

Management Agreement

Performance fee worked example and commentary

The following worked example of the performance fee payable to the Manager is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance of the Manager or the quantum of performance fees that will be paid to the Manager under the Management Agreement. Actual performance fees paid, and the performance of the Manager, under the Management Agreement could differ materially from the fees referred to in this worked example. This worked example is necessarily summary in nature and the actual performance fee (if any) will be calculated under the terms of the Management Agreement which prevails in all respects over this worked example. Investore and its Directors accept no responsibility for any action taken in reliance upon the worked example by any person.

A worked example of the potential performance fee payable to the Manager for a 3-month financial quarter is shown below. The example illustrates three alternative scenarios of the performance fee calculation when the quarterly Aggregate Percentage Return ("APR") is either below the lower threshold, between the lower and upper limit or above the upper limit. The lower threshold is defined as a less than 2.5% increase in the actual shareholder returns (being price adjusted for cash dividends, rights issues and other capital structure changes for the period) over a quarter. The upper limit is defined as a greater than 3.75% increase in actual shareholder returns over a quarter. These quarterly shareholder return thresholds equate to an annual total shareholder return threshold of 10.4% to 15.9% (being 2.50% compounded and 3.75% compounded).

When the total shareholder return is below the lower threshold or above the upper limit, the difference is carried forward into the subsequent quarter. Carried forward returns ("CFR") into future quarters expire after two years. The APR for a quarter is the summation of previous quarters' CFR and the current period's total shareholder return. For example, under Scenario A the aggregate performance return is $0.15\% + 2.00\% = 2.15\%$.

Illustrative Performance Fee worked example per Quarter				
Scenario		A	B	C
Reference	Description	<2.5%	>2.5% and <3.75%	>3.75%
Assumptions				
(1)	Shareholder Return for Quarter	2.00%	2.75%	4.00%
(2)	<i>Carried Forward Return (from previous Quarter)</i>	0.15%	0.15%	0.15%
(3)	Lower Shareholder Return threshold	2.50%	2.50%	2.50%
(4)	Upper Shareholder Return limit	3.75%	3.75%	3.75%
(5)	Performance Fee on assessable return	10.00%	10.00%	10.00%
(6)	Rolling Annual Cap (as % of Value of Property)	0.20%	0.20%	0.20%
(7)	<i>Performance Fee paid (preceding 3 Quarters, as % of Value of Property)</i>	0.14%	0.14%	0.14%
(6) - (7) = (8)	Available Rolling Annual Cap (% for the Quarter, as % of Value of Property)	0.06%	0.06%	0.06%
(9)	Market capitalisation (at Quarter start) (\$000s)	\$400,000	\$400,000	\$400,000
(10)	Value of Property (at Quarter end) (\$000s)	\$640,000	\$640,000	\$640,000

Illustrative Performance Fee worked example per Quarter				
Scenario		A	B	C
Reference	Description	<2.5%	>2.5% and <3.75%	>3.75%
Calculation				
(1) + (2) = (11)	Aggregate Percentage Return ("APR")	2.15%	2.90%	4.15%
(11) over (4) or under (3) = (12)	Carried Forward Return ("CFR")	(0.35)%	-	0.40%
(11)-(12)-(3)=(13)	Assessable return for Performance Fee	-	0.40%	1.25%
(5)x(13)x(9)=(14)	Performance Fee gross (\$000s)	-	\$160	\$500
Lower of \$Nil or (14)-[(8)x(10)]= (15)	Carried forward Rolling Annual Cap (\$000s)	-	-	\$(116)
(14) + (15) = (16)	Performance Fee (\$000s)	-	\$160	\$384
(16)/(10)	Performance Fee as % of Value of Property	-	0.03%	0.06%

Note: Illustrative assumptions denoted by italic font.

The assessable return for a quarter is the APR above the lower threshold and below the upper limit. For a quarter it is calculated as the APR (11) less the CFR (12) less the lower shareholder return threshold (3). The performance fee gross is 10% of the assessable return for that quarter multiplied by the market capitalisation at the end of the quarter.

Under Scenario A the assessable return for the quarter is zero as the APR of 2.15% is less than the minimum threshold of 2.50%. For Scenario B the aggregate return for the quarter is above the threshold and results in an assessable return of 0.40%. The performance fee paid under Scenario B is $0.40\% \times 10\% \times \$400,000,000 = \$160,000$.

A performance fee rolling annual cap is applied when the performance fee gross as a percentage of the Value of Property is greater than the available rolling annual cap. The available rolling annual cap is calculated by taking the rolling annual cap of 0.20% (as a percentage of the Value of Property) less the performance fee paid over the preceding three quarters (as a percentage of the Value of Property). For the first three quarters following the commencement of the performance fee, the available cap is calculated on a pro-rata basis (based on 0.05% per quarter, so that, for example, the aggregate cap for the first two quarters would be 0.10%). If the full performance fee has not been paid out over previous quarters, a performance fee greater than 0.05% can be paid out. In the example above the performance fee paid over the preceding three quarters is only 0.14% resulting in an available rolling annual cap of 0.06% to be paid out, as illustrated under Scenario C.

The carried forward rolling annual cap amount is the greater of nil and the gross performance fee, less the available rolling annual cap, multiplied by the market capitalisation at quarter start. If the rolling annual cap is applied in any quarter, the carried forward rolling annual cap amount will be added to performance fees in later quarters, but will only carry for a 24 month period.

The rolling annual cap is not applicable under Scenario A or B. Under Scenario C the APR is above the upper limit of 3.75% resulting in a 0.40% CFR to the subsequent quarter. Assessable return is at the maximum of 1.25%, which would imply a gross performance fee of \$500,000 based on a Value of Property of \$640 million. However this amounts to 0.078% as a percentage of the Value of Property, and is greater than the available performance fee rolling annual cap of 0.06%. The rolling annual cap is applied and a \$116,000 adjustment is made to reduce the performance fee paid to \$384,000.