material expense of the Fund. After Settlement Date, 38.72% of the Fund's total assets will be funded by interest-bearing borrowings at a floating interest rate. In the prospective period, borrowings are expected to fluctuate, increasing within the combined facility limits by 31 March 2021 (further details on borrowings and interest rates can be found in this PDS at section 2.7 <i>Borrowings</i>).</p> <p>Under the current SIPO, the Manager is permitted to invest the Fund's assets in interest rate swaps (the target asset allocation is between 0 to 10% of the Fund's assets). An interest rate swap is a class of financial derivative, in which two parties agree to exchange interest rate cash flows based on a specified notional amount (from a fixed rate to a floating rate (or vice versa) or from one floating rate to another). Interest rate swaps are used by the Manager to hedge interest rate risks for the Fund. The Manager intends to determine the interest rate with a combination of short-term and long-term swap agreements and/or floating rates as appropriate over time.</p> <p>If any swap agreements are exited before the date those swaps expire, penalties may be payable. Furthermore, fair value losses on swap agreements will be recorded if they are out of the money (if the agreed swap rate was higher than the prevailing wholesale market rate that reflects the remaining term through to maturity).</p>	<p>The Fund maintains a hedging policy that would mitigate the actual effect of an increase in interest rates in the short to medium term.</p> <p>The Manager actively manages, on behalf of the Fund, the risk of interest rate movements by entering interest rate swap agreements with the Fund's lenders. The current policy is to have at least 50% of the Fund's core debt hedged with an expiry of more than two years.</p> <p>The Fund intends to enter into new swap arrangements for three years or more, with a minimum term of three years. Such arrangements assist the Fund in mitigating unexpected interest rate changes.</p> <p>Should material adverse changes in interest rates occur, the Fund could dispose of Investment Property to reduce borrowings and thus interest payable.</p>
Manager's assessment of likelihood of circumstance arising	The likelihood of a material adverse movement in interest rates combined with the fair value of interest rates swaps is low.	
Manager's assessment of the impact, were the circumstance to arise	The impact would be moderate.	

7.4 Funding Risk

Description of risk	Manager's assessment of nature and magnitude	Mitigating factors
Funding Risk	<p>The Fund intends to borrow further funds from ASB to assist with the purchase of the Acquisition Properties and may make further borrowings to help fund future acquisitions. Total borrowings at Settlement Date are expected to be \$32,165,402. Adverse market movements may cause a breach of banking covenants, in particular the requirements to maintain a maximum loan to value ratio and for minimum interest cover levels against operating profits. If a breach of these (or any other) banking covenants is not remedied, ASB may enforce its security and sell some or all of the Portfolio Properties.</p> <p>There is also the risk that a bank facility may not be able to be renewed at the end of its term. If the Manager were required to sell one or more of the Fund's properties in a forced sale process, a lower value is likely to be obtained.</p>	The extendable nature of the bank loan may assist to mitigate any renewal risk whereby the loan may be extended (subject to mutual agreement) after the first 12 months by a further 12 months thereby resetting the loan term to 3 years. Should agreement not be reached, the Manager would have up to 2 years to arrange alternative loan arrangements.
Manager's assessment of likelihood of circumstance arising	Low	
Manager's assessment of the impact, were the circumstance to arise	Significant	

7.5 Property Divestment Risk

Description of risk	Manager's assessment of nature and magnitude	Mitigating factors
Property Divestment Risk	<p>There is a risk that the Held for Sale property does not settle on the planned date for the planned amount. The Fund is currently expected to sell the Held for Sale Property on 28 March 2019 for \$7,800,000, discussed in more detail in this PDS at section 2.2 <i>Portfolio Properties</i>.</p> <p>In the event that the property disposal fails to complete, it is expected that the Fund would need to increase bank borrowings by \$7,800,000 until the property were sold. This would increase Fund gearing and incur additional interest charges, but also enable the Fund to earn rental income from the Held for Sale Property.</p>	<p>Continuing to hold the Held for Sale Property would enable rental income to increase from the prospective information presented in this PDS, enabling any additional costs of borrowings and ownership to be covered until the property were sold.</p> <p>A deposit of 5% has been paid in full and would further contribute to maintaining Fund performance levels until the property was sold.</p>
Manager's assessment of likelihood of circumstance arising	Low	
Manager's assessment of the impact, were the circumstance to arise	Low	

7.6 Capital Expenditure Risk

Description of risk	Manager's assessment of nature and magnitude	Mitigating factors
Capital Expenditure Risk	<p>The Manager has provisioned for capital expenditure requirements totalling \$3,180,870 in the two years ending 31 March 2021. Capital expenditure beyond the date of this PDS is discussed in this PDS in section 6.4 <i>Principal Assumptions for Prospective Financial Information</i>.</p> <p>Significant additional capital expenditure in excess of forecast amounts may be required on the Portfolio Properties for a number of reasons, including upgrading newly vacated lettable areas to assist with leasing, undertaking structural repairs and related work to bring a property up to a designated standard or to meet new requirements resulting from changes to current regulations and standards, or because general capital improvements are required. The Manager may not be able to recover all, or any, of this additional expenditure from tenants, which may have an adverse effect on the Fund's performance plus the Fund's Funding Risk.</p>	The Manager minimises risk associated with capital expenditure through its use of certified professional experts in assessing minimum capital expenditure requirements associated with each property, with a focus on contractual lease requirements and seismic surveys. The Manager further has procurement processes in place to budget for and monitor capital works as they progress, holding contractors to account in their provision of services to expected standards.
Manager's assessment of likelihood of circumstance arising	Low	
Manager's assessment of the impact, were the circumstance to arise	Moderate	

7.7 Liquidity Risk

Description of risk	Manager's assessment of nature and magnitude	Mitigating factors
Liquidity Risk	<p>The Portfolio Properties, and any future properties acquired by the Fund, are inherently long-term investments and cannot easily be sold. Accordingly, the Fund has limited working capital available to satisfy requests for redemptions of Units.</p> <p>There is a residual risk that the Fund will not have enough cash resources and, as a result, redemptions may be suspended for a period of time or indefinitely. If redemptions are suspended, this may have a significant negative impact on the value of Units.</p>	The Manager has discretion on redemptions and limits redemptions to annual windows. The Fund maintains a relatively low loan to value ratio allowing for additional funds to be borrowed if required.
Manager's assessment of likelihood of circumstance arising	Low	
Manager's assessment of the impact, were the circumstance to arise	Potentially significant	

7.8 Taxation Risk

Description of risk	Manager's assessment of nature and magnitude	Mitigating factors
Taxation Risk	<p>The Fund is a multi-rate PIE. Generally, where an entity is a multi-rate PIE, tax is payable on each investor's share of the entity's income at a tax rate broadly approximating their marginal tax rate (with this rate capped at 28%). Further, as distributions from a multi-rate PIE are not taxable, this allows capital gains of the entity to be distributed tax-free prior to wind-up. A number of criteria must be met in order for the Fund to be a multi-rate PIE. If these criteria are not met, the Fund may lose its PIE status.</p> <p>In the event that the Fund is not a PIE, investors may face a higher tax cost due to the loss of the 28% PIE tax rate cap and distributions of the Fund become taxable.</p>	None
Manager's assessment of likelihood of circumstance arising	Low	
Manager's assessment of the impact, were the circumstance to arise	Potentially significant	

7.9 Seismic Upgrade Risk

Description of risk	Manager's assessment of nature and magnitude	Mitigating factors
Seismic Upgrade Risk	<p>The Manager has provisioned for capital expenditure in the year to 31 March 2020 specifically relating to improving the seismic rating of one of the Acquisition Properties, Main Highway, to 100% NBS.</p> <p>Actual costs incurred in bringing the building to 100% NBS may be in excess of forecast amounts due to the ultimate work required to bring the property up to the designated standard, or to meet any new, unforeseen requirements that result from changes to current regulations and standards. The Manager may not be able to recover all, or any, of this additional expenditure from tenants, which may have an adverse effect on the Fund's performance plus the Fund's Funding Risk.</p>	<p>The Manager minimises risk associated with seismic upgrade work through its use of certified professional experts in assessing capital expenditure requirements, including seismic surveys to assess a building's current and potential NBS.</p> <p>Specifically, for Main Highway, a design stage has been carried out by a qualified third-party engineer, and also costed by a trusted construction partner of the Manager. Comparable work has been carried out in the neighbouring building of similar build at a cost below what has been forecast.</p>
Manager's assessment of likelihood of circumstance arising	Low	
Manager's assessment of the impact, were the circumstance to arise	Moderate	

8. What are the Fees?

8.1 Offer Costs

The following table contains the estimated fees and expenses that will be charged to the Fund for this offer. Fees and expenses associated with the initial offer are included in the table in this PDS at section 1.9 What Fees will you Pay?

Manager's fees	
Manager's acquisition fee	\$307,693
Manager's underwriting commitment fee	\$453,600
Brokerage	\$403,200
Offer Costs payable to the Manager	\$1,164,493
Other fees in relation to the Offer for the Fund (estimated)	
Legal fees	\$120,000
Supervisor's fees	\$30,000
Marketing costs	\$185,000
Review of prospective and interim financial information	\$30,000
Deposit fee	\$54,358
Valuations, disbursements, administrative, and contingency costs	\$116,149
Total other fees of the Fund (estimated)	\$535,507
Total fees of the Fund (estimated)	\$1,700,000
As a percentage of the estimated net assets of the Fund at completion of the Offer	3.38%

The fees above are exclusive of GST.

- (a) **Manager's acquisition fee:** The acquisition fee relates to Property Project Fees chargeable as a result of the purchase of the Acquisition Properties under the terms of this Offer.
- (b) **Manager's underwriting commitment fee:** The Manager has committed to subscribe, or procure subscriptions from sub-underwriters, for up to 13,500,000 Units. The Manager's underwriting commitment fee is the fee payable to the Manager for this underwriting commitment. The underwriting commitment agreement is conditional until 11 March 2019. A copy of the agreement between the Manager and the Supervisor relating to the Manager's underwriting commitment is available on the Offer Register.
- (c) **Brokerage:** The brokerage is payable to the Manager as commissions for subscriptions of Units under the Offer. The Manager is expected to pay 50-100% of this amount to the PMG commission sales team and/or third-party referrers, and brokers.
- (d) **Legal Fees:** Legal fees are payable to:
 - (i) Simpson Grierson for the costs of preparing and advising on this PDS, advice to the Manager relating to compliance with the FMCA, and attending to registration of the Offer Information;
 - (ii) Cooney Lees Morgan for the costs of legal due diligence on the Acquisition Properties, negotiation of the sale and purchase agreements for the Acquisition Properties, and settlement of the purchase of the Acquisition Properties.
- (e) **Supervisor's Fees:** The fees payable to the Supervisor reflect an establishment fee for each additional real estate asset acquired by the Custodian to be calculated on a time and attendance basis (as notified by the Supervisor to the Manager from time to time).
- (f) **Marketing Costs:** The costs payable for designing this PDS and producing advertisements in relation to the Offer and the costs associated with preparing and printing this PDS. Marketing costs include reimbursement made to the Manager for use of internal marketing team resources.

- (g) **Review of prospective and interim financial information:** The costs payable for review of the prospective financial information and interim financial information of the Fund, specifically for the purposes of this Offer, payable to Crowe Horwath.
- (h) **Deposit fee:** The deposit fee is paid to PMG Capital Fund Limited for funding the deposit prior to acquisition.
- (i) **Valuations, disbursements, administrative, and contingency costs:** Provision has been made for valuation fees and disbursements associated with preparing and lodging the Offer. This includes the valuation of the Acquisition Properties and Existing Properties for capital raising purposes, the PDS Registration Fee and FMA levies, bank fees and charges, plus other accounting and compliance fees.

8.2 Other Fees and Expenses (estimated)

	Actual		Prospective			Actual	Actual
Period length	3.5 months	Year	Year	Year	Year	6 months	6 months
Financial Year	2017	2018	2019	2020	2021	1HY2018	1HY2019
Description of fee payable	\$	\$	\$	\$	\$	\$	\$
Fees and expenses charged by the Manager:							
Property management fee:	\$28,951	\$83,763	\$88,128	\$137,674	\$148,793	\$35,430	\$41,779
Fund Management fee:	\$67,393	\$239,125	\$265,020	\$410,458	\$413,547	\$119,563	\$127,694
Manager Performance fees:	\$89,182	\$397,273	\$56,613	\$0	\$0	\$198,637	\$0
Property project fees:	\$21,626	\$91,117	\$355,970	\$94,970	\$56,500	\$13,860	\$198,649
Sub-total fees and expenses (Manager) estimated	\$207,152	\$811,278	\$765,731	\$643,102	\$618,840	\$367,489	\$368,122
As a percentage of net assets of the Fund:	0.72%	2.63%	2.43%	1.28%	1.23%	1.23%	1.21%
Fees and expenses charged by ASB estimated	\$245,789	\$864,760	\$1,040,030	\$1,481,770	\$1,576,021	\$425,961	\$471,166
As a percentage of net assets of the Fund:	0.85%	2.80%	3.30%	2.95%	3.14%	1.42%	1.55%
Fees and expenses charged by other persons:							
Supervisor	\$5,924	\$20,170	\$24,996	\$49,688	\$50,573	\$10,130	\$10,000
Auditor fees (Crowe Horwath)	\$27,500	\$25,000	\$27,500	\$30,000	\$30,000	\$0	\$3,253
Administration costs (including Computershare as Unit Registry and valuation costs)	\$11,219	\$142,728	\$162,578	\$188,905	\$227,366	\$63,128	\$62,215
Property operating expenses	\$326,115	\$1,068,303	\$1,255,861	\$1,320,468	\$1,372,701	\$551,734	\$645,440
Property capital expenses	\$262,051	\$1,291,479	\$2,160,172	\$1,804,430	\$1,073,500	\$0	\$666,018
Sub-total fees and expenses (Others) estimated	\$632,809	\$2,547,680	\$3,631,108	\$3,393,491	\$2,754,140	\$624,992	\$1,386,926
As a percentage of net assets of the Fund:	2.18%	8.26%	11.53%	6.75%	5.48%	2.08%	4.58%

(a) **Management Fees:** The Manager is entitled to:

- (i) a fund management fee equal to 0.50% of the carrying value of the investment property assets in the Fund, based on the carrying value as at the beginning of the applicable financial year (i.e. 1 April, plus acquisitions throughout the year).
- (ii) a property management fee equal to 2.00% of the gross annual rental of the investment property assets in the Fund.

The management fees are paid to the Manager monthly in respect of the property and funds management services provided by the Manager during the prior month.

Under the Master Trust Deed, the Manager may increase the management fees by giving two months' notice to Unitholders (no prior notice is required in respect of a decrease in management fees).

(b) **Manager Performance Fee:** The Manager is entitled to a performance fee equivalent to 20% of the excess performance above the Manager Performance Benchmark (**Manager Performance Fee**). The **Manager Performance Benchmark** is the average 10-year government bond yield* plus 6%. The Manager's performance is measured by the annual capital and income returns to Unitholders at the end of each financial year against the Manager Performance Benchmark. If the measure of the Manager's performance is negative, no performance fee is payable to the Manager in respect of that year.

* The 10-year average government bond yield is the rate published at the end of each month by the Reserve Bank of New Zealand. The current rates may be viewed at www.rbnz.govt.nz/statistics/b2.

This example is provided for information purposes only, to illustrate the calculation of the Manager Performance Fee. Actual results are likely to vary significantly from those set out in this example.

Example Manager Performance Fee calculation (rounded where appropriate)	
Manager Performance Benchmark	6.00% (A)
10-year government bond yield	2.11% (B)
Manager's Performance Benchmark Return (Manager Performance Benchmark)	8.11% (C) = (A) + (B)
Manager's Performance Fee Multiple	20%
The closing Net Asset Value per Unit (Closing NAV per unit, before Manager Performance Fee)	\$1.1264
The opening Net Asset Value per Unit (Opening NAV per unit)	\$1.1022
Distributions per Unit declared during the year (Distributions per unit)	\$0.0750
The closing Net Asset Value of the Fund (Closing NAV, before Manager Performance Fee)	\$31,539,808

The Manager's Performance for the year is calculated as:

Formula:
$$\frac{(\text{Closing NAV per Unit} - \text{Opening NAV per Unit} + \text{Distributions per Unit})}{\text{Opening NAV per Unit}}$$

Example:
$$\frac{(\$1.1264 - \$1.1022 + \$0.0750)}{\$1.1022} = 9.0075\% \text{ or } 9.01\% \text{ rounded to 2 decimal places.}$$

The Manager Performance Fee is calculated as:

Formula:
$$((\text{Manager's Performance} - \text{Manager's Performance Benchmark}) \times \text{Closing NAV}) \times \text{Manager's Performance Fee Multiple}$$

Example:
$$((9.0075\% - 8.1100\%) \times \$31,539,808) \times 20\% = \$56,613$$

The Manager applies a "high-water mark" to the Manager Performance Fee. A high-water mark is a value threshold that an investment manager must achieve before it is entitled to a performance fee. Managers who apply a high-water mark must ensure that the relevant fund's value is at least equal to the high-water mark for the last period in respect of which the manager charged a performance fee. If the relevant fund loses value, the manager would need to ensure that the fund increased above the high-water mark before being able to charge further performance fees. In the case of the Fund, the high-water mark is the Closing NAV of the Fund when it last charged a performance fee.

(c) **Property Project Fees:** The Manager is entitled to:

- (i) on acquisition of a new property by the Fund, a fee equal to 1% of the acquisition price of the property with a minimum fee of \$150,000 per property (**Acquisition Fee**) (such fees will no longer be payable if the Fund's value exceeds \$250 million);
 - (ii) on disposal of a property held by the Fund, a fee equal to 1% of the sale price for the property;
 - (iii) on undertaking an investigation into a potential transaction, a fee (**Investigation Fee**), on a time and attendance basis, as agreed between the Manager and Supervisor. If the Manager is paid an Investigation Fee and the relevant transaction subsequently proceeds, an amount equal to the Investigation Fee will be deducted from the Acquisition Fee;
 - (iv) if construction or refurbishment is undertaken on a property held by the Fund, a fee equal to 5% of the development costs (provided that those development costs exceed \$50,000); and
 - (v) recover any costs incurred by the Manager from any consultants or advisers engaged in relation to property acquisition, disposal, investigation, construction, or refurbishment, subject to those costs being approved by the Supervisor.
- (d) **Termination Fee:** If the Manager is removed as manager of the Fund, the Manager is entitled to a sum equivalent to the fees under section 8.2(a)(i) and (ii) (management fees and property management fees) for the last full financial year preceding the removal.

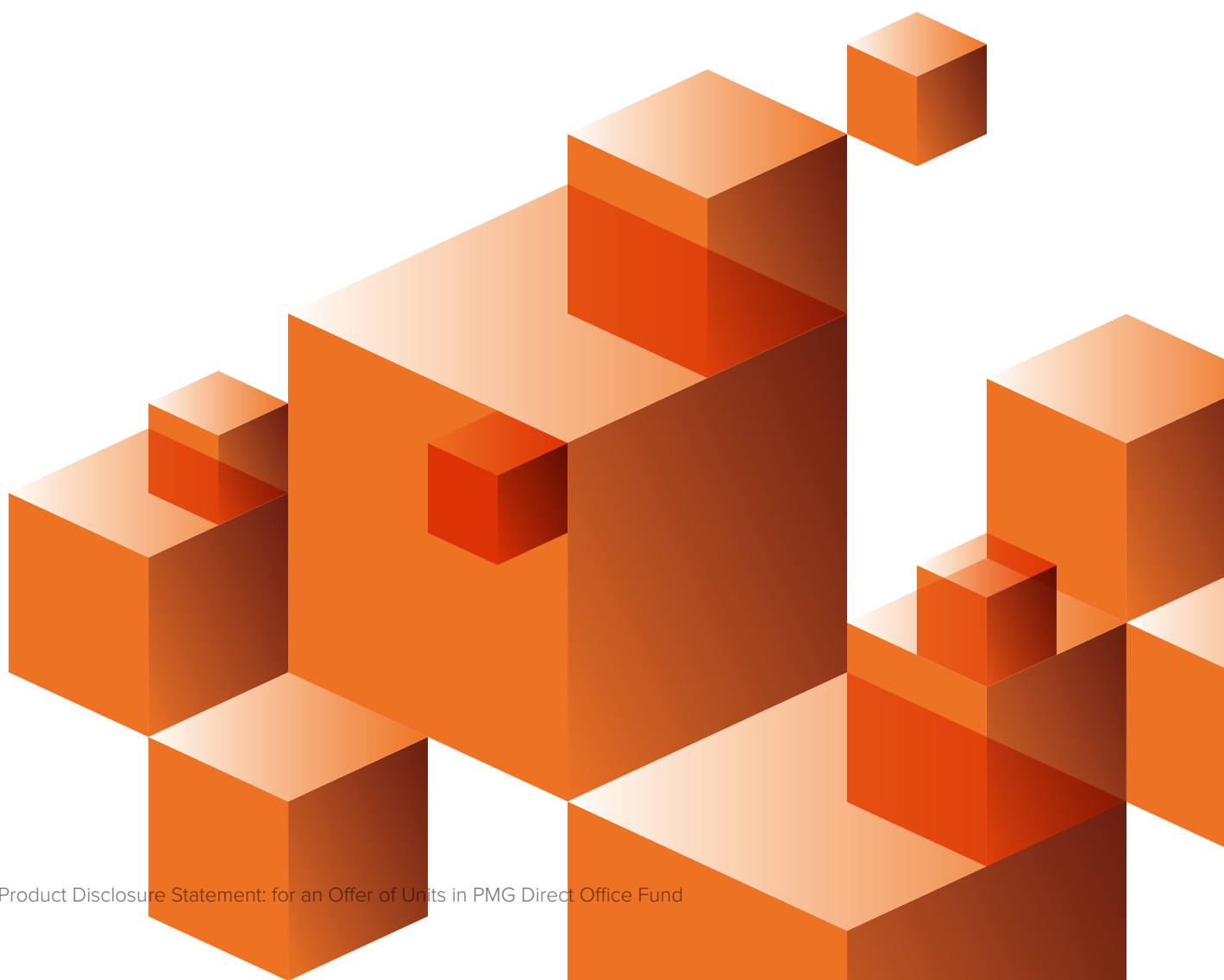
(e) **Supervisor's Fees:** The Supervisor is entitled to:

- (i) an establishment fee for each additional real estate asset acquired by the Fund, with this fee to be calculated on a time and attendance basis;
 - (ii) an annual base fee, as agreed between the Manager and Supervisor, but not exceeding 0.06% per annum of the NAV of the Fund (subject to a minimum annual fee of \$20,000); and
 - (iii) special fees, in amounts agreed with the Manager, for any services provided by the Supervisor of an unusual or onerous nature outside of the Supervisor's regular services.
- (f) **Recovery of Expenses:** The Manager and Supervisor are entitled to be reimbursed out of the Fund (whether from income or capital or both) certain fees and expenses. These include costs incurred in connection with this Offer, the acquisition of the Acquisition Properties, the investigation and negotiation of additional properties for the Fund, the fees and expenses of the Fund's auditor, any fees or expenses incurred for any engagement by the Supervisor or as required by law, any taxes, duties, imposts or levies charged to the Manager or Supervisor in connection with the Fund, the costs of convening and holding Unitholder meetings, professional services fees (legal, accounting, etc) incurred by the Manager or Supervisor in the discharge of their duties under the Master Trust Deed, communication and postage costs, expenses relating to the Unit registrar, and any other expenses properly and reasonably incurred by the Manager or Supervisor in connection with carrying out their duties under the Master Trust Deed.
- (g) **Sub-contracted Investment and Administration Services:** If the Manager sub-contracts investment management or administration services, the providers of those services will be paid a reasonable fee on normal commercial terms and will be entitled to be reimbursed for any costs, charges or disbursements, out of the Fund.
- (h) **Break Fee on Redemption:** The Manager is entitled to charge a Unitholder a break fee in relation to a request by the Unitholder for redemption of Units. The break fee is currently 1.0% of the gross value of the Units redeemed prior to the deduction of the break fee and any deduction or withholding on account of taxes. Any changes to the break fee must be notified to Unitholders in writing.
- (i) **Other Fees:** If the Manager, with the approval of the Supervisor, undertakes any works related to any of the properties in the Fund that do not fit within any of the obligations contemplated under the schedule of the Establishment Deed related to fees, the Manager is entitled to be paid out of the Fund such fees for those works calculated on a "time in attendance" market rate, as agreed between the Manager and Supervisor.
- (j) **Fees and expenses charged by ASB:** Predominantly the interest charged on bank borrowings. Refer to section 6.4(d) for further information.
- (k) **Property capital expenses:** Capital expenditure incurred on investment property after initial purchase, excluding all fees and expenses charges by the Manager, related to Property Project Fees. Parties involved in the works on the property include payments for remediation, fitouts and upgrades.

8.3 Fees Charged to Individual Investors

- (a) **Redemption Fee:** The Manager is entitled to deduct a break fee on the redemption of any Units by a Unitholder. The current break fee is equal to 1% of the gross value of the Units redeemed (prior to the deduction of the break fee and any deduction or withholding on account of taxes). The Manager is entitled to change the break fee at any time provided that the Manager gives notice in writing to all Unitholders in advance of the new break fee.
- (b) **Sale of Units:** Units in the Fund are intended to be a long-term investment. Should an investor wish to sell some or all of their investment, the Manager has a large database of investors and, from time-to-time, the Manager will assist in facilitating secondary transfers of Shares. A fee of 1.5% is payable when using this service. This excludes any associated costs such as legal and professional advisor fees. Neither the Fund nor the Manager represents that there will be sufficient demand or liquidity to enable a Unitholder to sell Units at any given time. The Manager is not an authorised financial adviser and does not provide any recommendations in relation to buying or selling Units.

The fees above are all exclusive of GST.



9. Tax

Tax can have significant consequences for investments and can affect your return from the Units. If you have queries relating to the tax consequences of investing in the Units, you should obtain professional advice on those consequences.

The Fund is a multi-rate Portfolio Investment Entity (PIE) for income tax purposes. This means that all tax will be calculated and paid at the Fund level under the PIE rules. Under these tax rules, the amount of tax paid by the Fund in relation to any income that is attributed to you (based on your Units in the Fund at the time the income is attributed) will depend on your Prescribed Investor Rate (PIR).

To determine your PIR, go to <http://www.ird.govt.nz/toii/pir/workout>. The current PIRs are listed in the table below. If you are unsure of your PIR, we recommend you seek professional advice or contact the Inland Revenue.

It is your responsibility to tell the Manager your correct PIR (and provide your IRD number) when you invest or if your PIR changes. If you do not provide your IRD number within 6 weeks of investing, the Fund may be required to cancel or reacquire your units. If you do not tell the Manager your PIR, a default rate of 28% may be applied. If the advised PIR is lower than the correct PIR, you will need to complete a tax return and pay any tax shortfall, interest, and penalties on any income attributed to you by the Fund (a tax credit will be allowed for the tax already paid by the Fund based on your PIR). If the default rate or the advised PIR is higher than the correct PIR, you will not get a refund of any overpaid tax.

As the Fund is a multi-rate PIE, where you elect a PIR of more than 0% the Fund will pay tax on your share of the Fund's income based on your PIR. If you have a PIR of 0%, you must return any tax to the Inland Revenue Department on the Fund's income that is attributed to you as a Unitholder.

Distributions received by Unitholders from the Fund do not need to be returned as a taxable dividend. However, where a Unitholder has elected a PIR of more than 0%, an adjustment may be made to their gross distribution amount for PIE tax remitted to Inland Revenue on behalf of the Unitholder.

If the Fund ceases to be a PIE any dividends paid will be taxable to Unitholders (any imputation credits attached to a dividend can be used to reduce or offset the Unitholder's tax liability on the dividend). Additional tax rules will apply if a Unitholder is not New Zealand tax resident.

A Unitholder may be taxed on sale of the Units if they acquired them with the dominant purpose or intention of resale or as part of a share trading business (or profit-making undertaking or scheme). If you are unsure whether you would be taxed on the sale of your Units, we recommend you seek professional advice.

Unit Holder type	PIR
NZ tax resident individuals	see below
a. Taxable income in one of the two previous tax years is \$14,000 or less; and Taxable and PIE income (less PIE losses) is \$48,000 or less	10.5%
b. Taxable income in one of the two previous tax years is \$48,000 or less; and Taxable and PIE income (less PIE losses) is \$70,000 or less	17.5%
c. If a or b do not apply	28%
NZ tax resident entities	see below
Companies (including unit trusts and PIEs)	0%
Charitable organisations	0%
Testamentary trusts (excluding charitable trusts)	10.5%
Superannuation funds	0, 17.5, 28%
Other trusts (excluding charitable trusts)	0, 17.5, 28%
Non-resident	28%

10. About the Manager and Others Involved in the PMG Direct Office Fund

10.1 About the Manager

The Fund is managed by Property Managers Limited (a member of the Property Managers Group (PMG)). The Manager is one of the most established and the first unlisted property and funds manager to receive two "AA" ratings for its retail investment funds, Pacific Property Fund Limited and PMG Direct Office Fund, by investment research house, NZX-owned FundSource.

For over 26 years, the Manager has been invested in delivering long term sustainability and value for investors through proactive management and portfolio diversification.

The Manager was formed in 1992 and has established 30 investment offerings throughout New Zealand giving it a well-established record in property and funds management. The Manager has a highly experienced team of property investment and management professionals. The Manager currently manages properties with a value of approximately \$300 million.

The Manager is licensed under the Financial Markets Conduct Act 2013 to manage Managed Investment Schemes (excluding managed funds) which invest in, or own, real property in New Zealand.

Further information about the Manager may be found at its website at www.propertymgr.co.nz

The contact details for the Manager are:

Property Managers Group
Level 1,
143 Durham Street
Tauranga 3110

PO Box 2034
Tauranga 3144

Ph. (07) 578 3494
Fax (07) 578 6455

10.2 Who Else is Involved?

	Name	Role
Supervisor	Covenant Trustee Services Limited	The supervisor will monitor compliance with the Trust Deeds and fulfill the role of supervisor under the Financial Markets Conduct Act 2011.
Custodian	PMG Direct Office Fund Trustees Limited	The Custodian is a subsidiary of the supervisor. PMG Direct Office Fund Trustees Limited is the Custodian for the Fund and will hold all assets belonging to the Fund on bare trust on behalf of the fund in accordance of the trust deeds.
Unit Registry	Computershare Investor Services Limited	The Registry holds the details of all Unitholders and manages distributions and communications to Unitholders.

11. How to Complain

A complaint about your investment may be made to:

The Manager

Property Managers Limited
Level 1, 143 Durham Street
Tauranga 3110
PO Box 2034
Tauranga 3144

Ph (07) 578 3494
Fax (07) 578 6455

The Financial Markets Authority

Level 5, Ernst & Young Building
2 Takutai Square
Britomart
Auckland

Ph 0800 434 566
www.fma.govt.nz

The Supervisor

Covenant Trustee Services Limited
Level 6, 191 Queen Street
Auckland 1010
Ph (09) 302 0638

Dispute Resolution Scheme

Financial Dispute Resolution Scheme
PO Box 2272
Wellington 6140

Ph 0508 337337
Email: enquires@fdrs.org.nz
Web: www.fdrs.org.nz

The Dispute Resolution Scheme will not charge a fee to any complainant to investigate or resolve a complaint.

12. Where you can find more information

Further information relating to the Fund or the Units (for example, the Trust Deeds and financial statements) is available on the Offer Register. A copy of the information on the Offer Register is available on request to the Registrar (email registrar@fspr.govt.nz). The website for the Offer Register is <https://disclose-register.companiesoffice.govt.nz>. Further information relating to the Fund is available from this website.

Further information relating to the Manager is also available on the public register at the Companies Office of the Ministry of Business, Innovation, and Employment. This information can be accessed on the Companies Office website at www.business.govt.nz/companies.

Further information about the Manager is also available free of charge on its website, www.propertymgr.co.nz.

You will receive annual reports and annual audited financial statements for the Fund, and other communications as and when required to update you on progress. You will also receive a notice stating the availability of such communications and how to obtain copies.

This information will be made available to you, free of charge, upon a written request to the Manager at PO Box 2034, Tauranga 3144.

13. How to Apply

If you want to apply for Units under the Offer you must fill in the Application Form provided with this PDS. For new investors, applications must be for at least 10,000 Units and in multiples of 5,000 thereafter. For existing investors, applications must be for at least 5,000 units and in multiples of 5,000 thereafter.

Completed and signed Application Forms must be forwarded to:

Property Managers Limited
Level 1, 143 Durham Street
Tauranga 3110

PO Box 2034
Tauranga 3144

Completed application forms are to be received no later than 5:00pm on 12 April 2019 (or such later date if the Offer is extended) and must be accompanied by payment of the full subscription amount and any required supporting documentation.

Further information on how to apply for Units and pay for them is set out in the Application Form that accompanies this PDS.

The Manager reserves the right, in its sole discretion, to accept or reject any application in whole or in part without giving any reason.

You should read this PDS carefully before completing the Application Form.

14. Contact Information

The Manager

Property Managers Limited
Level 1, 143 Durham Street,
Tauranga
PO Box 2034
Tauranga 3144
Phone: +64 (7) 578 3494

Accounting Adviser

KPMG
ANZ Centre
247 Cameron Road
Tauranga 3141
Phone: +64 (7) 578 5179

Legal Adviser

Simpson Grierson
Lumley Centre, 88 Shortland Street
Private Bag 92518
Auckland 1141
Phone: +64 (9) 358 2222

Auditor

Crowe Horwath
130 Grantham Street
Hamilton 3204
Phone: +64 (7) 838 2180

15. Glossary

Term	Interpretation
\$	New Zealand dollars.
Acquisition Properties	means: 410 Victoria Street and 12 Alma St, Hamilton; and 65B Main Highway, Ellerslie, Auckland.
Bank	ASB Bank.
BKBM	Bank Bill Market. To hedge its interest rate risk on that position, a bank could sell Bank Bills during the rate-set window.
Business Day	Any day (other than Saturday or Sunday) on which banks in Auckland are open for business.
Closing Date	12 April 2019. The Manager reserves the right to close the Offer before the Closing Date in the event that acceptances of the Offer are over-subscribed.
Custodian	The Supervisor holds the properties of the Fund through a custodian company, called PMG Direct Office Fund Trustees Limited (the Custodian), on trust on behalf of Unitholders, subject to the Trust Deeds, the FMCA, and any other applicable legislation.
Establishment Deed	The Establishment Deed between Property Managers Limited and the Supervisor dated on 26 October 2016, pursuant to which the Fund was established, and which was subsequently amended and replaced on 1 November 2016.
Existing Properties	means: 2 Robert Street, Ellerslie, Auckland; 5 Short Street, Newmarket, Auckland; 8 Rockridge Avenue, Penrose, Auckland; 22 Amersham Way, Manukau, Auckland; 127 Durham St, Tauranga; and 143 Durham St, Tauranga.
FMCA	Financial Markets Conduct Act 2013.
Fund	PMG Direct Office Fund.
Fund Performance Benchmark	Average 10-year government bond yield (as published by the Reserve Bank of New Zealand), plus 4%.
Held for Sale Property	Properties the Fund plans to divest in the short-term, currently being 22 Amersham Way, Manukau, Auckland.
Issue Date	17 April 2019.

Main Highway	65B Main Highway, Ellerslie, Auckland.
Manager	Property Managers Limited.
Manager Performance Benchmark	Average 10-year government bond yield (as published by the Reserve Bank of New Zealand), plus 6%.
Master Trust Deed	The Master Trust Deed between Property Managers Limited and the Supervisor dated 28 October 2016.
NAV	Net asset value of the Fund, being the gross asset value of the Fund as at the relevant date of valuation less any liabilities of the Fund, any costs, outgoings or other expenses, and such other provisions as the Manager or the Supervisor considers necessary for accrued or contingent liabilities or losses.
NBS	New Building Standard.
NLA	Net Lettable Area.
Offer	An offer of Units in the Fund pursuant to the PDS.
Offer Information	The PDS and all entries on the Offer Register relating to this Offer.
Offer Register	The register available at https://disclose-register.companiesoffice.govt.nz/
Opening Date	18 March 2019.
PDS	The product disclosure statement for the Offer registered on or about 11 March 2019.
PIE	Portfolio Investment Entity.
PIR	Prescribed Investor Rate.
Portfolio Properties	The combination of the Existing Properties and the Acquisition Properties, less any Properties Held for Sale.
Settlement Date	17 April 2019.
SIPO	Statement of Investment Policies and Objectives.
Supervisor	Covenant Trustee Services Limited.
Trust Deeds	The Master Trust Deed and Establishment Deed.
Unitholder	A holder of Units in the Fund.
Units	Units in the Fund.
Victoria Street	410 Victoria Street, Hamilton and 12 Alma Street, Hamilton.
WALT	Weighted Average Lease Term.





Application Form

PMG DIRECT OFFICE FUND



This Application Form is issued with the Product Disclosure Statement (PDS)

SECTION A

Application Details And Information

PLEASE WRITE IN CAPITAL BLOCK LETTERS

Before completing this Application Form, applicants should read the Product Disclosure Statement (PDS) to which this application relates.

NAME OF INVESTMENT ENTITY:

If the investing entity is a company or a trust, all directors or trustees (including any independent/professional trustees) must sign this Application Form and comply with the requirements under Section D of the Application Form.

APPLICANT DETAILS:

Mr/Mrs/Miss/Ms/Dr:

First name

Middle name(s)

Last name

Mr/Mrs/Miss/Ms/Dr:

First name

Middle name(s)

Last name

Mr/Mrs/Miss/Ms/Dr:

First name

Middle name(s)

Last name

Mr/Mrs/Miss/Ms/Dr:

First name

Middle name(s)

Last name

APPLICANT CONTACT DETAILS:

Postal Address:

Residential Address (if different):

Telephone mobile:

Telephone daytime:

Email:

☐

I consent to receiving investor correspondence electronically

SECTION A

Continued...

PLEASE WRITE IN CAPITAL BLOCK LETTERS

HOW DID YOU HEAR ABOUT THIS OPPORTUNITY?

- | | |
|---|---|
| <input type="checkbox"/> Online. Where? | <input type="checkbox"/> PMG Staff |
| <input type="checkbox"/> Newspaper. Where? | <input type="checkbox"/> E-mail |
| <input type="checkbox"/> Friend/Family | <input type="checkbox"/> Accountant/Solicitor/Financial Adviser/Real Estate Agent |
| <input type="checkbox"/> Roadshow/Presentation | |
| <input type="checkbox"/> Other (please provide details below) | |
-

SECTION A

Continued...

PLEASE WRITE IN CAPITAL BLOCK LETTERS

PROFESSIONAL CONTACT DETAILS:

Name of Solicitor:

Firm:

Contact number:

Email address:

Name of Accountant:

Firm:

Contact number:

Email address:

In addition to the details provided above, and in this Application Form, I have also completed one of the appended checklists:

☐

Individual Checklist

☐

Company Checklist

☐

Joint Holding Checklist

☐

Trust Checklist

☐

Partnership Checklist

☐

Estate Checklist

POLITICALLY EXPOSED PERSONS

A Politically Exposed Person (PEP) is an individual, or the immediate family member of such individual, who holds, or has held at any time in the preceding 12 months, a 'prominent public function' in any country other than New Zealand.

A 'prominent public function' is a position such as head of a country, government minister, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprise.

Are you, or any person authorised to act on your behalf in relation to this investment, a Politically Exposed Person?

☐

Yes, I am a PEP

☐

Yes, I am the immediate family member of a PEP

☐

No

If 'yes', please provide details of the public function held and the country:

PLEASE WRITE IN CAPITAL BLOCK LETTERS

SECTION B

Continued...

PLEASE WRITE IN CAPITAL BLOCK LETTERS

☐ **OPTION 2** Payment made by cheque

Please ensure cheques are made payable to **Cooney Lees Morgan Trust Account** and are crossed **Not Transferable**. The cheque must not be forward dated as cheques will be banked on the date of receipt. If an applicant's cheque is dishonoured, the Manager may cancel the applicant's subscription for Units and pursue any other remedies available to it at law.

Your cheque and Application Form should be posted to the Manager or delivered in person no later than three business days prior to the offer closing date.

PLEASE PROVIDE YOUR BANK A/C DETAILS FOR FUTURE DISTRIBUTION PAYMENTS

Name of Bank:

Name of Account:

Bank/Branch		Account No						Suffix		

Your bank account details provided need to be verified. Please provide one of the following documents with your Application Form:

- ☐ bank statement
- ☐ deposit slip
- ☐ bank printout with your name and account number stamped and signed by bank officer

If you are a current Computershare client, please provide your CSN number below:

[illegible]

SECTION C

Tax Details for your Investment

PLEASE WRITE IN CAPITAL BLOCK LETTERS

IRD number for investing entity (in respect of a joint application provide only the IRD number of the applicant who is in the highest tax band):

--	--	--	--	--	--	--	--	--

If investing jointly or through a Trust, Partnership or Company, please provide the IRD numbers for all Applicants, Trustees, Partners or Directors

--	--	--	--	--	--	--	--	--

Name:

--	--	--	--	--	--	--	--	--

Name:

--	--	--	--	--	--	--	--	--

Name:

PIR in respect of a joint application, provide the PIR of the applicant who is in the highest tax band. For details on which PIR to choose, please see Page 90, Tax in the PDS.

☐ 0% ☐ 10.5% ☐ 17.5% ☐ 28%

If a PIR is not selected, 28% will apply.

You must provide your IRD number within 6 weeks of investing, otherwise the Fund may be required to cancel or reacquire your units.

If a joint investor, select the highest PIR

If a non-resident, PIR of 28% will apply.

Country of residence for taxation purposes:

If not New Zealand tax resident, are you engaged in business in New Zealand through a fixed establishment in New Zealand?

☐ Yes ☐ No ☐ N/A

Investors can refer to page 90 for a flowchart diagram for information on selecting the correct PIR.

SECTION D

Anti Money Laundering and Countering Financing of Terrorism Act 2009 – Customer Due Diligence

The Manager must comply with the Anti-Money Laundering and Countering the Financing of Terrorism Act 2009 (AML/CFT laws) which includes completing customer due diligence (CDD) investigations on all applicants.

1. You must not knowingly do anything to put the Manager in breach of any AML/CFT law.
2. You agree to provide all additional information and assistance requested by us and to comply with all reasonable requests from us to facilitate our compliance with AML/CFT laws.
3. You represent and warrant that you are not aware and have no reason to suspect that:
 - (a) the money used to fund any investment by you is derived from or related to any criminal or other illegal activities, money laundering, terrorism financing or similar activities (Illegal Activities); or
 - (b) the proceeds of any investment will fund any Illegal Activities.
4. You agree that we are not liable for any losses incurred as a result of any action we take which either delays your investment or results in an application being declined, when these actions are necessary for us to comply with our obligations under AML/CFT laws.

SECTION D

Continued...

PLEASE WRITE IN CAPITAL BLOCK LETTERS

If you are an existing Property Managers Group investor then you may not be required to provide any documents under this section. Please contact the PMG Office to determine your requirements (if any).

Tick the following box if this applies to you.

NATURE AND PURPOSE OF BUSINESS RELATIONSHIP

How often do you think you might want to invest with us? Please tick the most appropriate box

☐ Up to twice annually ☐ Once annually ☐ Once every 2 – 5 years ☐ Once every 5 years or more

In dollar terms, how much might you invest each time? Please tick the most appropriate box

☐ \$5,000 - \$50,000 ☐ \$50,000 - \$100,000 ☐ \$100,000 - \$250,000 ☐ \$250,000 +

What is your reason for investment? Please tick the most appropriate box.

☐ To receive ongoing income from the investment ☐ To achieve capital growth
☐ To preserve capital ☐ For estate planning
☐ Other (please specify)

If investing more than \$1 million, or through a non-personal entity, please provide answers to the questions below:

SOURCE OF FUNDS (this is where the funds to make this investment will come from)

In a few sentences, please provide detail on where the money will come from to pay for this investment? Please be specific
Example: The recent proceeds of the sale of a property which have been held in a bank account.

SOURCE OF WEALTH (this is how the investing entity or associated entities, or individuals, have accumulated wealth over time)

In a few sentences, please provide detail on how you have accumulated wealth over time? Please be specific
Example: We have created wealth through owning businesses, property and investments over the past 40 years.

As part of our Anti Money Laundering AML requirements, we may need to confirm some of the details provided by you on this form with your legal and/or accounting professionals.

☐ Please tick this box to confirm that it is okay for us to follow up with your professionals directly. If you would prefer to contact your legal and/or accounting professionals, then please leave this box blank.

SECTION D

Continued...

PLEASE WRITE IN CAPITAL BLOCK LETTERS

Are you an existing Property Managers Group investor?

- ☐ Yes, I am an existing Property Managers Group investor and I have provided my AML documentation previously which is still valid
- ☐ No, I am a new investor and will meet my AML requirements.

What type of customer are you?

- ☐ New Zealand resident individual or joint (Refer to pages 79-80 for further additional form which must be completed)
- ☐ New Zealand Company (Refer to pages 83-84 for further additional form which must be completed)
- ☐ New Zealand Partnership (Refer to page 81-82 for further additional form which must be completed)
- ☐ New Zealand Trust (Refer to pages 85-86 for further additional form which must be completed)
- ☐ New Zealand Estate (Refer to page 87-88 for further additional form which must be completed)
- ☐ International Investor (Refer to page 89 for further additional form which must be completed)

SECTION E

Identity Verification

New Investor - Met with PMG Representative

As a new investor we are required to verify your identity. The simplest way for us to do this is to complete an online verification using a system called Cloudcheck. Please provide a copy of your Driver Licence with this Application.

It may be necessary to complete the documentary identity verification process if you are unable to provide a copy of your New Zealand Driver Licence or our online Cloudcheck system requires more information.

- ☐ Copy of New Zealand Driver Licence included with Application
- ☐ I have provided copies of the relevant ID documents as requested above with this Application and I give consent for PMG to electronically check these documents with the document issuer, official record holder, a credit bureau and any authorised third parties for the purposes of verifying my identity and address

New Investor - Did not meet with PMG Representative

The Manager can accept three options for completing documentary verification. For Options 1, 2, and 3 you must have all evidence of identity certified by an independent trusted person. A trusted person must not be your spouse or partner, related to you, someone who lives at the same address as you or someone with an interest or ownership in your investment. A trusted person must be any one of the following:

Police Officer	Minister of Religion	Member of Parliament
Justice of the Peace	Lawyer	Chartered Accountant
Registered Medical Doctor	Notary Public	Kaumātua
Registered Teacher	NZ Honorary Consul	Commonwealth Representative

SECTION E

Identity Verification

OPTION 1

Certified copy of one of the following (must be current):

- ☐ New Zealand Passport
- ☐ New Zealand Firearms Licence
- ☐ Overseas Passport

OPTION 2

Certified copy of one of the following (must be current):

- ☐ New Zealand full birth certificate
- ☐ Certificate of New Zealand citizenship
- ☐ A citizenship certificate issued by a foreign government
- ☐ A birth certificate issued by a foreign government, the United Nations or an agency of the United Nations

AND

Certified copy of one of the following (must be current):

- ☐ New Zealand Driver Licence
- ☐ 18+ Card

OPTION 3

Certified copy of the following (must be current):

- ☐ New Zealand Driver Licence

AND

Certified copy of one of the following (must be current):

- ☐ A document issued by a registered bank that contains the person's name and signature, for example a credit card, debit card, or EFTPOS card
- ☐ A bank statement issued by a registered bank to the person in the 12 months immediately preceding the date of the application
- ☐ A document issued by a government agency that contains the person's name and signature, for example a SuperGold card
- ☐ A statement issued by a government agency to the person in the 12 months immediately preceding the date of the application, for example a statement from the Inland Revenue Department

SECTION F

Address Verification

As well as providing a form of identification from Section E, we are also required to verify your address.

In order to verify your address, please provide a certified copy of one of the following:

- ☐ Utility or rates bill
- ☐ Telephone bill
- ☐ Bank statement (as delivered by mail, not via internet banking)
- ☐ IRD tax notice or statement

Each form needs to be dated in the last 12 months and addressed to you at your residential address.

SECTION G

Closing Date and Delivery

The completed Application Form must be returned to, and payment (cleared funds) received by Property Managers Group no later than 12 April 2019 (or such earlier or later date if the offer is amended).

If paying by direct credit the Application Form must be scanned and emailed to investor.services@propertymgr.co.nz. The original Application Form must then be sent to the Manager at the address below.

If paying by cheque, all cheques must be drawn on a New Zealand registered bank and must be made in New Zealand dollars. Cheques must be made payable to **“Cooney Lees Morgan Trust Account”**, crossed **“Not Transferable”** and must not be post-dated as cheques will be banked on day of receipt. If an applicant’s cheque is dishonoured, the Manager may cancel that applicant’s allotment of Units and pursue any other remedies available to it at law. Your cheque should be posted with your Application Form or delivered in person to the address below.

Property Managers Group, PO Box 2034, Tauranga 3144

Or deliver to: Level 1, 143 Durham Street, Tauranga 3110

SECTION H

The Privacy Act

This statement relates to the personal information that you are providing to us by way of this application and any subsequent personal information which you may provide in the future.

The personal information you have supplied will be handled by us, Property Managers Limited (and our related entities) in accordance with our Privacy Policy, which is available on our website at: www.propertymgr.co.nz/privacy

We will provide you (on request) with the name and address of any entity to which information has been disclosed.

You have the right to access and correct any personal information held about you by us. Please refer to our Privacy Policy for the relevant contact details.

- ☐ If you are submitting this application on behalf of the applicant, please tick this box to confirm that you are authorised to provide the personal information included in this application on behalf of the applicant and evidence of this authority is provided (in the case of a parent/guardian/other providing information about the applicant).
- ☐ Please tick this box if you would like to be sent newsletters and other marketing and promotional information about the Manager and our other products and services (including products and services from our related companies).

SECTION

I

Certificate Of Non-Revocation Of Power Of Attorney

PLEASE WRITE IN CAPITAL BLOCK LETTERS

(Complete this section if you are acting on behalf of the Applicant on this Application for whom you have power of attorney)

I, _____ (full name)

of _____ (place and country of residence),

_____ (occupation),

CERTIFY: _____ (date of instrument creating the agency).
• THAT by Deed dated _____

_____ (full name of person/body corporate which granted the agency)

of _____ (place and country of residence of person/body corporate which granted the power of attorney**)

appointed me _____ attorney;
_____ (his/her/its)

- THAT I have executed the application for Units printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and
- THAT I have not received notice of any event revoking the power of attorney.

Signed at _____ this _____ day of _____ (month/year)

Signature of attorney _____

** If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

SECTION J

Certificate Of Non-Revocation Of Agent

PLEASE WRITE IN CAPITAL BLOCK LETTERS

(Complete this section if you are acting as an agent on behalf of the Applicant on this Application)

I, _____ (full name)

of _____ (place and country of residence),

_____ (occupation),

CERTIFY: _____ (date of instrument creating the power of attorney),
• THAT by the agency agreement dated _____

_____ (full name of person/body corporate which granted the power of attorney)

of _____ (place and country of residence of person/body corporate which appointed you as agent **)

appointed me _____ agent;
_____ (his/her/its)

- THAT I have executed the Application for Units printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and
- THAT I have not received any notice or information of the revocation of my appointment as agent.

Signed at _____ this _____ day of _____ (month/year)

Signature of agent _____

** If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

SECTION K

Signatures of Applicants

PLEASE WRITE IN CAPITAL BLOCK LETTERS

I have read and retained a copy of the PDS provided with this Application Form for the offer of Units in PMG Direct Office Fund and agree to be bound by the terms of the investment. I agree to the terms outlined above in relation to the Privacy Act, the supply of personal information, email use and AML/CFT law. I understand that the investment is not a liquid investment and that the value of my investment is liable to fluctuations and may rise and fall from time to time.

I also agree to the "Terms and Conditions of Application".

I understand that investment in the Fund is subject to investment risk, including possible delays in repayment and loss of income or capital invested. I understand that none of PMG Direct Office Fund, the Manager or any other person guarantees the performance of the Fund or the repayment of capital by the Fund or any particular rate of return.

I hereby apply for the amount of Units set out above and agree to accept such Units (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the PDS.

All applicants, including professional/independent trustees, must sign the Application Form. If the Application Form has not been signed by all applicants then the application will be considered incomplete and your Unit subscription may not be accepted.

Signature:

.....

Date:

.....

Signature:

.....

Date:

.....

Signature:

.....

Date:

.....

Signature:

.....

Date:

.....

(Attatch Cheque here - if applicable)

Broker Stamp

Advisor Code

TERMS AND CONDITIONS OF APPLICATION

By signing (or authorising an attorney or agent to sign) this Application Form:

- (a) the applicant acknowledges that this Application Form was distributed with the PDS; and
- (b) the applicant acknowledges that he/she/it has read and understood the statements made in the Application Form relating to the Privacy Act 1993 under the heading Section H.

Full information received

By applying for Units, the applicant acknowledges that:

- (a) the applicant has requested and received all information required to satisfy the applicant as to the merits of investing in the Units;
- (b) the applicant has had the opportunity to take such accounting, legal and other professional advice as considered appropriate by the applicant in relation to the purchase of the Units; and
- (c) the applicant does not rely on any representation (verbal or written) from the Manager or any other person (other than to the extent set out in writing in an agreement with any of those parties).

Payment can be made by cheque or by direct credit to the account details set out in the Application Form.

Application process

An application received by the Manager cannot be withdrawn or revoked by the applicant. The Manager reserves the right to decline any application, in whole or in part, without giving any reason and may decide not to accept any applications whatsoever.

Money received in respect of applications that are declined in whole or in part will be refunded in whole or in part (as the case may be). Refunds will be mailed to unsuccessful applicants within five Business Days of the allotment of the Units.

If the Manager receives valid applications for fewer than 18,000,000 Units under the Offer then the Offer will lapse and you will be refunded your money within 5 Business Days of the Offer lapsing. If the Company receives valid applications for more than 18,000,000 Units then your application may be scaled, which means that you will receive fewer Units than you subscribed for. Scaling may not be pro-rata. If this happens, you will be refunded the difference within 5 Business Days of the Allotment Date.

Statements for the Units will be dispatched to successful applicants as soon as practicable after allotment, but in any event within five Business Days of the Issue Date. Applications must conform with the application instructions set out in this document.

Terms defined in the PDS have the same meaning in the Application Form.

A joint application must be signed by all applicants. Only the address of the first named of the joint applicants will be recorded on the Register and all interest payments, notices, and other correspondence will be sent to that address.

Applications lodged by individuals must be signed personally or by their attorney or agent. If this Application Form is signed by an attorney, the attorney must complete the certificate of non-revocation of power of attorney set out in the Application Form. If this Application Form is signed by an agent, the agent must complete the certificate of non-revocation of agent set out in the Application Form.

This Application Form, the Offer and any contract arising out of its acceptance are each governed by New Zealand law.

INVESTOR AML CHECKLIST: INDIVIDUAL

Investor Name: *Please print clearly*

Investor Date of Birth: *Please print clearly*

Investor Address: *Please print clearly*

Authorised Person(s) (Optional): *Please list any authorised person(s) that may act on your behalf*

Name:

Date of Birth:

Address:

Name:

Date of Birth:

Address:

Politically Exposed Person (PEP): *Are you or any Authorised Person(s) listed above*

'Prominent Public Function' e.g. head of a country, government minister, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprise.

EITHER

☐ An individual who holds, or has held at any time in the preceding 12 months, a 'prominent public function' in any country (other than New Zealand);

OR

☐ An immediate family member of a person referred to above (including spouse, partner, child, child's legal guardian or parent)

Politically Exposed Person (PEP): *If you've ticked any of these options above please provide details of the public function held and the country.*

☐ **Certified IDENTITY Verification ATTACHED** *See Section D for details*

☐ **Certified ADDRESS Verification ATTACHED** *See Section E for details*

☐ **Certified IDENTITY Verification ATTACHED (Authorised Person Only)** *See Section D for details*

☐ **Certified ADDRESS Verification ATTACHED (Authorised Person Only)** *See Section E for details*

INVESTOR AML CHECKLIST: JOINT HOLDING (INDIVIDUALS)

Investor Name: *Please print clearly*

Investor Date of Birth: *Please print clearly*

Investor Address: *Please print clearly*

Investor Name: *Please print clearly*

Investor Date of Birth: *Please print clearly*

Investor Address: *Please print clearly*

Authorised Person(s) (Optional): *Please list any authorised person(s) that may act on your behalf*

Name:

Date of Birth:

Address:

Name:

Date of Birth:

Address:

Politically Exposed Person (PEP): *Are you or any Authorised Person(s) listed above*

'Prominent Public Function' e.g. head of a country, government minister, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprise.

EITHER

☐ An individual who holds, or has held at any time in the preceding 12 months, a 'prominent public function' in any country (other than New Zealand);

OR

☐ An immediate family member of a person referred to above (including spouse, partner, child, child's legal guardian or parent)

Politically Exposed Person (PEP): *If you've ticked any of these options above please provide details of the public function held and the country.*

☐ **Certified IDENTITY Verification ATTACHED** *See Section D for details*

☐ **Certified ADDRESS Verification ATTACHED** *See Section E for details*

☐ **Certified IDENTITY Verification ATTACHED (Authorised Person Only)** *See Section D for details*

☐ **Certified ADDRESS Verification ATTACHED (Authorised Person Only)** *See Section E for details*

INVESTOR AML CHECKLIST: PARTNERSHIP

Partnership Full Legal Name: *Please print clearly*

Partnership Trading Name (if different): *Please print clearly*

Principal Business Address/ Registered Office Address: *Please print clearly*

Registration Number: *Please print clearly*

☐ **Certified ADDRESS Verification ATTACHED** (Registered Office) *See Section E for details*

☐ **Copy of Partnership Agreement** *A copy of the Partnership Deed/Agreement and any resolutions, evidencing any amendments which must confirm the Partnerships name, and Partners/Officers names and other persons authorised to act on behalf of the Partnership*

☐ **Certified IDENTITY Verification (for EACH person) ATTACHED** *See Section D for details*

☐ **Certified ADDRESS Verification (for EACH person) ATTACHED** *See Section E for details*

List the person(s) acting on behalf of Partnership and Relationship to the Partnership

INVESTOR AML CHECKLIST: **PARTNERSHIP** (CONTINUED)

Authorised Person(s) (Optional): *Please list any authorised person(s) that may act on your behalf*

Name: **Date of Birth:**

Address:

Name: **Date of Birth:**

Address:

Politically Exposed Person (PEP): *Are you or any Authorised Person(s) listed above*

'Prominent Public Function' *e.g. head of a country, government minister, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprise.*

EITHER

☐ An individual who holds, or has held at any time in the preceding 12 months, a 'prominent public function' in any country (other than New Zealand);

OR

☐ An immediate family member of a person referred to above (including spouse, partner, child, child's legal guardian or parent)

Politically Exposed Person (PEP): *If you've ticked any of these options above please provide details of the public function held and the country.*

.....
.....

INVESTOR AML CHECKLIST: COMPANY

Company Legal Name: *Please print clearly*

Company Trading Name (if different): *Please print clearly*

Company Principal Business Address/ Registered Office Address: *Please print clearly*

Company Registration Number: *Please print clearly*

Country of Incorporation or Registration: *Please print clearly*

☐ **Certified IDENTITY Verification ATTACHED** (Certificate of Incorporation) *Full legal name and/or trading name and ID/Registration number*

☐ **Certified ADDRESS Verification (for EACH person) ATTACHED** *See Section E for details*

☐ **Company Extract** *A copy of the Company Extract from the Companies Office that lists all Director(s) Names/Addresses/Shareholdings and Shareholders of the Company*

List the Authorised person(s) acting on behalf of the Company and the relationship to the Company i.e. – Authorised to carry out transactions on behalf of the Company e.g. accountant or lawyer or authorised person.

Please list any authorised person(s) that may act on your behalf

Name:

Date of Birth:

Address:

Name:

Date of Birth:

Address:

☐ **Certified IDENTITY Verification (For EACH Director/Authorised Person) ATTACHED** *See Section D for details*

☐ **Certified ADDRESS Verification (For EACH Director/Authorised Person) ATTACHED** *See Section E for details*

INVESTOR AML CHECKLIST: COMPANY (CONTINUED)

Beneficial Owner(s) (if any) List any person who:

- owns more than 25% of the COMPANY OR
- has effective control of the COMPANY OR
- on whose behalf a transaction is conducted

Name:

Date of Birth:

Address:

Name:

Date of Birth:

Address:

Name:

Date of Birth:

Address:

☐ **Certified IDENTITY Verification of EACH Beneficial Owner ATTACHED** See Section D for details

☐ **Certified ADDRESS Verification of EACH Beneficial Owner ATTACHED** See Section E for details

Politically Exposed Person (PEP): Are you or any Authorised Person(s) listed above

'Prominent Public Function' e.g. head of a country, government minister, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprise.

EITHER

☐ An individual who holds, or has held at any time in the preceding 12 months, a 'prominent public function' in any country (other than New Zealand);

OR

☐ An immediate family member of a person referred to above (including spouse, partner, child, child's legal guardian or parent)

Politically Exposed Person (PEP): If you've ticked any of these options above please provide details of the public function held and the country.

INVESTOR AML CHECKLIST: TRUST

Trust Name: *Please print clearly*

☐ **Certified IDENTITY Verification ATTACHED** (If applicable) *Full legal name and/or trading name and ID/Registration number*

☐ **Certified ADDRESS Verification ATTACHED** (Principal ADDRESS for service) *See Section E for details*

☐ **Copy of Trust Deed ATTACHED** *A copy of the Trust Deed and any retirements, and/or any amendments which must confirm the Trusts name, and Trustees/Executors names and other persons authorised to act on behalf of the Trust*

☐ **Source of Funds/Wealth ATTACHED** (Signed by an Accountant or Lawyer) *A letter providing the details of the origin of the settlor's wealth e.g. inheritance, accumulated business earnings, funds from sale of property. Also provide details of the source of any income the Trust is receiving e.g. monthly deposit from family bank account, income from an underlying company.*

List legal names of ALL Trustees or Executors *Please print clearly*

Name:

Date of Birth:

Address:

Name:

Date of Birth:

Address:

Name:

Date of Birth:

Address:

Name:

Date of Birth:

Address:

☐ **Certified IDENTITY Verification (for EACH Trustee) ATTACHED** *See Section D for details*

☐ **Certified ADDRESS Verification (for EACH Trustee) ATTACHED** *See Section E for details*

Is this a Charitable trust? *If 'yes' please state the objects of the Trust*

INVESTOR AML CHECKLIST: TRUST (CONTINUED)

Is this a Discretionary trust or a trust with more than 10 beneficiaries? If 'yes' please provide a description of each class or type of Beneficiary:

Beneficiaries: Provide the name and date of birth of any NAMED beneficiaries below.

Name: _____ Date of Birth: _____

Address: _____

Name: _____ Date of Birth: _____

Address: _____

Name: _____ Date of Birth: _____

Address: _____

Politically Exposed Person (PEP): Are you or any Authorised Person(s) listed above

'Prominent Public Function' e.g. head of a country, government minister, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprise.

EITHER

☐ An individual who holds, or has held at any time in the preceding 12 months, a 'prominent public function' in any country (other than New Zealand);

OR

☐ An immediate family member of a person referred to above (including spouse, partner, child, child's legal guardian or parent)

Politically Exposed Person (PEP): If you've ticked any of these options above please provide details of the public function held and the country.

INVESTOR AML CHECKLIST: ESTATES

Estate Name: *Please print clearly*

☐ **Copy of the Death Certificate ATTACHED** *For the name of the Deceased*

List the person(s) acting on behalf of the Estate and the relationship to the Estate e.g. the Executor *Please print clearly*

Name:

Date of Birth:

Address:

Relationship:

☐ **Certified IDENTITY Verification for Authorised Person ATTACHED** *See Section D for details*

☐ **Certified ADDRESS Verification for Authorised Person ATTACHED** *See Section E for details*

Name:

Date of Birth:

Address:

Name:

Date of Birth:

Address:

Name:

Date of Birth:

Address:

☐ **Certified IDENTITY Verification (of EACH Beneficial Owner) ATTACHED** *See Section D for details*

☐ **Certified ADDRESS Verification (of EACH Beneficial Owner) ATTACHED** *See Section E for details*

INVESTOR AML CHECKLIST: ESTATES (CONTINUED)

Politically Exposed Person (PEP): *Are you or any Authorised Person(s) listed above*

'Prominent Public Function' *e.g. head of a country, government minister, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprise.*

EITHER

☐ An individual who holds, or has held at any time in the preceding 12 months, a 'prominent public function' in any country (other than New Zealand);

OR

☐ An immediate family member of a person referred to above (including spouse, partner, child, child's legal guardian or parent)

Politically Exposed Person (PEP): *If you've ticked any of these options above please provide details of the public function held and the country.*

INVESTOR AML CHECKLIST: INTERNATIONAL

Investing Entity Name: *Please print clearly*

- ☐ **Certified IDENTITY Verification ATTACHED** (If applicable) *Full legal name and/or trading name and ID/Registration number*
- ☐ **Certified ADDRESS Verification ATTACHED** (Principal ADDRESS for service) *See Section E for details*
- ☐ **Copy of Trust Deed ATTACHED** (if applicable) *A copy of the Trust Deed and any retirements, and/or any amendments which must confirm the Trusts name, and Trustees/Executors names and other persons authorised to act on behalf of the Trust*
- ☐ **Source of Funds/Wealth ATTACHED** (Signed by an Accountant or Lawyer) *A letter providing the details of the origin of the settlor's wealth e.g. inheritance, accumulated business earnings, funds from sale of property. Also provide details of the source of any income the Trust is receiving e.g. monthly deposit from family bank account, income from an underlying company.*
- ☐ **Proof of NZ Bank Account**

IF INVESTING IN A TRUST, PLEASE COMPLETE THE INFORMATION BELOW

Trust Name: *Please print clearly*

List legal names of ALL Trustees or Executors *Please print clearly*

Name: _____ Date of Birth: _____

Address: _____

Name: _____ Date of Birth: _____

Address: _____

Name: _____ Date of Birth: _____

Address: _____

Name: _____ Date of Birth: _____

Address: _____

☐ **Certified IDENTITY Verification (for EACH Trustee) ATTACHED** *See Section D for details*

☐ **Certified ADDRESS Verification (for EACH Trustee) ATTACHED** *See Section E for details*

Is this a Charitable trust? If 'yes' please state the objects of the Trust

ARE YOU A NEW ZEALAND TAX RESIDENT?

↓

Is this PIR calculation in relation to an individual or a joint account?

↓

In each of the last two tax years was:

- (a) your taxable income more than \$48,000 OR
(b) your total income (PIE+ taxable income) more than \$70,000?

YES

28%

28%

↓

In either of the last two tax years was:

- (a) your taxable income more than \$14,000 OR
- (b) your total income (PIE+ taxable income) more than \$48,000?

YES

17.5%

17.5%

NO

10.5%

10.5%

Are you a company, unit trust, charity, non-profit organisation or PIE?

YES

0%

0%

Are you a trustee of a trust (excluding charitable trusts and unit trusts) or a superannuation fund?

You can choose a PIR of 28%, 17.5% or 0%. Certain testamentary trusts can also choose a PIR of 10.5%.





PMG Direct Office Fund
c/o Property Managers Group
Level 1, 143 Durham Street
Tauranga, 3110
PO Box 2034
Tauranga, 3144
Phone: (07) 578 3494
Email: investor.services@propertymgr.co.nz