

# OYSTER<sup>®</sup>

## Direct Property Fund

### PRODUCT DISCLOSURE STATEMENT

*This document replaces the Product Disclosure Statement dated 31 March 2023*



### OFFER OF UNITS IN THE OYSTER DIRECT PROPERTY FUND ISSUED BY OYSTER MANAGEMENT LIMITED

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 on [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz)

Oyster Management Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advice provider to help you to make an investment decision.

**DATED: 1 December 2023**

[oystergroup.co.nz/dpf](http://oystergroup.co.nz/dpf)







## 1. KEY INFORMATION SUMMARY

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### WHAT IS THIS?

This is an offer of Oyster Direct Property Fund Units. Your money will be pooled with other Investors' money and invested. Oyster Management Limited (Oyster) invests the money in assets, such as commercial, retail, large format retail and industrial property and investments in entities that own property 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 Oyster 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.

### WHO MANAGES THIS SCHEME?

Oyster Management Limited manages the Oyster Direct Property Fund (Fund).

Section 9 of this PDS includes further details of Oyster and others involved in the Fund.

### WHAT ARE YOU INVESTING IN?

This is a managed investment scheme established to hold a diversified commercial property portfolio. The Fund invests in Property Investment Vehicles managed by Oyster as well as purchasing its own commercial properties. It uses bank funding to assist purchasing of its directly owned commercial property portfolio. The Property Investment Vehicles that the Fund has invested in have their own bank funding.

This is a continuous offer PDS under which the Fund will accept subscriptions from investors throughout the year. Monies raised will be added to the Fund's working capital. Working capital can be used for any of the uses as authorised under the Trust Deed, including to fund capital expenditure, acquisition of Property Investments and associated costs, pay redemptions, repay bank borrowings, pay expenses of the Fund, and in some circumstances, pay distributions.

### INVESTMENT OBJECTIVES

Commercial property is a long term investment. The primary objectives of the Fund are to:

- provide investors with a stable monthly income;
- grow the Fund's investment portfolio by making Property Investments; 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.

### INVESTMENT STRATEGY

The Fund invests directly, or through unlisted Property Investment Vehicles, in New Zealand commercial property to grow the Fund's diversified property investment portfolio. Oyster manages the Fund by carrying out regular reviews of its Property Investment portfolio to target optimal total returns to investors, which includes making decisions to divest Property Investments to realise returns for the Fund.

## KEY TERMS OF THE OFFER

<b>Managed Investment Product</b>	Units in a managed investment scheme which invests in commercial property.
<b>Opening Date</b>	5 October 2016
<b>Closing Date</b>	There is no closing date as this is a continuous issue PDS, however Oyster may close or suspend this Offer at any time. If the Offer is closed or suspended Oyster will provide a notice on its website and update the offer register.
<b>Total Units on Offer</b>	Not limited.
<b>Subscriptions</b>	Minimum subscription for new Investors is \$10,000 and for existing Investors in the Fund is \$1,000. Subscriptions received by 3pm three business days prior to the last calendar day of a month will be processed that month with Units issued on the first day of the following month. Oyster reserves the right to amend the minimum subscription and accept a lower minimum holding. For example, it may do this for investment platforms and financial service providers. The minimum subscription for Oyster staff is \$1,000 to encourage investment in the Fund.
<b>Unit Price</b>	The price to be paid for Units will be the Unit Price at the end of the month that the subscription is processed. See Section 5 for details.
<b>Minimum Holding</b>	Transfers and redemptions may not be processed if these will result in an Investor holding a total number of Units that have a value of less than \$10,000 (Oyster reserves the right to accept a lower minimum holding, see 'Subscriptions' above).
<b>Cash Distributions</b>	Monthly in arrears, by the 20th of each month. See page 38 for details.
<b>Minimum Amount</b>	No minimum amount is required to be raised under this Offer.



## HOW YOU CAN GET YOUR MONEY OUT

Oyster has suspended its facility for monthly redemptions of Units. Investors will be advised when redemptions recommence, and will be limited to the Monthly Available Funds (see page 29 for details).

The Repayment Price will reflect the Unit Price at the end of the relevant month less any tax owing by the Investor (for details on the calculation of the Unit Price see page 30 for details).

Oyster does not intend to quote the Units on a market licensed in New Zealand. However, the Units will be able to be traded on the Syndex secondary trading platform. This means that you can sell your Units on that platform if there are interested buyers. You may receive less than the amount you invested. Please see page 29 for details.

## KEY DRIVERS OF RETURNS

The return on your investment is made up of two elements, the income of the Fund and any capital returns.

### Income

The Fund's primary sources of income are distributions received from the Property Investment Vehicles and rental income from tenants of Directly Owned Properties. From this income the Fund pays its operating expenses including the operating costs of the Directly Owned Properties and interest on its Bank Loans.

### Capital Returns

The change in value of a Unit is tied to the Adjusted Net Asset Value of the Fund, which is influenced by the value of the Properties, the divestment of Properties in circumstances where they are sold at a premium or discount to valuation, the property market, changes in rental paid by tenants and the remaining term of the leases. A change in value of a Unit may be realised when it is redeemed or sold to a third-party.

## OYSTER DIRECT PROPERTY FUND'S FINANCIAL INFORMATION

The key ratios and other measures that Oyster considers provide the most useful indication of the ongoing financial position and performance of the Fund are:

<b>Weighted Average Lease Term (WALT) at 30 September 2023</b>	This is the average length of term to run on leases across the Fund's Property Investments.	6.06 years
<b>Weighted Property Occupancy at 30 September 2023</b>	This is the average amount of space that is leased across the Fund's Property Investments.	98.05%

### CASH DISTRIBUTIONS (see page 30 for more details)

Period	Cents per Unit per month	Cents per Unit per annum
1 March 2022 to 31 March 2022	0.525	6.30
1 April 2022 to 31 October 2022	0.500	6.00
1 November 2022 to 30 November 2023	0.304	3.65

The Fund's cash distribution for December 2023 is 3.65 cents per Unit per annum and for the period 1 January 2024 to 31 January 2024 is 3.00 cents per Unit per annum. The monthly cash distribution rate is available on the Oyster Direct Property Fund page at [www.oystergroup.co.nz/dpf](http://www.oystergroup.co.nz/dpf).

### GEARING AND INTEREST COVER RATIOS

	Audited financial statements for the year ending 31 March 2023		Unaudited financial statements for the 6 months ending 30 September 2023	
	Fund	Look Through	Fund	Look Through
Gearing Ratio	23.7%	47.1%	25.4%	49.0% <sup>1</sup>
Interest Cover Ratio	3.20	3.08	2.08	1.94

<sup>1</sup> It is the policy of the Fund to limit direct borrowings and look through debt from its investments in Property Investment Vehicles to 50% of the aggregate value of the assets of the Fund. Look through debt is the debt of any Property Investment Vehicles.



The 'Gearing Ratio' is how much the Fund owes (the Bank Loans) as a portion of its total assets. The higher the Gearing Ratio, the greater the Fund's exposure to risk from movements in interest rates or the requirement to repay the Bank Loans should they not be able to be renewed or refinanced on expiry.

The 'Interest Cover Ratio' tells you how much of the Fund's income is used to pay the interest on the Bank Loans. The higher the ratio, the more comfortably the Fund's income can cover any interest owing.

The 'Look Through' ratios combine the Bank Loans with the bank debt in each of the Property Investment Vehicles. This is a useful indicator of the total debt exposure for the Fund.

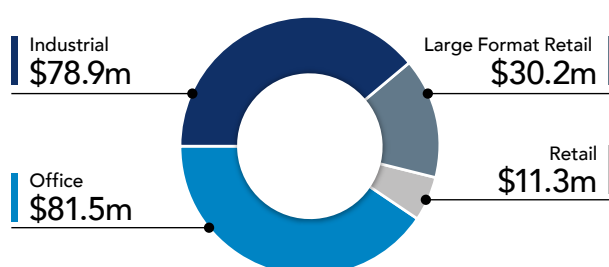
For the details of the Fund's policy on look through bank debt see 'SIPO Summary' on page 10.

## PROPERTY INVESTMENTS

The Fund has Property Investments which total \$201.9 million (as at 30 September 2023); see pages 18-26 for details.

### PROPERTY INVESTMENTS BY SECTOR

as at 30 September 2023



## KEY RISKS OF 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. Oyster considers that the most significant risk factors that could affect the value of the Units are:

Interest payable on bank borrowings is the primary expense for the Fund and the Property Investment Vehicles. These expenses have increased to the highest levels since the Fund's inception. Interest rates may continue to increase or stay at high levels for longer than anticipated.

The **interest rate environment** is currently the primary trigger of other risks to note in the Risk section of this PDS on page 41, including:

- **Unit Liquidity** – Oyster suspended redemptions in November 2022 to ensure the Fund retains sufficient working capital while incurring higher interest costs. Investors will be advised when redemptions recommence. Syndex's trading platform provides an optional monthly trading window for Investors.
- **Property Investment Values and Liquidity** – Current market and economic conditions are reducing purchaser appetite and impacting divestments at fair value.
- **Bank Funding** – Adverse market movements in interest rates and property values may cause the Fund to breach its banking covenants.
- **Reduction in the Distribution Rate** – Distributions may decrease or be suspended if the Fund has insufficient cash to make the distributions due to increased expenses, or if the Fund repays debt, should it be in breach of banking covenants.

- **Reduction in Unit Price** – Property valuations are under pressure due to the current economic and interest rate environment. Oyster is marketing selected Directly Owned Properties for sale. Divestment of Property Investments in circumstances

where these are sold at a discount to valuation will reduce the Unit Price.

This summary does not cover all of the risks. You should also read Section 6 of this PDS on page 41.

## WHAT FEES WILL YOU PAY?

The table below summarises the fees and expenses that the Fund has been charged. Further information about fees is set out in Section 7 of this PDS. These historical fees are not necessarily indicative of future fees.

Fees and Expenses Paid to Oyster and its Associated Persons	Audited financial statements for the year ending 31 March 2023	Unaudited financial statements for the 6 months ending 30 September 2023
Fees and Expenses paid by this Fund	\$2,354,551	\$792,512
Fund's share of Fees and Expenses paid by the Property Investment Vehicles	\$1,512,547	\$584,164
<b>Fund's share of Total Fees and Expenses Paid to Oyster and Associated Persons</b>	<b>\$3,867,098</b>	<b>\$1,376,676</b>

Fees and Expenses Paid to Others	Audited financial statements for the year ending 31 March 2023	Unaudited financial statements for the 6 months ending 30 September 2023
Other Fees and Expenses paid by this Fund	\$4,042,367	\$2,505,895
Fund's share of Other Fees and Expenses paid by the Property Investment Vehicles	\$5,774,431	\$3,496,266
<b>Fund's share of Fees and Expenses Paid to Others</b>	<b>\$9,816,798</b>	<b>\$6,002,161</b>
<b>Fund's share of Total Fees and Expenses Paid</b>	<b>\$13,683,896</b>	<b>\$7,378,837</b>
<b>As a % of Net Assets</b>	<b>8.19%</b>	<b>4.85%</b>

Fees payable to Oyster (which are not included in the table above)	
<b>Termination Fee</b>	If the Fund is terminated a fee of 1.75% (plus GST) of the gross value of all Relevant Assets is payable to Oyster. This fee is only paid when the Fund is wound-up and therefore is not included in the table above

## 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 Inland Revenue Department's website [www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates](http://www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates).

See page 57 for more information.





100 Harris Road, East Tāmaki, Auckland





260 Oteha Valley Road, Albany, Auckland

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## LETTER TO INVESTORS

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Dear Investor,

This letter provides a summary of our ongoing response to current market conditions and an overview of the key updates to the Fund's Product Disclosure Statement.

Navigating the current economic environment remains challenging. While it is evident that inflation is slowing, continued economic slowdown is expected. Across the commercial property sector, interest rates and inflationary pressures will continue to impact distributions and asset valuations. Interest rates are the highest since the Fund's inception and may be sustained at these high levels for some time.

Our strategy for the Fund remains focused on delivering optimal long-term investment returns and in response to this high interest rate environment, we continue to take near-term action to ensure the Fund is well fortified to come through this cycle.

### DIVESTMENTS

To reduce bank debt and borrowing costs for the Fund, selected Directly Owned Properties are being marketed for sale. In addition, Interests in Property Investment Vehicles may also be considered for sale. In both instances, sales will be considered if optimal total returns can be realised under current market conditions.

The sale campaign for 107 Harris Road, East Tāmaki, Auckland was re-launched on 3 November 2023 with the campaign expected to conclude in early December 2023.

Net sale proceeds of successfully divested Directly Owned Properties will be applied to the repayment of the Fund's debt to reduce the impact of higher borrowing costs on the Fund's working capital and to minimise exposure to further risk triggered by the high interest rate environment.

It is important to note that while the divestment strategy remains a key focus for the Fund, current market conditions are impacting successful and timely divestments.

### DISTRIBUTIONS

To ensure the Fund retains adequate working capital to meet its needs and in particular, to meet higher borrowing costs, distributions are set at 3.00 cents per unit per annum, for the period 1 January 2024 to 31 January 2024 (for the distributions payable in February 2024, given the Fund pays distributions monthly in arrears).

A successful sale of 107 Harris Road will allow the Fund to utilise net sale proceeds to repay the Fund's debt and reduce its interest cost. This would allow the Fund to focus on future distribution growth.

### REDEMPTIONS AND LIQUIDITY FACILITY

The Fund's redemptions facility remains suspended to allow the Fund to maintain appropriate working capital.

To facilitate liquidity, we provide a monthly trading window for investors. The Fund has launched a trading platform in partnership with Syndex to facilitate the trading of the Fund's Units between willing buyers and willing sellers reaching an agreed price for Units. More information is provided in the PDS.

The Fund's property investment portfolio maintains strong occupancy levels and remains well leased to a diversified range of quality tenants across both the public and private sectors. We believe the current management strategy remains the most responsible course of action for investors and places the Fund in the best position to increase distributions and resume redemptions in the future and to support long term investment value.

If you have any questions about the Fund or your investment, please get in touch with the Oyster Investment Team.

**Mark Schiele**  
Chief Executive

## 2. WHAT OYSTER DIRECT PROPERTY FUND INVESTS IN

### KEY FEATURES OF THE FUND

#### 1. SIPO SUMMARY

The Fund has a Statement of Investment Policies and Objectives (SIPO); a summary of the SIPO follows.

The most current version of the SIPO dated 31 March 2023 can be found in the scheme register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

The Fund holds a diversified commercial property investment portfolio. The Fund invests in Property Investment Vehicles managed by Oyster as well as purchasing its own commercial properties.

Commercial property is a long term investment.

The primary objectives of the Fund are to:

- Provide investors with a stable monthly income stream;
- Diversify and grow the Fund's investment portfolio by making Property Investments; and
- Increase the net asset value of the Fund and as a consequence provide the potential for long term capital growth in the value of Investors' Units.

The Fund has a policy that no single investment is to be more than 20% of the value of the Fund's total assets or \$20 million, whichever is greater.

It is the policy of the Fund to limit direct borrowing and look through debt from its investments in Property Investment Vehicles to 50%<sup>1</sup> of the aggregate value of the assets of the Fund. Look through debt is the debt of any Property Investment Vehicles that the Fund has invested in.

The Fund's goal is to optimise long term returns and reduce risk by acquiring a diversified Property Investment portfolio. Oyster considers that a diversified commercial property portfolio should include investments in a broad range of commercial property asset classes and geographical locations.

Oyster's philosophy is to optimise returns and add value through pro-active management of the Property Investments throughout the investment lifecycle from acquisition to disposal.

Oyster seeks to add value by building a positive relationship with tenants and other stakeholders, careful management of leases, and effective management of facilities and capital expenditure. Oyster will undertake a thorough due-diligence process when selecting investment grade Property Investments. It will buy and sell Property Investments in accordance with the investment strategy detailed below.

#### a. Investment Strategy

##### *Authorised Investments*

The only authorised investments are:

Asset Class	Commercial property, interests in unlisted property investment vehicles whose primary assets are commercial property, interest rate swap agreements and cash
Sectors	Industrial, retail, large format retail and office property
Geographical Location	New Zealand major metropolitan and regional centres

Sector	Target Total Assets Allocation
Commercial Property and interests in unlisted Property Investment Vehicles	80%-100%
Interest Rate Swap Agreements	0%-10%
Cash	0%-20%

<sup>1</sup> The Fund's Gearing Ratio on a look through basis is 49.0% as at 30 September 2023.



#### b. Investment Performance Monitoring

Oyster prepares an annual budget for the Fund. At least quarterly Oyster monitors the performance of the Fund. This monitoring includes income, expenses, and capital expenses incurred against budget.

The Trust Deed requires that key compliance items and Fund metrics are reported on a quarterly basis to the Supervisor, including compliance with bank covenants, such as interest times cover and loan to value ratio.

Oyster provides Quarterly Investor Updates to Investors which provide a summary of the performance of the Fund as at the end of the quarter.

Oyster provides every Investor with the Fund's audited financial statements within three months following

the end of the Fund's financial year and the half yearly financial statements within three months following the end of each half year. The Fund's Annual Report is provided within four months following the end of the Fund's financial year.

#### c. SIPO and Investment Strategy Review

The SIPO and investment strategy for the Fund are reviewed annually, or as otherwise required, by Oyster's Board in relation to market conditions and regulatory requirements.

If the SIPO or investment strategy is to be amended or updated, Oyster will liaise with the Supervisor as required. Investors will be advised of any material change to the SIPO.



33 Corinthian Drive, Albany, Auckland

## 2. FUNDS MANAGEMENT

### a. The Manager

Oyster has been appointed in the Trust Deed to manage and administer the Fund on behalf of Investors. Oyster will, on behalf of the Fund, carry out the day-to-day activities that are required for the Fund to operate.

These duties include managing monthly distributions, redemptions, investor communications, administering creditors and debtors, review and purchase of Property Investments, arranging bank debt, property management of Directly Owned Properties, divestment of Property Investments and compliance with relevant legislation and regulations.

Oyster is licensed to manage other managed investment schemes: which are property syndicates/real property proportionate ownership schemes, and managed investment schemes – managed funds; where the managed funds are invested solely in real property (listed and unlisted). Oyster manages a number of other schemes for investors as well as the Fund. Its duties as manager of other properties and schemes are separate to its duties as manager of this Fund.

When it is acting as a manager of a scheme it has a duty to act in the best interests of the investors in that scheme. For details on how Oyster will deal with conflicts of interest refer to Section 4, of this PDS (Related Party benefits) on page 31.

Oyster will continue as manager of the Fund until it retires or is removed from office. Under the Trust Deed the manager can be removed by:

- The High Court, pursuant to section 209 of the Financial Markets Conduct Act 2013 (on application by the Supervisor, the Financial Markets Authority or an Investor).
- The Supervisor (for material breach of its obligations or duties, or if it is in the best interests of the Investors that the manager be removed).
- The Investors by special resolution.

See clause 18 of the Trust Deed for full details. No fees (other than all management fees due to the manager up to the date the manager is removed pursuant to the Trust Deed) are payable to the manager on removal from office.



600–604 Great South Road, Ellerslie, Auckland





185-187 Universal Drive, Henderson, Auckland



## OYSTER MANAGEMENT STAFF

Key personnel involved in management of the Fund are:



**Mark Schiele**  
Chief Executive Officer

Mark joined Prime Retail Management in 1997 as General Manager and was appointed to the Board in 2001. He joined the Board of Oyster Property Group in 2010 when the company was acquired by Prime Retail Management.

He has been instrumental in implementing the innovative strategic direction for Oyster including the development of the successful Dress-Smart Outlet Centre chain, the amalgamation of Prime Retail Management and Oyster, and the growth of Oyster's funds management business.

Mark is responsible for setting and executing strategy, overseeing all of Oyster's operations which includes the creation and management of retail and wholesale property funds, formation of partnerships and joint ventures with global capital, and asset management of a portfolio of commercial properties throughout New Zealand, valued at over \$1.9 billion.

Mark completed a Bachelor of Property Administration degree at the University of Auckland in 1991. He went on to hold various management positions with Challenge Properties, St Lukes Group, Richard Ellis (now CBRE) and Westfield.



**Rachel Barr**  
Chief Financial Officer

Rachel joined Oyster in 2014 and is responsible for financial management and reporting, capital and cash flow management, and taxation compliance functions for Oyster.

Rachel has more than 20 years of experience working in accounting and finance related roles in both New Zealand and the UK. She worked for nine years at NZX-listed Goodman Property Trust where, during that time, Goodman grew from managing \$250 million in property assets

to managing over \$2 billion in property assets.

In the UK, she gained fund management experience with Rockspring Property Investment Managers, working on various Pan-European property funds.

Rachel is a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Auckland, with a double major in Financial Accounting and Commercial Law.



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**Steven Harris**  
**General Manager – Investment**

Steven joined Oyster in 2012 as General Manager – Property, where he led the strategic direction and management of the entire commercial property portfolio. In 2023, Steven moved into the role of General Manager – Investment.

As General Manager – Investment, Steven is responsible for leading and executing Oyster's investment strategy, including fund structuring, acquisitions and divestments, capital sourcing across Oyster's retail, wholesale, and capital partner networks, and investor relations.

Steven has 18 years of commercial property experience in the New Zealand market and an 11-year tenure with Oyster. Prior to Oyster, he had a successful six-year career in commercial property valuation at CBRE.

Steven completed a Bachelor of Property at the University of Auckland in 2005, is a member of the Property Institute of New Zealand and is a non-practicing registered valuer.



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**Fabio Pagano**  
**General Manager – Property**

Fabio joined Oyster in 2023 as General Manager – Property, where he leads the strategic direction and management of the entire commercial property portfolio.

Fabio has more than 15 years of property experience. Prior to joining Oyster, he was Fund Manager for NZX listed Investore Property, where he played a key role in the strong growth of the large format retail portfolio.

His previous experience includes leadership of strategy and capital works delivery for the Ministry of Education in New Zealand and senior property management roles in Australia.

Fabio holds a Master's in Business Administration and Management from Curtin University.

### 3. PURPOSE OF THE OFFER

The purpose of this Offer is to raise further capital for the Fund. The Fund uses its capital to:

- Fund capital expenditure and redemptions, repay bank borrowings, pay the expenses of the Fund and in some circumstances pay distributions. This assists the Fund with its objective of providing Investors with a stable monthly income stream.
- Purchase further Property Investments and pay the related costs and expenses. The Fund invests in Property Investment Vehicles managed by Oyster as well as purchasing its own commercial properties. This assists the Fund with its objective of growing the Fund's investment portfolio by making Property Investments.

There is no minimum amount that needs to be raised by this Offer before Units in the Fund are issued. The Offer is a continuous offer and is not underwritten but the Fund can enter into underwriting agreements in relation to the acquisition of Property Investments. Given that the purpose of this Offer is to raise further capital, the use of the money raised under the Offer (together with other sources of finance) will not change depending on the total amount of money that is raised.

### 4. FUTURE PERFORMANCE OF THE FUND

The financial performance of the Fund is closely tied to the performance of its Property Investments. The key factors that determine their performance are the same:

#### 1. *Rental Income*

Oyster proactively manages existing lease obligations to ensure occupancy and rental growth opportunities are optimised and rental growth opportunities are optimised.

#### 2. *Property expenses*

Expenses for repairs and maintenance, capital expenditure to the Property and any operating expenses which are not recoverable from tenants all have an impact on cashflow. These expenses can

be managed through negotiating service contracts for regular maintenance and proactive preventative maintenance to extend the life of building services.

Planned major capital works are included in long term budgets and where possible working capital will be accumulated over time to pay for these works.

#### 3. *Bank Loan Interest*

This is usually the largest expense for a property owner. An increase in interest rates will have an impact on the Fund's income (distributions received from the Property Investment Vehicles) and the Fund's expenses. These changes may impact the amount of distributions payable by the Fund. The degree of impact is dependent on the extent of the movement in the interest rates. Oyster regularly reviews the bank loans entered into by the Property Investment Vehicles and the Fund and assesses whether fixing interest rates is of benefit.

#### 4. *Property Value*

The net asset value of a Property Investment is primarily influenced by the market value of the Properties owned. The market value is influenced by factors such as the remaining lease term, changes in the rental, interest rates and market conditions. Keeping vacancy low, ensuring leases are renewed and driving rental growth are all strategies that Oyster undertakes to support the value of the Property Investments.



## 5. NATURE OF RETURNS

The return on your investment is made up of two elements: the income of the Fund and capital returns.

### a. Income

The Fund's primary sources of income are distributions received from the Property Investment Vehicles and rental income from Directly Owned Properties. Where a Property has been purchased by the Fund the rental income from the tenants and the operating costs for running the Property determines the income from this investment. From the Fund's income the Fund will pay its expenses. These include the fees paid to Oyster, the Supervisor, auditor, and registry. A full list of the fees paid by the Fund can be found in Section 7 on page 49 of this PDS (What are the fees?). You will pay tax on your share of the taxable profit of the Fund at your nominated Prescribed Investor Rate (PIR), and that tax will be deducted from your monthly cash distribution.

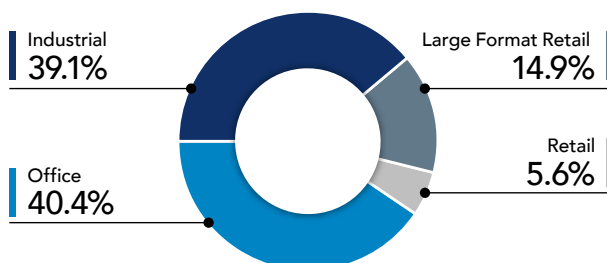
### b. Capital Returns

The change in value of a Unit in the Fund is tied to the Adjusted Net Asset Value of the Fund, which is influenced by factors such as the value of the Properties, the divestment of Properties in circumstances where they are sold at a premium or discount to valuation, the property market, changes in rental paid by tenants and the remaining term of the leases.

When a Property is valued, the valuation may change the asset value of the Property Investment Vehicle or Directly Owned Property. This change in value of a Property Investment will be reflected in the assets of the Fund and change the Unit Price. Any change in value of a Unit will be realised when you redeem your Units.

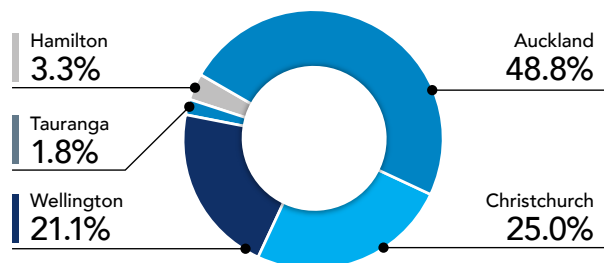
## SECTOR DIVERSIFICATION

by proportion of assets by valuation  
(as at 30 September 2023)



## GEOGRAPHICAL DIVERSIFICATION

by proportion of assets by valuation  
(as at 30 September 2023)



## 6. PROPERTY INVESTMENTS

The tables on the following pages provide the key information on each of the Property Investments which the Fund has investments in as at 30 September 2023.

### ■ Investment Portfolio

Weighted Average Lease Term: 6.06 years

Weighted Property Occupancy: 98.05%

Property Investments Property Investment Vehicles	Value of Property Investments <sup>1</sup> as at 30 September 2023	As a Percentage of Total Property Investments as at 30 September 2023
<b>JACKSON PETONE POS</b> – 106–110 Jackson Street, Petone, Wellington	\$544,204	0.27%
<b>PUKEKOHE MEGA POS</b> – 12 Wrightson Way, Pukekohe, Auckland	\$614,268	0.30%
<b>51 CORINTHIAN POS</b> – 51 Corinthian Drive, Albany, Auckland	\$1,007,086	0.50%
<b>181 GRAFTON POS</b> – 181 Grafton Road, Grafton, Auckland	\$1,892,649	0.94%
<b>9 CORINTHIAN POS</b> – 9 Corinthian Drive, Albany, Auckland	\$1,997,480	0.99%
<b>C&amp;C POS</b> – 618 Cameron Road, Tauranga	\$3,540,596	1.75%
<b>UNIVERSAL DRIVE POS</b> – 185–187 Universal Drive, Henderson, Auckland	\$3,854,295	1.91%
<b>HOME STRAIGHT PARK POS</b> – 17–21 Home Straight, Te Rapa, Hamilton	\$6,717,090	3.33%
<b>33 CORINTHIAN POS</b> – 33 Corinthian Drive, Albany, Auckland	\$6,487,684	3.21%
<b>PASTORAL HOUSE POS</b> – 25 The Terrace, Wellington	\$6,189,598	3.07%
<b>HENDERSON MEGA POS</b> – 186 Lincoln Rd, Henderson, Auckland	\$8,160,991	4.04%
<b>100 HARRIS POS</b> – 100 Harris Road, East Tāmaki, Auckland	\$10,903,348	5.40%
<b>OYSTER LARGE FORMAT RETAIL FUND</b> – 260 Oteha Valley Road, Albany, Auckland	\$11,432,120	5.66%
<b>CIDER POS</b> – 4 Williamson Avenue, Ponsonby, Auckland	\$11,681,040	5.79%
<b>OYSTER INDUSTRIAL LTD</b> – Multi-Asset Portfolio of Industrial Property	\$16,684,088	8.26%
<b>MILLENNIUM CENTRE POS</b> – 600–604 Great South Road, Greenlane, Auckland	\$19,847,596	9.83%
<b>TOTAL PROPERTY INVESTMENT VEHICLES</b>	<b>\$111,554,133</b>	<b>55.25%</b>

<sup>1</sup> The Fund's proportionate share of the value of net assets in each Property Investment Vehicle. The property values within each Property Investment Vehicle reflect the Fund's Assessment of Fair Value of the Property Value as at 30 September 2023.

Property Investments Directly Owned Property	Value of Property Investments <sup>2</sup> as at 30 September 2023	As a Percentage of Total Property Investments as at 30 September 2023
<b>107 HARRIS ROAD<sup>3</sup></b> – East Tāmaki, Auckland	\$12,000,000	5.94%
<b>12 NEWLANDS ROAD<sup>3</sup></b> – Newlands, Wellington	\$14,500,000	7.18%
<b>6 HURRING PLACE<sup>3</sup></b> – Newlands, Wellington	\$16,250,000	8.05%
<b>35 HICKORY PLACE</b> – Christchurch	\$17,600,000	8.72%
<b>223 TUAM STREET</b> – Christchurch	\$30,000,000	14.86%
<b>TOTAL DIRECTLY OWNED PROPERTY</b>	<b>\$90,350,000</b>	<b>44.75%</b>
<b>TOTAL FUND INVESTMENT</b>	<b>\$201,904,133</b>	<b>100.00%</b>

<sup>2</sup> The Property Value for the Directly Owned Properties reflects independent valuations completed as at 30 September 2023.

<sup>3</sup> Selected Directly Owned Properties identified for sale.



67 Main North Road, Kaiapoi, Christchurch



# PROPERTY INVESTMENT VEHICLES



100 Harris Road, East Tāmaki, Auckland



106–110 Jackson Street, Petone, Lower Hutt



51 Corinthian Drive, Albany, Auckland



185–187 Universal Drive, Henderson, Auckland



618 Cameron Road, Tauranga



186 Lincoln Road, Henderson, Auckland



4 Williamson Avenue, Ponsonby, Auckland



600–604 Great South Road, Ellerslie, Auckland



12 Wrightson Way, Pukekohe



33 Corinthian Drive, Albany, Auckland



# PROPERTY INVESTMENT VEHICLES



75 Wainui Road, Lower Hutt



14–16 Makaro Street, Porirua



71 Westney Road, Māngere, Auckland



77 Westney Road, Māngere, Auckland



25 The Terrace, Wellington



17, 19 & 21 Homestraight, Te Rapa, Hamilton



181 Grafton Road, Grafton, Auckland



9 Corinthian Drive, Albany, Auckland



260 Oteha Valley Road, Albany, Auckland

The tables on pages 18 and 19 provide key information on each of the Property Investments as at 30 September 2023.

The Property Investment Vehicles reflect the Fund's Assessment of Fair Value of the Property Value as at 30 September 2023.

See page 35 for details on the pricing of the Property Investments and property valuations. For updates on the Property Investments please refer to the Quarterly Investor Update at [oystergroup.co.nz/dpf](https://oystergroup.co.nz/dpf)

Property Investment Vehicles	Address & Description	Largest Tenants (by Rental Income)	Property Value as at 30 September 2023 (Book Value)	WALT	Occupancy	Sector Composition	Fund's Holding (\$)	Fund's Holding (%)
<b>Jackson Petone POS</b>	<b>106-110 Jackson Street, Petone, Wellington</b> A five level commercial office building.	<b>TAB New Zealand</b>	\$10,000,000	0.50	100%	Office	\$544,204	9.0%
<b>Pukekohe Mega POS</b>	<b>12 Wrightson Way, Pukekohe, Auckland</b> A Mitre 10 MEGA trade retail store located in the Auckland region of Pukekohe.	<b>Mitre 10 (New Zealand) Ltd</b>	\$23,750,000	11.18	100%	Large Format Retail	\$614,268	3.6%
<b>51 Corinthian POS</b>	<b>51 Corinthian Drive, Albany, Auckland</b> A four level office building occupying a high profile position in Albany with onsite car parking.	<b>Westpac (NZ) Investments Ltd</b>	\$19,800,000	2.02	84.6%	Office 76% Retail 24%	\$1,007,086	9.1%
<b>181 Grafton POS</b>	<b>181 Grafton Road, Grafton, Auckland</b> This is a two level office building in the Auckland suburb of Grafton.	<b>Orion Systems International Ltd</b>	\$24,350,000	4.49	100%	Office	\$1,892,649	14.8%
<b>9 Corinthian POS</b>	<b>9-11 Corinthian Drive, Albany, Auckland</b> The property comprises a five level commercial building providing suburban office accommodation, ground floor retail and basement car parking in the Auckland suburb of Albany.	<b>Massey University New Zealand Health Group Ltd Arawata Assets Ltd (ANZ) Ministry of Justice</b>	\$36,100,000	2.76	94.9%	82% Office 18% Retail	\$1,997,480	10.6%
<b>C &amp; C POS</b>	<b>618 Cameron Road, Tauranga</b> A Countdown supermarket located in Tauranga.	<b>General Distributors Ltd (Countdown)</b>	\$20,000,000	8.93	100%	Large Format Retail	\$3,540,596	23.0%
<b>Universal Drive POS</b>	<b>185-187 Universal Drive, Henderson, Auckland</b> A purpose built supermarket occupying a high profile corner position.	<b>General Distributors Ltd (Countdown)</b>	\$24,500,000	12.08	100%	Large Format Retail	\$3,854,295	26.7%



Property Investment Vehicles	Address & Description	Largest Tenants (by Rental Income)	Property Value as at 30 September 2023 (Book Value)	WALT	Occupancy	Sector Composition	Fund's Holding (\$)	Fund's Holding (%)
<b>Home Straight Park POS</b>	<b>17, 19 &amp; 21 Homestraight, Te Rapa, Hamilton</b> The properties comprise three office buildings with some ground floor retail tenants in the commercial area of Te Rapa, Hamilton.	<b>Ministry of Education</b> <b>Inland Revenue</b> <b>Fonterra Ltd</b> <b>Hamilton City Fitness Ltd</b>	\$65,300,000	4.08	97.4%	84% Office 16% Retail	\$6,717,090	19.9%
<b>33 Corinthian POS</b>	<b>33 Corinthian Drive, Albany, Auckland</b> C:Drive is an award winning architecturally designed office building.	<b>ASB Bank Ltd</b>	\$52,600,000	4.04	100%	Office	\$6,487,684	23.4%
<b>Pastoral House POS</b>	<b>25 The Terrace, Wellington</b> The property comprises an 18 storey office building in the Wellington CBD.	<b>Ministry of Business, Innovation &amp; Employment</b>	\$69,650,000	10.32	100%	92% Office 8% Retail	\$6,189,598	20.6%
<b>Henderson Mega POS</b>	<b>186 Lincoln Road, Henderson, Auckland</b> A Mitre 10 MEGA trade retail store located in the Auckland suburb of Henderson.	<b>Mitre 10 (New Zealand) Ltd</b>	\$41,250,000	5.50	100%	Large Format Retail	\$8,160,991	30.7%
<b>100 Harris POS</b>	<b>100 Harris Road, East Tāmaki, Auckland</b> A large scale industrial property in the established Auckland industrial suburb of East Tāmaki.	<b>VIP Plastic Packaging (NZ) Ltd</b>	\$39,900,000	2.03	100%	Industrial	\$10,903,348	36.0%
<b>Oyster Large Format Retail Fund</b>	<b>260 Oteha Valley Road, Albany, Auckland</b> A high profile site with three road frontages, the property comprises two levels of large format retail, third floor office and multi-level onsite car parks.	<b>Mitre 10 (New Zealand) Ltd</b> <b>E Road Ltd</b> <b>Freedom Furniture New Zealand Ltd</b> <b>Baby Bunting NZ Ltd</b>	\$80,500,000	6.23	97.6%	90% Large Format Retail 10% Office	\$11,432,120	28.7%

Property Investment Vehicles	Address & Description	Largest Tenants (by Rental Income)	Property Value as at 30 September 2023 (Book Value)	WALT	Occupancy	Sector Composition	Fund's Holding (\$)	Fund's Holding (%)
<b>Cider POS</b>	<b>4 Williamson Avenue, Ponsonby, Auckland</b> The Cider Building comprises a mixed use commercial development providing three levels of office space, a Countdown Supermarket, retail units to both Williamson Avenue and Pollen Street and basement carparking.	<b>Stuff Ltd</b> <b>Williamson Street Centre Ltd (Regus)</b> <b>General Distributors Ltd (Countdown Supermarket and Office)</b>	\$110,500,000	5.98	99.2%	61% Office 32% Large Format Retail 7% Retail	\$11,681,040	18.0%
<b>Oyster Industrial Limited</b>	<b>75 Wainui Road, Lower Hutt, Wellington</b> <b>14-16 Makaro Street, Porirua, Wellington</b> <b>71 Westney Road, Māngere, Auckland</b> <b>77 Westney Road, Māngere, Auckland</b> <b>67 Main North Road, Kaiapoi, Christchurch</b> Oyster Industrial Limited owns a diversified portfolio of industrial property which it intends to grow with the purchase of additional properties.	<b>Cardinal Logistics Ltd</b> <b>Hellers Ltd</b> <b>Alto Packaging Ltd</b> <b>Downer New Zealand Ltd</b>	\$176,150,000	8.49	100%	Industrial	\$16,684,088	17.3%
<b>Millennium Centre POS</b>	<b>600-604 Great South Road, Ellerslie, Auckland</b> The Millennium Centre comprises a large commercial office park consisting of seven free standing office buildings together with a carpark building and standalone gym.	<b>Toyota Finance New Zealand Ltd</b> <b>Kiwirail Holdings Limited</b> <b>Z Energy Ltd</b> <b>EnviroWaste Services Ltd</b> <b>St John New Zealand</b> <b>Bridgestone New Zealand Ltd</b>	\$273,600,000	4.28	96.8%	97% Office 3% Retail	\$19,847,596	12.9%

# DIRECTLY OWNED PROPERTIES



223-231 Tuam Street, Christchurch



35 Hickory Place, Christchurch



12 Newlands Road, Newlands, Wellington



6 Hurring Place, Newlands, Wellington



107 Harris Road, East Tāmaki, Auckland

The Fund's holding is 100% in each of the following Properties.

Directly Owned Properties	Address & Description	Largest Tenants (by Rental Income)	Property Value as at 30 September 2023 (Book Value)	WALT	Occupancy	Sector Composition	Land Area	Net Lettable Area
<b>107 Harris Road<sup>3</sup></b>	<b>107 Harris Road, East Tāmaki, Auckland</b> The property provides a combination of warehouse, office and trade retail.	<b>Wesfarmers Industrial &amp; Safety NZ Ltd</b> <b>Rexel New Zealand Ltd (Ideal Electrical)</b> <b>Floor Decor Ltd (Choice Carpets)</b>	\$12,000,000	4.46	79.2%	65% Retail 35% Industrial	8,093 sqm	3,034 sqm
<b>12 Newlands Road<sup>3</sup></b>	<b>12 Newlands Road, Newlands, Wellington</b> The property comprises a warehouse building and a two level office annex.	<b>Newlands CityFitness Ltd</b>	\$14,500,000	10.05	100%	92% Industrial 8% Office	10,705 sqm	4,563 sqm
<b>6 Hurring Place<sup>3</sup></b>	<b>6 Hurring Place, Newlands, Wellington</b> The property comprises mixed use warehouse and office.	<b>New Zealand Defence Force</b> <b>Fire &amp; Emergency New Zealand</b>	\$16,250,000	2.06	100%	Industrial	12,784 sqm	5,398 sqm
<b>35 Hickory Place</b>	<b>35 Hickory Place, Hornby, Christchurch</b> The property comprises a large warehouse and office facility.	<b>Westland Dairy Company Limited</b>	\$17,600,000	4.37	100%	Industrial	16,715 sqm	7,838 sqm
<b>223-231 Tuam Street</b>	<b>223-231 Tuam Street, Christchurch</b> The property comprises a three-level office building.	<b>Kathmandu Ltd</b>	\$30,000,000	8.67	100%	Office	1,683 sqm	4,637 sqm

<sup>3</sup> Selected Directly Owned Properties identified for sale.





35 Hickory Place, Hornby, Christchurch

## 7. BORROWINGS

Under the Trust Deed the Fund may enter into bank loan facilities of up to 50% of the aggregate value of the assets of the Fund (25.4% as at 30 September 2023). Bank borrowings are used to provide additional capital to the Fund.

The Fund's bank facilities with the ASB Bank as at 30 September 2023 are:

Description	Term Loan 1
Loan Facility Limit	\$51,287,500
Interest Rate	30 Day BKBM rate plus a margin of 2.10% (indicative BKBM rate 5.65%) <sup>1</sup>
Term	36 months from initial drawdown (expiry date of 28 April 2025)
Description	Term Loan 2
Loan Facility Limit	\$842,500
Interest Rate	30 Day BKBM rate plus a margin of 2.35% (indicative BKBM rate 5.65%) <sup>1</sup>
Term	Expiry date of 26 April 2024

The financial covenants under the bank facilities as at 30 September 2023 are:

	Loan Covenant	30 September 2023
Loan to Value Ratio for Loan <sup>2</sup>	Not exceed 55% <sup>3</sup> at all times for the period from 28 April 2023.	57.7%
Interest Cover Ratio for Loan	To be not less than 2.00 <sup>4</sup> times.	2.46

<sup>1</sup> The indicative interest rate used is the actual rate for the period from 31 October 2023 to 29 November 2023.

<sup>2</sup> The loan to value ratio used by the Bank is calculated on the valuations of the Directly Owned Properties secured by the Bank Loans. This is different to the Gearing Ratio stated elsewhere in this PDS which is calculated on the Fund's total assets.

<sup>3</sup> The financial covenant for the Bank Loans was revised to a loan to value Ratio of 58% on 3 October 2023.

<sup>4</sup> The financial covenant for the Bank Loans was revised to an Interest Cover Ratio of 1.50 times on 15 November 2023.

The Bank Loans are secured by first ranking mortgages over the Directly Owned Properties. There is also a general security deed over the Fund's assets. On the wind up of the Fund, the Bank Loans rank in priority ahead of the Units issued to Investors.

The Bank Loans will require refinancing if not repaid prior to their expiry.

See page 42 for details of the risks in relation to changes in interest rates.

### 3. TERMS OF THE OFFER

<b>Managed Investment Product</b>	Units in a managed investment scheme which invests in commercial property.
<b>Opening Date</b>	5 October 2016
<b>Closing Date</b>	There is no closing date as this is a continuous issue PDS however Oyster may close or suspend this Offer at any time. If the Offer is closed or suspended Oyster will provide a notice on its website and update the offer register.  The most common reason for suspending the Offer will be where the Fund has a surplus of cash awaiting investment.
<b>Total Units on Offer</b>	Not limited.
<b>Subscriptions</b>	Minimum subscription for new Investors is \$10,000. Minimum subscription for existing Investors in the Fund is \$1,000. Subscriptions received by 3pm three business days prior to the last calendar day of a month will be processed that month with Units issued on the first day of the following month. Oyster reserves the right to amend the minimum subscription and accept a lower minimum holding. For example, it may do this for investment platforms and financial service providers. The minimum subscription for Oyster staff is \$1,000 to encourage investment in the Fund.
<b>Unit Price</b>	The price to be paid for Units will be the Unit Price at the end of the month that the subscription is processed. See page 35 for more details.
<b>Minimum Holding</b>	Transfers and redemptions may not be processed if these will result in an Investor holding a number of Units that have the value of less than \$10,000 (unless Oyster has set a lower minimum holding, see 'Subscriptions' above).
<b>Cash Distributions</b>	Monthly in arrears, by the 20th of each month. See page 38 for more details.
<b>Minimum Amount</b>	No minimum amount is required to be raised under this Offer.

Applications for Units can be made by registering your interest for the PDS and application form at [oystergroup.co.nz/dpf](http://oystergroup.co.nz/dpf). Note that applications once made cannot be withdrawn.

Applications must be accompanied by payment of the full subscription amount. Payment must be made by direct credit.

#### RIGHT TO SELL UNITS

Under the Trust Deed a redemption facility is available to investors, however, Oyster suspended redemptions in November 2022 to ensure that the Fund retains sufficient cash to meet its working capital requirements, including to meet increased expenses. Interest rates are at their highest levels since the Fund's inception and this has led to increased borrowing costs.

Oyster is managing the Fund's cash reserves with a focus to repay bank debt and reduce the Fund's borrowing costs by marketing selected Directly Owned Properties for sale, refer to page 19 for details of the properties.



Investors will be advised when redemptions recommence. When redemptions recommence, they will be limited to the Monthly Available Funds. The redemption process is detailed below.

1. **Processed Monthly** – If you wish to redeem your Units you will need to contact Oyster and complete a redemption request. All redemption requests received by Oyster by 3pm three business days prior to the last calendar day of a month will be processed that month subject to available funds. Any redemption requests received after that time will be processed at the end of the following month, see point 5 below.
2. **Payments** – Payments for redeemed Units will be paid by the 20th of the month following redemption.
3. **The Repayment Price** – is the Unit Price at the end of the relevant month less any tax owing by the Investor.
4. **Minimum Holding** – If you want to redeem less than your full holding of Units you will need to hold at least the Minimum Holding of Units after the redemption is processed. The Minimum Holding is currently \$10,000 of Units. For example, an Investor with \$15,000 of Units could redeem up to \$5,000 of Units and still hold at least \$10,000 of Units after the redemption.

Oyster reserves the right to amend the minimum subscription and accept a lower minimum holding. For example, it may do this for Investment platforms and financial service providers. The minimum holding for Oyster staff is \$1,000 to encourage investment in the Fund.

5. **Limitation** – The amount of redemptions that will be processed in a month are limited to the Monthly Available Funds. This is the amount of cash that the Fund endeavours to have available to pay for redemptions. If redemption requests exceed the Monthly Available Funds redemptions will be processed on a pro-rata basis up to the Monthly Available Funds limit. Any remaining redemptions will be processed in the following month (subject to available funds).

In the event that redemption requests are processed on a pro-rata basis as above, the Minimum Holding provisions will not apply to an Investor who has requested a redemption of all of their Units but will be left with a balance of less than \$10,000 of Units after such pro-rata redemption.

6. **Monthly Available Funds** – Redemptions will be limited to the Monthly Available Funds, which are the greater of:
  - A. 0.5% of the Fund's net asset value before the date of payment of the redemption notices; and
  - B. having regard to the future requirements of the Fund, an amount determined by Oyster from time to time.

Oyster does not intend to quote the Units on a market licensed in New Zealand. However, Oyster has introduced the Syndex trading platform to facilitate the trading of the Fund's Units between willing buyers and willing sellers reaching an agreed price for Units. This facility provides an optional monthly trading window for Investors who may require this. The price at which Units are traded on the Syndex trading platform may be higher or lower than the Fund's Unit Price, as an agreed price can be reached between participating buyers and sellers via the Syndex trading platform.

Neither Oyster or Syndex charge a purchaser or a seller a fee for participating in the trading of Units via the Syndex trading platform. The Fund will pay a monthly fee to Syndex for each trading window.

## PRICING OF UNITS

Unit Prices are determined monthly on the last day of the month using the Adjusted Net Asset Value of the Fund.

The Adjusted Net Asset Value of the Fund is calculated using the 'Total equity' from the Fund's management accounts and making adjustments to take into account the Fund's investment activity. These adjustments are not reflected in the Fund's audited financial statements and management accounts. In doing this, Oyster aims to spread the cost of buying and selling assets to Investors in the Fund over time.

**Note:** The Fund's Unit Price has been impacted by lower property values as seen across many sectors of commercial property. More information on the values of the Property Investments can be found in the tables on pages 18, 19 and 34.

More information on Unit Prices can be found in the Trust Deed and on page 35 in Section 5 under the heading 'Pricing of Units'.

## DISTRIBUTIONS

Cash distributions from the Fund are scheduled to be paid monthly in arrears, by the 20th of the month to your nominated bank account. These distributions are made up of the Fund's Adjusted Operating Profit and may also include any surplus capital of the Fund. The monthly cash distribution rate is available on the Oyster Direct Property Fund page at [www.oystergroup.co.nz/dpf](http://www.oystergroup.co.nz/dpf).

The amount of cash you receive may vary each month depending on the mix of income and capital within the distribution, and the tax deducted at your Prescribed Investor Rate (PIR).

Cash distributions are made at the discretion of Oyster. 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 monies are required, for example to fund redemptions, repay bank debt, or bolster cash reserves.

**Note:** Interest rates are at their highest levels since the Fund's inception and this has led to increased borrowing costs. This has created pressure across many sectors of the economy, including commercial property, and Oyster is closely monitoring the impacts of the current economic environment on the Fund. The Fund's cash distribution for the period 1 January 2024 to 31 January 2024 is 3.00 cents per Unit per annum. The monthly cash distribution rate is available on the Oyster Direct Property Fund page at [www.oystergroup.co.nz/dpf](http://www.oystergroup.co.nz/dpf).

When there are short term fluctuations in the Fund's income and expenses, in some circumstances the Fund may pay more than 100% of Adjusted Operating Profit in a particular month and/or fund cash distributions from the Fund's working capital. Oyster will only do so where this is commercially sustainable over the life of the Fund.

The Fund has a distribution reinvestment plan which allows you to have your cash distribution reinvested as Units each month. Details of the distribution reinvestment plan can be found in the application form, on the scheme register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) or on the Oyster Direct Property Fund page at [www.oystergroup.co.nz/dpf](http://www.oystergroup.co.nz/dpf).

## TRUST DEED

Further details on the key terms of the Fund and the Units can be found in the Trust Deed which can be found in the scheme register at [www.disclose-register.companiesoffice.govt.nz/](http://www.disclose-register.companiesoffice.govt.nz/).

## 4. HOW OYSTER DIRECT PROPERTY FUND WORKS

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This is a managed investment scheme. The Fund invests in Property Investment Vehicles managed by Oyster as well as purchasing its own commercial properties. It uses bank funding to assist with the purchase of its Directly Owned Property portfolio.

The Fund is designed to provide you with access to a diversified portfolio of quality commercial property. You invest in the Fund by acquiring Units in the Fund. It will take advantage of Oyster's experience and expertise in identifying and managing property investments by investing in Property Investment Vehicles managed by Oyster and by purchasing Directly Owned Property.

The investment objective of the Fund is to provide investors with a stable monthly income stream combined with the potential for long-term capital growth.

The Fund is established under a Trust Deed. The Supervisor is appointed Supervisor of the Fund and agrees to act in respect of the Fund as trustee for the Investors, and to hold the Property Investments as the exclusive property of the Fund in trust solely for the Investors, upon and subject to the terms and conditions expressed or implied in the Trust Deed and any legislation governing the Fund. The Supervisor has nominated Oyster DPF Trustees Limited to be the Custodian and to hold the assets of the Fund.

The Trust Deed covers matters such as the removal of the manager and the procedure for holding meetings of Investors. Except for the annual general meeting which must be held, meetings will not be held unless they are requested by Investors holding not less than 5% of the Units or at the direction of Oyster or the Supervisor.

A copy of the Trust Deed can be found on the scheme register at [www.disclose-register.companiesoffice.govt.nz/](http://www.disclose-register.companiesoffice.govt.nz/).

### BENEFITS OF INVESTING IN THE FUND

The benefits of investing in the Fund are:

- The ability to invest in commercial property at a lower entry point than directly buying your own investment property.
- Your investment in the Fund is passive. The day to day management of the Fund (including preparation of accounts, arranging maintenance of the Directly Owned Properties, negotiation of leases, liaising with tenants and obtaining bank financing) will be undertaken by Oyster.
- Cash distributions are paid monthly.
- Potential for tax advantages due to the highest prescribed investor rate of 28%.
- An investment in a diversified commercial property portfolio.

### RELATED PARTY BENEFITS

Oyster has been appointed as the manager of the Property Investment Vehicles in which the Fund holds Interests under the governing documents for each such Property Investment Vehicle. Oyster receives management, leasing, accounting and other fees from these Property Investment Vehicles for acting as manager. These fees are set out in the governing documents for each Property Investment Vehicle.

Copies of the governing documents can be requested from Oyster.



The Financial Markets Conduct Act 2013 restricts managers from entering into transactions that provide for related party benefits to be given, unless they come under any of the permitted exemptions. In addition Oyster has a Code of Conduct which sets out the rules and procedures that staff and directors must comply with in relation to related party transactions and conflicts of interests. All contracts and leases that the Fund enters into are reviewed for compliance with the rules on related party transactions before they are signed.

Oyster staff are encouraged to invest in the Fund. Investment by the staff of the manager aligns their interests with those of the other Investors.

To encourage staff to invest the minimum subscription for Oyster staff is reduced to \$1,000. Otherwise, Oyster staff are treated the same as all other Investors. To assist with the prevention of insider trading by staff, Oyster has adopted a Securities Trading Policy. This prohibits staff from trading in Units when they are in possession of material information in relation to the Fund that hasn't been released to all Investors. There are also closed periods when staff cannot trade, these coincide primarily with 31 March property valuations and 30 September property valuations or Assessments of Fair Value.

The Code of Conduct and Securities Trading Policy are available on the scheme register at **[www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz)**.



**223-231 Tuam Street, Christchurch**

## 5. OYSTER DIRECT PROPERTY FUND'S FINANCIAL INFORMATION

This section provides selected financial information about the Fund. Full financial statements are available on the scheme register at **[www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz)**. If you do not understand this sort of financial information, you can seek professional advice.

Oyster has not provided any prospective financial information for this Offer. Oyster has, following careful consideration and after due enquiry, concluded that the provision of prospective financial statements would be likely to mislead or deceive potential investors with regard to particulars that are material to the Offer.

Oyster believes that it is not practicable to formulate reasonable assumptions on which to base prospective financial statements.

Oyster has determined that for the reasons below it is not practical to provide prospective financial information:

- It is unknown how much money the Fund will raise under this continuous offer and when the money will be raised. At the end of the next 12 month period the Fund could be the same size or may have changed in size. The amount of money raised will depend on factors out of the control of Oyster.
- It is very difficult to predict with any certainty the amount of money that will be raised.
- As this is a continuous offer any prospective financial information would need to be updated whenever there are any material changes to the Fund. These would include purchase or sale of material Property Investments or substantial changes in the Fund's income, expenses or the value of its Property Investments.

Taking all the factors above into consideration Oyster believes that there are no reasonable assumptions on which the future expenses, income and assets of the Fund can be forecast. Therefore, the provision of prospective financial information would be likely to mislead or deceive Investors.



12 Wrightson Way, Pukekohe, Auckland

Detailed below is the financial position of the Fund as at 31 March 2023 and 30 September 2023.

	Audited financial statements as at 31 March 2023	Unaudited financial statements as at 30 September 2023
Property Investments	\$216,950,135	\$201,904,133 <sup>1</sup>
Cash	\$2,714,311	\$2,850,957
Other Current Assets	\$629,259	\$737,293
Other Non-Current Assets	–	\$41,500
<b>Total Assets</b>	<b>\$220,293,705</b>	<b>\$205,533,883</b>
Current Liabilities	\$1,021,035	\$1,115,341
Current Loan	–	\$52,130,000
Term Loan	\$52,130,000	–
<b>Total Liabilities</b>	<b>\$53,151,035</b>	<b>\$53,245,341</b>
<b>Total Equity</b>	<b>\$167,142,670</b>	<b>\$152,288,542</b>
<b>Price per Unit</b>	<b>\$1.3044</b>	<b>\$1.1850</b>

<sup>1</sup> Selected Directly Owned Properties are currently marketed for sale, specific properties are outlined on page 19.

The key ratios and other measures that Oyster considers provide the most useful indication of the ongoing financial position and performance of the Fund are:

<b>Weighted Average Lease Term (WALT) at 30 September 2023</b>	This is the average length of term to run on leases across the Fund's Property Investments.	6.06 years
<b>Weighted Property Occupancy at 30 September 2023</b>	This is the average amount of space that is leased across the Fund's Property Investments.	98.05%

#### CASH DISTRIBUTIONS (see page 30 for more details)

Period	Cents per Unit per month	Cents per Unit per annum
1 March 2022 to 31 March 2022	0.525	6.30
1 April 2022 to 31 October 2022	0.500	6.00
1 November 2022 to 30 November 2023	0.304	3.65

The Fund's cash distribution for December 2023 is 3.65 cents per Unit per annum and for the period 1 January 2024 to 31 January 2024 is 3.00 cents per Unit per annum. The monthly cash distribution rate is available on the Oyster Direct Property Fund page at [www.oystergroup.co.nz/dpf](http://www.oystergroup.co.nz/dpf).

*Note that past performance is not indicative of future performance.*



## A. PRICING OF UNITS

Unit prices are determined monthly on the last day of the month by dividing the Adjusted Net Asset Value of the Fund by the number of Units then on issue.

The objective of the difference in treatment between the financial statements/management accounts of the Fund and the pricing of Units is to spread the impact on the Fund's net asset value and the corresponding impact on the price over five years. If the Fund was to be wound up any remaining amount to be amortised will be reduced to zero, such that the Adjusted Net Asset Value of the Fund would equal the total equity of the Fund.

The Adjusted Net Asset Value of the Fund is calculated using 'Total equity' from the management accounts and making the following non GAAP adjustments (which are not reflected in the Fund's financial statements or management accounts):

- **Premium to Net Asset Value**

Where the Fund purchases an asset (such as a Property Investment) for a cost above the asset's underlying net asset value (as recorded in the Property Investment Vehicle's financial accounts) and it records the value of the asset at the underlying net asset value rather than its acquisition cost, the Adjusted Net Asset Value will be increased by the amount equal to the difference between the acquisition cost and the underlying net asset value. This amount will be amortised on a 'straight line' basis over five years from the time the asset is acquired, with the effect that the premium increases the price of Units at the time the asset is acquired, but this premium reduces to zero over five years. On the sale of all or part of the asset, any remaining amount will be reduced to zero. As at 30 September 2023 there is no Unit Price adjustment for any premium.

- **Disposal Cost Provision**

Where a Property has been purchased by the Fund, a provision is taken against the value of the asset for the anticipated costs of selling the asset. This provision will be accrued on a 'straight line' basis over five years from the time the asset is first acquired, with the effect that the provision reduces the price of Units.

The provision is amended to reflect the actual costs of selling the asset once they are known and reduced to zero once the asset is sold.

Selected Directly Owned Properties are currently marketed for sale, specific properties are outlined on page 19.

The following are also included in the Adjusted Net Asset Value of the Fund:

- **Pricing of Property Investment Vehicles**

The Adjusted Net Asset Value of the Fund includes the value of the Fund's investments in Property Investment Vehicles that do not publish prices for their Interests. As there are no published prices for those Interests available, Oyster calculates the value of these Interests by dividing the value of the Property Investment Vehicle's net assets from the latest available management accounts (provided by the Property Investment Vehicles each month) by the number of Interests issued by the Property Investment Vehicle at that time.

If, in the future, the Fund invests in Property Investment Vehicles that publish Interest prices, then those Interests will be included in the Adjusted Net Asset Value at the latest published withdrawal/sale price.

#### ■ **Property Valuations and Assessments of Fair Value**

The Adjusted Net Asset Value of the Fund includes the Fund's Directly Owned Properties and Property Investment Vehicles, which are independently valued at least annually, typically as at 31 March each year. Additionally, as at 30 September each year, an Assessment of Fair Value is carried out for the Fund's Directly Owned Properties and Property Investment Vehicles.

Valuations and Assessments of Fair Value may also be undertaken at other times if the Fund, or the Property Investment Vehicles in which it holds Interests, believe there has been a material change in a property's value or they are assessing the value of a property for sale.

The 31 March valuations and 30 September valuations or Assessments of Fair Value are reflected in the Unit Price from 1 April and 1 October respectively.

#### ■ **Performance Fees**

The Adjusted Net Asset Value of the Fund also includes accruals for fees and expenses. Performance fees are calculated annually in arrears and, if a performance fee is payable, the fee will be accrued in the Unit Price at the time it is calculated with the effect that the performance fee will reduce the Unit Price.

The difference between the Unit value in the interim financial statements and the Unit Price:

Net Asset Value Calculation as at 30 September 2023	For Pricing of Units (Adjusted Net Asset Value)	In Financial Statements (Net Asset Value)
Total Equity as per Statement of Financial Position	\$152,288,542	\$152,288,542
Direct property disposal costs provision accrued over five years	(\$683,070)	—
<b>Net Asset Value</b>	<b>\$151,605,472</b>	<b>\$152,288,542</b>
<b>Number of Units on Issue</b>	<b>128,509,674</b>	<b>128,509,674</b>
<b>Price per Unit</b>	<b>\$1.1797</b>	<b>\$1.1850</b>

The table above uses figures from the unaudited financial statements for the Fund as at 30 September 2023.

The Adjusted Net Asset Value in the table above is not calculated in accordance with GAAP.

More details on Unit Prices can be found in the Trust Deed. The current Unit Price is available on the Oyster Direct Property Fund page at [www.oystergroup.co.nz/dpf](http://www.oystergroup.co.nz/dpf).

## B. GEARING AND INTEREST COVER RATIOS

The 'Gearing Ratio' is how much the Fund owes (the Bank Loans) as a portion of its total assets. The higher the Gearing Ratio the greater the Fund's exposure to risk from a movement in interest rates or the requirement to repay the Bank Loans should they not be able to be renewed or refinanced on expiry.

The 'Interest Cover Ratio' tells you how much of the Fund's income is used to pay the interest on the Bank Loans. The higher the ratio, the more comfortably the Fund's income can cover any interest owing.

The 'Look Through' ratios combine the Bank Loans with the bank debt in each of the Property Investment Vehicles. This is a useful indicator of the total debt exposure for the Fund.

For the details of the Fund's policy on look through bank debt see 'SIPO Summary' on page 10.

	Audited financial statements for the year ending 31 March 2023		Unaudited financial statements for the 6 months ending 30 September 2023	
	<i>Fund</i>	<i>Look Through</i>	<i>Fund</i>	<i>Look Through</i>
Gearing Ratio	23.7%	47.1%	25.4%	49.0% <sup>1</sup>
Interest Cover Ratio	3.20	3.08	2.08	1.94

<sup>1</sup> It is the policy of the Fund to limit direct borrowings and look through debt from its investments in Property Investment Vehicles to 50% of the aggregate value of the assets of the Fund. Look through debt is the debt of any Property Investment Vehicles.

## C. BANK LOAN REPAYMENT DATES

The Fund's bank facilities with the ASB Bank as at 30 September 2023 are:

Amount	Expiry Date	Loan
\$51,287,500	28 April 2025	Term Loan 1
\$842,500	26 April 2024	Term Loan 2



#### D. CASH 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. In addition, distributions may also include any surplus capital of the Fund. The Fund may pay less than 100% of the Adjusted Operating Profit when monies are required, for example to fund redemptions, repay bank debt, or bolster cash reserves.

See Section 6: of this PDS (Risks to returns from Oyster Direct Property Fund) on page 41 for more detail on the potential risks to the Fund's income stream.

When there are short term fluctuations in the Fund's income and expenses, in some circumstances the Fund may pay more than 100% of Adjusted Operating Profit in a particular month and/or fund cash distributions from

the Fund's working capital. Oyster will only do so where this is commercially sustainable over the life of the Fund.

Cash distributions from the Fund are scheduled to be paid monthly in arrears, by the 20th of the month to your nominated bank account. Detail on the current monthly cash distribution rate can be found in the Fund's current Quarterly Investor Update which is available on the Oyster Direct Property Fund page at **[www.oystergroup.co.nz/dpf](http://www.oystergroup.co.nz/dpf)**.

The Fund's cash distribution for the month of December 2023 is 3.65 cents per Unit per annum and for the period 1 January 2024 to 31 January 2024 is 3.00 cents per Unit per annum. The monthly cash distribution rate is available on the Oyster Direct Property Fund page at **[www.oystergroup.co.nz/dpf](http://www.oystergroup.co.nz/dpf)**.



*4 Williamson Avenue, Ponsonby, Auckland*

Reconciliation of Profit to Adjusted Operating Profit	Audited financial statements for the year ending 31 March 2023	Unaudited financial statements for the 6 months ending 30 September 2023
Loss for the period	(\$22,552,674)	(\$12,995,247)
Unrealised Movement in Fair Value of Investments	\$28,779,497	15,206,397
Fixed Rental Increases	(\$70,249)	(\$35,993)
	<b>\$6,156,574</b>	<b>\$2,175,157</b>
Costs associated with equity raising	\$166,423	\$46,808
Due Diligence costs	\$217,985	–
Loss on Sale of Investments	\$138,890	–
Performance fees	–	–
<b>Adjusted Operating Profit</b>	<b>\$6,679,872</b>	<b>\$2,221,965</b>
Investor capital (retained)/ employed	(\$300,883)	\$120,652
<b>Total cash distribution</b>	<b>\$6,378,989</b>	<b>\$2,342,617</b>
Distribution paid as a % of Adjusted Operating Profit	95.5%	105.4%
Average number of units	127,203,677	128,362,543
Per Unit	For 12 Months \$0.050	For 12 Months (Annualised) \$0.037

**DISTRIBUTION PAID (CENTS PER UNIT)**

Period	Per month	Total per annum
1 March to 31 March 2022	0.525	6.30
1 April 2022 to 31 October 2022	0.500	6.00
1 November 2022 to 30 November 2023	0.304	3.65

Note: The Fund's cash distribution for the month of December 2023 is 3.65 cents per Unit per annum and for the period 1 January 2024 to 31 January 2024 is 3.00 cents per Unit per annum. The monthly cash distribution rate is available on the Oyster Direct Property Fund page at [www.oystergroup.co.nz/dpf](http://www.oystergroup.co.nz/dpf).





33 Corinthian Drive, Albany, Auckland



## 6. RISKS TO RETURNS FROM OYSTER DIRECT PROPERTY FUND

This section describes the circumstances that Oyster is aware of that exist, or are likely to arise, which significantly increase the risk to returns for Investors.

The summary below sets out:

- A description of the risk.
- The mitigating factors of the risk.
- An assessment of the likelihood of the circumstances arising.
- An assessment of the impact, were the circumstances to arise.
- An assessment of the nature and magnitude of the risk.

The circumstances described below do not take into account the personal circumstances, financial position or investment requirements of any prospective Investor. Therefore, it is important for you to consider the suitability of an investment in the Fund in light of your individual risk profile for investments, investment objectives, personal circumstances (including financial position and taxation issues).

Oyster strongly recommends that you consider the following risk factors thoroughly, in conjunction with the other information in the PDS, before investing in this Fund.



600–604 Great South Road, Ellerslie, Auckland

## RISKS IN RELATION TO THE FUND

Description of risk	Oyster's assessment of nature and magnitude	Mitigating factors
<b>Interest Rate Environment</b>	<p>Interest payable on bank borrowings is the primary expense for the Fund and the Property Investment Vehicles, and these expenses have increased to the highest levels since the Fund's inception. While changes in interest rates cannot be accurately predicted, rates may continue to increase or may stay at high levels for longer than anticipated.</p> <p>The current interest rate environment is the primary trigger of other risks including:</p> <ul style="list-style-type: none"> <li>■ <b>Unit Liquidity</b> – Oyster suspended redemptions in November 2022 to ensure that the Fund retains sufficient cash to meet its working capital requirements while incurring higher interest costs. Investors will be advised when redemptions recommence. The Syndex trading platform provides an optional monthly trading window for Investors.</li> <li>■ <b>Property Investment Values and Liquidity</b> – With a focus to repay Bank Loans and reduce borrowing costs, selected Directly Owned Properties are currently marketed for sale. Current market and economic conditions, including historically high interest costs on borrowing are impacting successful and timely divestments at fair value.</li> <li>■ <b>Bank Funding</b> – Adverse market movements in interest rates and property values may cause the Fund to breach its banking covenants. Adverse movements in property values may also cause the Fund to breach its own Statement of Investment Policy Objective (SIPO) limits.</li> </ul>	<p><b>Short-term mitigating factors:</b></p> <p><b>1) Divestment of selected Directly Owned Properties</b></p> <p>Despite the potential impact on Unit Price, Oyster is currently marketing selected Directly Owned Properties for sale. This will assist in reducing the indicated risks through:</p> <ul style="list-style-type: none"> <li>■ Debt reduction (<b>Bank Funding risk</b>)</li> <li>■ Reduction of interest expenses (<b>Reduction in the Distribution Rate impact</b>)</li> <li>■ Building up working capital reserves (<b>Unit Liquidity risk, Bank Funding risk, Reduction in the Distribution Rate impact</b>)</li> </ul> <p>In particular this will assist in:</p> <ul style="list-style-type: none"> <li>■ Maintaining distributions</li> <li>■ Avoiding bank covenant breaches</li> <li>■ Supporting the reopening of the Fund's redemption facility, when appropriate</li> </ul> <p><b>2) Syndex Trading Platform</b></p> <p>Oyster has introduced the Syndex trading platform to facilitate the trading of the Fund's Units between willing buyers and willing sellers reaching an agreed price for Units. This facility provides an optional monthly liquidity window for Investors who may require this. The price at which Units are traded on the Syndex trading platform may be higher or lower than the Fund's Unit Price, as an agreed price can be reached between participating buyers and sellers via the Syndex trading platform.</p>

## Interest Rate Environment — continued

Description of risk	Oyster's assessment of nature and magnitude	Mitigating factors
	<ul style="list-style-type: none"> <li>■ <b>Reduction in the Distribution Rate</b> – Distributions may decrease or be suspended if the Fund has insufficient cash to make the distributions due to servicing increased expenses (including capex and/or interest costs), a reduction in the income from Property Investments or if the Fund needs to repay debt should it be in breach of banking covenants. There are other causes to this risk outside of the interest rates environment that may impact distribution rates which are referred to under Reduction in the Distribution Rate risk further below.</li> </ul> <p><b>Further impacts may also extend to:</b></p> <ul style="list-style-type: none"> <li>■ <b>Reduction in Unit Price</b> – Property valuations are under pressure due to the current economic and interest rate environment, impacting the Unit Price.</li> </ul>	<p><b>Longer term mitigating factors:</b></p> <p>If interest rates remain at high levels, Consumer Price Index (CPI) based rent reviews may also remain high which may provide rental growth, along with other rent review mechanisms that exist across the portfolio.</p> <p>Oyster actively monitors interest rates and assesses on a case-by-case basis whether it is in the interests of the Fund to fix interest rates, and if so, the appropriate amount and term.</p> <p>Oyster may consider changing lenders if materially better funding terms are available elsewhere.</p>
<b>Oyster's assessment of likelihood of circumstances arising</b>	<ul style="list-style-type: none"> <li>■ <i>In the short term it is <b>almost certain</b> that interest rates will remain high in the current economic environment and continue to impact the Fund's interest expense.</i></li> <li>■ <i>It is <b>possible</b> that distribution levels may reduce or be suspended if interest rates increase or are sustained at high levels for a longer duration than economists anticipate. (Please refer to Reduction in Distribution Rate risk)</i></li> <li>■ <i>In the long term, any changes in interest rates cannot be accurately predicted. Interest rates will likely continue to be a risk for so long as the Fund has outstanding debt.</i></li> </ul>	
<b>Oyster's assessment of the impact, were the circumstance to arise</b>	<ul style="list-style-type: none"> <li>■ <i>Currently, high interest rates have had a <b>significant</b> impact through increased expenses, reducing the Fund's profit that is available for distribution to investors and has impacted the value of the Units through property re-valuations.</i></li> <li>■ <i>The longer-term impact of future movements is unknown as the extent of any impact will depend on the extent of future interest rate movements and the rate of inflation. The impact of a material adverse movement in interest rates could be significant on investor returns and the value of the Units.</i></li> </ul>	



Description of risk	Oyster's assessment of nature and magnitude	Mitigating factors
<b>Unit Liquidity</b>	<p>Oyster has suspended the Fund's redemption facility to ensure that the Fund retains sufficient cash to meet its working capital requirements, while incurring higher interest costs, to meet its increased expenses.</p> <p>When the suspension is lifted and redemptions recommence, the Fund will return to retaining an amount of cash to fund redemptions, referred to as the Monthly Available Funds.</p> <p>The amount of the Monthly Available Funds at a point in time may not be sufficient to fulfil all redemption requests.</p> <p>Should this occur, redemptions will be processed on a pro-rata basis up to the Monthly Available Funds limit. Any remaining redemptions will be processed in the following month (subject to available funds).</p> <p>If in the following month the Fund did not have sufficient funds to process redemptions, then Oyster may suspend redemptions. You would be unable to redeem your Units until the suspension was lifted.</p>	<p>The Fund retains an amount of cash to fund redemptions. This is the Monthly Available Funds. The Monthly Available Funds are the greater of:</p> <ul style="list-style-type: none"> <li>■ 0.5% of the Fund's net asset value before the date of payment of the redemption notices; and</li> <li>■ having regard to the future requirements of the Fund, an amount determined by Oyster from time to time.</li> </ul> <p>Currently, Investors can opt to sell their Units through the Syndex trading platform if an agreed price for Units can be reached with a willing buyer.</p>
<b>Oyster's assessment of likelihood of circumstances arising</b>	<ul style="list-style-type: none"> <li>■ In the short term it is <b>certain</b> that redemptions will not be available. Redemptions from the Fund itself are currently suspended. This position is reviewed quarterly by Oyster and will be communicated via the Quarterly Investor Update.</li> <li>■ The arrangement with Syndex provides a monthly liquidity option for Investors who may require this. A sale via Syndex cannot be guaranteed, and a buyer for the Units may not be available.</li> <li>■ In the longer term – once the redemption facility is open – it remains <b>possible</b> that redemptions will not be available as a large dollar value of redemptions in any one month could exceed the Monthly Available Funds.</li> </ul>	
<b>Oyster's assessment of the impact, were the circumstance to arise</b>	<ul style="list-style-type: none"> <li>■ Potentially <b>significant</b> impact on investors who want to realise their investment on a shorter-term time horizon than an investment in the Fund is intended for. The impact could be that Units cannot be disposed of by an investor, or that Units are disposed of below expected value..</li> </ul>	

Description of risk	Oyster's assessment of nature and magnitude	Mitigating factors
<b>Property Investment Values and Liquidity</b>	<p>Property valuations are subject to the economic environment influencing the property market, fluctuations in supply and demand, rent derived from tenants, remaining term of the leases and recent relevant transactions.</p> <p>The value of the Property Investments directly impacts the value of the Units and the Fund's loan-to-value ratio (LVR), among other key metrics. Changes to the LVR may impact compliance with banking covenants or the Fund's own SIPO limits (see Interest Rate Environment risk.)</p> <p>During times of economic uncertainty, values may change more rapidly and significantly than under normal conditions.</p> <p>With a focus to repay Bank Loans and reduce borrowing costs, the Fund is marketing selected Directly Owned Properties for sale where they will be beneficial to realising optimal total returns in the current market conditions.</p> <p>Current market and economic conditions are reducing purchaser appetite and impacting successful and timely divestments at fair value. The divestment value of properties may reduce the Unit Price.</p>	<p>Independent valuations are undertaken at least annually at 31 March. Additionally, an Assessment of Fair Value is carried out as at 30 September. These frequent assessments reduce the time lapse between valuation movements which can help minimise the extent of adverse movements.</p> <p>The Fund's strategy is to invest in Property Investments across desirable locations and leased to quality tenants.</p> <p>The Fund invests in both Directly Owned Properties and interests in Property Investment Vehicles. This provides the Fund with options to divest either type of Property Investment.</p>
<b>Oyster's assessment of likelihood of circumstances arising</b>	<ul style="list-style-type: none"> <li>■ <i>The Fund is marketing selected Directly Owned Property for sale. As more transactions occur in the property market, evidence indicates - along with recent valuation activity – that the Fund may need to execute a divestment at a discount to book value.</i></li> </ul>	
<b>Oyster's assessment of the impact, were the circumstance to arise</b>	<ul style="list-style-type: none"> <li>■ <i>Any impact that materialises will depend on both the extent of purchaser demand and the level of discount applied and could be <b>significant</b> on distribution levels and the value of the Units.</i></li> </ul>	

Description of risk	Oyster's assessment of nature and magnitude	Mitigating factors
<b>Bank Funding</b>	<p>The Fund may have exposure to three types of bank funding:</p> <ol style="list-style-type: none"> <li>1. Long term debt to fund the purchase of the Directly Owned Properties.</li> <li>2. Long term debt entered into by the Property Investment Vehicles.</li> <li>3. Short term debt which is expected to be repaid on expiry of the term.</li> </ol> <p>Long term funding: This funding is expected to be renewed at expiry of each term. If the bank that has provided the long-term debt is unwilling to extend or refinance these loans on their expiry, then another bank will need to refinance the loans. The terms of the refinancing may be unfavourable, or finance may be difficult to obtain which may have an impact on the Fund's ability to pay cash distributions.</p> <p>Short term funding: If insufficient funds are raised to repay any short-term funding, then an extension of the loan will need to be negotiated. The gearing of the Fund may then be higher than anticipated, which could impact on the terms of refinancing and the returns available to you.</p> <p>Adverse movements in interest rates and/or property values may cause the Fund to breach its banking covenants. If the breach is not remedied, lenders may enforce their security and sell one or more of the Directly Owned Properties at a lower than market price in a "forced sale" situation.</p>	<p>Oyster, based on its experience, considers the potential impact of changes to the Fund's funding arrangements will be able to be adequately minimised through active management of the Fund's finances and banking arrangements.</p> <p>Oyster has a good relationship with New Zealand's major trading banks and the funding entered into by the Property Investment Vehicles is spread across a number of these banks.</p> <p>The loan repayment dates for the Bank Loans held by the Fund and the Property Investment Vehicles are staggered which can reduce the impact of any issues with refinancing in any particular year.</p> <p>A future option may be to enter into a syndicated facility which would diversify the Fund's borrowing across a number of banks.</p> <p>If the Fund is unable to refinance its debt the Fund could sell some of its Property Investments to repay the debt.</p> <p>If the Fund is in breach of banking covenants, the Fund could reduce or cease distributions for a period to repay debt and remedy the breach.</p>
<b>Oyster's assessment of likelihood of circumstances arising</b>	<ul style="list-style-type: none"> <li>■ <i>Low likelihood of a circumstance arising with a material adverse impact on the Fund. The Fund has not had any issues with obtaining bank funding to date and is not aware of any reason that the Bank Loans will not be extended at the end of their current terms.</i></li> <li>■ <i>The most likely circumstance that could cause a material adverse impact on the Fund is in relation to the Fund's compliance with the current banking covenants.</i></li> <li>■ <i>While it is possible that the Fund may breach banking covenants, there is a low likelihood that this would not be remedied and would lead to a material adverse impact.</i></li> </ul>	



**Bank Funding — continued**

<b>Oyster's assessment of the impact, were the circumstance to arise</b>	<ul style="list-style-type: none"> <li>■ A materially adverse impact would be <b>significant</b> as the Fund could be forced to sell some of its Property Investments at lower than their current book values, impacting distributions, and the value of Units.</li> </ul>
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Description of risk	Oyster's assessment of nature and magnitude	Mitigating factors
<b>Reduction in Distribution Rate</b>	<p>Cash distributions are made from the Fund's Adjusted Operating Profit.</p> <p>There is a risk that cash distributions may decrease or be suspended if the Fund has insufficient cash to make the distributions. Examples of what can cause this include, but are not limited to:</p> <ul style="list-style-type: none"> <li>■ an increase in the Fund's expenses (including interest or capex costs).</li> <li>■ a reduction in the income from the Property Investments (caused by increases in respective interest or capex costs).</li> <li>■ a tenant defaulting under their lease, or not renewing their lease.</li> <li>■ a bank request to remedy a covenant breach (caused by adverse movements in interest rates and/or property values. Please refer to Bank Funding risk for further detail.)</li> </ul> <p>Interest cost is the Fund's largest expense and is therefore a key consideration when determining the Fund's distribution rate. (Please refer to Interest Rate Environment risk). While indications suggest inflationary pressures are starting to ease, these have led to increased expenses relating to time and materials.</p> <p>Note: you can find information on the distribution rates in the respective table on page 4. The monthly cash distribution rate is available on the Oyster Direct Property Fund page at <a href="http://www.oystergroup.co.nz/dpf">www.oystergroup.co.nz/dpf</a>.</p>	<p>Oyster actively manages the Fund and the performance of its Property Investments, with the aim of optimising total returns for the Fund. This includes monitoring and managing aspects such as occupancy and rental growth opportunities, potential divestments, property expenses such as repairs and maintenance, operating expenses that are not recoverable from tenants, planning for major capital works in long term budgets, and accumulating working capital over time to pay for these works where possible.</p> <p>In this current economic environment, The Fund is marketing selected Directly Owned Properties for sale with the intention of utilising sale proceeds to reduce borrowings. Regular reviews of bank loans entered into by the Property Investment Vehicles and the Fund help assess whether fixing interest rates is of benefit.</p> <p>The Fund's strategy is to invest in Property Investments that are well located and leased to quality tenants. The Fund's diversified property portfolio may reduce the impact of an issue with any one of the Property Investments.</p>

## Reduction in Distribution Rate — continued

<p><b>Oyster's assessment of likelihood of circumstances arising</b></p>	<ul style="list-style-type: none"> <li>■ It is <b>possible</b> that distribution levels may reduce or be suspended if interest rates increase or are sustained at high levels for a longer duration than economists anticipate. The current interest rate environment may continue to impact purchaser appetite and movements in Property valuations and therefore impact the Fund's banking covenants.</li> <li>■ It is <b>possible</b> that distribution levels may reduce or be suspended due to a breach of banking covenants or unexpected capex costs.</li> <li>■ It is <b>unlikely</b> that distribution levels would reduce or be suspended due to a tenant defaulting or not renewing their lease.</li> </ul>
<p><b>Oyster's assessment of the impact, were the circumstance to arise</b></p>	<p>The level of impact will be dependent on the extent of the reduction in distributions necessary.</p>



Cider Building, Ponsonby, Auckland

## 7. WHAT ARE THE FEES?

### FEES PAYABLE TO OYSTER AND ITS ASSOCIATED PERSONS

Fees Payable to Oyster and its Associated Persons	Audited financial statements for the year ending 31 March 2023	Unaudited financial statements for the 6 months ending 30 September 2023
Accounting fee	\$9,030	\$4,380
Acquisition fee on Property Investments	\$400,000	–
Commission on sale of Property Investments	\$72,855	–
Property management fee	\$147,163	\$82,067
Fund management fee	\$1,624,090	\$704,213
Leasing fees	\$82,338	\$1,852
Performance fee*	–	–
Project management fees	\$19,075	–
<b>Total Fees Payable to Oyster and its Associated Persons by this Fund</b>	<b>\$2,354,551</b>	<b>\$792,512</b>
Accounting fee	\$24,595	\$12,847
Facilities management fees	\$40,241	–
Fund establishment fees	\$220,574	–
Management fees	\$1,151,044	\$553,563
Performance fee*	–	–
Project management fees	\$6,410	\$4,111
Leasing fees	\$69,683	\$13,643
<b>The Fund's share of Fees Paid to Oyster and its Associated Persons by the Property Investment Vehicles</b>	<b>\$1,512,547</b>	<b>\$584,164</b>
<b>The Fund's share of Fees Paid to Oyster</b>	<b>\$3,867,098</b>	<b>\$1,376,676</b>
<b>As a % of Net Assets</b>	<b>2.31%</b>	<b>0.90%</b>

\* Refer to pages 50 and 51 for details on how the performance fee is calculated. Given the decreases in the value of the Directly Owned Properties it is expected that a performance fee is not payable for the year ended 31 March 2024.

#### Additional fees payable to Oyster (which are not included in the table above)

<b>Termination Fee</b>	If the Fund is terminated a fee of 1.75% (plus GST) of the gross value of all Relevant Assets is payable. This fee is only paid when the Fund is wound-up and therefore this fee is not included in the table above
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## MANAGEMENT FEE

The Management Fee paid by the Fund is calculated on the total assets of the Fund as stated in the Fund's management accounts. The Management Fee is calculated and payable on the last day of each calendar month or at such other time as Oyster and the Supervisor shall agree. The amount of the Management Fee for the Fund will vary as the total assets of the Fund varies.

The current Management Fee payable is 0.60%.

## PERFORMANCE FEE

Oyster is entitled to be paid a Performance Fee to reflect the excess performance of Investors' returns (total of distributions and movement in Adjusted Net Asset Value per Unit) over the Benchmark return, of an amount equivalent to 20% (plus GST) of such excess performance amount. This fee is calculated and payable annually in arrears. The performance is calculated in respect of each financial year by calculating Investors' returns and the Benchmark return and comparing the two. There is no maximum limit for the Performance Fee. This fee is calculated for each year ending 31 March and paid annually in arrears in July.

The Fund does not apply a high water mark, which may be applied by other funds. A 'high water mark' is the value the fund must reach before the manager can charge a performance fee.

Managers who apply a high water mark must ensure the fund's value is at least equal to the high water mark the last time they charged performance fees. If a fund loses value, the manager must ensure the value of the fund increases above the high water mark before being able to charge further performance fees.

The impact of this Fund not applying a high water mark is that if this Fund drops in value and then recovers, you may be paying a performance fee twice for the same return, once for the recovered growth, as well as the original growth.

## BENCHMARK

No market indexes for unlisted Property Investment Vehicles are currently available to be used to measure the Fund's performance. If an appropriate market index is published in the future Oyster may (with the Supervisor's consent) use that market index. In the absence of a market index Oyster believes that an appropriate benchmark to measure the Fund's performance is the average 10 year Government Bond Rate plus 6% (as set out in the Trust Deed). This is calculated using the average of the published rates at the end of each month. The rates at each monthly close are listed on the Reserve Bank website at <http://www.rbnz.govt.nz/statistics/b2>. As an example, if the rate was 4.30% the Benchmark would be 10.30% (the rate of 4.30% plus 6.00%).



100 Harris Road, East Tāmaki, Auckland

## PERFORMANCE FEE EXAMPLE

This example is provided for information purposes only, to illustrate the calculation of the Performance Fee.

Actual results are likely to vary significantly from those set out in this example.

The Performance Fee is calculated using the Adjusted Net Asset Value. See Section 5 under the heading 'A. Pricing of Units' on page 35 for further details.

The example calculation includes the following assumptions for a hypothetical annual performance fee calculation:

The performance of the Benchmark for the year (Benchmark Performance) was	8.0%
The closing Adjusted Net Asset Value per Unit (closing ANAV) was	\$1.53
The opening Adjusted Net Asset Value per Unit (opening ANAV) was	\$1.46
Distributions per Unit declared during the year (Distributions) were	\$0.06
The average monthly Adjusted Net Asset Value of the Fund during the year (average monthly ANAV) was	\$175,000,000

The performance of the Fund for the year is 8.9%, calculated as:

Formula:

$$\frac{(\text{Closing ANAV} - \text{Opening ANAV} + \text{Distributions})}{\text{Opening ANAV}}$$

Example:

$$\frac{(\$1.53 - \$1.46 + \$0.06)}{\$1.46} = 8.9\%$$

The performance fee is \$315,000, calculated as:

Formula:

$$((\text{Fund performance} - \text{Benchmark Performance}) \times \text{Average Monthly ANAV}) \times \text{Performance Fee Multiple}$$

Example:

$$((8.9\% - 8\%) \times \$175,000,000) \times 20\% = \$315,000$$

## ACQUISITION FEE

The Acquisition Fee of 2% (plus GST) of the purchase price of a Property Investment is payable on the date of acquisition of the Property Investment.

## TERMINATION FEE

On termination of the Fund, Oyster is entitled to a fee of 1.75% (plus GST) of the gross value of any Relevant Assets as at the date of termination. This fee is only paid when the Fund is wound-up.

## ACCOUNTING FEE

This fee is for preparing the annual accounts for the Fund. The Accounting Fee will be increased on an annual basis on 1 April in each year, such increase to be the same increase on a percentage basis as the increase in the CPI in the preceding 12 months' period.

## OTHER FEES

Oyster is entitled to charge reasonable fees for property related activities where it elects to provide these services instead of contracting them out. In relation to the property management of the Directly Owned Properties Oyster is entitled to the following fees:

## LEASING FEE

1. A leasing fee calculated as follows:

- a) an administration fee of \$500.00;
- b) for tenancy renewals (including options to extend or renew) 1.5% of the gross annual rent (exclusive of GST) multiplied by the number of years of the renewed term;
- c) for a new tenancy of the property or part of the property to an existing tenant 2% of the gross annual rent (exclusive of GST) multiplied by the number of years of the term of the new Tenancy;

- d) for a new tenancy (not being a tenancy to which sub-clause c) above applies), 3% of the gross annual rent (exclusive of GST) multiplied by the number of years of the term of the new tenancy; and
- e) for the purposes of this clause 1, gross annual rent shall mean and include the annual rent together with any outgoings and/or operating expenses, any rent or fee payable in relation to carparks, naming rights, signage rights or any other right granted to any tenant under any tenancy.

The rent on which the above charges are based shall be as if there had been no rebate, concession, rent holiday or other incentive. This applies to leasing at the Directly Owned Properties.

#### **RENT REVIEW FEE**

- 2. A rent review fee being 10% of the increase:
  - a) in the annual rent (exclusive of GST); and
  - b) in the rent or fee payable annually in relation to car parks, naming and signage rights (exclusive of GST).

In the event that a rent review proceeds to arbitration the fee payable to Oyster will reduce to 5% of the amounts referred to in sub-clauses a) and b) above. This fee applies to all forms of rent reviews, including fixed, market and CPI at the Directly Owned Properties.

#### **PROPERTY DEVELOPMENT AND PROJECT MANAGEMENT**

- 3. Charges at a rate of \$175.00 per hour plus GST for property development and project management in relation to the Directly Owned Properties.

#### **PROPERTY MANAGEMENT**

- 4. A property management fee of 2.2% per annum of the gross rental payable under the tenancies at the Directly Owned Properties.

#### **RESALE FEE**

Oyster offers a secondary market facility under which it facilitates the transfer of interests in the Property Investment Vehicles. If the Fund sells its Interests in a Property Investment Vehicle, the fee for the Fund to use this facility to sell its investments is 2% of the sale price plus GST payable on completion of the sale.

Oyster does not charge a fee for facilitating the trading of Units via the Syndex trading platform. The Fund will pay a monthly fee to Syndex for each trading window.

#### **CHANGES TO FEES**

The fees detailed above are all payable under the Trust Deed. These fees can only be changed with the approval of the Investors apart from the 'Other Fees' which can be changed by agreement between Oyster and the Supervisor. Details of the fees and expenses actually incurred by the Fund will be stated in the Fund's annual report; however, you will not be specifically notified of any such changes.

#### **FEES PAYABLE IN THE PROPERTY INVESTMENT VEHICLES**

The fees payable in the Property Investment Vehicles to Oyster are the Fund's share of the fees payable under the governing documents for each Property Investment Vehicle that the Fund currently holds investments in. These fees will increase if the Fund makes future investments in Property Investment Vehicles managed by Oyster. These are fees payable by the Property Investment Vehicles; they are not directly payable by the Fund.

#### **CHANGES TO FEES**

These fees can only be changed by amending the governing documents of the relevant Property Investment Vehicle. Amending the fees under the governing documents requires the approval of the Investors in the relevant Property Investment Vehicle.

Details and expenses actually incurred by the Fund will be stated in the Fund's annual report; however, Investors will not be specifically notified of any such changes.



## FEES AND EXPENSES PAID TO OTHERS

Fees and Expenses Paid to Others	Audited financial statements for the year ending 31 March 2023	Unaudited financial statements for the 6 months ending 30 September 2023
Administration costs	\$65,123	\$16,508
Auditor's fees	\$65,228	\$28,926
Due diligence costs	\$217,985	–
Interest expense	\$2,877,808	\$1,998,014
Leasing fees	\$4,963	\$15,413
Legal fees	\$42,245	\$79,954
Marketing	\$119,879	\$8,082
Non-recoverable property expenses	\$313,754	\$120,227
Registry costs	\$174,825	\$82,262
Supervisor's fees	\$107,277	\$44,680
Valuation fees	\$53,280	\$111,829
<b>Total Fees and Expenses Paid to Others by this Fund</b>	<b>\$4,042,367</b>	<b>\$2,505,895</b>
Administration costs	\$169,752	\$64,444
Auditor's fee	\$26,988	\$17,391
Interest expense	\$4,431,415	\$2,791,488
Leasing fees	\$51,163	\$55,594
Legal fees	\$131,191	\$43,298
Non-recoverable property expenses	\$886,707	\$477,363
Registry costs	\$11,146	\$15,229
Supervisor's fee	\$31,745	\$15,352
Valuation fees	\$34,324	\$16,107
<b>The Fund's share of Fees and Expenses Paid to Others by the Property Investment Vehicles</b>	<b>\$5,774,431</b>	<b>\$3,496,266</b>
<b>Total Fees and Expenses Paid to Others</b>	<b>\$9,816,798</b>	<b>\$6,002,161</b>
<b>As a % of Net Assets</b>	<b>5.87%</b>	<b>3.94%</b>

## FEES AND EXPENSES PAID TO OTHERS BY THIS FUND

### DUE DILIGENCE COSTS

These are the fees charged by external consultants for investigating potential direct property purchases by the Fund. They include legal, seismic, geotechnical, technical and valuation assessments of the property. These fees are incurred on a case by case basis and are set by negotiation between Oyster and the service provider.

### ADMINISTRATION COSTS

These are other minor costs in relation to the administration of the Fund that have not been covered under the other headings in this section. These fees are not fixed and can vary from year to year.

### AUDITOR'S FEES

This fee is for the audit of the annual financial statements of the Fund. This fee may be altered in the future by agreement between the Auditor and Oyster.

### INTEREST EXPENSE

This is the amount of interest paid by the Fund in relation to the Bank Loans. The interest rate charged can be changed by the bank under the terms of the Bank Loan documents. The Fund's current interest rate is floating. See page 27 for details.

### LEGAL FEES

This fee is paid by the Fund to the Fund's solicitor for legal advice in relation to the Fund. This fee is not fixed and is incurred on a case by case basis.

### MARKETING FEES

These are the fees paid by the Fund to advertising agencies for the creation of advertising material and to advertisers for placement of advertisements.

These fees are not fixed and are negotiated on a case by case basis.



**185-187 Universal Drive, Henderson, Auckland**

### NON-RECOVERABLE PROPERTY EXPENSES

These are the fees paid to others in relation to the operation of the Fund's direct property that are not recoverable from the tenants. Depending on the terms of the leases these may include council rates, maintenance and service contracts, insurance, cleaning, valuations and repairs. These fees are not fixed and are incurred on a case by case basis.

## REGISTRY & PLATFORM COSTS

These are the fees from the Registry for providing ongoing registry services. This fee may be amended in the future by agreement between the Registry and Oyster.

Syndex does not charge a purchaser or a seller a fee for participating in the trading of Units via the Syndex trading platform. The Fund will pay a monthly fee to Syndex for each trading window.

## SUPERVISOR'S FEES

The Supervisor will be paid an annual fee which is the greater of:

- a. \$20,000 per annum; or
- b. 0.06% of the value of the Units on issue in the Trust (at the end of each quarter where the value of Units is less than or equal to \$150 million); or
- c. 0.05% of the value of Units on issue in the Fund (at the end of each quarter where the Units on issue exceed \$150 million).

The above fee is exclusive of GST.

The Supervisor is entitled to charge a special duties fee charged at the Supervisor's usual time and attendance rates to cover the Supervisor's time spent on non-routine matters. The fee for due diligence on assets acquired by the Fund, which are not already supervised by the Supervisor is capped at \$2,500 (plus GST).

The Supervisor's fees may be altered in the future by agreement between the Supervisor and Oyster.

## VALUATION FEES

These are the fees paid to independent valuers for preparing market valuations for the Fund's direct property. These are not fixed fees and are incurred on a case by case basis.

## CHANGES TO FEES

The above fees and expenses are subject to change based on the amounts invoiced to the Fund. Details of the fees and expenses actually incurred by the Fund will be stated in the Fund's annual report; however, you will not be notified of any changes to these fees.



35 Hickory Place, Christchurch



## **FEES AND EXPENSES PAID TO OTHERS BY THE PROPERTY INVESTMENT VEHICLES**

### **AUDITOR'S FEES**

This fee is for the audit of the annual financial statements of the Property Investment Vehicles. This fee may be altered in the future by agreement between the Auditor and Oyster.

### **INTEREST EXPENSE**

This is the amount of interest paid by the Property Investment Vehicles to the banks that provide their bank loan facilities. The interest rate charged can be changed by the banks under the terms of the bank facility documents. The interest rates paid by the Property Investment Vehicles will either be fixed or floating depending on the policy of each particular entity.

### **LEASING FEES**

These are the fees paid to external leasing agents for arranging a lease for a property owned by a Property Investment Vehicle. These fees are fixed by negotiation between Oyster and the agent and are on a case by case basis.

### **LEGAL FEES**

These are the legal fees paid by the Property Investment Vehicles to their legal advisors. These fees are fixed by negotiation between Oyster and the law firms and are on a case by case basis.

### **NON-RECOVERABLE PROPERTY EXPENSES**

These are the fees paid to others in relation to the operation of the Property Investment Vehicle's properties that are not recoverable from the tenants. Depending on the terms of the leases these may include council rates, maintenance and service contracts, insurance, cleaning, valuations and repairs. These fees are not fixed and are incurred on a case by case basis.

### **OTHER ADMINISTRATION FEES**

These are other minor costs in relation to the administration of the Property Investment Vehicles that have not been covered under the other headings in this section. These fees are not fixed and can vary from year to year.

### **SUPERVISOR'S FEES**

Where a Property Investment Vehicle has a supervisor, the supervisor is paid an annual fee as specified in the Governing Document for that entity. The Supervisor may also charge a special duties fee for activity undertaken in addition to its regular duties. The annual fee is a fixed fee, the special duties fee is charged at an hourly rate on a case by case basis.

### **VALUATION FEES**

These are the fees paid to independent valuers for preparing market valuations for the properties owned by the Property Investment Vehicles. These are not fixed fees and are incurred on a case by case basis.

### **CHANGES TO FEES**

You will not be notified of any changes to these fees.

The above fees and expenses are subject to change based on the amounts invoiced to the Property Investment Vehicles. Details of the fees and expenses actually incurred by the Fund will be stated in the Fund's annual report.

## 8. TAX

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Tax can have significant consequences for investments and can affect your returns from this investment. If you have any queries relating to tax consequences of the investment you should seek independent tax advice from a professional advisor.

The Fund is a multi-rate portfolio investment entity (PIE). As a multi-rate PIE the amount of tax the Fund pays on your behalf is based on your prescribed investor rate (PIR). To determine your PIR, go to the Inland Revenue Department's Internet site <https://www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates>. If you are unsure of your PIR, we recommend you seek professional advice or contact the Inland Revenue Department.

It is your responsibility to tell Oyster both your Inland Revenue Number (IRD Number) and your PIR when you invest or if your PIR changes. Oyster cannot process your application without an IRD number (or if you do not have an IRD number, a foreign tax identification number) or valid PIR declaration. For investors who are NZ resident individuals, if the advised PIR is lower (or higher) than the correct PIR, Inland Revenue will make a year-end PIE calculation to determine if there is additional tax to pay (or a refund is due). More information on this process is available at <https://www.ird.govt.nz/roles/portfolio-investment-entities/end-of-year-pie-calculation>.

### **PRESCRIBED INVESTOR RATE (PIR)**

Your advised PIR is the tax rate that Oyster will use to calculate the PIE tax payable on the income the Fund allocates to you. For natural persons, your PIR is based on your net taxable income in one of the two previous tax years if you are a NZ tax resident.

If you are investing jointly, with another investor, you will need to provide each joint investor's IRD number and PIR to Oyster. There are also special PIR rules for new and transitional tax residents.

There are four PIRs available to New Zealand resident investors, being 28%, 17.5%, 10.5% or 0%. By way of brief summary, the following PIRs are available for different entities:

- Companies – 0%
- Trusts and individuals – 28%, 17.5%, 10.5% or 0%
- Charities and PIEs – 0%
- Non-New Zealand residents – 28%  
(subject to certain exceptions)

### **DEPRECIATION**

As a PIE, the Fund currently claims tax depreciation deductions on all depreciable property including buildings and landlord owned fixtures and fittings. This reduces the taxable income attributed to investors and the resulting PIE tax liability deducted from distributions, without further action required from investors.

### **DISTRIBUTIONS**

As the Fund is a PIE, distributions from the Fund (including any share repurchases) would not separately be subject to tax as a taxable dividend. Further, there should be no non-resident withholding tax on distributions to non-resident investors.

PIE tax is payable on each Investor's share of the Fund's taxable income at their nominated PIR. The Fund intends to deduct each Investor's PIE tax liability from distributions paid and return this to the IRD as required under the Income Tax Act. As the Fund's taxable income changes each month, the tax deducted and net distributions received by Investors will also change.

If the Fund is not a PIE then any distribution will be a taxable dividend. For New Zealand resident investors, any imputation credits attached can be used to reduce or offset the Investor's tax liability on distributions if the Fund is not a PIE. For non- resident investors, distributions would be subject to the non-resident withholding tax regime (including the supplementary dividend and foreign investor tax credit and any applicable Double Tax Agreement rates), if the Fund is not a PIE.

### MAINTAINING PIE STATUS

To ensure that the Fund maintains its PIE status, the Fund must, among other things:

- have a minimum of 20 Investors (this minimum requirement does not apply if an Investor is a PIE or is a certain other qualifying investor type);
- ensure that no Investor owns over 19.99% of the Fund (unless an Investor is a PIE or is a certain other qualifying investor type);
- not hold voting interests in a company of more than 19.99% (unless that company is a PIE or land investment company, or other qualifying investment type, and subject to certain exceptions);
- ensure that at least 90% of the income is derived from a lease of land (i.e. rental income from unrelated tenants), interest, dividends and / or the proceeds from the disposal of property; and
- ensure that at least 90% of the asset value is held in either land (i.e. industrial property assets), shares, financial arrangements or rights or options to acquire property.



**181 Grafton Road, Grafton, Auckland**



## 9. ABOUT OYSTER MANAGEMENT LIMITED AND OTHERS INVOLVED IN THE OYSTER DIRECT PROPERTY FUND

### ABOUT OYSTER MANAGEMENT LIMITED

This Fund is managed by Oyster Management Limited. Oyster is a specialist property and funds manager with a proven track record in commercial property funds, fund management and asset management of retail, large format retail, office and industrial property throughout New Zealand.

Further information on properties currently managed by Oyster together with its personnel, can be found on its website at [www.oystergroup.co.nz](http://www.oystergroup.co.nz)

#### The address for Oyster is:

Oyster Management Limited  
Level 18, 55 Shortland Street, Auckland  
PO Box 8302, Newmarket, Auckland 1149  
Ph. (09) 632 1287

### WHO ELSE IS INVOLVED?

	Name	Role
<b>Supervisor</b>	<b>Covenant Trustee Services Limited</b>	Supervisor of the Fund under the Financial Markets Conduct Act 2013 and responsible for supervising Oyster as manager of the Fund.
<b>Custodian</b>	<b>Oyster DPF Trustees Limited</b>	<p>The Custodian is a company set up by the Supervisor to hold the assets of the Fund on behalf of the Investors. The Custodian is owned by the Supervisor and they also appoint the directors of the Custodian.</p> <p>The only activity that the Custodian will be involved in is the holding of the Fund's assets.</p>
<b>Registry</b>	<b>Appello Services Limited</b>	The Registry holds the details of all Investors and manages distributions and processing of communications to Investors.



185-187 Universal Drive, Henderson, Auckland

# 10. HOW TO COMPLAIN

## COMPLAINTS

A complaint about your investment may be made to:

<b>Oyster</b>	Level 18, 55 Shortland Street, Auckland OR PO Box 8302, Newmarket, Auckland 1149 Ph. (09) 632 1287 investor@oystergroup.co.nz
<b>The Supervisor Covenant Trustee Services Limited</b>	Level 6, 191 Queen Street OR PO Box 4243, Shortland Street, Auckland 1140 Ph. 0800 746 422
<b>Financial Dispute Resolution</b>	Level 4, 142 Lambton Quay, Wellington 6011 Ph. 0508 337 337  This is the dispute resolution scheme Oyster has joined for the purposes of the Financial Service Providers (Registration and Dispute Resolution) Act 2008.  Oyster and the approved dispute resolution scheme will not charge you a fee to investigate or resolve a complaint.
<b>The Financial Markets Authority</b>	PO Box 106 672, Auckland 1143 Ph. 0800 434 566



33 Corinthian Drive, Albany, Auckland

## 11. WHERE YOU CAN FIND MORE INFORMATION

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### FURTHER INFORMATION

Further information about the Units and the Fund is available on the offer register and the scheme register. This information includes items such as the Fund's annual report and financial statements.

Information in relation to the initial offer of Units in this Fund are available on the offer register under OYSTER DIRECT PROPERTY FUND (OFR10568).

The offer register and scheme register can be viewed at **[www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz)**. A copy of information on the offer register or scheme register is available on request to the Registrar at:

Companies Office  
Private Bag 92061  
Victoria Street West, Auckland 1142  
Ph. 0508 377 746

You can also find information about the Fund on the Fund's website **[www.oystergroup.co.nz/dpf](http://www.oystergroup.co.nz/dpf)**

Each year you will be sent copies of the following documents:

- a. The annual audited financial statements
- b. The six monthly unaudited financial statements
- c. The Fund's annual report
- d. Quarterly Investor Updates

You may also request further copies of this PDS.

You are able to request copies of these documents free of charge.

Requests for information should be made to Oyster (at the address set out in the directory on page 64 of this PDS).

### INFORMATION ON YOUR INVESTMENT DETAILS

These can be obtained online from the investor portal **[oysterdirect.unitregistry.co.nz](http://oysterdirect.unitregistry.co.nz)** or by email: **[investor@oystergroup.co.nz](mailto:investor@oystergroup.co.nz)** or by contacting Oyster at the address set out on the page 64 of this PDS.

## 12. HOW TO APPLY

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### 1. COMPLETE THE APPLICATION FORM

Applications can only be made by completing the application form available from Oyster.

Please ensure that all Customer Due Diligence information is enclosed with the application. Without the Customer Due Diligence Information Oyster is unable to accept your application.

### 2. PAYMENT

Payment of the full subscription amount must accompany the application form by Online Bank Transfer.

### 3. SEND THE FORM IN

Applications once made cannot be revoked or withdrawn.

Application forms must be mailed or delivered to:

Oyster Management Limited  
Level 18, 55 Shortland Street  
PO Box 8302  
Newmarket, Auckland 1149

Existing Investors may email application forms to **[investor@oystergroup.co.nz](mailto:investor@oystergroup.co.nz)**

Online banking can be made to the subscription account, Account No. 12-3221-0028115-01

## GLOSSARY

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<b>'Adjusted Net Asset Value' or 'ANAV'</b>	means the measure of the total assets held by the entity after deducting total liabilities and making non GAAP adjustments; see Section 5 'Pricing of Units' on page 35 for further details.
<b>'Adjusted Operating Profit'</b>	means the figure used as a guide when determining the cash distributions payable by the Fund. This 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. This figure is not calculated in accordance with GAAP.
<b>'Annualised'</b>	means taking an amount for part of a year and recalculating it as an annual amount. This is necessary when figures are not available for the full year.
<b>'Assessment of Fair Value'</b>	means an internal assessment carried out by Oyster which incorporates market based information.
<b>'Bank Loans'</b>	means the bank loans entered into by the Fund, see page 27 for details.
<b>'Benchmark'</b>	means the average 10 year Government Bond Rate plus 6%.
<b>'BKBM'</b>	Bank Bill Market
<b>'CPI'</b>	means the Consumer Price Index (All Groups) published by Statistics New Zealand.
<b>'Custodian'</b>	means Oyster DPF Trustees Limited, the company which holds the Property Investments of the Fund on behalf of Investors.
<b>'Customer Due Diligence Information'</b>	means the information required to be supplied by an Investor under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.
<b>'Directly Owned Properties'</b>	means the properties owned directly by the Fund as listed on page 19.
<b>'Exit date'</b>	means the last day of each calendar month.
<b>'Fund'</b>	means this managed investment scheme, the Oyster Direct Property Fund.
<b>'GAAP'</b>	means generally accepted accounting practice. Financial statements that have been prepared in accordance with GAAP have been prepared using the applicable financial reporting standards.
<b>'Gearing Ratio'</b>	means the total bank debt as a percentage of total assets. A useful measure of how much debt an entity is carrying.
<b>'Interest'</b>	means the interest, unit or share issued by a Property Investment Vehicle.
<b>'Interest Cover Ratio'</b>	means the ratio of the entity's operating profit before bank interest to its bank interest expense.
<b>'Investors'</b>	means the people or entities that hold Units in the Fund.
<b>'Management Accounts'</b>	means the unaudited financial statements prepared as at the end of each month.
<b>'Minimum Holding'</b>	means \$10,000 of Units or such other number determined by Oyster in accordance with the provisions of the Trust Deed.



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<b>'Monthly Available Funds'</b>	means the amount that the Fund endeavours to hold to fund redemptions of Units, see Section 3 'Monthly Available Funds' on page 29 for details.
<b>'Offer'</b>	means the offer of Units detailed in this PDS.
<b>'Operating Profit'</b>	means the Fund's Operating Profit Before Fair Value Movements, as set out in the Fund's financial statements or management accounts
<b>'Oyster'</b>	means the manager of this Fund, Oyster Management Limited.
<b>'PDS'</b>	means Product Disclosure Statement.
<b>'Property'</b>	means a property owned by the Fund or a Property Investment Vehicle.
<b>'Property Investment'</b>	means an investment in a Property, Property Investment Vehicle or other authorised investment.
<b>'Property Investment Vehicle'</b>	means an investment structure where a group of investors jointly purchase a property investment. The investment structure used may include a unit trust, proportionate ownership scheme or a company.
<b>'Quarterly Investor Update'</b>	means the investor report provided by Oyster to Investors after the end of each financial quarter.
<b>'Relevant Assets'</b>	means all assets of the Fund, other than cash and trade debtors.
<b>'Repayment Price'</b>	means the price an Investor will receive if they redeem their Units as detailed under 'Right to Sell Units' on page 28.
<b>'Scheme'</b>	means this Fund.
<b>'SIPO'</b>	means a Statement of Investment Policies and Objectives. This document summarises the type of investments the Fund is authorised to make.
<b>'Supervisor'</b>	means the statutory supervisor of the Fund, Covenant Trustee Services Limited.
<b>'Total Equity'</b>	This is a method of measuring the amount of equity held by the Investors in the Fund.
<b>'Trust Deed'</b>	means the document that established the Fund and sets out the rules under which the Fund is operated.
<b>'Unit Price'</b>	means the price at which an Investor can purchase or redeem Units.
<b>'Unit'</b>	means a security issued in the Fund.
<b>'WALT'</b>	means the 'weighted average lease term'. This means the length to run on each individual lease weighted by the lease's proportion of the total rental income attributable to that property.
<b>'Weighted Property Occupancy'</b>	means the average amount of space that is leased across the Fund's Property Investments weighted by the lease's proportion of the total rental income attributable to that property. This measure shows the amount of vacancy in the property portfolio.

## DIRECTORY

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### Oyster

#### Oyster Management Limited

Level 18, 55 Shortland Street  
PO Box 8302  
Newmarket  
Auckland 1149  
Ph. (09) 632 1287  
investor@oystergroup.co.nz

### Custodian

#### Oyster DPF Trustees Limited

C/- Covenant Trustee Services Limited  
Level 6, 191 Queen Street  
PO Box 4243  
Shortland Street, Auckland 1140  
Ph. 0800 746 422

### Solicitors to Oyster

#### Russell McVeagh

Level 30, Vero Centre  
48 Shortland Street  
PO Box 8  
Auckland 1140  
Ph. (09) 367 8000

### Registry

#### Appello Services Limited

Level 3, 12 Kent Street  
Newmarket  
Auckland 1023

### Supervisor

#### Covenant Trustee Services Limited

Level 6, 191 Queen Street  
PO Box 4243  
Shortland Street, Auckland 1140  
Ph. 0800 746 422

### Accountants

#### KPMG

KPMG Centre  
18 Viaduct Harbour Avenue  
PO Box 1584, Shortland Street  
Auckland 1140  
Ph. (09) 367 5800

### Auditors

#### Ernst & Young

2 Takutai Square  
Britomart  
PO Box 2146  
Auckland 1140  
Tel: (09) 377 4790







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