

Statement of Investment Policy and Objectives

Scheme: Oyster Large Format Retail Fund
Dated: 29 March 2021

1. Description of the Scheme

- 1.1 The Oyster Large Format Retail Fund ("Fund") is a managed investment scheme registered under the Financial Markets Conduct Act 2013. The Fund was established under a Trust Deed dated 29 March 2021 ("Trust Deed").
- 1.2 Oyster Management Limited is the manager of the Fund ("Oyster"). Units in the Fund ("Units") are held by investors in the Fund ("Investors"). Each Unit is of equal value and confers an equal interest in the Fund. The Fund intends to acquire further properties for its portfolio and issue further Units to fund these acquisitions.
- 1.3 Oyster LFR Trustees Limited is the custodian of the Fund ("Custodian"). The title to the Property Investments and all other assets of the Fund are held by the Custodian as bare trustee on behalf of the Investors.
- 1.4 Covenant Trustee Services Limited is the statutory supervisor of the Fund (the "Supervisor"). The Supervisor holds the shares in and has appointed the directors of the Custodian.
- 1.5 The Fund has been established to hold a portfolio of Large Format Retail Properties.
- 1.6 The Fund has no fixed term. The Fund may be terminated by a special resolution of Investors.

2. Investment Objectives

- 2.1 Commercial property is a long term investment. The primary objectives of the Fund are to:
 - Provide investors with a stable monthly income stream;
 - Grow the Fund's investment portfolio by acquiring Large Format Retail Properties; and
 - Increase the Net Asset Value of the Fund and as a consequence provide the potential for capital growth in the value of Investors' Units.

3. Investment Strategy

- 3.1 To achieve the Fund's investment objectives the investment strategy will focus on growth of the Fund's investment portfolio through the acquisition of Large Format Retail Properties in New Zealand. Large format retail stores are stores which have a larger floor area than a smaller speciality retail store. The stores may be standalone or part of a bulk retail centre. This is an asset class that includes:
 - supermarkets
 - DIY or hardware stores
 - bulk retail stores
 - bulk retail centres

- 3.2 It is not uncommon for a Large Format Retail Property to include other complementary tenancies such as offices, cafes and fast food. It is the intention of the Fund to acquire properties where the predominant use is Large Format Retail.
- 3.3 The Fund will look to invest in properties that have a strong position in their catchments with good access to transport networks.
- 3.4 Cash will be held for working capital. Working capital can be used to repay bank borrowings, pay the expenses of the Fund, pay for capital expenditure, and in some circumstances, pay distributions and Oyster's performance fee. Cash reserves may be increased to allow for purchase of new property investments or capital works required for a property.
- 3.5 The only authorised investments for the Fund are:
- (a) Large Format Retail Property and any leases/licences of Large Format Retail Property;
 - (b) cash deposits with registered New Zealand banks; and
 - (c) any other assets arising in connection with holding the Property Investments including prepayments, accounts receivables, interest rate swap agreements and insurance receivables.
- 3.6 There are no limits on the amount or value of the authorised investments that the Fund may hold.

4. Investment Philosophy

- 4.1 Oyster's goal is to enhance returns and reduce risk through a thorough due-diligence process when selecting investment grade property investments. Oyster's philosophy is to enhance returns and add value through pro-active management of the properties it manages and to build a positive relationship with tenants.
- 4.2 The Fund intends to make long term property investments. Property by its nature favours a long term hold approach to investment.

5. Investment Policies

- 5.1 The objectives and strategy will be implemented by Oyster through proactive management of the Fund and its Property Investments. Some of the key policies that will be used are:
- a. **Distributions:** It is the Fund's policy to distribute up to 100% of the Fund's Adjusted Operating Profit to investors over the medium term. The Fund may pay less than 100% of the Adjusted Operating Profit when cash reserves are required to be built up for a future event, such as planned capital expenditure. Due to fluctuations in the Fund's income and expenses, it is possible that the Fund may pay more than 100% of Adjusted Operating Profit in a particular period, but this will only occur where it is commercially sustainable over the life of the Fund.

The Adjusted Operating Profit is calculated by adding to the Operating Profit certain one off and unpredictable costs, including acquisition fees, marketing costs in relation to raising investor capital, and performance fees.

- b. **Cash Reserves:** Where Oyster determines that the cash reserves exceed the amount required to fund future capital works or the purchase of Property Investments the surplus cash may be used to repay bank debt with any surplus distributed to Investors. Oyster will only pay distributions from the Fund's working capital where this is commercially sustainable over the life of the Fund.
- c. **Leverage:** The Manager has been authorised by the Trust Deed to direct the Supervisor to borrow and give guarantees for up to 55% of the aggregate value of the assets of the Fund. It is the policy of the Fund to limit borrowing to 50% of the aggregate value of the assets of the Fund.
- d. **Hedging/Interest Rate Policy:** Fixing interest rates on any bank borrowing reduces the risk profile of the Fund by providing certainty as to interest rate cost. The trade-off is that long term interest rates may be higher than floating or short term rates. The Manager will actively monitor interest rates and assess on a case by case basis whether it is in the interests of the Fund to fix interest rates and the appropriate term.
- e. **Valuation Policy:** The Fund's Property Investments will be valued at least annually by a registered valuer. If there has been a significant event such as a major new leasing, or other material event, Oyster may commission a valuation of a Property Investment and the Net Asset Value of the Fund will be calculated based on management accounts as at that date.
- f. **Conflicts of Interests/Related Party Transactions:** Oyster has adopted policies in relation to conflicts of interest and related party transactions. Each director and employee will act in the best interests of Investors in relation to any transaction between an Oyster Group company and the Fund.

6. Investment Performance Monitoring

- 6.1 Oyster prepares annual budgets for the Property Investments. Each month Oyster monitors the performance of the Fund. This monitoring includes income, expenses, and capital expenses incurred against budget and compliance with bank covenants, such as Interest Times Cover and Loan to Value Ratio.
- 6.2 The Trust Deed requires that key compliance items and fund metrics are reported on quarterly to the Supervisor.
- 6.3 Oyster provides Quarterly Reports to Investors which provide a summary of the performance of the Fund as at the end of the quarter.
- 6.4 Oyster provides every Investor with the Fund's audited financial statements within four months following the end of the Fund's financial year.

7. SIPO Review

- 7.1 This Statement of Investment Policies and Objectives ("SIPO") and the investment strategy for the Fund will be reviewed at least annually, or as required, by Oyster's Board in relation to market conditions and regulatory requirements.
- 7.2 If necessary the SIPO may be updated, with any proposed amendments to be made in consultation with the Supervisor. Investors will be advised of any change to the SIPO.

8. Availability of this SIPO

The most current version of this SIPO is available on the register entry for the Fund on the Disclose website at <https://disclose-register.companiesoffice.govt.nz>