# Product Disclosure Statement

## For an Offer of Ordinary Shares in

## Pacific Property Fund Limited




ISSUED BY PACIFIC PROPERTY FUND LIMITED
DATED: 22 JULY 2022

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.business.govt.nz/disclose, offer number OFR13358. Pacific Property Fund 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.

# 1: KEY INFORMATION SUMMARY

## 1.1 WHAT IS THIS?

This is an offer (the **Offer**) of ordinary shares (**Shares**) in Pacific Property Fund Limited (the **Fund**). Shares give you a stake in the ownership of the Fund. You may receive a return if dividends are paid, or if the Fund increases in value and you are able to sell your Shares at a higher price than you paid for them. If the Fund runs into financial difficulties and is wound up, you will be paid only after all creditors have been paid. You may lose some or all of your investment.

## 1.2 ABOUT THE FUND

The Fund is a property investment company primarily investing in a portfolio of commercial property in New Zealand. The Fund is not a "Managed Investment Scheme" for the purposes of the Financial Markets Conduct Act 2013 and does not require a manager licensed by the Financial Markets Authority (**FMA**) or an independent supervisor licensed by the FMA to govern its investment activities. Investor rights are set out in the constitution of the Fund, which has been set up in accordance with the Companies Act 1993.

At the date of this Product Disclosure Statement (**PDS**), the Fund holds an existing portfolio of 20 properties (the **Existing Properties**). The Fund expects to acquire three further properties (the **Acquisition Properties**) on or around 31 August 2022. The combination of the Existing Properties and the Acquisition Properties is defined as the **Property Portfolio**, and further detail on these properties can be found at Section 2.4 *The Property Portfolio*.

The Property Portfolio is managed by PMG Property Funds Management Limited (the **Manager**), in accordance with a management agreement dated 30 September 2020 and any subsequent variations thereof (**Management Agreement**). Further details about the Fund and the Manager are set out at Section 2 *The Fund and What it Does.*

## 1.3 PURPOSE OF THIS OFFER

The purpose of the Offer is to raise capital to enable the Fund to purchase the Acquisition Properties, being:

- 4 Ruffell Road, Te Rapa, Hamilton (**Ruffell Road Property**)
- 21 Rewa Rewa Road, Raumanga, Whangārei (**21 Rewa Rewa Road Property**); and
- 46-50 Rewa Rewa Road and 12 Te Waiiti Place, Raumanga, Whangārei (**46-50 Rewa Rewa Road Property**).

The total funds raised will also be used to pay the issue and acquisition costs associated with the Offer. The Fund has the discretion to accept surplus funds up to the Maximum Equity Raise, and will initially utilise any surplus funds to reduce the Fund's bank borrowings. In future, given the Fund's strategy to achieve greater diversification by property, sector, region and tenant, bank borrowings may increase in future to acquire additional property investments, however no such transactions are committed at the date of this PDS. Further information can be found at Section 3 *Purpose of the Offer*.

[1] Assumes 49,250,000 Shares are issued, which is broadly the mid-point between the Minimum Equity Raise and the Maximum Equity Raise. Details of existing loan facilities including facility headroom can be found at Section 2.5 *Bank Funding*. Further information on Issue and Acquisition Costs, and the relationship between the number of shares to be issued and the amount of debt repayment, can be found at Section 3 *Purpose of the Offer.*

| **Key Offer Costs[1]:** | |
|---|---|
| Purchase price of the Acquisition Properties | $38,542,000 |
| Issue and Acquisition Costs[1] | $3,436,000 |
| Net debt repayment[1] | $23,032,000 |
| **Total** | **$65,010,000** |
| **Funded by[1]:** | |
| **Share Subscriptions** | **$65,010,000** |

## 1.4 KEY TERMS OF THE OFFER

| | |
|---|---|
| Equity Securities Offered | Ordinary shares in the Fund, which is a limited liability company. The Shares will rank equally with all other equity securities currently on issue in the Fund, and are only available to investors in New Zealand. |
| Offer Opening Date | 1 August 2022. |
| Offer Closing Date | Initial Closing Date - 26 August 2022. Final Closing Date - 30 November 2022. The Fund may withdraw the Offer in its sole discretion (including where the Offer is fully subscribed prior to the relevant closing date). |
| Offer Price | NZ$1.32 per Share. |
| Minimum Equity Raise | $44,998,800 (34,090,000 Shares, being 14.6% of the total shares on issue immediately after the Offer assuming the minimum number of Shares are issued). The Fund must meet this minimum subscription amount for the Offer to proceed. |
| Maximum Equity Raise | $85,008,000 (64,400,000 Shares, being 24.4% of the total shares on issue immediately after the Offer assuming the maximum number of Shares are issued). The Fund will not take subscriptions over this maximum amount. |
| Minimum Subscriptions | The minimum initial share subscription per investor is 20,000 Shares ($26,400) and parcels of 10,000 Shares ($13,200) thereafter. For existing investors, additional investment must be in multiples of 10,000 Shares. |
| Extension, Scaling and Oversubscriptions | The Offer will initially settle on or before 31 August 2022, with allotment of Shares to those applications received and accepted by the Initial Closing Date. If the Offer is extended, further applications may be accepted up to 28 November 2022, with related Share allotments no later than 1 December 2022. Scaling may apply to valid applications received. The Fund's discretion on scaling is absolute. No oversubscriptions will be accepted. |
| Minimum and Maximum Holdings | Transfer of Shares to other parties will not be processed if resulting in investors holding less than 20,000 Shares (unless the investor is transferring their entire holding). The Fund is a multi-rate Portfolio Investment Entity (**PIE**). No shareholder (individually and combined with shareholdings held by 'associated persons', for tax purposes) can own or control more than 20% of the share capital issued in the Fund. |

Further detail on the terms of the Offer can be found at Section 5 *Terms of the Offer.*

| | |
|---|---|
| Dividend Returns | To commence monthly, paid on the 25th day following month of declaration (or the next working day). See Section 6.2 *Dividend Policy* for further information. |
| Management Agreement and Manager Fees | The Manager is responsible for the day-to-day management of the properties owned by the Fund. The Management Agreement may be terminated:<br>• by the Fund without cause, provided six months' notice is given to the Manager, the termination is approved by a special resolution of the Fund's shareholders, and the Manager is paid a termination fee, being the equivalent of the property management fee for the last full financial year preceding the termination<br>• by the Manager without cause, provided twelve months' notice is given to the Fund, and<br>• automatically on the occurrence of certain events, for example if the Manager becomes insolvent.<br>Various fees are payable to the Manager by the Fund under the Management Agreement, including:<br>• an annual asset management fee (0.5% of the total carrying value of the Property Portfolio)<br>• a property management fee (1.5% of Gross Rental Income collected from the properties under management)<br>• a project management fee (5.0% of project costs in respect of capital expenditure on the Property Portfolio), and<br>• any out of pocket costs reasonably incurred by the Manager in connection with its duties.<br>Further details on the Management Agreement and fees can be found at Section 2.13 *Material Interests*. |
| Underwriting Agreements | Equity totalling $42,000,000 is pre-committed at the date of this PDS. For this commitment, pre-committed parties will receive a fee of 3.00% of the share subscription amount from the Fund. Further details on the underwriting arrangements can be found at Section 5 *Terms of the Offer*. |

## 1.5 HOW YOU CAN GET YOUR MONEY OUT

The Fund does not intend to quote its shares on a market licensed in New Zealand and there is no other established market for trading them. This means that you may not be able to sell your Shares. There is no ability to redeem the equity securities. The Manager provides a sale facilitation service. If investors use the sale facilitation service to transfer or dispose of their investment, investors may pay a fee to the Manager for the use of the service. See Section 6.4 *Sale Facilitation Service* for further information.

## 1.6 KEY DRIVERS OF RETURNS

The financial performance of the Fund's business relies on the properties owned by the Fund. The Fund's key strategies and plans in relation to key drivers of returns of the Fund are set out at Section 2.6 *Key Strategies*. Aspects of the Fund that have, or may have, the most impact on returns will be:

**Income from the Property Portfolio** – The Fund's primary source of income is the rental income from each of the properties in the Fund's Property Portfolio.

**Capital Value of the Property Portfolio** – The value of shares in the Fund will be influenced by the value of the Property Portfolio. The value of the Property Portfolio will, in turn, be primarily influenced by the state of the property market, the level of rental income from each property, and the remaining terms of property leases.

**Interest Rates** – A primary cost of the Fund is interest expense, driven by both the level of borrowings and interest rates. Given the total borrowings held by the Fund, interest rates are a key factor in determining overall return of the Fund. A summary of the Fund's borrowing arrangements is set out at Section 2.5 *Bank Funding*.

## 1.7 KEY RISKS AFFECTING THIS INVESTMENT

Investments in shares are risky. You should consider if the degree of uncertainty about the Fund's future performance and returns is suitable for you. The price of the Shares should reflect the potential returns and the particular risks of the Shares. The Fund considers that the most significant risk factors that could affect the Fund's financial position, performance and stated plans are:

**Rental Income and Tenant Default Risk** – The Fund is reliant on rental income from the Property Portfolio. Rental income from any property could stop or decrease for several reasons, including if a tenant defaults, a lease is terminated or expires without being renewed, the rent under a lease decreases following a rent review, there is difficulty obtaining a replacement tenant, or new rental rates are lower than those previously received. A loss or reduction in rental income may have a detrimental impact on the Fund's ability to pay dividends to investors, or on the value of its shares. A significant drop in rental income, or increase in tenant defaults, could also result in a breach of banking covenants. Due to economic conditions surrounding COVID-19, the Fund historically provided rental abatement to tenants during the two financial years ending 31 March 2022. While the Fund expects no further rental abatement will be required, and further expects no material vacancy will emerge after the date of this PDS, rental income may yet be impacted further as a result of COVID-19, tenant specific circumstances, or general economic uncertainty.

**Valuation Risk** – Property market conditions, the economic environment, and fluctuations in supply and demand for commercial properties relevant to the Fund will affect the value of the Property Portfolio. The value of the Property Portfolio directly impacts the value of Shares held in the Fund and the gearing of the Fund, among other metrics.

**Interest Rate Risk** – The Fund is reliant on interest-bearing bank borrowings that generate a material expense to the Fund. Interest rates on the Fund's borrowing facilities are not fixed. Movements in interest rates will affect returns to investors and changes in interest rates are unable to be predicted with certainty. The Fund monitors interest rate markets and utilises interest rate swap arrangements to mitigate some of the risk associated with changes in interest rates. If interest rates increase more than projected and allowed for by the Fund it may affect the Fund's ability to maintain dividends.

This summary does not cover all of the risks of investing in the Shares. You should also read Section 8 *Risks to the Fund's Business and Plan,* which also includes further information on the above risks.

## 1.8 WHERE YOU CAN FIND THE FUND'S FINANCIAL INFORMATION

The financial position and performance of the Fund are essential to an assessment of this offer. You should also read Section 7 *The Fund's Financial Information*.

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# LETTER FROM THE DIRECTORS

Dear Investor,

We are pleased to invite you to participate in the latest capital raising offer by Pacific Property Fund Limited (the **Fund**). The Fund is one of New Zealand's largest and most diversified unlisted, directly-held portfolios of industrial, office and retail properties. The Fund's Property Portfolio is managed by PMG Property Funds Management Limited (the **Manager**).

Since the Fund was established, the Fund's board of directors has pursued a strategy of continuing to increase the scale of the Property Portfolio to enhance its robustness and income resilience. This has been achieved by acquiring properties that meet strict requirements for quality, location, type and tenant covenants.

With eight successful capital raise offers since the Fund's inception in 2014, prior to completion of this offer the Fund will own 20 properties throughout New Zealand, have a portfolio value of $437m, and provide commercial area to a total of 63 tenants from a variety of sectors.

On 31 August 2022 the Fund expects to acquire a further three high-quality industrial properties (one in Hamilton and two in Whangārei). The industrial property sector is thriving through disruptive times and continues to provide steady income streams in a volatile market. Hamilton is a key location at the centre of what is now a large proportion of New Zealand's population, and adjacent to the country's fastest-growing region, the Bay of Plenty. Whangārei is also becoming an increasingly critical part of Auckland's supply chain infrastructure, with the port playing a more important role alongside the extension of the Northern Motorway.

The Fund further expects to repay some of its existing bank borrowings to establish an even more conservative gearing ratio - reducing interest expense in what is currently a rising interest rate environment as a result of the level of inflation being felt by everyday New Zealanders. The greater the amount of capital raised, the greater the amount of borrowings that will initially be repaid and ultimately available for potential draw down in future to fund appropriate acquisition opportunities that enable the continued execution of the Fund's growth strategy.

Following completion of this ninth capital raising offer and the acquisition of the three properties mentioned above, the Fund expects to have a Property Portfolio valued at $471m across 23 properties, with 64 tenants and a forecast weighted average lease term (**WALT**) of 6.2 years at 31 August 2022. The Fund is forecast to provide a gross cash yield to investors in this offer of 5.30%[2] per annum for the period from share allotment to 31 March 2024.

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

This Product Disclosure Statement (**PDS**) contains important information about the Fund and this capital raising offer. We encourage you to read this PDS carefully and consider in particular Section 8 *Risks to the Fund's Business and Plan*, before making your investment decision.

Yours faithfully,

| Denis McMahon<br>Chairman | Philip Tushingham<br>Director | Craig Garrett<br>Director | Scott McKenzie<br>Director |
|---|---|---|---|

[2] The forecast gross cash distribution return is stated before tax, based on forecast gross cash distributions per annum of 7.00 cents per share, as a percentage of an expected share issue price of $1.32 per Share. The share issue price is based on the forecast net tangible assets of the Fund per Share at close of business the day prior to Initial Settlement Date ($1.314 per Share), plus an apportionment of the total expected costs of the Offer ($0.006 per Share).


4 Ruffell Road, Te Rapa, Hamilton

# 2: THE FUND AND WHAT IT DOES

## 2.1 GENERAL OVERVIEW OF THE FUND

The Fund is a property investment company that had its inaugural capital raise in April 2014, with the purpose of building a diversified portfolio of industrial, office and retail properties. The Fund is operated in accordance with a Statement of Investment Policies and Objectives (**SIPO**). The strategy outlined in the SIPO includes:

- **FUND OBJECTIVES**
  To provide Shareholders with a stable, sustainable monthly income stream combined with the potential for capital growth in the value of Shares.

- **FUND PHILOSOPHY**
  Acquiring and actively managing commercial property investments will deliver Shareholders, over the medium to long term, the opportunity for income and income growth, together with capital appreciation.

- **FUND INVESTMENT STRATEGY**
  Invest in commercial property investments over time, diversified by region, sector, and tenant. The Fund targets investments underpinned by national or international tenants operating at scale, and ensures all property investments are actively managed.

The Fund now has the opportunity to add the Acquisition Properties to the Existing Properties in line with its strategy. Descriptions of the Acquisition Properties and the Existing Properties are set out at Section 2.4 *The Property Portfolio*.

The directors of the Fund are Denis McMahon, Philip Tushingham, Scott McKenzie and Craig Garrett, who together have over 60 years' experience of investing in and managing commercial properties. Brief biographical details of each of the directors are set out at Section 2.7 *The Fund's Board of Directors*.

A summary of some of the Fund's key metrics are provided here before and after both the Initial Settlement Date for the Offer, and the acquisition of the Acquisition Properties. They are based on prospective information that is subject to change, and exclude the impact of any purchase price adjustment associated with the Ruffell Road Property. The After Offer column assumes 49,250,000 new Shares are issued at Initial Settlement Date.

| At 31 August 2022 | Before Offer[3] | After Offer[4] |
|---|---|---|
| Portfolio Valuation[5] | $437 million | $471 million |
| Properties Owned | 20 | 23 |
| Net Lettable Area[6] | 192,000 sqm | 200,000 sqm |
| Unique Tenants[7] | 63 | 64 |
| Occupancy[8] | 99% | 99% |
| WALT[9] | 5.6 years | 6.2 years |
| Gearing Ratio[10] | 40% | 31% |
| Annual Distribution per Share[11] | 7.00 cents per Share | 7.00 cents per Share |

[3] All items in this column are based on prospective information, prior to the allotment of any Shares under the Offer, and is inclusive of the Existing Properties only.
[4] All items in this column are based on prospective information assuming 49,250,000 Shares are issued under the Offer, and includes the Acquisition Properties (prior to completion of the warehouse extension at the Ruffell Road Property).
[5] Property valuations stated as per the value of the most recent independent valuation report held by the Fund per property as at the date of the PDS (on an "as-is" basis where applicable).
[6] Net Lettable Area (**NLA**) expressed approximately in square metres, excluding non-rented yard area and surplus land, rounded to the nearest thousand square metres (on an "as-is" basis where applicable).
[7] Less than the ultimate number of leases, as some tenants are party to more than one lease.
[8] Approximate leased area (excluding non-rented yard area and surplus land), expressed as a percentage of NLA, rounded to the nearest percent.
[9] Weighted Average Lease Term of current or expected leases expressed in years, rounded to one decimal place.
[10] The Gearing Ratio equals the Fund's total interest-bearing liabilities (Total Debt) as a proportion of the Fund's total assets. For further information, see Section 2.5 *Bank Funding*.
[11] For further information, see Section 6.2 *Dividend Policy* and Section 6.3 *Declared Dividends*.

## 2.2 OVERVIEW OF OPERATIONS

The Fund contracts out its responsibilities for the management of the Property Portfolio to the Manager. The Fund does not have any employees. The Manager carries out all administrative functions on behalf of the Fund. Over the past 30 years, the Manager has launched over 40 unlisted investment property offerings across New Zealand. The Manager will be responsible for managing a total property portfolio in excess of $900 million following the successful completion of the Offer. The directors of the Fund include directors and shareholders of the Manager. Refer to Section 2.13 *Material Interests* for further information.

The Fund is party to a management agreement with the Manager dated 30 September 2020 (**Management Agreement**). Under the terms of the Management Agreement, the Manager is responsible for the day-to-day management of the properties owned by the Fund. This role includes finding tenants, dealing with tenancy issues, and ensuring that the properties are properly maintained and meet all legal requirements. The Manager is also responsible for the identification of property acquisition and divestment opportunities. The Manager will manage the Acquisition Properties once they are acquired by the Fund.

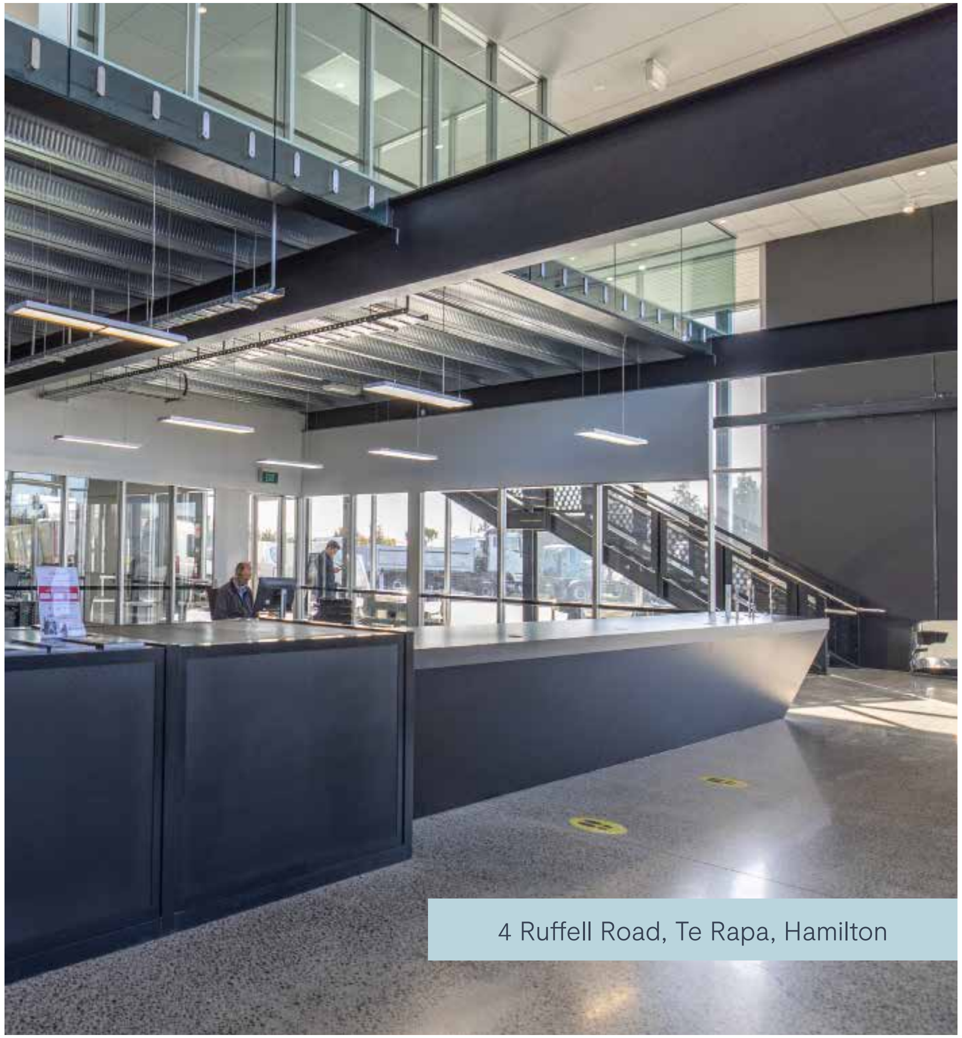
The fees payable to the Manager under the terms of the Management Agreement are set out at Section 2.13 *Material Interests*.

## 2.3 KEY DRIVERS OF THE FUND'S FUTURE FINANCIAL PERFORMANCE

The current and future aspects of the Fund that have or may have the most impact on the financial performance of the Fund are:

- **Rental income** - revenue will be impacted by tenancy occupancy rates, the terms of lease agreements, and the ability of tenants to fulfil their lease obligations. Existing tenants may vacate premises early, or when their leases expire or are not renewed, which may create vacant space. Leasing of space may take time, create a void period, and impact rental income.
- **Market value of investment property** – value is primarily impacted by the state of the property market, recent sales evidence, rental income, and remaining lease terms on properties amongst other assumptions. Gains and losses on the Property Portfolio will impact overall financial performance.
- **Interest rates and borrowings** – the Fund is exposed to floating interest rates on borrowings, and changes in floating interest rates and the level of borrowings will impact overall financial performance.
- **Future capital and operating expenditure requirements** – rising expenses not recoverable from tenants will impact performance. Incremental capital expenditure may require additional borrowings, and thus interest expense. Unexpected expenditure will impact overall financial performance.

Current economic conditions could change and have an impact on one or more of the other stated key drivers of financial performance. The Manager's key strategies and plans in relation to these aspects of the Fund are set out at Section 2.6 *Key Strategies*, and associated risks and mitigation steps are set out at Section 8 *Risks to the Fund's Business and Plans*.



4 Ruffell Road, Te Rapa, Hamilton

## 2.4 THE PROPERTY PORTFOLIO

### PROPERTY PORTFOLIO OVERVIEW

All items in this table are forecast as at 31 August 2022 unless otherwise stated, after acquisition of the Acquisition Properties, and after successful completion of the Offer.

| | Valuation[12] | WALT[13] | NLA (sqm) | Occupancy[14] | # of Tenants[15] | Key Tenant |
|---|---|---|---|---|---|---|
| **Acquisition Properties (3 properties)** | | | | | | |
| Ruffell Road Property, Hamilton | $14,550,000 | 15.0 years | 3,191 | 100% | 1 | Keith Andrews Trucks |
| 21 Rewa Rewa Road Property, Whangārei | $8,050,000 | 15.0 years | 2,453 | 100% | | Keith Andrews Trucks |
| 46 Rewa Rewa Road Property, Whangārei | $11,350,000 | 15.0 years | 2,737 | 100% | | Keith Andrews Trucks |
| **Acquisition Properties sub-total** | **$33,950,000** | **15.0 years** | **8,381** | **100%** | **1** | |
| **Existing Properties (20 properties)** | | | | | | |
| Victoria Street Property, Christchurch | $60,000,000 | 6.4 years | 7,489 | 100% | 9 | Nexia New Zealand |
| Seaview Road Property, Lower Hutt, Wellington | $45,525,000 | 6.9 years | 32,145 | 100% | 7 | Zany Zeus |
| El Prado Drive Property, Palmerston North | $42,800,000 | 3.5 years | 25,021 | 100% | 1 | EziBuy |
| Link Drive Property, Christchurch | $33,500,000 | 2.9 years | 22,786 | 100% | 4 | Coda Group |
| Gloucester Street Property, Christchurch | $27,000,000 | 3.6 years | 3,275 | 99% | 4 | Mediterranean Shipping Company |
| Hutt Park Road Property, Lower Hutt, Wellington | $25,600,000 | 1.9 years | 9,584 | 100% | 3 | 880 Productions |
| 901 Arthur Porter Drive Property, Hamilton | $23,800,000 | 9.2 years | 9,387 | 100% | 1 | Norman's Transport |
| Vickery Street Property, Hamilton | $22,400,000 | 4.5 years | 15,219 | 100% | 1 | Alto Packaging |
| Dominion Road Property, Auckland | $20,000,000 | 3.1 years | 3,694 | 100% | 6 | Finance Now |
| Truman Lane Property, Tauranga | $17,550,000 | 11.6 years | 12,187 | 100% | 1 | Tui Products |
| Robert Street Property, Whangārei | $16,750,000 | 10.1 years | 5,328 | 100% | 1 | Farmers |
| Eastern Hutt Road Property, Upper Hutt, Wellington | $14,500,000 | 7.9 years | 9,621 | 100% | 1 | Northpower |
| Druces Road Property, Auckland | $13,850,000 | 5.8 years | 4,827 | 93%[14] | 5 | Highway 1 |
| Alderman Drive Property, Auckland | $13,100,000 | 6.3 years | 3,183 | 100% | 5 | Grinding Gear Games |
| Spring Street Property, Tauranga | $12,975,000 | 1.8 years | 3,154 | 94% | 9 | Tauranga City Council |
| Langley Road Property, Auckland | $12,550,000 | 8.1 years | 6,556 | 100% | 1 | Pilehire |
| Paerangi Place Property, Tauranga | $12,200,000 | 6.2 years | 4,096 | 100% | 1 | Hemp New Zealand |
| Braeburn Drive Property, Christchurch | $7,800,000 | 2.3 years | 6,751 | 100% | 1 | Booths Transport |
| Distribution Lane Property, Christchurch | $7,500,000 | 8.7 years | 2,723 | 100% | 1 | Glaziers Choice |
| 400 Arthur Porter Drive Property, Hamilton | $7,450,000 | 6.8 years | 4,571 | 100% | 1 | HRT Business Consulting |
| **Existing Properties sub-total** | **$436,850,000** | **5.6 years** | **191,597** | **99%** | **63[15]** | |
| **Property Portfolio (23 properties)** | **$470,800,000** | **6.2 years** | **199,978** | **99%** | **64[15]** | |

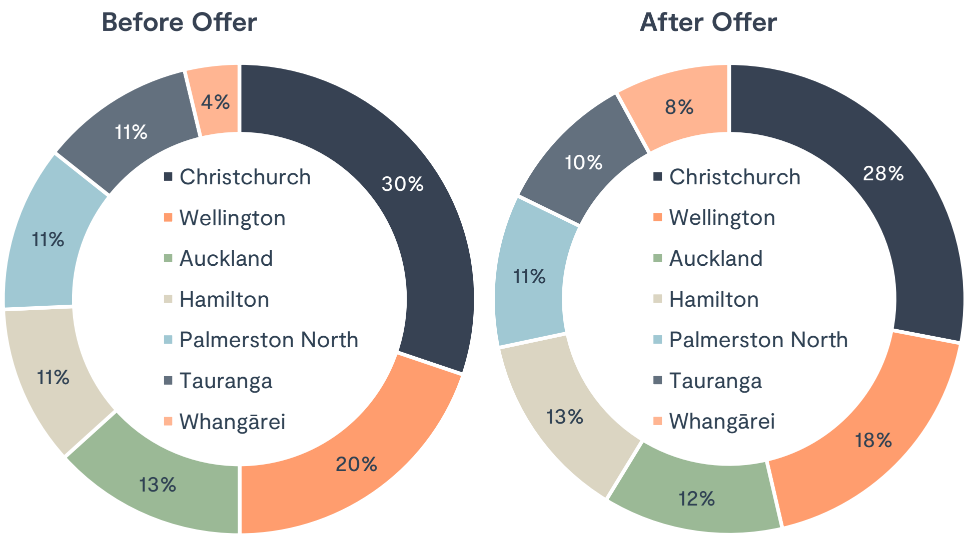
[12] The Property Portfolio valuation is stated as per the value of the most recent independent valuation report held by the Fund per property as at the date of this PDS. The Property Portfolio valuation therefore excludes forecast capital expenditure and capitalised Acquisition Costs after the date of this PDS, and also excludes the value of any works subject to a purchase price adjustment at the Ruffell Road Property.

[13] Weighted average lease term of lease arrangements (inclusive of vendor underwrites, leasebacks and top-ups), forecast as at 31 August 2022.

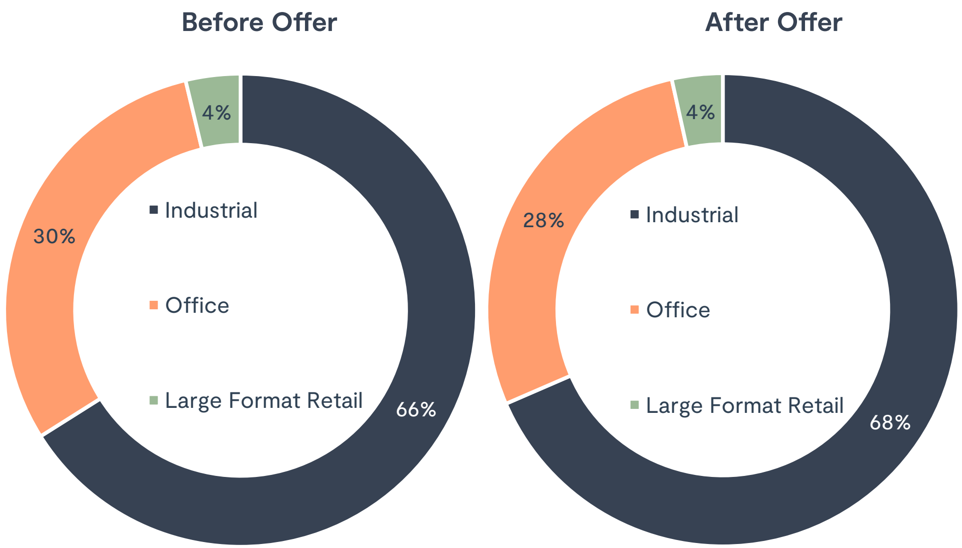
[14] Occupancy is based on the forecast leased area in sqm (inclusive of all space subject to vendor underwrites, leasebacks and top-ups), expressed as a percentage of total net lettable area in sqm, forecast as at 31 August 2022. The remaining vacant space at the Druces Road Property has been leased to a tenant, however the lease does not commence until after 31 August 2022.

[15] Lower than the ultimate number of leases as some tenants are party to more than one lease at one or more properties.

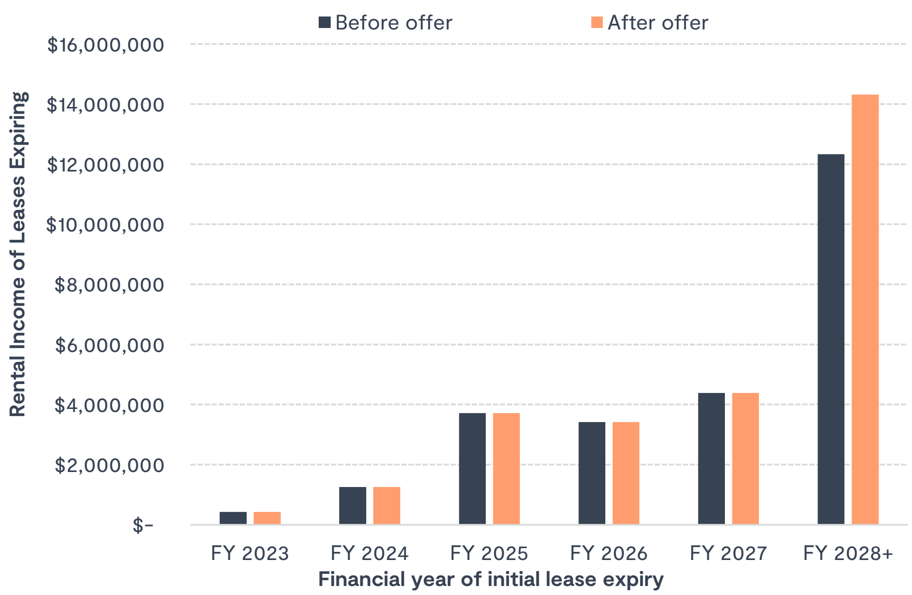
## Net Rental Income by Region



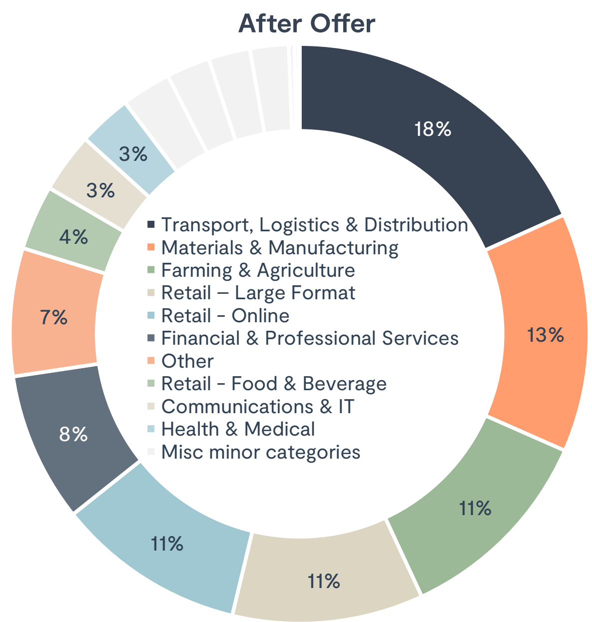

## Net Rental Income by Property Sector




## Lease Expiry Profile




## Net Rental Income by Tenant Sector



# ACQUISITION PROPERTIES

## THE SECTOR AND THE REGIONS

The Acquisition Properties are all industrial properties, with two located in Whangārei and one in Hamilton. Rental growth in the industrial sector will be one of the standout trends for 2022 and 2023, as limited supply and ongoing demand continues to impact the sector. Projections of 3% to 4% per annum prime rental growth rates are likely to be tested, and while limited evidence is available at this stage, anecdotal evidence suggests higher percentage rates should be anticipated, especially for the most sought-after spots (Colliers New Zealand - Research Report July 2022).

The Hamilton market has seen significant investor interest over the past five years and on the back of a strongly performing industrial market nationally. Improved roading networks between Auckland and Hamilton, and Hamilton and Tauranga have also assisted (AIM Valuation report dated 1 July 2022 related to the Ruffell Road Property, available on the Offer Register). The industrial sector has experienced an extended period of elevated demand which has seen leasing opportunities becoming increasingly limited, particularly for prime grade property. Tight market conditions have also seen industrial rents rising (Colliers New Zealand - Regional Essentials Waikato 1H2022).

In Northland the industrial property sector continues to be the strongest performing asset class. Both rental rates and yields have continued to strengthen and set new benchmarks. New buildings have been constructed and, with higher build costs, rents have also improved at a fast pace (Telfer Young - Whangarei Market Insights February 2022). The industrial sector is experiencing elevated levels of demand with vacancy rates falling to historically low levels across leading precincts. Demand for industrial premises has placed warehouse rents under upward pressure. Heightened demand for commercial and industrial investment assets across the region has seen sales activity and total sales values sitting at elevated levels over recent years (Colliers New Zealand - Regional Essentials Northland 1H2022).

## THE TENANT

Keith Andrews Trucks Limited currently operates at each of the Acquisition Properties and further operates at other sites throughout the North Island of New Zealand. With three decades of experience, they have one of the largest ranges of new trucks for sale in New Zealand, covering three prominent truck brands (Mercedes-Benz, Mitsubishi Fuso, and Freightliner). As a respected and trusted commercial vehicle distributor and dealer, they are backed by industry knowledge and manufacturer-trained service technicians.

## THE LEASES

Keith Andrews Trucks Limited will occupy all of the Acquisition Properties with the same lease commencement date (1 September 2022), same initial lease term (15 years), and with the same rent review mechanism (3.00% fixed increase annually, with a market review every 5 years capped at plus or minus 5% of the previous years annual rent). They are all net leases, such that operating expenditure is generally paid by the tenant. A summary of the lease terms agreed with the relevant vendors has been included on the Offer Register in the document titled *Other Material Information*.

# Ruffell Road Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION (as-is) | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **3,191 sqm** | **$14,550,000** | **100%** | **15.0 years** |

## THE PROPERTY

The property is a modern, high-quality industrial facility completed in 2018. It includes a workshop, showroom space and offices, and is surrounded by extensive yard areas situated to the northern fringe of the Te Rapa industrial locality. Construction is comprised of a steel-frame structure over a reinforced concrete slab, with pre-cast concrete panels and extensive glazing to the showroom elevations. A sealed parking area is located towards the Ruffell Road frontage with the rest of the site a mix between concrete, asphalt and metal yards, including an area of display yard to the Te Rapa frontage.

Surrounding development within the northern Te Rapa area consists of a mix of both commercial and industrial. These developments are mostly modern of mixed scale, including smaller industrial and office type occupants as well as larger national and international companies within large scale industrial premises. Te Rapa is the primary commercial and industrial precinct within Hamilton.

The tenant is currently extending a warehouse on site, due to be completed by March 2023. The Fund will monitor the warehouse extension and acquire the extension on completion by way of a purchase price adjustment as noted in the Sale and Purchase Agreement. The impact of this extension on valuation is not included in the figure stated above.

| | |
|---|---|
| Address | 4 Ruffell Road, Te Rapa, Hamilton. |
| Title | Freehold. |
| Key Tenants | Keith Andrews Trucks Limited. |
| Net Rental Income | $937,000 plus GST for the 12 months from acquisition date. |
| Seismic Rating | 100% NBS based on an ISA by a qualified, independent engineer. |
| Building Report | A building report has been obtained, and material items (if any) disclosed in this PDS. |
| Other Key Information | Tenant bank guarantee of twelve months' rent and outgoings, plus GST. Additional payment (purchase price adjustment) estimated at $5,542,900 will be required to acquire the warehouse extension being built on site (the amount payable will be the actual cost of construction). Completion is expected on or around 31 March 2023. Net Rental Income will increase by 5.50% per annum of the purchase price adjustment paid from the day after settlement of the extension. |


4 Ruffell Road, Te Rapa, Hamilton

# Ruffell Road Property (CONTINUED)

## SALE AND PURCHASE AGREEMENT

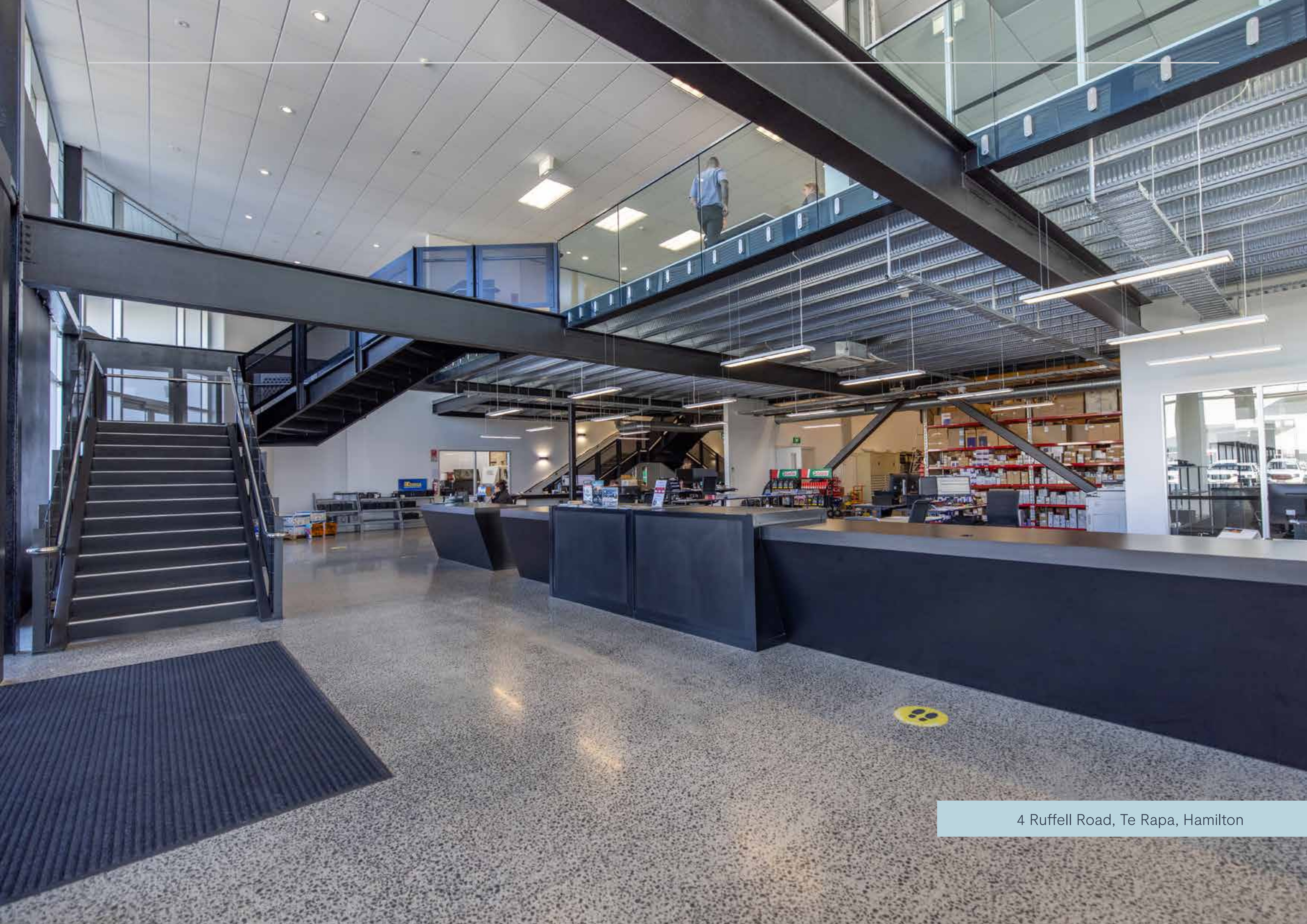
The sale and purchase agreement is unconditional. A summary of the key terms of the agreement are provided below.

| | |
|---|---|
| Purchaser | Pacific Property Fund Limited (nominated from PMG Funds Limited). |
| Vendor | Kat Te Rapa Limited (third party). |
| Date of Agreement | 11 May 2022. |
| Acquisition Date | 31 August 2022 (subsequently agreed between the parties). |
| Purchase Price | $14,000,000 plus GST (if any). |
| Special Conditions | • $1,272,727 deposit paid by the Fund on property due diligence completion, and a 12% per annum interest rate for late settlement.<br>• A purchase price adjustment will apply to the transaction, related to a warehouse extension already contracted to by the vendor. Once complete and an increased purchase price is paid to acquire the extension, rent from the property will increase by 5.5% per annum of the value of the purchase price adjustment paid (plus GST). It is possible that completion of the warehouse extension is delayed, or the cost of the warehouse extension increases from current expectation. Neither of these risks is considered likely to have a material impact on the Fund as a result of the Fund's revolving credit facility arrangements (delayed completion will delay the requirement to increase borrowings and thus interest expense, and an increased cost of completion will generate an increased rental income stream for the Fund that mitigates the risk of additional interest on borrowings).<br>• As a condition of the sale and purchase agreement, the vendor has made a commitment to invest $10,000,000 into the fund that acquires the property. The vendor has since entered an Underwriting Agreement associated with the Offer on normal commercial terms, for which the vendor will be entitled to a 3% underwriting fee. As an investor, the vendor will have the same rights and remedies as other investors, and will have no guarantee of share liquidity.<br>• References to the terms of the Lease Back in the agreement are superseded by the actual lease agreements entered. |

## VALUATION REPORT

Aim Valuation Limited has prepared an independent valuation report for the property dated 1 July 2022 (valuation as at 1 September 2022), a copy of which is available on the Offer Register.

4 Ruffell Road, Te Rapa, Hamilton



4 Ruffell Road, Te Rapa, Hamilton

# 21 Rewa Rewa Road Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **2,453 sqm** | **$8,050,000** | **100%** | **15.0 years** |

The building was originally built in the 1990s (previously a New Zealand Post logistics depot) and has undergone significant renovations recently to a modern fit-out. The total floor area consists of a substantial office and amenities area, a mezzanine with offices and a dining area, a drive-through workshop, and a large showroom.

The property is located in the suburb of Raumanga, at the southern end of Whangārei. Joining Rewa Rewa Road is Kioreroa Road, which is the principal southern access route to Whangārei City and the Port of Whangārei. The site is located on the northern roadside approximately 550 metres east of State Highway 1 and 50 metres west of Te Waiiti Place. The property is in a very popular industrial location with excellent exposure to a high volume of passing traffic.

The tenant primarily utilises the property for the sale of Mercedes-Benz vans and the provision of servicing and parts to commercial customers. The property is in close proximity to the 46-50 Rewa Rewa Road Property, which complements this property with a focus on the sale of trucks.

| | |
|---|---|
| Address | 21 Rewa Rewa Road, Raumanga, Whangārei. |
| Title | Freehold. |
| Key Tenants | Keith Andrews Trucks Limited. |
| Net Rental Income | $496,000 plus GST for the 12 months from acquisition date. |
| Seismic Rating | 100% NBS based on an ISA by a qualified, independent engineer. |
| Building Report | A building report has been obtained, and material items (if any) disclosed in this PDS. |
| Other Key Information | Tenant bank guarantee of an equivalent to 12 months' rent and outgoings (plus GST). |

## SALE AND PURCHASE AGREEMENT

The sale and purchase agreement is unconditional. A summary of the key terms of the agreement are provided below.

| | |
|---|---|
| Purchaser | Pacific Property Fund Limited (nominated from PMG Funds Limited). |
| Vendor | Kat Rewa Rewa Rd Limited (third party). |
| Date of Agreement | 11 May 2022. |
| Acquisition Date | 31 August 2022 (subsequently agreed between the parties). |
| Purchase Price | $7,866,667 plus GST (if any). |
| Special Conditions | • $715,152 deposit paid by the Fund on property due diligence completion, and a 12% per annum interest rate for late settlement.<br>• References to the terms of the Lease Back in the agreement are superseded by the actual lease agreements entered. |

## VALUATION REPORT

Aim Valuation Limited has prepared an independent valuation report for the property dated 1 July 2022 (valuation as at 1 September 2022), a copy of which is available on the Offer Register.


21 Rewa Rewa Road, Raumanga, Whangārei

# 46-50 Rewa Rewa Road Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **2,737 sqm** | **$11,350,000** | **100%** | **15.0 years** |

Keith Andrews Trucks has occupied this site for 27 years and is a household name in Whangārei. Rewa Rewa Road forms the heart of an established, freehold industrial location south-west of Whangārei's Central Business District. It is a major linking road from State Highway 1 through to the southern portion of central Whangārei and as such carries a considerable amount of domestic traffic as well as commercial vehicles servicing all areas of Whangārei.

The property is a purpose-built modern truck sales room/repair workshop facility and is of excellent design and construction. It has good road appeal providing Keith Andrews Trucks with an excellent visual profile. This property is directly opposite the 21 Rewa Rewa Road Property and occupies a different market positioning and offering. The rear portion of the main building provides a specialist truck and bus inspection facility with offices and amenities. A detached truck workshop with a fireproof bay is located in the south-western corner of the property.

Included with the purchase of 46-50 Rewa Rewa Road is a 7,722 sqm site of vacant industrial land found at 12 Te Waiiti Place. This site is located in a no exit side road off Rewa Rewa Road and is currently used for truck storage. It provides a development site in a popular freehold industrial locality and adjacent to the main property at 46-50 Rewa Rewa Road. Given the lack of industrial land for development in the area, future development is likely.

| | |
|---|---|
| Address | 46-50 Rewa Rewa Road and 12 Te Waiiti Place, Raumanga, Whangārei. |
| Title | Freehold across three titles. |
| Key Tenants | Keith Andrews Trucks Limited. |
| Net Rental Income | $735,000 plus GST for the 12 months from acquisition date. |
| Seismic Rating | 100% NBS based on an ISA by a qualified, independent engineer. |
| Building Report | A building report has been obtained, and material items (if any) disclosed in this PDS. |
| Other Key Information | Tenant bank guarantee of an equivalent to 12 months' rent and outgoings (plus GST). |

## SALE AND PURCHASE AGREEMENT

The sale and purchase agreement is unconditional. A summary of the key terms of the agreement are provided below.

| | |
|---|---|
| Purchaser | Pacific Property Fund Limited (nominated from PMG Funds Limited). |
| Vendor | Vicki Ann Andrews and YHPJ Trustees (2020) Limited as trustees of the Daffodil Trust (third party). |
| Date of Agreement | 11 May 2022. |
| Acquisition Date | 31 August 2022 (subsequently agreed between the parties). |
| Purchase Price | $11,133,333 plus GST (if any). |
| Special Conditions | • $1,012,121 deposit paid by the Fund on property due diligence completion, and a 12% per annum interest rate for late settlement.<br>• References to the terms of the Lease Back in the agreement are superseded by the actual lease agreements entered. |

## VALUATION REPORT

Aim Valuation Limited has prepared independent valuation reports for the property across 46-50 Rewa Rewa Road and 12 Te Waiiti Place. The valuations are dated 1 July 2022 (valuation as at 1 September 2022) and assess the value of the property at $9,400,000 for 46-50 Rewa Rewa Road and $1,950,000 for 12 Te Waiiti Place. A copy of both valuations is available on the Offer Register.

46-50 Rewa Rewa Road, Raumanga, Whangārei

# EXISTING PROPERTIES

This section includes a summary of all the Existing Properties in descending order of value.

## Victoria Street Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Office** | **7,489 sqm** | **$60,000,000** | **100%** | **6.4 years** |

The property is a high-specification, five-level office building located across two titles on a site area of 5,081 sqm in the Victoria Street Precinct in Christchurch CBD. Completed in 2017, the ground floor accommodates small-format retail operators, with office tenancies throughout the remaining four floors. A significant amount of investment by tenants has been made in the property, with a superior quality fit-out, particularly with respect to the Nexia New Zealand and The New Zealand Merino Company tenancies.

The property has in total 125 car parks, with 99 dedicated car parks to the south of the building, a further 18 car parks within the building design, and an additional eight adjoining car parks. The car parking is largely positioned on a significant land holding with the potential for future development that could be value accretive to the Fund.

| | |
|---|---|
| Address | 105 and 123 Victoria Street, Christchurch Central, Christchurch. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022 |
| Key Tenants | Nexia New Zealand, Alliance Group, NZ Merino, Pacific Radiology. |
| Net Rental Income | $3,293,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | 100% NBS based on an ISA by a qualified, independent engineer. |
| Other Key Information | The balance of land on the site (Car Park Land) is used as car parking for tenants, pursuant to a resource consent expiring December 2030. A lease to one tenant provides for access to the Car Park Land beyond the term of the resource consent. To mitigate any risk associated with this, the Fund expects to continue meeting its lease obligations to tenants beyond the term of the existing consent through:<br>• renewal of the consent (which last occurred in 2021 and there is no reason to believe this could not continue into the future); and<br>• consider whether development of a car parking structure on the Car Park Land is feasible. A 220 sqm strip of privately-owned land bisects the Car Park Land, and the Fund expects to submit a claim of Adverse Possession over this land to enhance any future development opportunity. |

# Seaview Road Property


| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **32,145 sqm** | **$45,525,000** | **100%** | **6.9 years** |

The property consists of two buildings on one title. The first is 43 Seaview Road, a substantial building originally built to accommodate the Ford Motor Company in 1937. Ford vacated the building in 1988 and it has been converted and upgraded to house multiple mixed-use tenancies. Major strengthening and refurbishment work including re-roofing and significant re-glazing has been completed. The existing façade has been retained (Heritage - Category 2) as has the original concrete foundations and floor. The second building, 118 Hutt Park Road, is a modern new-build warehouse and office facility of 1,200 sqm, constructed in 2015.

| | |
|---|---|
| Address | 43 Seaview Road and 118 Hutt Park Road, Lower Hutt, Wellington. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | Zany Zeus 2020, KiwiRail, Allied Pickfords, Champion Construction, United Steel. |
| Net Rental Income | $3,128,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | 43 Seaview Road - 75% NBS (based on a DSA by a qualified, independent engineer). 118 Hutt Park Road - 100% NBS (in the Fund's opinion, based on construction in 2015 to the building code, with Code of Compliance Certificate issued). |
| Other Key Information | • The property includes a vendor leaseback arrangement expiring September 2025 with a current face rental of $231,600 per annum. The quantum of actual leaseback amounts due from the vendor are dependent on the terms of space actually leased to third parties during the period of the leaseback. The amount payable is also subject to rent reviews.<br>• A new lease with KiwiRail has recently been entered for an eight-year term. The lease requires landlord works to be carried out up to a maximum cost of $1,000,000 that will improve the value of the property and enable the tenant to operate in the property as intended. The rental income from the tenant will increase on completion of these works. |

# El Prado Drive Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **25,021 sqm** | **$42,800,000** | **100%** | **3.5 years** |

The property is situated on a 5.9 hectare site located within the industrial precinct directly beside the Palmerston North Airport. The building consists of warehouse and offices purpose-built for the tenant in 2007, and remains its New Zealand distribution headquarters. The site provides full drive-around access to the building – adding future flexibility should the building need to be multi-let at or before the end of the current tenant's lease term. There is a large, covered drive-through canopy with four roller-doors providing access to the main warehouse for loading and unloading stock. The warehouse is high stud and allows for further internal expansion. There are 268 secure, uncovered car parks surrounding the building and the property has an office taking up less than 5% of the warehouse area, accommodating approximately 60 staff.

The property has a single tenant, EziBuy Limited, who is one of New Zealand's largest online and catalogue retailers of fashion and home ware. The lease to this tenant is considered material information and a summary of the lease is therefore included on the Offer Register, in the document titled *Other Material Information*.

| | |
|---|---|
| Address | 31 El Prado Drive, Milson, Palmerston North. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | EziBuy Limited. |
| Net Rental Income | $2,904,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | Estimated as 100% NBS by the Fund, based on PS4 construction certificates issued following warehouse and office upgrade in 2013. |
| Other Key Information | Reconfiguration of the net lettable area of the property may occur in future, if accretive to value and commercially viable for the Fund, and also if acceptable to the tenant. Such a reconfiguration is uncertain and has not been presumed in this PDS. |

# Link Drive Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **22,786 sqm** | **$33,500,000** | **100%** | **2.9 years** |

The property consists of five industrial buildings constructed between 2014 and 2020 across four titles, with a total site area of 38,859 sqm. The property is located in the Izone Business Hub, 24 kilometres south-west of central Christchurch. The property is currently subject to four lease arrangements including a vendor leaseback arrangement. All arrangements expire between April and May 2026, with the exception of the Coda Group lease due to initially expire in July 2023.

| | |
|---|---|
| Address | 25, 27, and 29 Link Drive, 13 and 19 Hannover Place, Rolleston, Christchurch. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | Coda Group, Hilton Haulage, PGG Wrightson, property vendor. |
| Net Rental Income | $2,125,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | All buildings at least 100% NBS based on an assessment by a qualified, independent engineer. |
| Other Key Information | • The property includes a vendor leaseback arrangement expiring April 2026 with a current face rental of $729,000 per annum. The quantum of actual leaseback amounts due from the vendor are dependent on the terms of space actually leased to third parties during the period of the leaseback. The amount payable is also subject to market reviews and partially secured by a retention fund at settlement.<br>• Whilst 6,200 sqm of space is leased to Coda Group until July 2023, the tenant has physically vacated the premises and the Fund is actively seeking a new tenant in advance of the existing lease expiring. |

# Gloucester Street Property


| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Office** | **3,275 sqm** | **$27,000,000** | **99%** | **3.6 years** |

Completed in 2014, the property is a six-level office building on a site area of 948 sqm, situated on the western side of the Avon River within the core office area of Christchurch CBD. The property has good transport links (with the bus exchange and car parking buildings in close proximity) and is close to other A-grade office buildings, superior retail offerings and Hagley Park. Upper floors consist solely of office tenancies, with the ground floor including a lobby and car parks, and the first floor has additional car parking and accessible bathroom facilities. In total the property has 29 car park spaces, plus bicycle spaces. Anderson Lloyd pay for naming rights to the property.

| | |
|---|---|
| Address | 70 Gloucester Street, Christchurch. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | Mediterranean Shipping Company, Anderson Lloyd, Lewis Bradford Consulting Engineers. |
| Net Rental Income | $1,466,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | At least 100% NBS based on an assessment by a qualified, independent engineer (the property designer, construction monitor, and a tenant of the property). |
| Other Key Information | The prospective financial information has made allowance for planned capital expenditure to improve fire separation between different areas of the property. |

# Hutt Park Road Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **9,584 sqm** | **$25,600,000** | **100%** | **1.9 years** |

The property was constructed in 2001 and comprises a main built area of 6,449 sqm (more or less) plus a 2,000 sqm warehouse extension. The site is 2.12 ha, provides full drive-around access and a hard-sealed yard surrounds the building. There is room for unmarked car parking around the building. The main building consists of a large warehouse with interconnecting offices and a cafeteria. The warehouse is leased to a film company, as well as a food packaging company – with total office area comprising 465 sqm (more or less) with the balance being warehousing.

| | |
|---|---|
| Address | 120 Hutt Park Road, Lower Hutt, Wellington. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | 880 Productions. |
| Net Rental Income | $1,499,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | 80% NBS based on an assessment by a qualified, independent engineer. |
| Other Key Information | Currently $74,085 per annum plus GST of the Net Rental Income is forecast from the property vendor by way of an underwriting arrangement that remains in place to September 2025. |

# 901 Arthur Porter Drive Property


| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **9,387 sqm** | **$23,800,000** | **100%** | **9.2 years** |

This modern storage warehouse and logistics space (constructed 2014) is located in the premium industrial precinct in Te Rapa North, just Northwest of The Base retail centre and a 5-minute drive from State Highway 1. The site is also located in close proximity to Hamilton CBD. The building is constructed of tilt slab concrete walls including two individual stores separated by a firewall and an enclosed canopy for container unloads and freight distribution.

The property has a single tenant, Normans Transport and Storage Limited, which is a New Zealand owned and operated family business, supplying quality transport and storage solutions to Hamilton, Tauranga and Rotorua. Services include general freight transport, container transport, transitional facility, specialised transport and storage.


| | |
|---|---|
| Address | 901 Arthur Porter Drive, Te Rapa, Hamilton. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | Normans Transport. |
| Net Rental Income | $1,071,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | 100% NBS based on an ISA by a qualified, independent engineer. |
| Other Key Information | The property was acquired in November 2021 using available bank funding headroom for $23,775,280. |

# Vickery Street Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **15,219 sqm** | **$22,400,000** | **100%** | **4.5 years** |

The property has a single tenant – one of New Zealand's leading rigid plastic packaging companies. It has been operating for over 64 years and specialises in extrusion and thermoforming, blow moulding and injection moulding. It has invested, over time, in a significant amount of plant and equipment within the property and continues to invest capital in the site. The property includes five attached warehouse and workshop buildings dating from original development in 1968 through to 2008. Each has an area of office and amenities associated with it. The site around the property is fully developed with a sealed surface for access, storage, and parking. The property has a single tenant, Alto Packaging Limited. The lease to this tenant is considered material information and a summary of the lease is therefore included on the Offer Register, in the document titled *Other Material Information*.

| | |
|---|---|
| Address | 33 Vickery Street, Te Rapa, Hamilton. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | Alto Packaging. |
| Net Rental Income | $1,382,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | Range of 39% to 131% NBS based on an IEP by a qualified, independent engineer. |
| Other Key Information | Two of the older warehouses received a lower seismic rating of 39%. Seismic upgrade design work was completed in 2013 and costed by a quantity surveyor to bring both buildings up to >67% NBS. Total cost at the time was estimated at $850,000. Any upgrade works are not practicable to be carried out while the tenant is in situ. No capital expenditure is currently budgeted for such works. The current structure complies with the Building Act 2004 and the tenant is aware of all seismic ratings. |

# Dominion Road Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Office** | **3,694 sqm** | **$20,000,000** | **100%** | **3.1 years** |

The Dominion Road property accommodates ground floor retail and office accommodation with two levels of office accommodation above, in addition to a basement level. The property has six tenants, plus casual parking leases.

| | |
|---|---|
| Address | 114 Dominion Road, Mount Eden, Auckland. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | Connect NZ Group, Finance Now. |
| Net Rental Income | $1,265,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | 102% NBS based on an IEP by a qualified, independent engineer. |
| Other Key Information | None to note. |

# Truman Lane Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **12,187 sqm** | **$17,550,000** | **100%** | **11.6 years** |

The property is a large, purpose-built industrial facility constructed in 2014, comprising a two-level modern office block, high-stud warehouse, bulk store, as well as a detached warehouse constructed in 2017. The property is situated on 3.54 hectares of leasehold land.

The property has a single tenant, one of New Zealand's leading garden products companies specialising in the manufacture, supply, and distribution of home garden, as well as seed-based pet food products, to outlets throughout New Zealand.

| | |
|---|---|
| Address | 697L Truman Lane, Te Maunga, Mount Maunganui, Tauranga. |
| Title | Leasehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | Tui Garden Products. |
| Net Rental Income | $1,313,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | 100% NBS in the Fund's opinion as constructed in 2014 (and later) to the building code, with required Code of Compliance certificates issued. |
| Other Key Information | • The value of the property is for the Fund's interest only. The ground lease from the proprietors at Mangatawa-Papamoa currently costs the Fund $113,000 plus GST per annum.<br>• The storm water management capability at the property is currently under investigation. |

# Robert Street Property


| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Large Format Retail** | **5,328 sqm** | **$16,750,000** | **100%** | **10.1 years** |

The property was constructed in the 1980s on a site of 2,787 sqm and is located within the CBD of Whangārei. The property was comprehensively modernised as part of a landlord-funded upgrade in 2017. It has a single tenant, a well-established retailer, subject to a 15-year lease term.

| | |
|---|---|
| Address | 8 Robert Street, Whangārei. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | Farmers Trading Company Limited. |
| Net Rental Income | $955,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | Greater than 100% NBS based on an ISA by a qualified, independent engineer. |
| Other Key Information | None to note. |

# Eastern Hutt Road Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **9,621 sqm** | **$14,500,000** | **100%** | **7.9 years** |

The property is situated on 9,648 sqm of land across two lots in the Silverstream Business Park, Upper Hutt – located two kilometres away from Silverstream. The business park has attracted quality national and international tenants, and provides good connectivity to major arterial roading. The property has a single tenant, an owner-operator of electricity distribution and fibre networks, who is using the property primarily for storage and distribution of electrical and fibre cabling equipment.

| | |
|---|---|
| Address | 410 Eastern Hutt Road, Silverstream, Upper Hutt, Wellington. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | Northpower. |
| Net Rental Income | $695,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | 100% NBS based on an ISA by a qualified, independent engineer. |
| Other Key Information | None to note. |

# Druces Road Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **4,827 sqm** | **$13,850,000** | **93%** | **5.8 years** |

The property comprises a medium-to-high-stud warehouse with a two-level office building attached, located in the industrial suburb of Wiri.

| | |
|---|---|
| Address | 59 Druces Road, Wiri, Auckland. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | Amrita Nutrition, Highway 1, Space Industries. |
| Net Rental Income | $740,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | 71% NBS based on an IEP by a qualified, independent engineer. |
| Other Key Information | The remaining unoccupied space at the property has been leased and the lease commencement will occur post 31 August 2022. |

# Alderman Drive Property


| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Office** | **3,183 sqm** | **$13,100,000** | **100%** | **6.3 years** |

The property comprises a three-level office building, which sits in the Henderson commercial and retail core in Waitākere City. The property has multiple tenants.

| | |
|---|---|
| Address | 6 Alderman Drive, Henderson, Auckland. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | Grinding Gear Games, Ministry of Justice. |
| Net Rental Income | $939,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | 147% NBS based on an IEP by a qualified, independent engineer. |
| Other Key Information | None to note. |

# Spring Street Property


| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Office** | **3,154 sqm** | **$12,975,000** | **94%** | **1.8 years** |

The property consists of ground-floor retail tenancies, and office tenancies on the first and second floors. It is located within the heart of the central business district of Tauranga.

| | |
|---|---|
| Address | 46 Spring Street, Tauranga. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | Tauranga City Council, Bank of New Zealand. |
| Net Rental Income | $817,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | 70% NBS based on an IEP by a qualified, independent engineer. |
| Other Key Information | None to note. |

# Langley Road Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **6,556 sqm** | **$12,550,000** | **100%** | **8.1 years** |

The property is a medium-scale manufacturing warehouse located in Auckland's in-demand industrial suburb of Wiri.

| | |
|---|---|
| Address | 102 Langley Road, Wiri, Auckland. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | Pilehire. |
| Net Rental Income | $591,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | At least 95% NBS based on an IEP by a qualified, independent engineer. |
| Other Key Information | Tenant bank guarantee of 6 months' occupancy costs and guaranteed by a named guarantor. |

# Paerangi Place Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **4,096 sqm** | **$12,200,000** | **100%** | **6.2 years** |

The property is a large industrial property in the Tauriko Industrial Estate, consisting of a warehouse, factory, two-level office and amenities block, cold store and a canopy, with generous on-site car parking and manoeuvrability areas. The property has a single tenant.

| | |
|---|---|
| Address | 8 Paerangi Place, Tauriko, Tauranga. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. Valuation amount above includes finance lease assets. |
| Key Tenants | Hemp New Zealand. |
| Net Rental Income | $610,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | Estimated as 100% NBS by the Fund, based on PS4 construction certificates and CCC issued following each stage of construction in 2016 and 2017. |
| Other Key Information | None to note. |

# Braeburn Drive Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **6,751 sqm** | **$7,800,000** | **100%** | **2.3 years** |

The property is a single-level industrial property completed in 1995, with a clear span warehouse space, a large, enclosed canopy with office space, amenity area and 12 on-site car parks. The property has a single tenant.

| | |
|---|---|
| Address | 40 Braeburn Drive, Hornby, Christchurch. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | Booths Transport (formerly named Summerland Express Freight). |
| Net Rental Income | $522,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | 67% NBS based on an assessment by a qualified, independent engineer. |
| Other Key Information | None to note. |

# Distribution Lane Property


| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **2,723 sqm** | **$7,500,000** | **100%** | **8.7 years** |

The property was constructed in three stages across 2016, 2017, and 2021, consisting of a workshop, two storey office and amenity block, and warehouse all built to a high specification. The property also houses a new glass cutting line and ample yard area.

| | |
|---|---|
| Address | 3 Distribution Lane, Sockburn, Christchurch. |
| Title | Freehold. |
| Valuation as-at | 31 March 2022. |
| Key Tenants | Glaziers Choice (trading as Stake Glass). |
| Net Rental Income | $377,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | 80% - 100% NBS based on an ISA by a qualified, independent engineer |
| Other Key Information | Tenant bank guarantee of nine months' rent and outgoings, plus GST, to expire no earlier than three months after the expiry of the initial term of the lease. |

# 400 Arthur Porter Drive Property

| PROPERTY TYPE | NET LETTABLE AREA | VALUATION | OCCUPANCY (as at 31 August 2022) | WALT (as at 31 August 2022) |
|---|---|---|---|---|
| **Industrial** | **4,571 sqm** | **$7,450,000** | **100%** | **6.8 years** |

The property is situated on a 5,012 sqm site in the developing Northgate Business Park close to Te Rapa, five kilometres away from the Hamilton CBD, and has favourable links to key arterial routes. Completed in 2019, the property provides a large warehouse and canopy (being 86% of the lettable area) plus ground and first-floor offices. The site also includes a total yard area of approximately 1,662 sqm (not included in the net lettable area summarised above).

| | |
|---|---|
| Address | 400 Arthur Porter Drive, Te Rapa, Hamilton. |
| Title | Freehold. |
| Key Tenants | HRT Business Consulting. |
| Net Rental Income | $371,000 plus GST for the 12 months from 31 August 2022. |
| Seismic Rating | 100% NBS based on an ISA by a qualified, independent engineer. |
| Other Key Information | None to note. |

## 2.5 BANK FUNDING

The Fund has syndicated funding arrangements with a number of lenders, arranged by ASB Bank Limited (**ASB**) – who is also the facility agent and security trustee. The current syndicated lenders are ASB, Industrial and Commercial Bank of China Limited (**ICBC**), Bank of China Limited Auckland Branch (**BOC**), Kiwibank Limited (**Kiwibank**) and Aware Super (**Aware**) (together, the banks form the **Banking Syndicate**). Existing funding facilities totalling $182,040,000 are available. The combined funding facilities with the Banking Syndicate are referred to as the **Facilities**.

Additional bank funding is not required to fulfil the purpose of the Offer. However, the Fund does intend to convert a total of $28,000,000 of funding from the term loan Tranche A into a new revolving credit facility of the same size on or around 31 August 2022. This will enable additional flexibility in the Fund's total drawn borrowings over time to accommodate the intended purpose of the Offer, and any variation in total capital raised between the Minimum Equity Raise and the Maximum Equity Raise. The costs associated with this change in facility structure have been factored into equity raise costs, interest expense and line fees expense over time as applicable.

| | |
|---|---|
| Security: | ASB, as the security trustee, holds First Ranking Mortgages over all properties in the Property Portfolio, a First Ranking General Security Deed over the Fund's assets, first ranking Specific Security Deed regarding leases, bank accounts and rental bonds. |
| Interest Rate: | The interest rates for the Facilities are structured on a Base Rate plus Margin basis. The Base Rate is the bid settlement rate quoted on the Reuters Monitor System Page BKBM (or any replacement page) on the first day of an interest period. The margin per lender is commercially sensitive. The indicative effective weighted average interest rate across the Facilities during the prospective periods ending 31 March 2023 and 31 March 2024 is expected to be 4.47% and 5.29% respectively, based on the current facilities, lending margins, and interest rate swap arrangements at the date of this PDS, and projected changes in the BKBM. Interest rates are however inherently subject to change for reasons beyond the Fund's control. The Default Interest Rate is 2% above the Interest Rate. |
| Interest Payments: | Interest is payable on the last day of each interest period. Where an interest period is longer than 90 days, interest is payable after 90 days. In practice, interest is expected to be payable monthly. |
| Other Costs: | Establishment fees for each new facility are payable to each lender as a percentage of the facility granted, and the amounts are commercially sensitive. Other costs (other than interest noted above) are expected to be:<br>- Line fee – Revolving Credit Facilities attract a margin, but also incur a line fee chargeable on the facility limit, payable quarterly in arrears.<br>- Annual facility agent and security trustee fees. |
| Principal Repayments: | Interest only facilities – full repayment required on the expiry date unless renewed. |
| Renewal: | The Facilities are extendible. Prior to each facility anniversary, each facility can be extended by a further 12 months (to effectively reset the original lending term) subject to request by the Fund and acceptance by the lender. |

| Facility Name | Facility Type | Facility Expiry | Facility Limit | Expected Borrowing 31 August 2022 |
|---|---|---|---|---|
| Revolving 1 | Revolving Credit | December 2024 | $10,000,000 | $4,000,000 |
| Revolving 2 | Revolving Credit | December 2024 | $28,000,000 | $Nil |
| Tranche A | Term Loan | December 2024 | $20,000,000 | $20,000,000 |
| Tranche B | Term Loan | December 2025 | $55,000,000 | $55,000,000 |
| Tranche C | Term Loan | April 2026 | $8,000,000 | $8,000,000 |
| Tranche D | Term Loan | April 2026 | $10,200,000 | $10,200,000 |
| Tranche E | Term Loan | April 2026 | $36,840,000 | $36,840,000 |
| Tranche F | Term Loan | November 2025 | $9,000,000 | $9,000,000 |
| Tranche G | Term Loan | November 2025 | $5,000,000 | $5,000,000 |
| **Total** | | | **$182,040,000** | **$148,040,000** |

The expected borrowing from the Facilities at Settlement Date assumes 49,250,000 Shares are issued from the Offer. The level of borrowing is expected to subsequently increase over time as the extension at the Ruffell Road Property is completed and paid for, and as capital expenditure is incurred, following which a commensurate increase in asset carrying value is expected. Borrowings may vary further over time based on the amount of capital raised, and any future property transactions that may require bank funding, or may generate surplus funds on disposal.

| | |
|---|---|
| Other Facility Terms: | The revolving credit facility is provided by ASB only and may be used for general commercial purposes (including the acquisition of properties). Where the revolving credit facility, or any new facilities, are being used to fund the acquisition of property, additional conditions may be imposed on these facilities by the relevant lending counter party. |
| Conditions After Advance: | The following conditions apply:<br>**Reporting** – The Fund's annual financial statements must be provided to the ASB within 180 days of the Fund's balance date. The Fund's tenancy schedule must be provided to the ASB within 45 days of the end of each financial half-year, in addition to any new material lease.<br>**Valuations** – The Fund must provide valuations for the secured properties every two years from 31 March 2022, dated within 30 days of delivery and completed by an independent registered valuer. Valuations must also be provided as requested by the lenders if an event of default subsists.<br>**Covenants** – Tested twice yearly:<br>- Loan to value ratio must not be greater than 50% of the value of secured properties at any given time.<br>- Net Rental Income must be greater than 2.25 times interest expense at all times.<br>- WALT must be greater than four years.<br>**Insurance** – The Fund must maintain adequate insurance at all times, including cover for all secured assets at full replacement value for all risks that should be prudently insured against, and cover for loss of rental income for a period of not less than 24 months. The insurance should be placed with a reputable insurer having a Standard and Poor's rating of at least A. |

## 2.6 KEY STRATEGIES

### GENERAL STRATEGIES

Following the acquisition of the Acquisition Properties, the Manager may identify new property acquisition and disposal opportunities with a view to the Fund increasing the diversity and robustness of the Property Portfolio over time with quality commercial properties in various sectors located primarily in major metropolitan areas and regions across New Zealand. The Fund intends, through the Manager, to actively manage the Property Portfolio to maximise its value and rental returns to the Fund. This could mean purchasing properties where the Fund believes this will improve the quality of the Property Portfolio, or selling properties where the opportunity for increasing value is limited.

Any future acquisitions are likely to focus on properties valued $10,000,000 and above in aggregate. The Fund believes it will have better opportunities to purchase these properties on attractive terms due to more limited competition from individual investors and larger listed property funds in this part of the market. In the event new properties are to be acquired, the Fund intends to target sound, well-located generic buildings that offer sustainable yields and have good lease structures and tenant covenants.

The Fund's primary strategy focuses on diversification of property assets at scale. By continuing to grow the total value of the Property Portfolio in a diversified manner (through multiple properties, regions, tenants, and tenant sectors) the growth of income from the Property Portfolio is expected to be sustainable. This approach is designed to reduce income concentration risk, with a greater spread of exposure by region, property type, industry, lease, and individual counter party. The Manager pro-actively manages the lease term expiry profile across the Property Portfolio through proactive management and tenant retention to extend the committed income time horizon and property WALT, benefiting not only long-term rental income but also the capital value of the Property Portfolio.

The Fund intends to continue entering favourable financing arrangements to fulfil its debt-funding requirements and appropriately mitigate interest rate risk. The Fund intends to ensure that it maintains sufficient cash flow to fund, within lending facility limits, known and likely capital expenditure.

**Rental income:** To support long-term and enduring Fund performance, lease negotiations are critical. The Fund targets long lease terms where possible to increase WALT and therefore the effective term-certain income the Fund expects to receive. The vast majority of the Fund's leases also include fixed or CPI rental increases, in addition to hard ratchet clauses that prevent rental income from reducing below current levels following a market or CPI rent review. The Fund will also seek to obtain rental income guarantees from the tenant via a bank or personal guarantee. When acquiring property the Fund may also commit a vendor to lease back space, reducing leasing risk.

An example embodying this strategy is that shown with the Acquisition Properties that are to be tenanted by the Fund's second largest tenant by rental income, and will be subject to new leases with an initial lease term of 15 years, fixed increases in most years of 3%, and a 12-month rental guarantee from a registered bank.

**Bank interest:** The Fund strategically mitigates the impact of increasing interest rates in the short to medium (0-5 year) term through active management of interest rate swap arrangements in accordance with a hedging policy. These swaps fix a portion of the Fund's interest expense for a period of time. The current policy is to have between 60% and 85% of the Fund's interest bearing borrowings hedged.

The Fund also has the capability to reduce its exposure to bank borrowings at times of heightened interest cost, effectively boosting hedging cover without having to place interest rate swaps at higher effective rates. This ultimately reduces interest expense to the Fund, and is part of the strategy associated with this Offer.

**Valuation:** The active management of every property in the Property Portfolio by the Manager's in-house team of experts based across New Zealand enables a laser focus on all aspects of property management. This approach ensures occupancy, WALT, rental income and property quality is as high as possible, all in turn strengthening relationships with tenants and continuous improvement in the quality of buildings in the Property Portfolio. In addition to value-add opportunities identified by the Manager's Investments Team on acquisition of a property, these factors help the Fund drive its property valuations and in turn the value per Share in the Fund.

**Capital and Operating Expenditure:** Prior to acquisition of a property, thorough due diligence is performed by the Fund including technical due diligence reports and ten-year capital expenditure plans with third party experts. Once owned, the Fund actively conducts preventative maintenance across all properties to prevent unnecessary capital expenditure surprises. As a result, unexpected capital expenditure of a material nature is rare. This approach also enables a reduction of operating expenditure growth over time. The vast majority of the Fund's leases are also net leases - such that operating expenditure associated with a property is typically borne by the tenant, protecting the Fund from increases to a large degree. Over time the Fund will improve the sustainability and efficiency of the Property Portfolio, ultimately reducing operating expenditure over time.

## SPECIFIC PROPERTY STRATEGIES

The Fund has strategies associated with each property in the Property Portfolio. The strategies related to properties that are considered significant (due to the value of the property, the rental income earned from a tenant, or the high potential for value-accretive capital works at the property that increase rental income) are documented below.

| | |
|---|---|
| **Ruffell Road Property** | Given the existing tenant's desire to remain in the property and grow their business, a warehouse extension is underway at the property. On completion of the works, the Fund will acquire the extended warehouse as part of the acquisition cost for the property. Additional rental income will be generated from the warehouse extension based on the amount paid for the works. |
| **46-50 Rewa Rewa Road Property** | This acquisition property includes vacant land adjacent to the built premises (12 Te Waiiti Place, Raumanga, Whangārei). Given the lack of available land for industrial development in the area in close proximity to the property, over the long term the Fund may develop this land for a higher return on investment than is currently being generated. |
| **Victoria Street Property** | A potential opportunity to develop a multi-storey car park building on land currently used for car parking exists, that would be rental income and value accretive to the Fund. |
| **Seaview Road Property** | Following successful leasing up of existing space to Zany Zeus and a new lease to KiwiRail, the property will be fully occupied at 31 August 2022. Landlord works associated with the KiwiRail lease will be completed as a priority, reconfiguring existing space to generate additional rental income. Given the low building site to area coverage, the long-term opportunity remains to either extend the existing building or construct new buildings. |
| **El Prado Drive Property** | The key strategy is to retain currently material tenant EziBuy through negotiating a new lease ahead of lease expiry in February 2026. Renewal of the EziBuy lease is likely to require reconfiguration of the warehouse to meet EziBuy's requirements, and also attract a new tenant for any surrendered space as part of this leasing activity. The capital expenditure to reconfigure the warehouse will provide the opportunity to improve total property income and WALT, whilst reducing the reliance on a single tenant at the property. |
| **Link Drive Property** | Focus on leasing activity for space currently subject to a vendor lease back, with consideration to be given to warehouse reconfigurations to meet market requirements. To target space on site being fully utilised and generating rent into the future, including yard space. |

All of the below properties are currently considered long-term hold opportunities for the Fund, and are largely more recent purchases for the Fund that embody the diversification and quality the Fund is targeting to lift portfolio robustness and resilience.

| | |
|---|---|
| **Gloucester Street Property** | To maintain high occupancy level through retaining existing tenants where possible with strong relationships, growing rental income, WALT and building value over time through renewals extensions in the normal course of business. |
| **Hutt Park Road Property** | Potential for building an additional warehouse on the yard space at the front of the building, to yield additional income and increase building valuation. |
| **Vickery Street Property** | With a long lease term to a specialised tenant, the intent is to extend the current term expiry from 2026, for which the Fund would likely complete additional capital works on-site to improve site usability for the tenant. |
| **Langley Road Property** | The yard area is to be upgraded to concrete to ensure it is fit for purpose, with additional rental income and property value being created from the works. |

3 Distribution Lane, Sockburn, Christchurch

## 2.7 THE FUND'S BOARD OF DIRECTORS

The Fund's Board currently comprises Denis McMahon, Philip Tushingham, Craig Garrett and Scott McKenzie. From the Fund's Board, Denis McMahon and Scott McKenzie are also directors of the Manager.

### DENIS MCMAHON

Chairman of the Board

Denis established the Manager in 1992 to offer a specialised, professional service for managing industrial, office and retail property. Two years later he syndicated his first property in Tauranga and since then has overseen more than 30 investment offerings. He transitioned to the role of Non-Executive Director and Chair following the appointment of Scott McKenzie as CEO in 2012. Denis has successfully overseen the growth of the Manager's portfolio since then, with the Manager expecting to manage portfolios valued at over $900 million following acquisition of all properties under contract. Denis is a member of the Property Institute and was Chairperson of the Property Council Bay of Plenty from 1996-2000.

### PHILIP TUSHINGHAM

Director

Philip was born and raised in the United Kingdom and moved to New Zealand in 2003. Philip has over 35 years' experience in the commercial property business. He has been a member of the Royal Institution of Chartered Surveyors since 1984. He set up his own commercial real estate agency, Tushingham Moore, in 1988 in Manchester, England. The business grew into a major independent agency practice in the United Kingdom, leasing and selling commercial property. Philip also specialised in setting up commercial property syndications in the United Kingdom for a number of private clients.

### CRAIG GARRETT

Director

Craig and his wife Philipa have built a large dairy farming business in the Bay of Plenty, which includes a number of dairy farming units and grazing support land. In 2007, looking for diversification from the dairy industry, Craig invested in commercial property via an unlisted property fund, which was based in Auckland. Craig maintained an active relationship with the directors of the fund and became involved in strategy and certain acquisitions. In 2015, Craig became a shareholder in Pacific Property Fund Limited. In 2016, Craig subsequently invested in PMG Capital Fund Limited and joined its Board. Craig is active in the community, acting as Treasurer on the Pongakawa School Board for the past six years, coaching schoolboy rugby, and sitting on the committees of a number of local sports clubs.

### SCOTT MCKENZIE

Director and Chief Executive Officer

With over two decades in business and 10 years specialising in funds management and commercial real estate, Scott is the driving force behind the Manager's innovative strategy. He honed his leadership skills in the New Zealand and UK banking sectors, and holds a Bachelor of Commerce in Valuation and Management from Lincoln University and a Post Graduate Diploma in Management from Waikato University. In addition to his role as CEO and Director of the Manager, Scott is also a board member of Priority One (Tauranga's economic development agency) and a founding board member of the Urban Taskforce for Tauranga.

## 2.8 THE MANAGER

The Manager's board of directors currently comprises independent director Dr Wayne Beilby, non-executive directors Denis McMahon, Tony Pitt, James Storey, and Glenn Butterworth, and executive directors Scott McKenzie and Nigel Lowe. For further information about the directors of the Manager, its senior officers and recent news related to the Manager, please refer to www.pmgfunds.co.nz.

On 27 May 2022, the Manager's indirect 50% shareholder, 360 Capital FM Limited, as Responsible Entity of 360 Capital REIT (ASX: TOT), announced that it had received expressions of interest from alternative purchasers for its 50% ownership interest in the holding company of the Manager, PMG Holdings Limited.

Should any sale of the 50% interest take place, shareholdings in PMG Holdings (and therefore indirectly the Manager) will change and it is expected that directors of the Manager previously appointed by 360 Capital FM Limited (Tony Pitt, James Storey and Glenn Butterworth) would cease to be directors of the Manager with a new director or directors appointed.

## 2.9 SUBSTANTIAL SHAREHOLDINGS

No person is expected to have a relevant interest in 5% or more of the shares in the Fund before or after the Offer. This disclosure is made on the basis of information of which the Fund is aware, having made reasonable endeavours to obtain all relevant information for the purposes of preparing this disclosure.

## 2.10 SHAREHOLDINGS OF COMPANY DIRECTORS

The table below sets out, in relation to each director of the Fund, the percentage and number of Shares in respect of which the director:

- has a relevant interest as at the date no earlier than 20 Business Days before the date of this PDS; and
- is likely to have a relevant interest immediately after the Offer.

The Manager may hold Shares immediately after the Offer. Denis McMahon and Scott McKenzie would have indirect relevant interest in any Shares held by the Manager by virtue of their respective holdings of shares in PMG Holdings Limited (either directly or indirectly), which is the parent company of the Manager. Denis McMahon and Craig Garrett would have indirect relevant interests in any Shares held by PMG Capital Fund Limited by virtue of their respective holdings of shares in PMG Capital Fund Limited (either directly or indirectly). The table below assumes that all Underwriting Agreements are called upon. None of the persons named above guarantees or undertakes any liability in respect of the Shares.

| | | As at 22 July 2022 | | As at 31 August 2022 | |
|---|---|---|---|---|---|
| **Name** | **Type of interest** | **Number of Shares held** | **% of Shares on issue** | **Number of Shares likely to be held** | **% of Shares likely to be on issue[16]** |
| Denis McMahon | Legal ownership[17] | 730,000 | 0.37% | 1,110,000 | 0.45% |
| | Indirect (PMG Holdings Limited)[18] | 2,159 | 0.00% | 81,715 | 0.03% |
| | Indirect (PMG Capital Fund Limited)[18] | – | – | 85,820 | 0.03% |
| | Indirect (PMG Generation Fund)[19] | 789 | – | 31,715 | 0.01% |
| Philip Tushingham | Legal ownership[17] | 500,000 | 0.25% | 500,000 | 0.20% |
| Craig Garrett | Legal ownership[17] | 1,450,000 | 0.73% | 2,970,000 | 1.19% |
| | Indirect (PMG Capital Fund Limited)[18] | – | – | 612,999 | 0.25% |
| | Indirect (PMG Generation Fund)[19] | 5,111 | – | 205,378 | 0.08% |
| Scott McKenzie | Legal ownership[17] | 430,000 | 0.22% | 430,000 | 0.17% |
| | Indirect (PMG Holdings Limited)[18] | 20,440 | 0.01% | 286,952 | 0.12% |
| | Indirect (PMG Generation Fund)[19] | 1,490 | – | 59,876 | 0.02% |

[16] Presuming 49,250,000 Shares are issued from the Offer on 31 August 2022.
[17] Either held directly, jointly, or controlled on behalf of a related beneficiary.
[18] Relate to indirect interest in the Fund, by virtue of holdings the named entity or its subsidiaries holds directly in the Fund or indirectly in the Fund via PMG Generation Fund.
[19] Relate to indirect interest in the Fund, by virtue of holdings held directly, jointly, or controlled on behalf of a related beneficiary in PMG Generation Fund.

## 2.11 DIRECTOR REMUNERATION AND BENEFITS

The Fund directors receive $47,500 per annum for their services as directors of the Fund. The Chairperson of the Fund, Denis McMahon, receives an additional $29,500 for his role as Chairperson.

## 2.12 EMPLOYEE REMUNERATION AND BENEFITS

The Fund has no employees and instead has contracted the Manager to manage all of its affairs. Details of the fees paid to the Manager by the Fund are contained at Section 2.13 *Material Interests*.

## 2.13 MATERIAL INTERESTS

The particulars of any direct or indirect material interests in the Fund, or in any agreement entered into on behalf of or in respect of the Fund, that any director, proposed director, senior manager or proposed senior manager of the Fund or any person associated with them has, or has had at any time during the relevant periods, and that are material to either the person who has the interest and/or the Fund, are as follows:

### SHAREHOLDINGS OF DIRECTORS OF THE FUND IN THE MANAGER

As at the date of this PDS, the following directors of the Fund have an interest in the shares of the Manager (via associated entities) through ownership of shares in the Manager's 100% owner, PMG Holdings Limited:

- Scott McKenzie (15.16%)
- Denis McMahon (4.32%)

It is worth noting that under the Companies Act, when exercising powers or performing duties in their capacity as a director of the Fund, all directors have a duty to act in good faith and what they believe is in the best interests of the Fund. Similarly, when exercising powers or performing duties in their capacity as a director of the Manager, the directors of the Manager have a duty to act in good faith and in the best interests of the Manager (except to the extent permitted to act in the interests of the Manager's holding company under the Manager's constitution). Denis McMahon and Scott McKenzie both hold interests in the Manager in a personal capacity and/or in their capacity as a trustee of a trust. Denis and Scott each receive fees in their capacity as directors of the Fund. Scott separately receives a remuneration package in respect of his role as Chief Executive Officer of the Manager.

### AGREEMENTS BETWEEN THE FUND AND THE MANAGER

#### Management Agreement

**Fees**

The Manager has a management agreement with the Fund, dated 30 September 2020. The fees payable to the Manager by the Fund under the Management Agreement are as follows:

(a) an annual asset management fee of 0.50% of the total carrying value of the properties under management

(b) a fee of 1.5% of gross annual rental collected from the properties under management. Gross annual rental refers to all moneys payable under a lease

(c) an acquisition fee of 1.0% of the purchase price of any new property acquired (with a minimum fee of $150,000 per property)

(d) a disposal fee of 1.0% of the sale price of each property which is sold by the Fund

(e) a project management fee of 5.0% of total development/project costs incurred for maintenance projects, which are budgeted to exceed $100,000 or any project involving construction or refurbishment of a property; and

(f) any disbursements (such as legal and valuation costs) and other out of pocket costs reasonably incurred by the Manager in connection with the performance of its obligations and duties.

In addition to this, a fee of 1.5% plus GST is payable from the facilitation of a secondary transfer of Shares from one investor to another. This is however paid directly by the selling investor to the Manager. The Manager does not directly hold investor funds in relation to secondary transfers, however it does administer the related trust account .

The charges outlined above are exclusive of GST. They are fixed unless otherwise stated and neither the Fund nor the Manager has the right to alter those charges other than with the consent of the other. Where charges are variable, they are variable to the extent indicated in the descriptions set out above.

**Termination**

The Management Agreement may be terminated in a number of cases including:

- without cause by the Fund on six months' notice to the Manager, if such termination has been approved by a special resolution of shareholders (a resolution approved by a majority of 75% of the votes of those shareholders entitled to vote and voting on the resolution). If the Management Agreement is terminated in this way, the Manager will be entitled to a termination payment of 12 months of its management fees set out in (a) to (f) above for the last full year preceding termination.
- without cause by the Manager on 12 months' notice to the Fund; and
- automatically on the occurrence of certain events, for example if the Manager becomes insolvent.

A copy of the Management Agreement between the Manager and the Fund is available on the Offer Register.

### Contribution fee

On Settlement Date, the Fund will pay a fee of 2% (plus GST) to the Manager on the total equity raised, excluding any equity raised from another entity managed by the Manager for which the Manager already charges a contribution fee of 2% (plus GST). This fee is a contribution to the Manager to help cover some of its costs of raising capital. The Manager is expected to pay this income away to licensed third-party referrers, brokers, and as part of the remuneration to the Manager's Investor Relationships Team. Any additional share capital raised between Settlement Date and the Final Closing Date will also incur the same 2% fee plus GST.

## AGREEMENTS BETWEEN THE FUND AND RELATED PARTIES

The Fund has multiple directors in common with PMG Capital Fund Limited, and two of these directors have shareholdings in both the Fund and PMG Capital Fund Limited. The Fund purchased the 400 Arthur Porter Drive Property from PMG Capital Fund Limited during the previous financial year. The Langley Road Property was also purchased by the Fund from the Langley Road Partnership, of which PMG Capital Fund Limited was a 50% partner, in March 2021. PMG Capital Fund Limited has also funded the deposit for multiple property acquisitions historically. Further information on related party transactions can be found in the historic financial statements of the Fund, or for future transactions see the titled *Prospective Financial Information* on the Offer Register.

### Underwriting Agreements

The Fund has entered into underwriting agreements (**Underwriting Agreements**) in respect of the Offer with the multiple parties. A summary of the key terms of the Underwriting Agreements is set out below:

- The counter party pre-commit themselves to purchase Shares in the Fund in accordance with the Offer on the same terms and conditions as other investors, for a pre-determined amount, before the Offer has been lodged.
- In consideration for the pre-commitment, the Fund will pay an underwriting fee equal to 3% of the pre-commitment amount. The Fund is able, but not obliged, to issue Shares to the pre-committed counter party.

The Fund has entered an underwriting agreement with PMG Generation Fund for approximately 11,363,646 Shares. PMG Generation Fund is another property scheme managed by the Manager, and the issuer of that scheme is the Manager. The Fund has also entered underwriting agreements with PMG Capital Fund Limited, the Manager, Denis McMahon and Craig Garrett (either directly or through related entities).

The terms of the agreements are the same as for other underwriting agreements associated with the Offer, and the agreement has been entered on normal, arm's length commercial terms, to provide confidence that the Offer can successfully complete with the acquisition of the Acquisition Properties.

# 2.14 GOVERNANCE DISCLOSURES

## DIRECTORS

The Constitution provides that the Board may, from time-to-time, specify a minimum or maximum number of directors. Unless otherwise determined by the Board, the maximum number of directors is four. Directors of the Fund are appointed and removed by shareholders of the Fund, by ordinary resolution or notice in writing in accordance with the Companies Act 1993. The Manager and the shareholders of the Fund may separately appoint two directors to the Board. Shareholders may remove directors from the Board. The Board may fill casual vacancies up to the maximum number of directors, provided that any director appointed in this manner retires at the next annual meeting (but is eligible for re-election by shareholders). The Constitution contains a process for rotation by retirement of the directors that are appointed by shareholders.

## SHARES

The Constitution allows the Board of the Fund to issue shares, securities that are convertible into or exchangeable for shares, or options to acquire shares to any person and in any number it thinks fit.

400 Arthur Porter Drive, Te Rapa, Hamilton

# 3: PURPOSE OF THE OFFER

The purpose of the Offer is to raise capital to enable the Fund to acquire the Acquisition Properties, and pay any associated issue and acquisition costs.

Acquiring the Acquisition Properties is part of the Fund's strategy to develop a resilient, diversified portfolio of quality industrial, office, and retail properties across New Zealand with robustness of scale that can deliver sustainable cash returns and the potential for growth in value over time.

The Fund has the discretion to accept applications up to the Maximum Equity Raise. Any surplus cash on hand from capital raised will be applied to reduce the Fund's bank borrowings in the first instance. In future, given the Fund's strategy to achieve greater diversification by property, sector, region and tenant, future bank borrowings may be made to acquire additional property investments, however none are committed to at the date of this PDS.

As the Fund's strategy continues to revolve around diversifying the Property Portfolio with increasing scale, the Fund intends to actively pursue acquisition opportunities that meet its strict investment criteria including financial and commercial viability. The funding source for future acquisitions is inherently uncertain at present. Such acquisitions, should they occur, may be funded from one or more of:

- increased bank funding;
- the raising of additional capital; and
- the recycling of capital from existing properties.

For the avoidance of doubt, funds raised from the Offer, that are initially used to repay existing bank debt, may in effect be redrawn subsequently to fund future acquisitions.

## 3.1 MINIMUM AND MAXIMUM AMOUNT

The minimum amount of share capital that must be raised in order for the Offer to proceed is $44,998,800 before issue costs. The maximum amount of share capital that can be raised is $85,008,000 before issue costs.

## 3.2 UNDERWRITING

The Offer has been pre-committed to by other parties and therefore underwritten to the value of $42,000,000. See Section 2.13 *Material Interests* sub-title *Agreements between the Fund and Related Parties* for further information.

## 3.3 BANK FUNDING

To the extent capital is raised in excess of the minimum required to acquire the Acquisition Properties and pay for offer-related costs, the Fund intends to repay bank borrowings in the short term. Future draw down on existing or new funding facilities may occur for the purpose of acquiring further property investments in future, however no such acquisitions are currently contracted by the Fund and there is no certainty at the date of the PDS on the nature and timing of any further acquisitions.

Financial information throughout this PDS assumes no additional bank funding will be required to fulfil the purpose of the Offer. A reduction in the total bank borrowings drawn and bank facilities available may occur, depending on the extent to which capital is raised from the Offer. Details of the borrowings associated with the Fund, and existing loan facilities including facility headroom, can be found at Section 2.5 *Bank Funding*.

4 Ruffell Road, Te Rapa, Hamilton

## 3.4 INTENDED USE OF FUNDS

Presuming 49,250,000 Shares are issued under the Offer, the funds raised by the Offer will be allocated as follows:

| Key Offer Costs: | | |
|---|---|---|
| Purchase price of the Acquisition Properties[20] | | $38,542,000 |
| Issue and Acquisition Costs[21] | | |
| - Underwriting fee | $1,260,000 | |
| - Contribution fee | $1,000,000 | |
| - Acquisition fee | $385,000 | |
| - Marketing expenses | $290,000 | |
| - Legal fees | | |
| o Offer due diligence | $100,000 | |
| o Property due diligence | $25,000 | |
| - Bank fees | $15,000 | |
| - Other offer due diligence expenses[22] | $250,000 | |
| - Other property due diligence expenses[23] | $110,000 | |
| | | $3,436,000 |
| | | |
| Net debt repayment | | $23,032,000 |
| | | |
| **Total** | | **$65,010,000** |
| **Funded by:** | | |
| Share Subscription | | $65,010,000 |
| **Total** | | **$65,010,000** |

The Fund does not require additional bank funding facilities to fulfil the purpose of the Offer. If a lower amount of capital is raised than $65,010,000, the net debt repayment will likely be reduced. If a higher amount of capital is raised than $65,010,000, net debt repayment from the Offer proceeds will initially be increased from that shown above.

The future draw down of bank borrowings will still remain at the discretion of the Fund and may occur if in the interest of investors (for example, to fund capital expenditure, working capital, or further property acquisitions). The potential size of future property acquisitions could be larger if more capital is raised, as the Fund would have more conservative levels of bank borrowings and greater headroom against banking covenants.

[20] Further information on the Acquisition Properties can be found at Section 2.4 *The Property Portfolio*.
[21] Issue and Acquisition Costs are estimated and will only be charged to the Fund to the extent they have been incurred.
[22] Fees associated with the preparation of the Offer Documents, including accounting, assurance, a contingency allowance across all third-party providers for other costs duly incurred in order to present the Offer.
[23] Fees associated with the Acquisition Properties, including valuations and technical due diligence reports.

# 4: KEY DATES AND OFFER PROCESS

| | |
|---|---|
| **PDS Registered** | **22 July 2022** |
| **Opening Date** | **1 August 2022** |
| **Initial Closing Date** | **26 August 2022** |
| **Initial Allotment Date and Initial Settlement Date** | **31 August 2022** |
| **Interim Allotment Dates** | **3 October 2022**<br>**1 November 2022** |
| **Final Closing Date** | **28 November 2022** |
| **Final Allotment Date and Final Settlement Date** | **1 December 2022** |

This timetable is indicative only and the dates are subject to change. The Fund reserves the right to vary or extend these dates (with the exception of the Final Closing Date, Final Allotment Date and Final Settlement Date, which may fall sooner but will not be extended).

The Fund may also withdraw the Offer at any time before the Initial Settlement Date, accept late applications (either generally or in individual cases), or close the Offer before the Initial Closing Date or Final Closing Date, at the Fund's sole discretion.

The Fund reserves the absolute right in its sole discretion to accept or reject any application in whole or in part without assigning any reason.

Subscriptions received will be held in a trust account until Shares are allotted. No interest will accrue on subscriptions within the trust account.

Investors in the Offer will be entitled to Gross Cash Distributions:

- for Shares allotted on 31 August 2022, from 1 September 2022;
- for Shares allotted on 3 October 2022, from 1 October 2022;
- for Shares allotted on 1 November 2022, from 1 November 2022; and
- for Shares allotted on 1 December 2022, from 1 December 2022.

# 5: TERMS OF THE OFFER

The Offer is made on the terms, and is subject to the conditions, set out in this PDS, the application form related to this PDS, and on the Offer Register. The Fund's Constitution sets out the terms of the Shares. You can find a copy of the Fund's Constitution on the Offer Register. The information below sets out the key terms of the Offer in detail.

### What is the Offer?

This is an offer of ordinary shares in the Fund. The Shares will rank equally in all respects with any other shares previously issued by the Fund. Each Share confers an equal right to share in dividends and other distributions authorised by the Board, and to cast a vote at meetings of Shareholders in accordance with the Constitution. No person guarantees the Shares offered under the Offer, nor warrants or guarantees the future performance of the Fund, the Shares, or any return on investment pursuant to the Offer.

### Price

The price of each Share for the purpose of the Offer is $1.32 with a minimum share subscription amount of 20,000 Shares ($26,400) and multiples of 10,000 Shares ($13,200) thereafter. The price of each Share was determined by forecasting what the Board expects the fair value of the Fund's net assets (being total assets less total liabilities) will be at Settlement Date, divided by the number of shares on issue at that time, plus 1 cent per share related to the Issue and Acquisition Costs summarised at Section 3.4 *Intended Use of Funds*.

- Total assets and total liabilities are estimated using the accounting principles outlined in the latest audited financial statements of the Fund, superseded by those in the prospective financial information if applicable.
- The carrying value of the Property Portfolio is determined by recent independent valuation for each property, plus subsequent capital expenditure if applicable.
- Other assets and liabilities have been estimated based on the Fund's audited financial statements to 31 March 2022, management accounting information for the two months ending 31 May 2022, and forecast financial information from 1 June 2022 to Settlement Date (which forms part of the Prospective Financial Information referred to at Section 7 *The Fund's Financial Information*.

### Management Agreement

Under the Management Agreement, the Manager is responsible for the day-to-day management of the Fund's Property Portfolio and various fees are payable to the Manager by the Fund. Further details of the Management Agreement are set out at Section 2.13 *Material Interests*.

### Taxation

The Fund is a multi-rate PIE. To ensure compliance with the Fund's multi-rate PIE status, a Shareholder's total shareholding in the Fund (individually and combined with shareholdings held by "associated persons", for tax purposes) cannot exceed 20% of the total Shares in the Fund (equating to 49,814,000 Shares if 49,250,000 Shares are issued from the Offer), unless the Shareholder is itself a PIE or one of a limited class of other widely-held vehicles.

### Allotment

On allotment, allotted Shares will be fully paid ordinary shares that rank equally with each other and all existing Shares. Should any investor monies be advanced to the Fund related to the Offer, but the amount of Shares applied for are not allotted, any monies not allotted will be reimbursed in full, without interest.

Shares from the Offer will first be allotted on or before 31 August 2022. Subsequently, at the Fund's discretion, should further applications be accepted by the Fund, further allotments may occur on 3 October 2022, 1 November 2022, and 1 December 2022.

### Closing dates

The Initial Closing Date will be 26 August 2022, at which point applications will be accepted to enable the acquisition of the Acquisition Properties. The Final Closing Date will be 28 November 2022. The Fund reserves the right to accept applications between the Opening Date and the Initial Closing Date, and also between the Initial Closing Date and the Final Closing Date. Applications may cease to be accepted by the Fund before the Initial Closing Date and the Final Closing Date at the discretion of the Fund.

### Minimum Equity Raise

The Fund is seeking to raise a minimum of $44,998,800 (34,090,000 Shares) from the Offer to provide it with the funds to purchase the Acquisition Properties. The Minimum Equity Raise is not fully underwritten.

### Maximum Equity Raise

The Fund has set a limit on the maximum amount of capital that can be raised from the Offer, being $85,008,000 (64,400,000 Shares). Should sufficient capital be raised, the Fund will reduce bank borrowings to provide the Fund with flexibility for future opportunities to acquire additional property investments efficiently, to the extent the capital raised exceeds the minimum amount to acquire the Acquisition Properties and pay for issue and acquisition costs.

### Underwriting Agreements

The Fund has arranged Underwriting Agreements for $42,000,000, for which the other parties to the Underwriting Agreements agree to commit funding to the Offer in advance for a 3% fee. The Underwriting Agreements are essentially agreements to acquire Shares in advance, and the Shares issued will carry the same rights as other Shareholders.

### Scaling

The Fund has the discretion to accept valid applications between the Minimum Equity Raise and the Maximum Equity Raise. Applications may be scaled at the discretion of the Fund, which means that investors may receive fewer Shares than applied for. Scaling may be pro-rata, but is ultimately at the discretion of the Fund. If scaling occurs, excess monies paid by you will be refunded (without interest) within five Business Days of the relevant Allotment Date.

# 6: KEY FEATURES OF ORDINARY SHARES IN THE FUND

## 6.1 KEY FEATURES OF THE EQUITY SECURITIES

The key features of ordinary shares in the Fund do not differ from those that apply to ordinary shares in a company generally. You may cash in your investment by selling your Shares (see Section 6.4 *Sale Facilitation Service* for more information). Any sale must be in accordance with the requirements of the Fund's Constitution. The Board may refuse to register or delay registration of any transfer of Shares to any person:

- if required to do so by law; or
- where the registration of the transfer would result in the transferor or the transferee holding less than a minimum holding determined by the Board from time to time (currently 20,000 Shares); or
- where the transfer is for less than the minimum trade size as determined by the Board from time to time (currently 10,000 Shares); or
- where the transfer will lead to a breach of the Fund's requirements as a PIE.

You may be required to pay legal costs and a selling commission to a broker or other third party in connection with any sale of your Shares. If utilising the Manager's sale facilitation service, a fee may be charged by the Manager in connection with any sale of your Shares. See Section 6.4 *Sale Facilitation Service* for further information.

Your rights as a Shareholder in the Fund are set out in the Fund's Constitution. You can find a copy of the Fund's Constitution on the Offer Register.

## 6.2 DIVIDEND POLICY

Dividends and other distributions with respect to the Shares are made at the discretion of the Board. These are dependent on a number of factors which must meet the requirements of the Companies Act and the Constitution and will only be declared after meeting appropriate solvency requirements. Dividends are therefore not guaranteed.

Historically, dividends have been paid quarterly (or more frequently if a capital raising occurs part-way through a quarter). When quarterly dividends are declared, only those shareholders holding Shares on the last day of the quarter are entitled to receive the dividend payment. The Board intends to change the practice of declaring dividends quarterly, to declaring monthly dividends from 1 September 2022. A dividend for the two months to 31 August 2022 will be declared to existing Shareholders prior to the initial allotment of new Shares in accordance with this Offer.

It is the Board's current practice and future intention to declare gross dividends per annum of 100% of the Fund's Adjusted Funds from Operations (**AFFO**) over the long term. Dividends may be reduced below this policy where cash reserves are required to pay for capital expenditure on the Property Portfolio, or to facilitate repayment of debt. Due to fluctuations in the Fund's income and expenses, it is possible that the Fund may pay dividends in excess of 100% of AFFO in a particular period, provided the Fund believes the cumulative level of dividends over time will be commercially sustainable over the life of the Fund. Decisions to pay dividends above or below 100% of the Fund's AFFO is at the discretion of the Board.

The Fund's AFFO is calculated as net profit before tax, after reversing out the following items (if applicable to the relevant period and forming part of net profit before tax):

- realised gains and losses on the disposal of property investments and derivative financial instruments; and
- fair value adjustments for:
  - o unrealised changes in the value of the Property Portfolio
  - o unrealised changes in the value of right of use assets; and
  - o unrealised changes in the value of derivative financial instruments.

The Fund regularly monitors the current and forecast levels AFFO, and dividends declared divided by AFFO (the **Payout Ratio**) to inform decision making related to dividends. Both AFFO and the Payout Ratio are non-GAAP financial measures and a reconciliation of these measures to GAAP-compliant information is available on the Offer Register in the document titled *Other Material Information*.

It is intended that dividends are primarily funded by money derived from operations. However, in periods where money from operations is insufficient to meet dividend payments, dividends may also be funded by money from investing and financing activities - specifically the gain on disposal of property investments, or from borrowings secured against the value of the Property Portfolio. This may be required where temporary timing differences in relation to operational cash flow occur. Over the life of the Fund, use of gains from disposal of property investments or borrowings to support dividends is considered to be commercially sustainable, provided the value of property investments continues to rise over the long term. Should the value of property investments decrease, in periods where operating cash flow is below that of an intended dividend, the dividend may need to be reduced.

The actual gross cash distribution per Share may therefore be above or below 100% of the Fund's net profit before tax, and above or below 100% of Fund's AFFO.

In the forecast periods to 31 March 2024 based on the assumptions in this document the Payout Ratio is forecast to be over 100%. Actual results will most likely impacted by the factors noted in Section 1.6 *Key Drivers of Returns* and risks highlighted in Section 8 *Risks to the Fund's Business and Plan*. In particular, the Payout Ratio may be impacted by actual outcomes differing to forecast, such as:

- raising additional capital up to the Maximum Equity Raise (repaying more bank borrowings, reducing interest expense at floating rates and improving AFFO);
- future property transactions that are targeted to improve AFFO; and
- changes to the value of forecast rent reviews and interest rate assumptions (impacted by the level of inflation over time amongst other factors).

## 6.3 DECLARED DIVIDENDS

Historic dividends declared during the relevant periods in this PDS are summarised below.

| Quarter Ended | Date Declared | Gross Dividend | Cents per share | Date Paid |
|---|---|---|---|---|
| 30-Jun-19 | 30-Jun-19 | 1,881,738 | 1.8000 | 25 Jul 19 |
| 30-Sep-19 | 30-Sep-19 | 1,881,738 | 1.8000 | 25 Oct 19 |
| 31-Dec-19 | 31-Dec-19 | 2,642,693 | 1.8375 | 27 Jan 20 |
| 31-Mar-20 | 31-Mar-20 | 2,642,693 | 1.8375 | 24 Apr 20 |
| 30-Jun-20 | 30-Jun-20 | 2,642,693 | 1.8375 | 24 Jul 20 |
| 30-Sep-20 | 30-Sep-20 | 2,642,693 | 1.8375 | 23 Oct 20 |
| 31-Dec-20 | 31-Dec-20 | 2,642,693 | 1.8375 | 25 Jan 21 |
| 31-Mar-21 | 31-Mar-21 | 2,642,693 | 1.8375 | 27 Apr 21 |
| 30-Jun-21 | 29-Apr-21 | 880,898 | 1.8375 | 26 Jul 21 |
| 30-Jun-21 | 30-Jun-21 | 2,447,795 | 1.8375 | 26 Jul 21 |
| 30-Sep-21 | 30-Sep-21 | 3,671,693 | 1.8375 | 22 Oct 22 |
| 31-Dec-21 | 31-Dec-21 | 3,671,693 | 1.8375 | 25 Jan 22 |
| 31-Mar-22 | 31-Mar-22 | 3,496,850 | 1.7500 | 26 Apr 22 |
| 30-Jun-22 | 30-Jun-22 | 3,496,850 | 1.7500 | To be paid |

Two dividends were declared in the quarter ending June 2021. One for the month to 30 April 2021 (to investors holding Shares as at 29 April 2021), and another for the two months to 30 June 2021 (to investors holding shares as at 30 June 2021).

The dividend declared on 30 June 2022 will be paid on 25 July 2022 to Shareholders holding Shares on 30 June 2022. Two dividends will be declared in the quarter to 30 September 2022, one for the two months to 31 August 2022 (to Shareholders holding Shares as at 30 August 2022), and another for the month to September 2022 (to Shareholders holding Shares as at 30 September 2022). The dividends are expected to be paid on 25 October 2022.

If further applications for Shares are accepted between the Initial Closing Date and the Final Closing Date, additional dividend declaration and payment dates would be required for monthly dividends in relation to any further Shares allotted between 1 September 2022 and 1 December 2022.

## 6.4 SALE FACILITATION SERVICE

Shares in the Fund are intended to be a long-term investment. Should an investor wish to sell some or all of their investment, the Manager has a large database of investors and, from time to time, the Manager will assist in facilitating secondary transfers of Shares. A fee of 1.50% plus GST is payable when using this service. This excludes any associated costs such as legal and professional advisor fees.

**There is no guarantee that this service will be available or that there will be any buyers for Shares in the future.**

Neither the Fund, nor the Manager, represent that there will be sufficient demand or liquidity to enable a Shareholder to sell Shares at any given time. The Fund and the Manager are not a financial advice provider, do not provide any recommendations in relation to buying or selling shares, and do not handle investor funds in relation to secondary transfers.

For more information, please contact the Manager using the details at Section 12 *Contact Information*.


3 Distribution Lane, Sockburn, Christchurch

# 7: THE FUND'S FINANCIAL INFORMATION

## 7.1 KEY FINANCIAL INFORMATION

The tables provided in this section present selected financial information about the Fund. Full financial statements are available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR13358. If you do not understand this sort of financial information, you can seek professional advice.

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

The prospective financial information included in the tables below has been extracted from prospective financial statements prepared in accordance with Financial Reporting Standard 42: Prospective Financial Statements (FRS 42), and is available on the Offer Register. All references to GAAP and non-GAAP financial measures in the prospective financial periods are derived from the prospective financial statements, which have not been audited by a qualified auditor.

Included in this Section is:

- Historical audited financial information for the Fund for the years ending 31 March 2020, 2021, and 2022.
- Prospective financial information for the Fund for the year ending 31 March 2023 and 31 March 2024. The information for the year ending 31 March 2023 has been prepared using actual data from 1 April 2022 to 31 May 2022 and forecast financial information for the period 1 June 2022 to 31 March 2023.

The principal assumptions on which the prospective financial information is based are set out at Section 7.3 *Principal Assumptions*. A full description of accounting policies, assumptions, and sensitivity analyses relating to the prospective financial information can be obtained on the Offer Register. The prospective financial information was calculated on the basis of the Offer raising $65,010,000, which broadly represents the mid-point between the Minimum Equity Raise and the Maximum Equity Raise.

No selected historical financial information is presented in respect of any individual property as they are either considered immaterial, or considered asset acquisitions rather than business acquisitions.

All monetary information in this section is presented in New Zealand Dollars (**NZD**) and rounded to the nearest thousand dollars unless otherwise indicated.

EBITDA is a non-GAAP measure and therefore not reflected in the Fund's financial statements. A reconciliation of the adjustment to GAAP-compliant information is available on the Offer Register under the document Other Material Information.

410 Eastern Hutt Road, Silverstream, Upper Hutt, Wellington

## 7.2 SELECTED FINANCIAL INFORMATION

| Statement of Comprehensive Income | Actual Year to 31 March 2020 | Actual Year to 31 March 2021 | Actual Year to 31 March 2022 | Prospective Year to 31 March 2023 | Prospective Year to 31 March 2024 |
|---|---|---|---|---|---|
| Total revenue | 18,491,000 | 20,035,000 | 27,304,000 | 31,834,000 | 33,684,000 |
| Total expenses | (5,530,000) | (5,929,000) | (7,924,000) | (8,805,000) | (9,092,000) |
| Fair value movement on investment property | 8,997,000 | 18,474,000 | 17,299,000 | 430,000 | - |
| Fair value movement on derivatives | (1,322,000) | 280,000 | 4,839,000 | 718,000 | - |
| Gain/(loss) on disposal of investment property | - | (204,000) | 1,184,000 | - | - |
| Gain on disposal of derivatives | - | 458,000 | - | - | - |
| Other income | 1,000 | 318,000 | 65,000 | - | - |
| **EBITDA** | **20,637,000** | **33,432,000** | **42,767,000** | **24,177,000** | **24,593,000** |
| Interest on bank borrowings and line fees | (4,122,000) | (3,648,000) | (5,761,000) | (7,312,000) | (8,715,000) |
| Other net financing costs | (60,000) | (77,000) | (80,000) | (86,000) | (90,000) |
| **Net profit after tax** | **16,455,000** | **29,707,000** | **36,926,000** | **16,779,000** | **15,787,000** |
| **Statement of Changes in Equity** | | | | | |
| **Opening equity** | **107,560,000** | **154,810,000** | **173,657,000** | **261,943,000** | **324,818,000** |
| Shares issued net of costs | 39,839,000 | (289,000) | 65,529,000 | 62,095,000 | - |
| Net profit after tax | 16,455,000 | 29,707,000 | 36,926,000 | 16,779,000 | 15,787,000 |
| Dividends declared | (9,044,000) | (10,571,000) | (14,169,000) | (15,999,000) | (17,434,000) |
| **Closing equity** | **154,810,000** | **173,657,000** | **261,943,000** | **324,818,000** | **323,171,000** |
| **Statement of Financial Position** | | | | | |
| Total assets | 225,951,000 | 290,162,000 | 446,525,000 | 492,097,000 | 494,408,000 |
| Total liabilities | (71,140,000) | (116,505,000) | (184,582,000) | (167,279,000) | (171,237,000) |
| **Net assets and Total Equity** | **154,810,000** | **173,657,000** | **261,943,000** | **324,818,000** | **323,171,000** |
| *Total debt*[24] | *62,627,000* | *108,090,000* | *177,188,000* | *162,082,000* | *166,075,000* |
| **Statement of Cash Flows** | | | | | |
| **Cash and cash equivalents at beginning of period** | **719,000** | **5,102,000** | **253,000** | **2,186,000** | **206,000** |
| Net cash inflow from operating activities | 8,229,000 | 8,419,000 | 11,538,000 | 13,846,000 | 15,430,000 |
| Net cash inflow/(outflow) from investing activities | (22,246,000) | (47,871,000) | (130,918,000) | (44,679,000) | (2,022,000) |
| Net cash inflow/(outflow) from financing activities | 18,400,000) | 34,603,000 | 121,313,000 | 28,853,000 | (13,535,000) |
| **Cash and cash equivalents at end of period** | **5,102,000** | **253,000** | **2,186,000** | **206,000** | **79,000** |

It should be noted that various assets were purchased and disposed at various points in the historical financial years, and prospective information includes the further purchase of additional properties. Furthermore, the accounting policies of the Fund may have changed over time. No allowance has been made for fair valuation movements on Existing Properties post 31 March 2022, on the Acquisition Properties post 31 August 2022, and derivative financial instruments post 31 May 2022.

The basis of the Manager's fees are summarised at Section 2.13 *Material Interests* and the material projected Manager's fees are set out at Section 7.3 *Principal Assumptions*.

[24] Total debt may differ from the cash amount owed to banking counter parties immaterially due to the accounting policy for bank borrowings (bank fees paid and amortised are factored in to the measurement of total debt under NZ GAAP).

## 7.3 PRINCIPAL ASSUMPTIONS

The principal assumptions on which the prospective financial statements have been prepared are set out below. These assumptions should be read in conjunction with the risks set out further at Section 8 *Risks to the Fund's Business and Plan*. A prospective financial information statement (together with the accounting policies and assumptions underlying those statements) is available on the Offer Register.

(a) **Preparation Period:** The prospective financial statements of the Fund have been prepared for the years ending 31 March 2023 and 31 March 2024. Actual management reporting results have been included for the two months to 31 May 2022, and prospective information for the subsequent period to 31 March 2023, and the year to 31 March 2024.

(b) **Offer Settlement and Acquisition Properties:** The Offer is presumed to settle on 31 August 2022. On the same day, the Fund intends to settle the acquisition of the Acquisition Properties. The prospective financial statements only include information for the Acquisition Properties from their estimated acquisition date. The acquisition dates and purchase prices of the Acquisition Properties are derived from the relevant sale and purchase agreements. A purchase price adjustment is expected to apply to the Ruffell Road Property acquisition on 31 March 2023 totalling $5,542,000 on completion of a warehouse extension.

(c) **Subsidiary:** The Fund had a wholly owned subsidiary up to 10 December 2020, following which it was amalgamated with the Fund. The historic financial information and prospective financial information is directly comparable in this regard, as historic financial information was prepared on a consolidated basis, which presents information on the same basis as the Fund after amalgamation.

(d) **Offer and Acquisition Costs:** It is assumed that 49,250,000 Shares at $1.32 each are issued on 31 August 2022. The Fund has estimated $3,436,000 of costs associated with the Offer ($2,915,000 of issue costs to be accounted for within equity, and the remainder accounted for within Investment Property). For further information on specific offer costs, see Section 3.4 *Intended Use of Funds,* and the document titled *Other Material Information* on the Offer Register.

(e) **Property Income:** Total Revenue forecast has been assumed as follows:

| | For the year ending 31 March 2023 | For the year ending 31 March 2024 |
|---|---|---|
| Rental Income | 26,943,000 | 28,588,000 |
| Operating expenditure recovered | 4,891,000 | 5,096,000 |

Rental income is presumed to be in accordance with current signed lease agreements for each leased space. A number of assumptions are made in connection with the timing of vacancy, leasing up allowances, and rent reviews during the forecast period based on Fund expectations.

| | At 1 April 2022 | At 31 August 2022 | At 31 March 2023 | At 30 March 2024 |
|---|---|---|---|---|
| Occupancy | 99.1% | 99.7% | 99.9% | 99.5% |

Approximately 80% and 89% of total property operating expenses and property management fees (excluding fund management fees) recorded in the statement of comprehensive income are expected to be recoverable from tenants in the years ending 31 March 2023 and 31 March 2024 respectively.

Existing lease agreements expiring in the prospective periods ending 31 March 2024 represent Net Rental Income totalling $1,687,000 (6.1% of Net Rental Income per annum forecast as at 31 August 2022). These leases are expected to renew, or new leases signed in relation to the occupied space, near their respective expiry dates. Whilst the Manager aims to lease up space before it falls vacant, the prospective periods do allow for some temporary, immaterial levels of vacancy prior to leasing up some spaces.

(f) **Fund and Property Management Fees:** The management fees payable to the Manager have been estimated at $2,765,000 for the year ending 31 March 2023 and $2,880,000 for the year ending 31 March 2024.

(g) **Property Transaction Fees:** Property transaction fees payable to the Manager are estimated to be $668,000 for the year ending 31 March 2023 and $93,000 for the year ending 31 March 2024, and relate to Acquisition Fees and Project Management Fees.

(h) **Bank Borrowings and Interest Expense:** It is presumed that total funding facilities from the Banking Syndicate are available as documented in Section 2.5 *Bank Funding* with a total facility limit of $182,040,000 (37.7% of the Total Assets of the Fund at 31 August 2022). The Fund expects to be fully compliant with existing banking covenants at all times throughout the prospective periods.

The interest on bank borrowings has been assumed to be a weighted average of 4.47% for the year ending 31 March 2023 and 5.29% for the year ending 31 March 2024. Considering interest rate hedging in accordance with the Fund's hedging policy and current interest rates, it is projected that the average interest rates charged should be in line with this forecast weighted average. The interest expense and interest paid cash flows are dependent on both the balance of the funding facilities, and the prevailing interest rate at the time.

Further information is included on the total facilities actually forecast as drawn, the Gearing Ratio, the Interest Cover Ratio, bank covenants and other metrics related to bank borrowing in Section 2.5 *Bank Funding* and Section 7.5 *Financial Measures of the Fund's Borrowing*.

(i) **Tax:** The Fund is a multi-rate PIE for tax purposes. As a result, in substance the Fund will pay tax based on the notified investor rate of Shareholders and it will not be required to calculate deferred tax.

(j) **Gross Cash Distribution Return:** The gross dividends before tax per Share are assumed to be 7.00 cents per Share for the two years ending 31 March 2024. Shares issued under the Offer on 31 August 2022 are expected to accrue dividends from the day following allotment and paid the month following declaration.

## 7.3 PRINCIPAL ASSUMPTIONS (CONTINUED)

(k) **Capital Expenditure, Investment Property, and Fair Valuation:** Budgeted capital expenditure (excluding general acquisition costs, and fees payable to the Manager for property acquisition and project management) is forecast as $6,059,000 and $1,854,000 for the year ending 31 March 2023 and 31 March 2024 respectively. The valuation of investment property includes amounts derived from independent valuation reports stated in Section 2.4 *The Property Portfolio*.

It has been assumed that the Existing Properties are valued as at 31 March 2022 at their respective independent valuations, and valued over the two years to 31 March 2024 based on that valuation plus cumulative capital expenditure forecast over that period. It has been assumed there will be no revaluation gains or losses in the fair value of the Existing Properties during the two years ending 31 March 2024 as future gains or losses cannot be reliably predicted. It has been assumed that the Acquisition Properties are valued as at their respective forecast acquisition dates (31 August 2022), at their respective independent valuations, as-is. For the remaining period to 31 March 2024, the valuation is presumed to equal the valuation at 31 August 2022 plus any purchase price adjustments and cumulative capital expenditure forecast over the relevant periods to 31 March 2024. It has been assumed there will be no revaluation gains or losses in the fair value of the Acquisition Properties after acquisition on 31 August 2022 to 31 March 2024 as future gains or losses cannot be reliably predicted. The warehouse extension at the Ruffell Road Property, by way of a purchase price adjustment based on the cost of construction, is expected to complete 31 March 2023. The current estimate of the valuation of the property once the extension is completed is $19,600,000. However, as the total cost of and timing for purchasing the warehouse extension is uncertain, no revaluation adjustments have been forecast at 31 March 2023.

(l) **Other Assumptions:** Other assumptions can be found disclosed throughout this PDS, and additional information can also be obtained in the prospective financial information statement included on the Offer Register.

## 7.4 MEASURES OF COMPANY AND SHAREHOLDER RETURNS

| | Actual | | | Prospective | |
|---|---|---|---|---|---|
| | Year to 31 Mar 2020 | Year to 31 March 2021 | Year to 31 March 2022 | Year to 31 March 2023 | Year to 31 March 2024 |
| Fund return per subscribed Share[25] (weighted and annualised) | 13.23 cps | 20.66 cps | 18.92 cps | 7.34 cps | 6.34 cps |
| AFFO per subscribed Share[26] (weighted and annualised) | 7.06 cps | 7.44 cps | 6.97 cps | 6.84 cps | 6.34 cps |
| Gross cash distribution per subscribed Share (weighted and annualised) | 7.27 cps | 7.35 cps | 7.26 cps | 7.00 cps | 7.00 cps |
| Gross cash distribution return on offer price[27] (annualised) | N/A | N/A | N/A | 5.30% | 5.30% |
| Payout Ratio | 103% | 99% | 104% | 102% | 110% |

Fund return per subscribed Share makes no allowance for fair valuation movements on Existing Properties post 31 March 2022, on Acquisition Properties post 31 August 2022, and on derivative financial instruments post 31 May 2022. The calculation of AFFO and the Payout Ratio (Distributions Declared divided by AFFO) are non-GAAP measures, and included in the document titled *Other Material Information* on the Offer Register. AFFO is derived from net profit before tax from relevant financial statements, adjusted to remove the impact of items including non-cash fair value adjustments, and realised gains or losses on disposal of investments and derivative financial instruments. The Payout Ratio may be above or below 100% of AFFO. Individual investor returns after tax will ultimately depend on the proportion of income that is believed to be taxable by the Fund (which changes over time), in addition to the particular circumstances of the individual investor (including the PIR they have notified to the Fund).

### DIVIDEND PAYMENT STRATEGY

The Fund's dividend policy is outlined at Section 6.2 *Dividend Policy*, including the expected dividend payments for the quarter ending 30 September 2022.

Following the completion of the Offer, the Board intends to declare a dividend at the end of each month to shareholders at 0.5833 cents per share (7.00 cents per share annualised) for the prospective financial periods ending 31 March 2024. The dividends will be paid on the twenty-fifth day of the month following the month end (or the next working day).

[25] Fund return per subscribed Share (weighted and annualised) is the total comprehensive income of the Fund divided by the weighted average number of Shares on issue for the relevant period, rounded to two decimal places. This therefore includes all fair value gains and losses on properties and interest rate swaps, and gains or losses on disposal of properties, for the relevant periods.

[26] AFFO per subscribed Share (weighted and annualised) is AFFO as defined in the Glossary, divided by the weighted average number of Shares on issue for the relevant period, rounded to two decimal places. This therefore excludes all fair value gains and losses on properties and interest rate swaps, and gains or losses on disposal of properties and derivative financial instruments, for the relevant periods.

[27] Gross cash distribution return on offer price is shown for the period from 1 September 2022 to 31 March 2024, as applicable to investors purchasing Shares at $1.32 per Share on 31 August 2022 under this Offer, rounded to two decimal places.

## 7.5 FINANCIAL MEASURES OF THE FUND'S BORROWING

| | Actual | | | Prospective | | |
|---|---|---|---|---|---|---|
| | Year to 31 March 2020 | Year to 31 March 2021 | Year to 31 March 2022 | As at 31 August 2022 | Year to 31 March 2023 | Year to 31 March 2024 |
| Total Debt | 62,627,000 | 108,090,000 | 177,188,000 | 148,040,000 | 162,082,000 | 166,075,000 |
| Gearing Ratio | 27.7% | 37.3% | 39.7% | 30.6% | 32.9% | 33.6% |
| Interest Cover Ratio | 3.1x | 4.0x | 3.6x | N/A | 3.1x | 2.8x |
| Average Interest Rate (weighted and annualised) | 4.49% | 3.71% | 3.62% | N/A | 4.47% | 5.29% |

The Gearing Ratio equals the Fund's total interest-bearing liabilities (Total Debt) as a proportion of the Fund's total assets. A higher gearing ratio represents a greater risk to the Fund as, if the investment properties were to decrease in value, a greater proportion of the assets would be required to repay bank debt. Total Debt above may differ from actual bank borrowings due to amortised borrowing costs being offset within Total Debt.

The Interest Cover Ratio is a multiple of the Fund's EBITDA (less unrealised gains, plus unrealised losses) compared to the Fund's interest expense. These projections are based on assumptions, which are set out at Section 7.3 *Principal Assumptions*. The higher the ratio, the greater the ability of the Fund to pay interest on bank loans. The ratio differs in definition from the interest cover ratio defined by the Banking Syndicate, which is based on projected net rental income (excluding tenants in arrears for more than two months) divided by Projected Interest Costs (including financing costs with the exception of upfront fees). The measures are expected to be materially the same during the prospective financial periods presented.

The Gearing Ratio assumes change in the value of investment property is in accordance with Section 7.3 *Principal Assumptions*, assumption *(k)*. No other change in the value (increase or decrease) has been forecast as it is not possible with a degree of certainty.

The Gearing Ratio and Interest Cover Ratio are not GAAP information. Please refer to the document titled *Other Material Information* on the Offer Register for further information and a reconciliation of GAAP information.

### THE FUND'S BORROWING MATURITY PROFILE

The terms and assumptions related to the Facilities are set out in Section 2.5 *Bank Funding* and Section 7.3 *Principal Assumptions,* under the sub-heading *Bank Borrowings and Interest Expense*. The Facilities are currently due for extension between December 2024 and April 2026.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70 Gloucester Street, Christchurch

# 8: RISKS TO THE FUND'S BUSINESS AND PLAN

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

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

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

Potential investors in the Fund should carefully consider these risk factors (together with other information in this PDS) before deciding whether to invest in Shares.

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

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

## 8.1 RENTAL INCOME RISK

| Fund's assessment of nature and magnitude | Mitigating factors |
|---|---|
| The Fund is reliant on rental income and exposed to income fluctuations. Rent from any property may stop or decrease, such as if a lease is terminated early, expires without being renewed, rent under a lease decreases following a review, access to a property is restricted, or a tenant defaults. It may be difficult obtaining a replacement tenant, and the Fund's rental income may reduce, which in turn may reduce dividends, the value of the Property Portfolio, and the value of Shares. At 31 August 2022 the Acquisition Properties are expected to be fully occupied, constituting 7.7% of the Fund's annual Net Rental Income with a WALT of 15.0 years from industrial sector properties with a tenant operating in the Large Format Retail sector underpinned by commercial transport and logistics providers. WALT summarises the contractual term of existing lease arrangements and is seen as a measure of relative certainty with respect to ongoing rental income.<br>In relation to COVID-19, the Fund provided rental abatement to tenants across the Property Portfolio during the financial year ending 31 March 2021 (~3% of Total Revenue before rental abatement) and the financial year ending 31 March 2022 (~1% of Total Revenue before rental abatement). No such abatement has been assumed in the prospective financial periods.<br>The lease expiry profile and rental income by tenant are summarised at Section 2.4 *The Property Portfolio*. EziBuy, Keith Andrews and Alto Packaging are expected to be the Property Portfolio's largest tenants by rental income, considered material individually and together expected to constitute ~23% of the forecast annual Net Rental Income of the Fund from 31 August 2022. The largest tenant, EziBuy, is expected to account for Net Rental Income of $2,904,000 per annum at 31 August 2022 – ~10% of the Fund's Net Rental Income. EziBuy is also the earliest expiring lease of a material tenant, due to expire February 2026.<br>The WALT of the Property Portfolio overall is expected to be 6.2 years at 31 August 2022. There are 21 lease agreements that are either casual or due to expire by 31 March 2024, representing annual Net Rental Income of $1,687,000 at 31 August 2022, ~6% of the forecast annual Net Rental Income at that date. In the ordinary course of business of the Fund, any potential vacancy from such lease expiries is not expected to have a material impact on rental income over time as vacancy periods are typically short.<br>No tenants are currently in default, but default rates could occur due to issues with a tenant, or general deterioration in the macroeconomic environment.<br>A sensitivity analysis of the Fund's returns to a reduction of Total Revenue by 5% can be found in the Prospective Financial Information document on the Offer Register. | The Fund continues to execute on its strategy to continue growing a commercial property investment portfolio diversified by sector, region and tenant, reducing reliance on any single property, characteristic, or tenant. The Offer furthers the Fund's execution of this strategy.<br>The two largest tenants are considered to be large, well-established businesses with different tenant sector exposures. Their ability to meet ongoing rental commitments is considered strong based on information available to the Fund. The Fund is focused on retaining these tenants and identifying opportunities for rental income growth. Any specific leasing strategies for these tenants, where not commercially sensitive, are set out in Section 2.6 *Key Strategies*.<br>Several of the Fund's leases also include fixed or CPI rental increases during the prospective financial periods, in addition to hard ratchet clauses that prevent rental income from reducing below current levels following a rent review. Provided access to property is not restricted, and tenants continue to meet their lease obligations, this directly reduces the risk of downwards pressure on the Fund's rental income.<br>The Fund undertakes due diligence on tenants and acquisition properties, where possible obtaining guarantees from tenants and vendors to mitigate rental income risk. Notable arrangements are summarised in Section 2.4 *The Property Portfolio*.<br>For the prospective periods presented, the Fund anticipates no material rental abatement will be required, and further that no material vacancy will emerge in the Property Portfolio, as there are currently no indicators that such events will occur. Despite this, rental income may yet be impacted as a result of uncertainty or deterioration in the macroeconomic environment. |

| | |
|---|---|
| **Fund's assessment of likelihood of circumstance arising** | • Moderate likelihood of one or more leases expiring without renewal, low likelihood of a material tenancy (or multiple immaterial tenancies considered material in aggregate) expiring without renewal or being terminated with no alternative tenant contracted within six months.<br>• Moderate likelihood of one or more tenants defaulting, low likelihood of a default for a period that materially impacts the Fund. |
| **Fund's assessment of the impact, were the circumstance to arise** | • If rental income reduces related to a single immaterial tenancy, or multiple tenants backed by a guarantee or bond, the impact on investors returns and the value of Shares would be low.<br>• If a material tenant, or multiple immaterial tenants (considered material in aggregate) have their leases terminated early, or do not renew their leases, and no alternative tenants are able to be contracted within a reasonable period of time, or if tenants default or are unable to access a property for a long period of time, the impact on investor returns and the value of Shares could be significant. |

## 8.2 VALUATION RISK

| Fund's assessment of nature and magnitude | Mitigating factors |
|---|---|
| The market value of each property within the Property Portfolio is influenced by numerous inputs. This may include, but is not limited to, recent property market sales data, contractual lease terms, assumptions on prospective rental income and vacancy, and other expert opinions and assumptions. Various factors including, but not limited to, the overall property market and the general economic environment drive these inputs.<br>The market value of the Property Portfolio directly impacts the Gross Asset Value, NAV, and gearing of the Fund, amongst other metrics. It may also impact compliance with banking covenants. See Section 8.5 *Bank Funding Risk* for more information.<br>All valuations consider a range of inputs and market evidence in forming an opinion on value. Notwithstanding this, there may be a greater range around the assumption of market value than would normally be the case. During times of economic uncertainty, values may change more rapidly and significantly than under normal conditions. Some valuation reports reference that caution should be used when relying on past valuations at a later date.<br>A material change in the valuation of the Property Portfolio may have a material impact on all of the metrics noted above. A 5% reduction in property valuation at 31 March 2023 for all 23 properties forecast to be owned by the Fund (amounting to $23,817,000) would reduce the Gross Asset Value and NAV of the Fund by a similar amount - approximately 9.6 cents per Share if 49,250,000 Shares are issued from the Offer. | The Fund has obtained independent valuation reports on the Property Portfolio (the Existing Properties dated on or around 31 March 2022, and the Acquisition Properties dated 1 July 2022 for valuations as at 1 September 2022). The current economic environment has been factored into the valuations as at the date of the valuation reports. Since the date of the valuation reports, no material adverse changes have been observed by the Fund that would cast material doubt on these valuations to warrant a further revaluation.<br>As a result, the value of the Property Portfolio (before and on Settlement Date), and offer price per Share, is considered by the Fund to represent expected fair value as at Settlement Date, based on the facts and circumstances known to the Fund at the date of this PDS. The Offer Price includes 1 cent per share related to a share of offer costs for investors under the Offer.<br>Beyond Settlement Date, given the types of inputs that derive property and Share valuations, mitigating factors include some of those noted at Section 8.1 *Rental Income Risk* in addition to the general strategies and specific property strategies of the Fund summarised at Section 2.6 *Key Strategies*. |

| | |
|---|---|
| **Fund's assessment of likelihood of circumstance arising** | • High likelihood of an individual property valuation, the valuation of the Property Portfolio, and overall valuation of the Shares moving up or down over time.<br>• Low likelihood of a long-term, sustained reduction in valuation of the Property Portfolio and the Shares. |
| **Fund's assessment of the impact, were the circumstance to arise** | • Property valuation fluctuations may be material over the course of property ownership, based on the property market and economic environment throughout ownership.<br>• Typically, the larger the rental income from a property, and the shorter the lease term associated with a property, the larger the potential risk for fluctuation in the value of both the property and the Shares.<br>• A material reduction in Property Portfolio valuation would materially reduce the Fund's Gross Asset Value, NAV, and the valuation of the Shares. |

## 8.3 INTEREST AND DERIVATIVE RISK

| Fund's assessment of nature and magnitude | Mitigating factors |
|---|---|
| The current economic environment is inflationary and interest rates have recently risen. Whilst the level of inflation remains above average levels it is considered likely that interest rates will continue to rise.<br>The Fund is currently reliant on bank borrowings that attract a floating interest rate, and interest is incurred as a material expense by the Fund. At Settlement Date, the Fund's Gearing Ratio (the Fund's interest bearing bank borrowings as a proportion of the Fund's Gross Asset Value) is expected to be 30.6%, increasing to 32.9% by 31 March 2023 and 33.6% by 31 March 2024. The Fund's weighted average interest rate on borrowings is also expected to increase over the prospective periods ending 31 March 2024. Further details on borrowings can be found in Section 2.5 *Borrowings*.<br>A change in the ratio of the Fund's Gross Asset Value funded by borrowings may occur during or after the prospective periods, depending on multiple factors including the valuation of the Fund's Property Portfolio, the extent to which capital is raised, and the extent to which borrowings are repaid or redrawn to purchase further property investments.<br>Under the Fund's current SIPO, the Fund is permitted to invest the Fund's assets in interest rate swaps (the target asset allocation is an aggregate swap valuation between 0-10% of the Fund's Gross Asset Value). An interest rate swap is a class of financial derivative, in which two parties agree to exchange interest rate cash flows based on a specified notional amount, from a floating rate to a fixed rate (or vice versa), or from one floating rate to another. Interest rate swaps are used by the Fund to hedge interest rate risks for the Fund. The Fund has entered into a combination of short-term and long-term swap agreements historically, combined with floating rate borrowings, and will continue to do so to mitigate risk associated with interest rates.<br>If any swap agreement is exited before the date existing swaps expire, penalties may be payable. Furthermore, fair value losses on swap agreements will be recorded if they are 'out of the money' (if the agreed swap rate was higher than the prevailing wholesale market rate that reflects the remaining term through to maturity). | The Fund maintains a hedging policy that aims, at least partially, to mitigate the actual effect of an increase in interest rates in the short to medium (0-5 year) term. The Fund actively manages the risk of interest rate movements by entering interest rate swap agreements with the Fund's lenders. The current policy is to have between 60% and 85% of the Fund's interest bearing borrowings hedged.<br>At Settlement Date, if 49,250,000 Shares are issued from the Offer, the Fund expects to have 80% of its interest rate risk hedged with interest rate swaps. This is expected to change to 62% coverage by 31 March 2024. Further swap arrangements will be entered into as considered appropriate by the Fund as part of mitigating unexpected interest rate changes associated with existing or new borrowing. Should material adverse changes in interest rates occur, the Fund could dispose of one or more assets from the Property Portfolio to reduce borrowings and thus interest payable.<br>In the current economic environment, from the date of this PDS to 31 March 2024, a moderated increase in interest rates (after allowing for the impact of existing and proposed interest rate swaps) has been allowed for in the prospective financial information within the range of industry forecasts. A material increase in interest rates in this period above this moderated increase (after allowing for existing and forecast interest rate swaps) is not expected, but possible.<br>Should interest rates not increase as high as the forecast assumptions in the prospective financial information, upside risk for the Fund may exist (to the extent not offset by interest rate swap arrangements that fix the interest rate). |

| | |
|---|---|
| **Fund's assessment of likelihood of circumstance arising** | • The likelihood of a material adverse movement in the Fund's interest expense in the prospective financial periods presented in this PDS due to movement in interest rates, combined with the impact of interest rate swaps, is low to moderate.<br>• Beyond 31 March 2024, there is an increased likelihood of an increase in the Fund's interest expense through movement in interest rates combined with the impact of interest rate swaps, as further swaps are likely to be entered into over time at higher weighted average rates. |
| **Fund's assessment of the impact, were the circumstance to arise** | • The impact of a movement in interest rates could be significant on investor returns and may significantly impact the value of the Shares. |


4 Ruffell Road, Te Rapa, Hamilton

## 8.4 EQUITY FUNDING RISK

<table>
<tr><th colspan="2">Fund’s assessment of nature and magnitude</th><th>Mitigating factors</th></tr>
<tr><td colspan="2">
The prospective financial information, forecast returns, and key metrics in the PDS assume 49,250,000 Shares are issued from the Offer ($65,010,000 of capital raised), the Acquisition Properties are acquired, and the balance of bank borrowings is reduced with residual funds raised.
The Fund may raise capital as low as the Minimum Equity Raise, or as high as the Maximum Equity Raise. This capital may be called between the Initial Closing Date and the Final Closing Date in one or more tranches, and may lead to surplus cash on hand. Holding higher levels of cash without action would lead to the Fund generating a higher Payout Ratio if current dividend levels are maintained, or alternatively may lead to a reduction in the amount of dividends paid to Shareholders if the level of dividends is no longer considered commercially sustainable. The greater the amount of excess cash held, and the greater the duration excess cash is held prior to AFFO accretive deployment, the greater the Payout Ratio is likely to become (or alternatively, the greater the risk that dividend levels may need to be reduced to remain commercially sustainable). It is possible that excess cash held is never deployed by the Fund into income-generating assets.
Given the purpose of the Offer, a difference in capital raised from $65,010,000 will directly impact:
<ul>
<li>the amount of borrowings the Fund holds with its lenders and the Gearing Ratio (lower capital raised, higher borrowings with lenders and higher Gearing Ratio);</li>
<li>the number of shares on issue and therefore total dividends (lower capital raised, lower shares on issue and dividends); and</li>
<li>interest expense, and in turn AFFO and the Bank ICR (lower capital raised, higher interest expense, lower AFFO and lower Bank ICR).</li>
</ul>
The acceptance of additional capital will only occur where the Fund believes a proportionate increase in AFFO from investment or repayment of existing borrowings is possible to enable maintenance of the current forecast Payout Ratio (gross dividends as a percentage of AFFO).
The Payout Ratio is not expected to be materially different regardless of the total equity raised. However, the amount of capital raised directly impacts the value of property investments the Fund may acquire in future without another capital raise. The greater the amount of capital raised, the larger the potential value of property that may be purchased in future from additional borrowings.
</td><td>
The Fund retains the right to accept between the Minimum Equity Raise and the Maximum Equity Raise to ensure the Fund accepts the most appropriate amount of capital to fulfil the purpose of the Offer.
Given the current inflationary and rising interest environment, and the uncertainty of the Fund’s future property investment pipeline, the Fund’s strategy associated with the Offer is to initially repay borrowings with any capital raised above that required to settle the Acquisition Properties and pay for offer costs. This strategy will avoid holding a material amount of surplus cash on hand for a period without certainty of being able to deploy that cash into income-generating investments that align with the Fund’s SIPO.
The repayment of bank borrowings would also beneficially impact the Fund’s Gearing Ratio, Bank LVR, hedging cover, and interest expense. In turn this would improve the Fund’s AFFO and Bank ICR. The raising of additional capital to enable reduction of bank borrowings will be offset by the effective cost of any additional shares issued and dividends paid related to the surplus capital accepted and any cost of reducing existing borrowings drawn and changing the nature of some borrowing facilities.
Raising additional capital now to repay borrowings will provide the Fund with greater flexibility to continue its diversification strategy in future, after considering the cost of raising capital versus the cost of utilising borrowings.
It is expected that the Payout Ratio and therefore investor returns would not be materially impacted by a change in borrowings profile, provided any change is made after considering the current interest rate on borrowings and any change in income from future property transactions.
</td></tr>
<tr><td>Fund’s assessment of likelihood of circumstance arising</td><td colspan="2">
<ul>
<li>High likelihood of accepting subscriptions above the Minimum Equity Raise.</li>
<li>Very low likelihood of holding surplus cash on hand that is not used to repay borrowings, or deployed in future into other property investments in line with the SIPO, within a short (0-3 month) time frame.</li>
</ul>
</td></tr>
<tr><td>Fund’s assessment of the impact, were the circumstance to arise</td><td colspan="2">
<ul>
<li>If only the Minimum Equity Raise is achieved, there would be no surplus cash on hand given a revolving credit facility exists. The impact on borrowings, interest expense, AFFO, Gearing Ratio and the Bank ICR would be low to moderate.</li>
<li>If the Maximum Equity Raise is achieved, and surplus cash on hand is used to repay bank borrowings, the impact on borrowings, interest expense, AFFO, Gearing Ratio and the Bank ICR would be low to moderate.</li>
<li>If borrowings are subsequently increased in future to fund the acquisition of other property investments in line with the SIPO, the impact on borrowings, interest expense, AFFO, Gearing Ratio and the Bank ICR could be low to moderate.</li>
<li>In all the above scenarios, the impact on dividends to investors, and in turn the Payout Ratio, is likely to be low (the extent of the impact dependent on prevailing interest rates, the timing of bank borrowings or repayment, the return from future property investments, and any transaction costs).</li>
</ul>
</td></tr>
</table>

## 8.5 BANK FUNDING RISK

**Fund's assessment of nature and magnitude**

The Fund does not intend to increase its borrowings from the Banking Syndicate to assist with the purchase of the Acquisition Properties. Borrowings at 1 April 2022 were $177,540,000. Should the fund raise $65,010,000 of capital (issuing 49,250,000 Shares), total borrowings are expected at 31 August 2022 of $148,040,000, rising to $162,340,000 by 31 March 2023 and $166,240,000 by 31 March 2024. If a higher amount of capital is raised, borrowings may be reduced further. If a lower amount of capital is raised, the intended repayment of borrowings will likely be scaled back as appropriate.

Despite the intent to reduce bank borrowings in the short term, the Fund may increase its level of borrowings in future in the normal course of business (using either headroom in existing facilities, or through arranging new facilities) to fund:

- the purchase price adjustment for completion of the building extension at the Ruffell Road Property;
- future capital expenditure and working capital requirements including funding dividends; and
- the acquisition of additional properties in future.

If the Fund only achieves the Minimum Equity Raise, the Fund will not increase borrowings to fulfil the purpose of the Offer. However, in future, the Fund may arrange an increase in bank funding facilities.

Currently sourcing additional properties is uncertain and therefore not forecast. Given the relatively low level of the forecast Gearing Ratio and Bank LVR compared to the bank covenant, it is considered likely that additional bank funding would be accessible for one or more of the above purposes in the normal course of business. Such use of borrowings would only be considered if believed to be in the best interests of the Fund, including consideration of the effective cost of borrowing compared to the return expected from deployment of borrowed funds.

Adverse market movements may cause a breach of banking covenants – in particular, the requirements to maintain a Bank LVR below the maximum allowed per bank covenants, and for interest cover levels against operating profits to be above the minimum allowed per bank covenants. Adverse operating circumstances, including those related to tenants, may also cause a breach of banking covenants, particularly with respect to minimum WALT levels. If a breach of these, or any other banking covenants, is not remedied, the Banking Syndicate may enforce its security and sell some or all of the properties within the Property Portfolio.

If the Facilities cannot be extended beyond their current expiry dates (which range from December 2024 to April 2026), there is a risk that the Fund could be forced to find alternative funding arrangements. There is no certainty that alternative funding arrangements could be secured, or that the alternative arrangements, if secured, would be as favourable as the Fund's current financing arrangements. If the Fund was required to sell one or more properties in a forced sale process to repay borrowings as a result of the risks mentioned above, a lower value is likely to be obtained than the prevailing market valuation at the time, which would impact investor returns and the value of the Shares.

**Mitigating factors**

The Fund has syndicated banking facilities with multiple lenders to enable greater flexibility of funding arrangements and access to a larger pool of potential debt.

The extendible nature of the Facilities may assist to mitigate any renewal risk, whereby the loans may be extended (subject to mutual agreement) after each 12 month period, by a further 12 months, thereby resetting the facility term to its original length. Should agreement not be reached, the Fund would have multiple years to arrange alternative loan arrangements. Where required, the Fund may also be able to source funding from related parties to assist with temporary shortfalls in cash flow to fund capital expenditure and working capital.

The Fund expects headroom in the Facilities and key banking covenants for the foreseeable future. Minor to moderate impacts of adverse market movements or operating circumstances should not lead to a breach of the key measurable banking covenants during the prospective periods presented.

The difference between the forecast ratios below, and the amounts permitted by the Fund's lenders, give the Fund confidence that the Fund will continue to comply with its key banking covenants.

| | Bank LVR | Bank ICR | Bank WALT |
|---|---|---|---|
| Limit per Bank | <50.00% | >2.25 times | >4.0 years |
| 31 March 2022 | 40.7% | 3.6 times | 5.6 years |
| 31 August 2022 | 31.4% | N/A | 6.2 years^ |
| 31 March 2023 | 34.1% | 3.1 times | 5.6 years^ |
| 31 March 2024 | 34.9% | 2.8 times | 4.6 years^ |

^Forecast WALT above conservatively presumes all leases are not renewed or extended, reducing WALT over time. In reality, the Manager expects leases to renew over time (as no material change in vacancy rate is forecast) such that at future covenant measurement dates, the WALT will likely be higher. The Manager has not included speculative assessments of future lease renewals for the above purpose.

Given the value of the Underwriting Agreements, it is unlikely that additional borrowings will be required at Settlement Date. Increasing the amount of borrowings to enable the purchase of additional properties in future or fund future capital expenditure will only be undertaken if commercially viable, including consideration of impacts on the Payout Ratio, and if the Gearing, Bank LVR and Bank ICR covenants remain within the Fund's strategic tolerance and bank covenants.

| | |
|---|---|
| **Fund's assessment of likelihood of circumstance arising** | • Low likelihood of a circumstance arising with a material adverse impact on the Fund. |
| **Fund's assessment of the impact, were the circumstance to arise** | • Potentially significant impact on investor returns and the value of the Shares. |

## 8.6 TAXATION RISK

| Fund’s assessment of nature and magnitude | Mitigating factors |
|---|---|
| The Fund is a multi-rate PIE and expects to be a multi-rate PIE for the remainder of its lifespan. Generally, where an entity is a multi-rate PIE, tax is payable on each investor’s share of an entity’s income at a tax rate broadly approximating their marginal tax rate (with this rate capped at 28%). Further, as dividends from a multi-rate PIE are not taxable, this allows capital gains of the entity to be distributed tax-free prior to wind-up. Several criteria must be met for the Fund to be a multi-rate PIE. If these criteria are not met, the Fund may lose its PIE status.<br><br>If the Fund is not a multi-rate PIE, investors may face a higher tax cost due to the loss of the 28% PIE tax-rate cap and dividends of the Fund become taxable. | The Fund and the Manager have processes in place to ensure investor and investment limits are not breached. The Fund has external advisors that have advised the Fund on its establishment, and provide ongoing advice as required to ensure active monitoring of the taxation landscape in respect of the Fund.<br><br>Further, given the Fund’s size, number of investors, and intent to continue distributing all of its taxable income to investors, the risk of breaching many of the PIE eligibility requirements have been significantly reduced. |
| **Fund’s assessment of likelihood of circumstance arising** | • Low. |
| **Fund’s assessment of the impact, were the circumstance to arise** | • Potentially significant impact on investor returns. |

## 8.7 SHARE LIQUIDITY RISK

| Fund’s assessment of nature and magnitude | Mitigating factors |
|---|---|
| The Shares are not listed on an active market such as the New Zealand Stock Exchange. The Fund currently has no intention of listing its Shares on such a market, and as a result investors may only be able to realise the value of their Shares on a secondary market with a willing buyer.<br><br>The Fund’s ability to repurchase Shares is at the Fund’s discretion (factoring in relevant considerations such as the Fund’s growth focus and cash available for repurchasing Shares). The Fund has never repurchased Shares and has no current intent to repurchase any Shares.<br><br>As the Fund’s Property Portfolio comprises inherently long-term investments that are not considered liquid (they cannot be readily converted into cash), it may not have cash resources or working capital to fund the repurchase of any Shares in future. | Investors can sell their Shares on the secondary market, should they be able to find a willing buyer. The Manager can facilitate the transfer of Shares on the secondary market should an investor wish to sell their Shares, and should a willing buyer be available for the Shares at a price agreed between the buyer and the seller. |
| **Fund’s assessment of likelihood of circumstance arising** | • A sale on the secondary market cannot be guaranteed, and a buyer for the Shares may not be available.<br>• Currently the Fund is not repurchasing Shares, and the Fund has no intent to commence repurchasing of Shares. |
| **Fund’s assessment of the impact, were the circumstance to arise** | • Potentially significant impact on Shareholders 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 either that Shares cannot be disposed by a Shareholder, or that Shares are disposed of at below expected value on the secondary market. |

# 9: TAX

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

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

To determine your PIR, go to:

https://www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates.

The current PIRs are listed in the table below. If you are unsure of your PIR, we recommend you seek professional advice or contact the Inland Revenue Department (**IRD**).

It is your responsibility to tell the Fund your correct PIR (and provide your IRD number) when you invest or if your PIR changes. If you do not provide your IRD number within six weeks of investing, the Fund may be required to close your account and repay the balance of your investment. If you do not tell the Fund your PIR, a default rate of 28% may be applied.

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

Where the Commissioner of the IRD believes the wrong PIE tax is applied, the Commissioner has the ability to instruct the Fund directly to change the rate of tax applied. However, this in turn can be overridden by any subsequent PIR that the investor informs the Fund of.

An end of year square-up calculation will be required for all individual investors in the Fund. The tax paid by the multi-rate PIE based on the investor's notified PIR will be compared to the tax that should have been paid based on the correct PIR (and not the investor's personal marginal tax rate). If the rate applied to your PIE income is lower than your correct PIR, you will be required to pay any tax shortfall as a part of the income tax year-end process. Interest and penalties may also apply to any shortfall (a tax credit will be allowed for the tax already paid by the Fund based on your PIR). If the rate applied to your PIE income is higher than your PIR, any tax over-withheld will be used to reduce any income tax liability you may have for the tax year and any remaining amount will be refunded to you.

Dividends received by a Shareholder from the Fund do not need to be returned as taxable income. However, where a Shareholder has elected a PIR of more than 0%, an adjustment may be made to their gross dividends amount for PIE tax remitted to IRD on behalf of the Shareholder.

If the Fund ceases to be a multi-rate PIE, any dividends paid will be taxable to Shareholders. Further, if the Fund ceases to be a multi-rate PIE, overall tax payable on the Fund's income is likely to be higher than it would be if the Fund retains its status as a multi-rate PIE. Additional tax rules will apply if a Shareholder is not a New Zealand tax resident.

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

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

The New Zealand Government has reinstated tax depreciation on commercial buildings. This has reduced income tax payable by the Fund on behalf of investors. For investors with a PIR of more than 0%, this is expected to increase their net income after tax as compared to the case prior to the new legislation being introduced.

# 10: WHERE YOU CAN FIND MORE INFORMATION

Further information relating to the Fund or the Shares (for example, the Fund's Constitution and financial statements) is available on the Offer Register. A copy of the information in the Offer Register is available on request to the Registrar (email registrar@fspr.govt.nz).

The website for the Offer Register is www.business.govt.nz/disclose. Further information relating to the Fund is available from this website.

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

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

This information will be made available to you digitally, free of charge. Specific requests for information may be satisfied upon request from the Manager by e-mail to invest@pmgfunds.co.nz, by phone on 0800 219 476, or by writing to the Manager at PO Box 2034, Tauranga 3144.

# 11: HOW TO APPLY

If you want to apply for Shares under this offer you must fill in the Application Form associated with this PDS. The Application Form will be made available to you on contacting the Manager's Investor Relationships Team, who will be able to provide support completing the Application Form digitally or in paper form.

Applications from new investors to the Fund must be for at least 20,000 Shares and in multiples of 10,000 Shares thereafter. Applications from existing investors in the Fund must be for at least 10,000 Shares and in multiples of 10,000 Shares thereafter.

Completed and signed digital Application Forms will be collated. Any paper forms must be scanned and forwarded via e-mail to invest@pmgfunds.co.nz, or alternatively sent via post to:

Pacific Property Fund Limited

c/- PMG Property Funds Management Limited
Level 1, 143 Durham Street
Tauranga 3110

PO Box 2034
Tauranga 3144

Completed application forms are to be received no later than 5:00pm on 26 August 2022 to be eligible for the Initial Allotment Date (or such later date if the Initial Settlement Date is extended).

If the Offer remains open beyond the Initial Closing Date, application forms must subsequently be received by 5:00pm three working days prior to an Interim Allotment Date, or the Final Closing Date.

All application forms must be accompanied by payment of the full subscription amount and any required supporting documentation to be considered for acceptance.

Further information on how to apply for Shares and pay for them is set out in the Application Form associated with this PDS.

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

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

# 12: CONTACT INFORMATION

**THE FUND AND THE MANAGER**
Pacific Property Fund Limited /
PMG Property Funds Management Limited
Level 1, 143 Durham Street
Tauranga 3110

PO Box 2034
Tauranga 3144

Phone: 07 578 3494

**LEGAL ADVISER**
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Level 27, 88 Shortland Street
Auckland 1010

Private Bag 92518
Auckland 1141

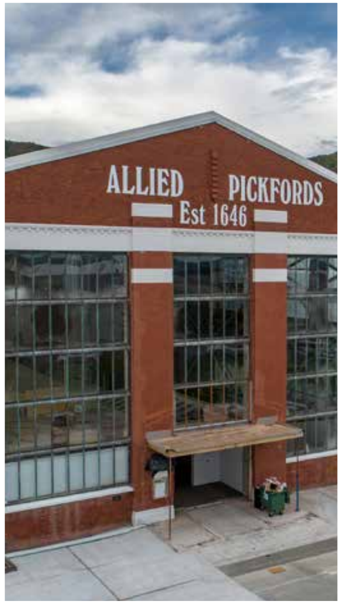
Phone: 09 358 2222

**TAX ADVISER**
KPMG
Level 2, ANZ Centre
247 Cameron Road
Tauranga 3110

Phone: 07 578 5179

**AUDITOR**
Baker Tilly Staples Rodway Audit Limited
Level 1, ANZ Centre
247 Cameron Road
Tauranga 3110

Phone: 07 578 2989







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# 13: GLOSSARY

| | |
|---|---|
| **$** | New Zealand Dollars, rounded to the nearest $1,000 unless indicated otherwise. |
| **21 Rewa Rewa Road Property** | 21 Rewa Rewa Road, Raumanga, Whangārei. |
| **400 Arthur Porter Drive Property** | 400 Arthur Porter Drive, Te Rapa, Hamilton. |
| **46-50 Rewa Rewa Road Property** | 46-50 Rewa Rewa Road, Raumanga, Whangārei. |
| **901 Arthur Porter Drive Property** | 901 Arthur Porter Drive, Te Rapa, Hamilton. |
| **Acquisition Properties** | The 21 Rewa Rewa Road Property, 46-50 Rewa Rewa Road Property and the Ruffell Road Property. |
| **AFFO** | Adjusted Funds From Operations, being net profit before tax, after subsequently reversing the following items (if applicable): (a) unrealised changes in the value of the Property Portfolio (b) realised gains or losses on the disposal of properties from the Property Portfolio; and (c) unrealised changes in the value of derivative financial instruments. (d) realised gains or losses on the disposal of derivative financial instruments. |
| **Alderman Drive Property** | 6 Alderman Drive, Henderson, Auckland. |
| **Applicant** | An investor whose Application Form has been received by the Fund prior to the Initial Closing Date or Final Closing Date. |
| **Application** | An application to subscribe for Shares under the Offer. |
| **Application Form** | The application form associated with this PDS that must be completed to subscribe for Shares under the Offer (either digital or physical). |
| **ASB** | ASB Bank Limited. |
| **Banking Syndicate** | The parties that advance the Fund's borrowings, led by ASB. |
| **Bank ICR** | Similar ratio to the Interest Cover Ratio, but applied by the Banking Syndicate in assessing bank covenant compliance. The ratio differs from the Interest Cover Ratio as it is based on projected net rental income divided by projected interest costs for 12 months from the date of measurement. |
| **BKBM** | Bank Bill Market. |
| **Business Day** | Any day (other than Saturday or Sunday) on which banks in Auckland, New Zealand, are open for business. |
| **Board** | The board of directors of the Fund. |
| **Braeburn Drive Property** | 40 Braeburn Drive, Hornby, Christchurch. |
| **CEO** | The Chief Executive Officer of the Manager. |
| **Companies Act** | Companies Act 1993. |
| **Companies Office** | The New Zealand government agency responsible for the administration of corporate body registers. |
| **Constitution** | The constitution of the Fund registered with the Companies Office (as amended from time to time). |
| **CPI** | Consumer Price Index. |
| **Disclose Register** | Register of key documents pertaining to a scheme or an offer, accessed via https://disclose-register.companiesoffice.govt.nz. |
| **Distribution Lane Property** | 3 Distribution Lane, Sockburn, Christchurch. |
| **Dominion Road Property** | 114 Dominion Road, Mount Eden, Auckland. |
| **Druces Road Property** | 59 Druces Road, Wiri, Auckland. |
| **DSA** | Detailed Seismic Assessment. |
| **Eastern Hutt Road Property** | 410 Eastern Hutt Road, Silverstream, Upper Hutt, Wellington. |
| **EBITDA** | Earnings Before Interest, Tax, Depreciation and Amortisation. |
| **El Prado Drive Property** | 31 El Prado Drive, Milson, Palmerston North. |
| **Existing Properties** | Consists of the following: Victoria Street Property, Seaview Road Property, El Prado Drive Property, Link Drive Property, Gloucester Street Property, Hutt Park Road Property, 901 Arthur Porter Drive Property, Vickery Street Property, Dominion Road Property, Truman Lane Property, Robert Street Property, Eastern Hutt Road Property, Druces Road Property, Alderman Drive Property, Spring Street Property, Langley Road Property, Paerangi Place Property, Braeburn Drive Property, Distribution Lane Property, and 400 Arthur Porter Drive Property. |
| **Final Closing Date** | 28 November 2022. The Fund reserves the right to close the Offer to applications before the Final Closing Date. The Fund will not extend the Final Closing Date. |
| **FMA** | Financial Markets Authority. |
| **FMCA** | Financial Markets Conduct Act 2013. |
| **Fund** | Pacific Property Fund Limited. |
| **Gloucester Street Property** | 70 Gloucester Street, Christchurch Central, Christchurch. |
| **Gearing Ratio** | The Fund's total interest bearing liabilities as a proportion of the Fund's total assets at a point in time. |
| **Gross Asset Value** | The aggregate market value of the Fund's investments, any other assets, and any other income accrued or payable in respect of the Fund, as determined by the Board. |
| **Gross Rental Income** | The aggregate of Net Rental Income and operating expenditure recovered from tenants. |
| **GST** | Goods and Services Tax. |
| **Hutt Park Road Property** | 120 Hutt Park Road, Lower Hutt, Wellington. |
| **IEP** | Initial Evaluation Procedure (now superseded by an ISA). |

| | |
|---|---|
| **Initial Closing Date** | 26 August 2022. The Fund reserves the right to accept initial applications before the Initial Closing Date or to extend the Initial Closing Date. |
| **Interest Cover Ratio** | A multiple of the Fund's EBITDA, less unrealised gains, plus unrealised losses, compared to the Fund's interest expense. |
| **ISA** | Initial Seismic Assessment. |
| **Langley Road Property** | 102 Langley Road, Wiri, Auckland. |
| **Link Drive Property** | 25, 27 and 29 Link Drive, 13 and 19 Hannover Place, Rolleston, Christchurch. |
| **LVR** | Loan to value ratio (being total bank borrowings as a percentage of the sum of the Property Portfolio's latest independent valuations). |
| **Management Agreement** | The management agreement between the Fund and the Manager dated 30 September 2020, and any subsequent variations thereof. |
| **Manager** | PMG Property Funds Management Limited. |
| **Maximum Equity Raise** | 64,400,000 Shares ($85,008,000). |
| **Minimum Equity Raise** | 34,090,000 Shares ($44,998,800). |
| **NAV** | The Gross Asset Value of the Fund as at the relevant date less any liabilities, costs, outgoings or other expenses of the Fund and such other provisions as the Board considers necessary for accrued or contingent liabilities or losses. |
| **NBS** | New Building Standard. |
| **Net Rental Income** | Rental income from property, including vendor underwrites, leasebacks and top-ups, stated before lease incentives and any lease adjustments for the purposes of New Zealand equivalents to International Financial Reporting Standards. This measure excludes property operating expenditure recovered. |
| **NLA** | Net Lettable Area (exclusive of yard area and surplus land, where applicable), stated approximately in square metres. |
| **Occupancy** | Approximate leased area expressed as a percentage of NLA, rounded to the number decimal place shown, inclusive of vendor underwrites, leasebacks and top-ups. |
| **Offer** | An offer of Shares pursuant to this PDS. |
| **Offer Information** | The PDS and all entries on the Offer Register relating to this offer. |
| **Offer Price** | $1.32 per Share. |
| **Offer Register** | The register containing information on the Offer available at www.business.govt.nz/disclose, Offer Number OFR13358. |
| **Opening Date** | 1 August 2022, or such other date that the Fund may determine that falls at least 5 working days after the date the PDS is registered. |
| **Paerangi Place Property** | 8 Paerangi Place, Tauriko, Tauranga. |
| **Payout Ratio** | Gross dividends declared divided by AFFO for a relevant period. |
| **PDS** | This document - the product disclosure statement for the Offer registered on or about 22 July 2022. |
| **PIE** | Portfolio Investment Entity. |
| **PIR** | Prescribed Investor Rate. |
| **Underwriting Agreement** | The agreements between the Fund and other parties where the other parties have pre-committed $42,000,000 in subscriptions for Shares being offered under the Offer. |
| **Property Portfolio** | The aggregation of the Existing Properties and the Acquisition Properties. |
| **Real Property** | Land and things growing in or attached to land, such as buildings. |
| **Registrar** | The Registrar of Financial Service Providers appointed under Section 35 of the Financial Service Providers (Registration and Dispute Resolution) Act 2008. |
| **Robert Street Property** | 8 Robert Street, Whangārei. |
| **Ruffell Road Property** | 4 Ruffell Road, Te Rapa, Hamilton. |
| **Seaview Road Property** | 43 Seaview Road and 118 Hutt Park Road, Lower Hutt, Wellington. |
| **Settlement Date** | The date the Offer is due to initially settle and the Initial Allotment Date, being 31 August 2022. |
| **Share(s)** | Fully paid ordinary shares in the Fund. |
| **Shareholder(s)** | Parties owning Shares in the Fund. |
| **SIPO** | Statement of Investment Policies and Objectives. |
| **Spring Street Property** | 46 Spring Street, Tauranga. |
| **Sqm** | Square metre(s), estimated on a 'more or less' basis. |
| **Truman Lane Property** | 697L Truman Lane, Te Maunga, Mount Maunganui. |
| **Vickery Street Property** | 33 Vickery Street, Te Rapa, Hamilton. |
| **Victoria Street Property** | 105 and 123 Victoria Street, Christchurch Central, Christchurch. |
| **WALT** | Weighted Average Lease Term of lease arrangements (occupied lettable areas only inclusive of vendor underwrites, leasebacks and top-ups). |

For more information
scan QR code or
pmgfunds.co.nz/invest


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