PRODUCT DISCLOSURE STATEMENT
For an Offer of Units in
pmg Direct Childcare Fund

Issued by PMG Property Funds Management Limited
Dated: 21 September 2020

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer at https://disclose-register.companiesoffice.govt.nz, Offer Number OFR12950. PMG Property Funds Management Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

1 KEY INFORMATION SUMMARY

1.1 WHAT IS THIS?

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

1.2 WHO MANAGES THIS SCHEME?

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

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

1.3 WHAT ARE YOU INVESTING IN?

The Fund is a managed investment scheme, managed in accordance with the Master Trust Deed and the Amended and Restated Establishment Deed (together, the **Trust Deeds**). The Fund was originally established on 4 July 2017 as a wholesale fund, in accordance with the Master Trust Deed and the Establishment Trust Deed.

INVESTMENT OBJECTIVES AND STRATEGY

The investment objective of the Fund is to provide Unitholders with a stable monthly income stream combined with the potential for capital growth in the value of Units. To this end, the primary objective of the Manager is to achieve sustainable gross distribution levels at 6.50 cents per Unit or more each year.

The Fund intends to grow a portfolio of Early Childhood Education (**ECE**) properties, diversified by region and tenant. The Fund is focused predominantly on the acquisition of, and long-term investment in, quality, recently built ECE centres that are subject to long-term leases with reputable ECE providers. Where and when considered appropriate by the Manager, the Fund will invest in land and the construction of ECE properties in conjunction with an experienced ECE development partner (see Section 5.1 *Key Features of the Fund* for more information on the approach to development properties).

PROPERTY PORTFOLIO

Existing Properties

The Fund currently holds completed or development properties in the ECE sector (together, the **Existing Properties**):

Completed Property

- 26 Dynes Road, Rolleston, Christchurch
- 154 Hibiscus Coast Highway, Red Beach, Auckland
- 25 Spitfire Drive, Burleigh, Blenheim
- 10-18 Shakespeare Avenue, Enderley, Hamilton
- 173 Bill Richardson Drive, Avenal, Invercargill

Development Property

- 17 Catherine McLean Road, Pukekohe, Auckland

Acquisition Properties

The Fund will be purchasing three properties in the ECE sector (together, the **Acquisition Properties**):

- 58 Ormiston Road, Flat Bush, Auckland (**Flat Bush Property**)
- 6-8 Merfield Street, Glen Innes, Auckland (**Glen Innes Property**)
- 102-130 Pinecrest Drive, Gulf Harbour, Auckland (**Gulf Harbour Property**)

The Existing Properties plus the Acquisition Properties form the Property Portfolio – a total of nine properties in the ECE sector across the North and South Island of New Zealand. Further information about the Fund's Property Portfolio can be found at Section 2.2 *The Fund's Property Portfolio.*

BORROWINGS

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

1.4 KEY TERMS OF THE OFFER

Managed Investment Product	Units in the Fund.
Offer Opening Date	29 September 2020.
Offer Closing Date	29 October 2020.
Offer Price per Unit	$1.05 per Unit.
Minimum Equity Raise	$12,600,000 (12,000,000 Units). The Fund must meet this minimum subscription amount for the Offer to proceed.
Maximum Equity Raise	$14,175,000 (13,500,000 Units). The Fund will not take subscriptions over this maximum amount.
Subscriptions	The minimum initial Unit subscription per Unitholder is 20,000 Units, and multiples thereafter of 10,000 Units. For existing investors, additional investment must be in multiples of 10,000 Units.
Scaling	If the Fund receives valid applications for more than $14,175,000 (13,500,000 Units), being the Maximum Equity Raise, scaling will apply. The Manager's discretion on scaling is absolute. No oversubscriptions will be accepted.
Minimum Holding	Transfers and redemptions will not be processed if these will result in an investor holding less than 20,000 Units, unless the investor is selling or transferring its entire holding.
Underwrite	The issue of 7,650,000 Units is underwritten by the Manager[1].
Cash Distributions	Monthly, on the 25th day of each month. See Section 4.4 *Distributions* for more details.

The full terms of the Offer are set out in Section 4 *Terms of the Offer*.

[1] The Manager is expected to, but not required to, arrange sub-underwriting commitments for some or all of the underwritten amount. The cost of sub-underwriting is at no additional cost to the Fund or its investors. It does not impact the total underwriting fees charged to the Fund as a result of this Offer.

1.5 HOW YOU CAN GET YOUR MONEY OUT

Under the Trust Deeds, the Manager has discretion to provide a redemption facility for Units, but otherwise Units are not redeemable. The Manager intends, subject to certain limitations, to provide redemptions of Units on an annual basis between 1 July and 31 July each year. To date, a redemption facility has not been provided to investors as the Fund is focussed on growth.

If the Manager provides a redemption facility for the Units, at the commencement of each redemption period, the Manager will set a redemption price for Units. The price will be based on the Net Asset Value (**NAV**) of the Fund, adjusted as described in Section 4.2 *How Can I Withdraw My Investment From the Fund?* The Manager is entitled to charge a fee equal to 1.5% plus GST of the gross value of the Units redeemed. The funds available for redemption of Units will be limited to 3% of the Fund's NAV (unless the Manager decides otherwise).

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

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

1.6 KEY DRIVERS OF RETURNS

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

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 Units will be influenced by the value of the Property Portfolio. The value of these investments, in turn, will be primarily influenced by the state of the property market, the level of rental income from each property, and the remaining terms of the leases of the properties. Where property is being developed by the Fund, successful execution of development within appropriate timeframes and budgets should deliver short-term value gain for the Fund.

Interest rates – A primary cost of the Fund is interest expense, driven by both the level of borrowings and interest rates. Given the total debt held by the Fund, interest rates are a key factor in determining the overall return of the Fund. A summary of the Fund's borrowing arrangements is set out in Section 7.5 *Interest and Derivative Risk*.

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

1.7 THE FUND'S FINANCIAL INFORMATION

KEY FINANCIAL METRICS

	Actual			Prospective	
Period length	**Year**	**Year**	**Year**	**Year**	**Year**
Financial year	**2018**	**2019**	**2020**	**2021**	**2022**
Gross distribution per Unit[2]	6.50 cents	6.50 cents	6.50 cents	6.69 cents	6.83 cents
Gross cash distribution return on Offer Unit price[3]	N/A	N/A	N/A	6.50%	6.50%
Gearing ratio[4]	0.0%	0.0%	32.1%	37.5%	37.4%
Interest cover ratio[5]	N/A	N/A	5.1	3.9	4.9

The metrics include actual results from the Fund's historic financial information, plus forecasts based on the assumptions in the Fund's prospective financial information. It is presumed that 13,500,000 Units (the **Maximum Equity Raise**) are issued under the Offer.

The Fund's prospective financial information accounts for any known impact of the current economic circumstances as at the date of this PDS, related to the recent Novel Coronavirus (**COVID-19**) pandemic. The prospective financial information also includes an allowance for potential rental income and operating expenditure recovery reductions as a result of current economic circumstances known at the date of this PDS. For specific information on the current economic circumstances as they relate to the Fund, and the strategies the Fund already has in place to account for and adapt to these circumstances, see Section 7 *Risks to Returns From the PMG Direct Childcare Fund.*

Further details about the Fund's financial information may be found in Section 6 *PMG Direct Childcare Fund's Financial Information.*

[2] Gross distribution per Unit is annualised, in cents per Unit before tax and rounded to two decimal places.
[3] Gross cash distribution return for the prospective periods to 31 March 2022 are annualised and applicable only to units issued under this Offer, expressed as a percentage of the Offer Unit price of $1.05 per Unit.
[4] The Gearing Ratio equals the Fund's total interest-bearing liabilities as a proportion of the Fund's total assets at a point in time. This differs from the LVR ratio applicable to bank borrowings, which is based on the total interest-bearing liabilities as a proportion of the Fund's completed investment property valuation.
[5] The Interest Cover Ratio is a multiple of the Fund's Earnings Before Interest Tax Depreciation and Amortisation (**EBITDA**), less unrealised gains, plus unrealised losses, compared to the Fund's interest expense. The higher the ratio, the greater the ability of the Fund to pay interest on bank loans.

VALUATIONS

The Manager has obtained recent independent valuation reports in relation to all properties in the Property Portfolio in anticipation of this Offer. All property valuations included in this PDS are stated as at dates within two months of the date of this PDS, reconfirmed by independent valuers within two weeks of the date of this PDS based on the current economic environment.

A brief description of the valuation of the Acquisition Properties is set out below:

Property	Valuation	Valuer	Valuation Date	Purchase Price[6]	Acquisition Date
Flat Bush Property	$7,925,000	Jones Lang LaSalle	30 July 2020	$7,690,400	30 October 2020
Glen Innes Property	$6,200,000	Jones Lang LaSalle	13 August 2020	$6,115,200	30 October 2020
Gulf Harbour Property	$5,600,000	Jones Lang LaSalle	30 July 2020	$5,350,000	31 January 2021

The basis for the valuation of the Acquisition Properties, and the relevant assumptions underlying those valuations, is set out in Section 2.2 *The Fund's Property Portfolio* under the sub-headings *Notes on Valuation* in respect of the Acquisition Properties.

Recent valuations have also been undertaken on the Existing Properties in the Fund. A summary of these properties can be found in Section 2.2 *The Fund's Property Portfolio*, under the sub-heading *Existing Properties*.

1.8 KEY RISKS OF THIS INVESTMENT

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

(a) **Rental Income and Tenant Default Risk** – The Fund is reliant on rental income from the Property Portfolio. Rental income from any property could stop or decrease for several reasons, including if Government subsidies or regulations applicable to the ECE sector are varied, a lease is terminated or expires without being renewed, or the rent under a lease decreases following a rent review. In addition, a risk of increased vacancy may present, there may be difficulty obtaining a replacement tenant, or rental rates may be at a lower level than previously received. An existing tenant may also default on their obligations under a lease. A default by any tenant may materially impact the financial performance of the Fund. A loss or reduction in rental income may have a detrimental impact on the Fund's ability to make distributions to Unitholders or on the value of Units. A significant drop in rental income, or increase in tenant defaults, could also result in a breach of banking covenants.

In the current economic environment, as a result of COVID-19, the Manager has already provided rental relief to three tenants and has further accounted for the Manager's best estimate of future reduced rental income that may occur in the prospective periods presented.

(b) **Valuation Risk** – Property market conditions, the economic environment, and fluctuations in supply and demand for commercial properties in the ECE sector will affect the value of the Property Portfolio. The value of the Property Portfolio directly impacts the value per Unit held in the Fund, the Offer Unit Price, and the gearing of the Fund, among other metrics. The Manager has obtained valuation reports on the Existing Properties, and the Acquisition Properties, dated within two months of the date of this PDS. Given the economic circumstances surrounding COVID-19, 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.

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

This summary does not cover all of the risks. You should also read Section 7 *Risks to Returns from the PMG Direct Childcare Fund*.

[6] The purchase price excludes any costs associated with acquisition that may be capitalised into the carrying value of the Acquisition Properties.

1.9 WHAT FEES WILL YOU PAY?

The table below summarises the fees and expenses that you will be charged to invest in the Fund. Further information about fees is set out in Section 8 *What are the Fees?* All fees and expenses are stated exclusive of GST, unless otherwise indicated.

OFFER COSTS

Manager and associated persons' Offer Costs charged to the Fund (estimated):	$802,372
Other Offer Costs charged by others to the Fund (estimated):	$285,000
Total Offer Costs charged to the Fund (estimated):	**$1,087,372**

Offer Costs include fees and expenses charged by the Manager (property acquisition fees, underwriting commitment fees and contribution fees), by associated persons of the Manager (deposit fee), and by other persons (legal fees, marketing costs, due diligence fees, accounting fees, supervisor's fees, and other administrative and contingency costs). For further detail, see Section 8.1 *Offer Costs*.

The Offer Costs charged to the Fund are included in aggregated fees and expenses in the table below, in the year ending 31 March 2021. Previous offer costs have also been included in the table below where applicable.

AGGREGATED FEES AND EXPENSES

	Actual			Prospective (estimated)	
Period length	**Year**	**Year**	**Year**	**Year**	**Year**
Financial year	**2018**	**2019**	**2020**	**2021**	**2022**
Fees and expenses charged by the Manager and associated persons	**$415,000**	**$268,840**	**$277,416**	**$1,023,346**	**$213,351**
Fees and expenses charged by the Manager and associated persons as a percentage of NAV:	5.02%	1.94%	1.91%	3.57%	0.74%
Fees and expenses charged by other persons	**$267,129**	**$171,329**	**$313,679**	**$965,059**	**$1,123,644**
Fees and expenses charged by other persons as a percentage of NAV:	3.23%	1.24%	2.16%	3.36%	3.91%

In addition to the Offer Costs, the aggregated fees and expenses include ongoing fees and expenses charged by the Manager and by other persons. Prior periods also include prior offer related costs (relevant to the years ending 31 March 2018 and 31 March 2019).

The estimated Manager and associated persons fees are based on assumptions (set out in Section 6.4 *Principal Assumptions for Prospective Financial Information*). Specifically, the performance fee and termination fee are only payable in certain circumstances. The termination fee has been assumed to not be payable and is therefore nil in each period presented. The performance fee payable in the year to 31 March 2022 has been assumed to be nil based on the prospective financial information.

The estimated fees and expenses charged by other persons specifically exclude distributions to investors, the purchase price of properties and the capital expenditure required to develop new properties to the stage of completion. The fees are disclosed in further detail in Section 8.2 *Aggregated Fees and Expenses*.

FEES CHARGED TO INDIVIDUAL INVESTORS

(a) Redemption Fee: The Manager is entitled to charge a break fee on redemption of any Units. Currently, the break fee is 1.5% of the gross value of the Units redeemed, plus GST.

(b) Sale of Units: Units are freely transferable, and no fee is payable by a Unitholder on transfer of their Units to a third party. However, if Units are sold through the sales facility operated by the Manager (as described in Section 4.2 *How Can I Withdraw My Investment From the Fund?*), the Manager may charge a fee of 1.5% plus GST for this service.

1.10 HOW WILL YOUR INVESTMENT BE TAXED?

The Fund is a portfolio investment entity (**PIE**). The amount of tax you pay in respect of a PIE is based on your prescribed investor rate (**PIR**). To determine your PIR, please see the application form or go to http://www.ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate. See Section 9 *Tax* for more information about taxation.

CONTENTS

LETTER FROM THE BOARD

Dear Investor,

We are pleased to bring you this opportunity to invest in the Offer of Units in the PMG Direct Childcare Fund (the **Fund**). The Fund is managed by PMG Property Funds Management Limited (the **Manager**), an experienced and trusted property funds manager with a 28-year track record of thriving through multiple economic cycles. The Fund is now a retail managed investment scheme, which makes the Fund accessible to a wider investor base.

The Fund is one of PMG's strongly performing funds among a suite of unlisted commercial property funds that we manage. With consistent Government funding, and typically long lease terms with tenants, the Early Childhood Education (**ECE**) sector is considered one of the most attractive in the commercial property industry. Since its inception in 2017, the Fund has completed and acquired five premium quality, newly built ECE centres run by experienced independent operators. A sixth ECE centre is contracted to be complete by November 2020.

In line with the strategy of the Fund, funds raised during this Offer (along with conservative bank debt) will see the Fund acquire two additional premium ECE centres in Auckland on 30 October 2020, and one premium ECE centre due to be completed in January 2021 in Gulf Harbour on the Hibiscus Coast.

Following the successful Offer and acquisitions, the three new centres will join the six existing ECE centres in the Property Portfolio. The portfolio currently comprises of three recently built, fully operational centres (Red Beach in Auckland, Rolleston in Christchurch, and Burleigh in Blenheim), two recently completed centres (Enderley in Hamilton, and Avenal in Invercargill), and one centre under development due to be completed in November 2020 (Pukekohe in Auckland). These acquisitions will enhance the scale and robustness of the Fund, which has already shown good resilience over the last six months of economic uncertainty.

For the past 10 years, the New Zealand Government has increased funding and enrolment targets for the ECE sector. This, coupled with parents returning to work sooner, has seen an increase in ECE attendance over this period. The Government continues to strongly support the ECE sector with funding rates increasing again from January 2021. Based on this and the well-documented evidence confirming the benefits of ECE education, we believe the outlook for the sector is positive.

The Offer is being partially underwritten, so investors can have comfort the required funds will be raised during the Offer period, and the acquisition of these three centres is likely to be completed.

Despite the negative effects of the COVID-19 pandemic on New Zealand's economy, with a geographically diversified portfolio and investments solely in a sector with strong Government support, the Fund is in a good position.

The Fund's performance to date has met our expectations, with a gross distribution of 6.50 cents per Unit (**cpu**) for the financial year ended 31 March 2020. The Fund is forecasting to increase the cash distribution to 6.83 cpu per annum from 1 November 2020. For new Unitholders participating in this Offer, this equates to a projected gross cash distribution return of 6.50% per annum, at a Unit issue price of $1.05, from Settlement Date.

From Left to Right: Wayne Beilby, Scott McKenzie, Nigel Lowe (front), Daniel Lem and Denis McMahon

The Fund is part of the Manager's investment diversification strategy, providing an alternative investment choice for our investors, as well as the opportunity for them to contribute to the educational environments of young New Zealanders.

We invite you to join us as we continue to provide sustainable returns and growth in value over time to investors in PMG Direct Childcare Fund.

This PDS contains important information about the Fund and the Offer. We encourage you to read this PDS carefully and particularly consider Section 7 *Risks to Returns from the PMG Direct Childcare Fund* before making your investment decision.

Yours faithfully,

Denis McMahon
Director

Wayne Beilby
Director

Scott McKenzie
Director

Daniel Lem
Director

Nigel Lowe
Director

2 WHAT PMG DIRECT CHILDCARE FUND INVESTS IN

2.1 STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES SUMMARY

The Fund's current Statement of Investment Policies and Objectives (**SIPO**) reflects the wholesale nature of the Fund prior to this Offer. The Fund's updated SIPO, which has been provided to the Supervisor prior to the date of this PDS, and will take effect from 30 October 2020 if this Offer is successfully completed, is summarised below:

(a) **Purpose:** The Fund intends to hold and grow a portfolio of ECE properties, diversified by region and tenant. The Fund will focus predominantly on the acquisition of, and long-term investment in, quality, recently built ECE properties, and where appropriate, invest in land and the construction of new ECE properties.

(b) **Investment Objectives:** The investment objective of the Fund is to provide Unitholders with a stable monthly income stream combined with the potential for capital growth in the value of Units. To this end, the primary objective of the Manager is to achieve sustainable gross distribution levels of 6.50 cents per Unit, or more, each year.

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

(c) **Investment Philosophy:** The Manager believes that developing and acquiring recently developed, high-quality ECE properties and actively managing those properties will deliver Unitholders, over the medium to long term, the opportunity for income and income growth, together with capital appreciation in excess of inflation.

(d) **Investment Strategy:** The investment strategy of the Fund is to:

(i) Acquire recently built ECE properties from third parties that are subject to long-term leases with reputable ECE providers

(ii) Complete developments already under construction, in partnership with an experienced ECE development partner, that are subject to long-term leases with reputable ECE providers

(iii) Where considered appropriate, identify, and undertake, in partnership with an experienced ECE development partner, development of new ECE centres that are to be subject to long term leases with reputable ECE providers; and

(iv) Actively manage the ECE properties owned by the Fund.

(e) **Permitted Investments:**

Asset Classes · Direct investments in commercial property related to the ECE sector · Interest rate swaps (for hedging purposes) · Other assets associated with property ownership; and · Cash.
Sectors · Early Childhood Education.
Geographic Location · Metropolitan centres across New Zealand.

(f) **Target Asset Allocations:**

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

(g) **Target benchmarks for each investment property**

(i) No single investment to be more than 35% of the assets of the Fund, or more than $20 million, whichever is greater.

(ii) Weighted Average Lease Term (WALT) not less than five years.

(iii) Property occupancy greater than 80%; and

(iv) Loan-to-value ratio of no more than 50%.

(h) **Distribution Policy:** It is the Manager's policy to distribute 100% of the surplus net distributable income of the Fund to Unitholders. Distributions may be reduced where cash reserves are required to be built up to pay for planned capital expenditure for a directly owned property.

(i) **Investment Strategy Review:** The Board of Directors of the Manager (the **Board**) will, on an annual basis, review the key metrics for the Fund's property investments and assess if the property investments should be sold. The key metrics to be considered include:

- (i) Macro-economic conditions: The underlying macro-economic conditions that may influence the Fund's future performance.
- (ii) Forecast major capital expenditure: Whether any works are due on the properties, how this will be funded, and the impact it may have on cash distributions.
- (iii) Lease expiry profile: Whether leases are expiring at a similar time and whether it is likely that the tenants will renew their leases.
- (iv) WALT: The average length of time remaining for l eases to expiry.
- (v) Fund annual return against benchmark: A measure of how the Fund is performing against the Fund Performance Benchmark.
- (vi) Property market conditions: The prospects for ECE centres in the Fund's target geographic areas.
- (vii) Property valuations: A review of annual property revaluations and, where necessary, examination of why there are value differences to the prior year.
- (viii) Forecast net income: Whether the current cash distributions are sustainable.
- (ix) Forecast compliance with banking covenants: Whether the Fund is at risk of breaching its banking covenants in the future.

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

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

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

If the SIPO is amended or replaced, the Manager will notify Unitholders and the Supervisor.

The updated SIPO, which reflects the Fund becoming a retail managed investment scheme, will come into effect from 30 October 2020 following the successful completion of this offer and may be found in the scheme register at https://disclose-register.companiesoffice.govt.nz under Scheme Number SCH12951.

Glen Innes Property

2.2 THE FUND'S PROPERTY PORTFOLIO

PROPERTY PORTFOLIO STRATEGY

The Fund intends to grow a portfolio of properties in the ECE sector, diversified by region and tenant. The Fund is focussed predominantly on the acquisition and long-term investment in quality, well-located recently built ECE centres that are subject to long-term leases with reputable ECE providers.

As all properties in the Property Portfolio are modern, well maintained, and have a net lettable occupancy of 100%, the Manager's strategy is to ensure the existing tenants continue to be satisfied with the properties as part of an ongoing tenant retention strategy. The rent review mechanisms for all leases include periodic fixed rental increases and/or consumer price index (**CPI**) adjustments and market rental reviews, typically with ratchet clauses to prevent contracted rental income from reducing. The Manager intends to hold proactive lease and rental negotiations at the appropriate time with each tenant.

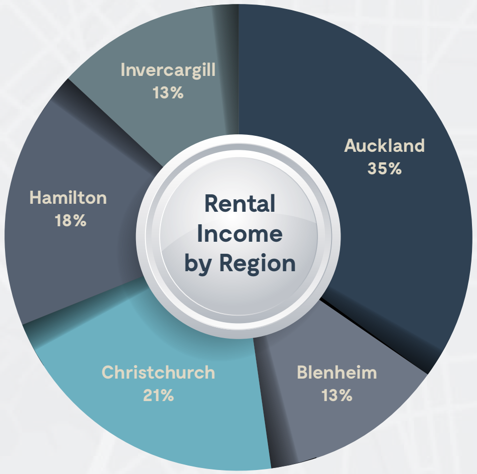
Historically, the Fund has also invested in land and constructed ECE properties in conjunction with experienced ECE development partner, CPMC Group (**CPMC**). One such property (the Pukekohe Property) is under development at the date of this PDS. While the development of additional new-build ECE centres may occur in the future, it is the intention of the Fund to focus on the acquisition of completed centres. See Section 5.1 *Key Features of the Fund* for more information on the approach to development properties.

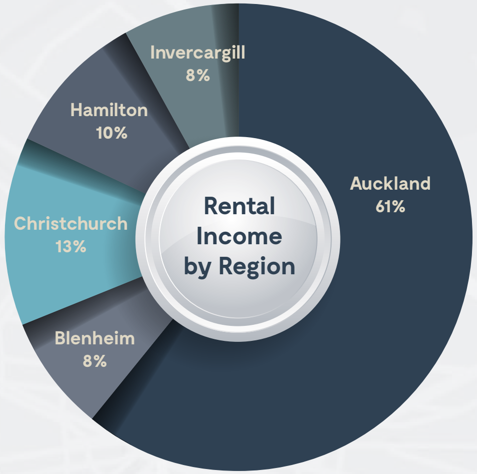
	Portfolio Before Settlement Date[7]	Portfolio at 31 March 2021[8]
Target Annual Distribution per Unit[9]	6.50 cents per Unit	6.825 cents per Unit
ECE Centres Owned	6	9
Licensed Capacity[10]	578 children	938 children
Number of Unique Tenants[11]	5	7
Occupancy[12]	100%	100%
WALT	14.9	14.2
Gearing	39%	38%
Portfolio Valuation[13]	$25,940,000	$45,665,000

[7] All items in this column are stated before acquisition of the Acquisition Properties and include the Pukekohe Property under development (due to complete 30 November 2020). Information is forecast as at the day prior to Settlement Date unless otherwise stated, based on information available up to the date of this PDS.
[8] All items in this column are stated after acquisition of the Acquisition Properties, and completion of all properties under development, following 13,500,000 Units (being the Maximum Equity Raise) being issued from the Offer. Information is forecast as at 31 March 2021 unless otherwise stated.
[9] For further information, see Section 4.4 *Distributions*.
[10] The maximum number of children capable of attending ECE centres owned by the Fund, when open. This forms part of the MOE licence applicable to each centre.
[11] Number of unique tenants is less than the ultimate number of leases, as some tenants are party to more than one lease.
[12] Occupancy is based on sqm of NLA projected as occupied, based on current facts and circumstances at the date of this PDS.
[13] The Property Portfolio valuation is stated as per the value on the most recent independent valuation report held by the Fund per property. The valuation excludes future forecast capital expenditure, or capitalised property acquisition costs. For the Pukekohe Property and the Gulf Harbour Property, valuations are on an as-if complete basis.

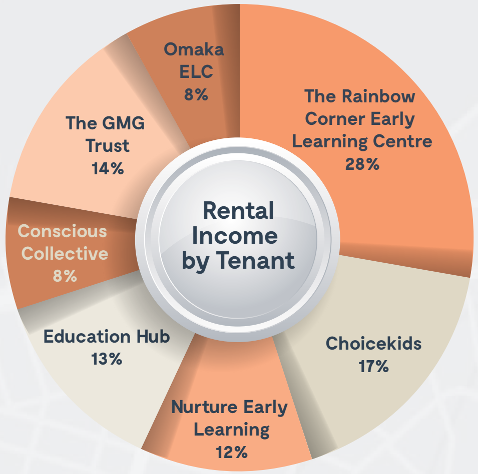
Portfolio Before Settlement Date

Portfolio at 31 March 2021

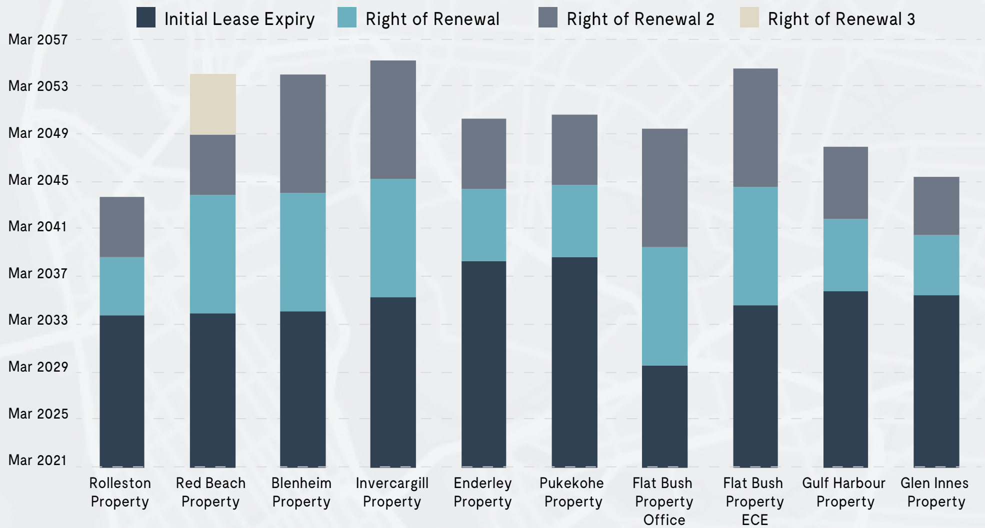




Forecast Rental Income by Tenant as at 31 March 2021



PORTFOLIO LEASE EXPIRY PROFILE



Property	Tenant	Independent Valuation	Occupancy	Practical Completion / Acquisition Month
Rolleston	Education Hub	$5,415,000	100%	December 2018
Red Beach	Nurture Early Learning	$5,250,000	100%	March 2019
Blenheim	Omaka ELC	$3,525,000	100%	April 2019
Invercargill	Rainbow Corner Early Learning	$3,000,000	100%	July 2020
Enderley	Rainbow Corner Early Learning	$4,900,000	100%	July 2020
Flat Bush	ChoiceKids	$7,925,000	100%	October 2020
Glen Innes	The GMG Trust	$6,200,000	100%	October 2020
Pukekohe	The Conscious Collective	$3,850,000	100%	November 2020
Gulf Harbour	Rainbow Corner Early Learning	$5,600,000	100%	January 2021

THE ECE SECTOR

In 2012, the Government set itself the goal of ensuring 98% of all children aged between three and five years old attend a quality early learning centre prior to starting primary school[14]. It committed $80 million over four years to achieve this, which included providing subsidies to early learning centres to ensure their fees were affordable. The proportion of children enrolled in ECE reached 96.6% by the end of 2016[15], which is below the Government target. Based on 2013 Census Data, this equates to 1,799 children still eligible for enrolment in ECE. In 2017, 199,000 pre-school children attended formal ECE care. Just over two-thirds (68%) of two-year-olds were in formal ECE in 2017, up from 53% in 2009. In 2017, 84% of three-year-olds were in formal ECE care, up from 73% in 2009, and 89% of four-year-olds were in care, with a similar increase to three-year-olds[16].

The ECE sector continues to experience significant growth, with a shortage of quality, fit-for-purpose facilities. Labour market interventions and parents returning to work sooner after having children are key drivers of this growth. Parents are also demanding quality from the ECE sector. Strong operator and investor demand for existing ECE centres is currently improving the opportunity for experienced developers to construct purpose-built centres in growing metropolitan areas, particularly across Auckland, Hamilton, Tauranga, Blenheim, Nelson, and Christchurch.

The Manager has considered the risk around a possible structural shift due to COVID-19, with parents working from home or redundancy resulting in caregivers taking on childcare duties, reducing the number of children enrolled at ECE centres. Currently the impact of this risk is unknown. The Manager believes centres that are built to a high standard, are well located, and operated by experienced and passionate operators, should ultimately result in higher occupancy at the centres and increase the resilience of the Fund's Property Portfolio. Currently, all of the Fund's operating centres are occupied and appeared to be trading well on recent visits by the Manager, including the tenant at the Rolleston Property having a waiting list for attendees. With respect to the Acquisition Properties, to the extent the Manager is aware, the Flat Bush Property is believed to be well occupied, the Glen Innes Property has received a number of requests for pre-enrolment (scheduled to open during October), and the Gulf Harbour Property, not expected to practically complete until January 2021, is yet to accept pre-enrolments.

ECE fees are already subsidised for parents with children aged three to five years, in addition to high uptake of family childcare subsidies by eligible parents. For children under the age of three, each centre is subsidised based on the percentage of qualified teachers employed. The Fund's centres are almost completely taught by qualified teachers, which further improves the quality of teaching and increases the level of Government funding available to tenants. Furthermore, the Government continues to increase support to the ECE sector, with funding rates again increasing from January 2021. These matters, combined with the well-documented evidence confirming the benefits of ECE education, give the Manager comfort the overall outlook for the sector, in the context of the Fund, is positive.

OPERATORS

There are over 5,000[17] ECE operators in New Zealand. Nationally, on average, 152 centres open each year. Auckland has 1,407 early childcare services, 79 of which were licensed in the past year.

ECE centres fall into two main groups:

- Teacher-led services, where 50% of the supervising adults must be qualified and registered as ECE teachers. These include:
    - Kindergartens
    - Education and care services
    - Home-based services
    - Te Kura (the Correspondence School playgroups).
- Parent-led services, where parents and family or caregivers educate their children. In New Zealand, these include:
    - Playcentres and Kōhanga Reo (centres catering for young children in a Māori cultural environment), both of which must be licensed
    - Playgroups, which may or may not be Government certified
    - Puna kōhungahunga (Māori-focused playgroups)
    - Pacific Island-focused playgroups.

The Education Review Office (ERO) is the Government body responsible for overseeing quality in early childhood centres (as well as primary and secondary schools). Licensed and certified early learning services must meet minimum standards of education and care to operate.

[14] http://www.education.govt.nz/ministry-of-education/budgets/budget-2013/early-childhood-education-ece-initiatives
[15] Education Report: May 2016 ECE Prior Participation Update, sourced from Education.govt.nz
[16] https://www.stats.govt.nz/news/more-toddlers-in-formal-early-childhood-care
[17] https://www.newzealandnow.govt.nz/living-in-nz/education/childcare-preschool

ACQUISITION PROPERTIES

The purpose of this Offer is to raise capital to help fund the acquisition of the Acquisition Properties. Copies of the independent valuation reports and the Sale and Purchase Agreements for the Acquisition Properties are available on the offer register at https://disclose-register.companiesoffice.govt.nz, Offer Number OFR12950 (**Offer Register**) and may be inspected free of charge during normal business hours at the office of the Manager located as set out in Section 14 *Contact Information*. Details about the ECE sector and the Acquisition Properties are set out below.

Glen Innes Property

Flat Bush Property

Gulf Harbour Property

FLAT BUSH PROPERTY

PROPERTY TYPE	NET LETTABLE AREA (Internal)	VALUATION	OCCUPANCY (as at 31 March 2021)	WALT (as at 31 March 2021)
ECE Centre plus office space	**1,721 sqm**	**$7,925,000**	**100%**	**12.5 years**

Address:	58 Ormiston Road, Flat Bush, Auckland
Purchase Price:	$7,690,400 (per sale and purchase agreement dated 18 March 2020)
Vendor:	Choice Properties Limited
Acquisition Date:	30 October 2020
Other Key Acquisition Information:	10% deposit, paid by PMG Capital Fund Limited on behalf of the Fund. Both leases associated with the property are to be varied to confirm a revised ratchet rent review mechanism (no rent reductions on market rent review dates). This variation is to be actioned by the vendor by acquisition date and will come into effect on the same date. For more information, see rent reviews narrative within sub-section *The Leases*.
Tenants:	ChoiceKids 58 Ormiston Road Limited (Ground Floor), ChoiceKids Childcare Limited (First Floor). The tenants are related to one another.
Rental Income from Acquisition Date:	$474,400 per annum plus GST and outgoings
Seismic Rating:	Expected to be 100% or greater in the Manager's opinion, as constructed in 2019 to the building code, with Code of Compliance issued
Building Report:	A building report has been obtained and is available on the Offer Register.

THE PROPERTY

The property is situated in the Ormiston town centre approximately 20km south east of Auckland CBD. The area includes a New Zealand Police headquarters, Lion Breweries brewery and head office, and the vibrant Botany Junction Shopping Centre, which is 600m from the property. The wider area has experienced substantial growth over the past few years with new commercial and residential developments.

The property is on a 5,209sqm site zoned as business light industry. Built in 2017 to high specifications, the property comprises an ECE centre on the ground floor occupied by ChoiceKids, and an office tenancy on the upper floor, which is ChoiceKids' head office. The ECE centre has a Ministry of Education (MOE) licence for up to 150 children.

Construction comprises concrete foundations, fibre cement external cladding, aluminium exterior joinery, and iron roofing. The internal layout provides for an open plan entry, foyer, kitchen, dining and meeting room, two 0-2 years' activity rooms with associated toilets and change area, sleep room, three separate activity rooms for three, four and five-year-olds with associated toilets and change areas, staff room, laundry and resource room. Separate outdoor playgrounds extend off both the over 2's and under 2's activity rooms. The property also includes a water park, the first of its kind in an ECE centre in New Zealand.

An internal staircase and lift provide access to the first floor office. The layout provides for seven individual offices, boardroom, storeroom, bathrooms, and kitchen facilities. An external staircase also provides access to the first-floor office. Street entry to the centre is from Progressive Way and there are 44 car parks in total, of which eight car parks are allocated to the top floor office tenancy with the remaining 36 car parks allocated to the ground floor childcare tenancy.

THE TENANTS

The building is fully leased by two related tenants, ChoiceKids 58 Ormiston Road Limited (the ECE centre operator) and ChoiceKids Childcare Limited (who occupy first floor office space, their head office). ChoiceKids operate eight centres across South Auckland and aim to challenge the developing minds and motor skills of children by stimulating them with movement, balance, co-ordination, and agility. They strongly believe that the early years are the foundational years for children to develop skills that set them up for great success in their futures.

Offering New Zealand's first childcare centre waterpark at their Ormiston Centre, ChoiceKids provides children a superior education combined with the means to create the very best early childhood memories. Understanding the busy lives of parents, ChoiceKids offers a free pick-up and drop-off bus service, breakfasts, lunches, and dinners for the children, and treat their childcare students like family.

In operation since 2011, ChoiceKids is well known within South Auckland for their high-spec childcare centres, family environment and accessibility, while offering families the assurance their children are in the most capable hands.

The Manager does not have access to all financial information related to the tenant. However, the Manager has carried out due diligence on the key individuals associated with the tenant and is satisfied with its findings. Such enquiries included searches of the Insolvency Register and public information where available.

As a result of the above, the Manager is satisfied in the tenants' ability to meet their contractual lease commitments from the date of acquisition.

THE LEASES

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

Tenant Details	ChoiceKids 58 Ormiston Road Limited
Rental Income	$374,400 per annum plus GST and outgoings from acquisition date
Term of the Lease	15 years, initially expiring 30 September 2034 with final expiry up to 30 September 2054

Tenant Details	ChoiceKids Childcare Limited
Rental Income	$100,000 per annum plus GST and outgoings from acquisition date
Term of the Lease	10 years, initially expiring 30 September 2029 with final expiry up to 30 September 2049

Both leases are subject to the additional terms below (independently per lease):

Rights of Renewal	Two rights of renewal per lease, each right for a term of 10 years
Rent Reviews	3% fixed increase two-yearly, with market rent review to be conducted on the eighth anniversary of lease commencement dates (with ratchet clauses preventing rent reduction on market rent review dates, and a cap at 110% of rent prior to market reviews). On each renewal, and five years following renewal, a market rent review will also be undertaken with no cap or collar.
Other key information	The Tenants are responsible for all operating expenses at the property. Personal guarantees are provided by the ultimate owner of the tenants for payment of rent and performance of all covenants in the leases for twelve months, with an indemnity limited to 12 months' rental and outgoings for each lease.

Copies of the leases are available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR12950.

NOTES ON VALUATION

The Flat Bush Property was independently valued by Jones Lang LaSalle on 30 July 2020, with the valuation provided reconfirmed within two weeks of the date of this PDS.

The valuation was carried out generally in accordance with current Australia and New Zealand Valuation and Property Standards (however, presented in an abbreviated format for capital raising purposes, which in part departs from those standards), and was undertaken using a combination of the following approaches:

- The Capitalisation of Net Income Approach – the direct capitalisation of passing and market income.
- The Discounted Cashflow Approach – utilising cash flow projections, combined with discount rates, growth rates, sustainable rental levels, vacancy allowances, capital expenditure, outgoings, and terminal yields.

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

Value per sqm of NLA	$4,605	Weighted Average Lease Term Remaining	13.1 years
Initial Yield	5.99%	Yield on Net Market Income	5.97%

In preparing the valuation, the critical assumptions include:

- Given the circumstances surrounding COVID-19, the valuation considers 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.
- For the Capitalisation of Net Income Approach, a capitalisation rate of 6.00%.
- For the Discounted Cashflow Approach, a discount rate of 7.25%, terminal yield of 6.25%, and average applied rental growth of 1.92%.

For further assumptions, see a copy of the valuation report, which is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR12950.

GLEN INNES PROPERTY

PROPERTY TYPE	NET LETTABLE AREA (Internal)	VALUATION	OCCUPANCY (as at 31 March 2021)	WALT (as at 31 March 2021)
ECE Centre	**855 sqm**	**$6,200,000**	**100%**	**14.5 years**

Address:	6-8 Merfield Street, Glen Innes, Auckland
Purchase Price:	$6,115,200 (per sale and purchase agreement dated 10 August 2020)
Vendor:	Creating Communities Limited
Acquisition Date:	30 October 2020
Other Key Acquisition Information:	As part of the sale and purchase agreement, the vendor has agreed to subscribe for $500,000 (representing 476,190 Units) in the Fund for a minimum period of 12 months from Settlement Date. The vendor's subscription is treated as a credit against the purchase price. The vendor has further agreed to reimburse the Fund for any remaining tenant incentives due to the tenant under the lease after settlement. The agreement for sale is conditional until 30 September 2020, at the Fund's discretion, on the condition of securing finance.
Tenant:	The GMG Trust
Rental Income from Acquisition Date:	$382,200 per annum plus GST and outgoings
Seismic Rating:	Expected to be 100% or greater in the Manager's opinion, as constructed in 2020 to the building code, with Code of Compliance to be issued
Building Report:	A building report has not been obtained

THE PROPERTY

The property is a newly built, state-of-the-art ECE centre with high quality fixtures and fitout. The property is situated on a site of 1,729sqm zoned for Residential – Terrace House and Apartment Buildings, located in the Glen Innes suburb of Auckland. The immediate surrounding development comprises a combination of social and private housing with a large number of redevelopments recently being undertaken in the area, involving the reconfiguration of state-owned properties to provide for more intensive residential use. The centre backs onto Glen Innes School, offering parents convenience to both schooling and motorway systems, with the Mount Wellington interchange 7km away.

Construction comprises concrete, steel, and timber structure. External walls are brick veneer, painted weatherboard, feature metal claddings and a glass façade. Designed by Ashton Mitchell Architects, the property is an iconic structure, which enables the operators to deliver quality early childhood learning experiences. The centre has an excellent indoor-outdoor flow while retaining optimum orientation and layout for the learning spaces. The cladding systems used are low maintenance and were selected to ensure the centre presents a clean, tidy, modern aesthetic at all times. Attractive interior and exterior joinery units are used extensively to provide natural light to learning spaces and divide them in a logical manner. Additional features include a lift, extra parent meeting spaces, utility areas and storage for car seats and prams. This centre follows the philosophy of each learning space having independent facilities, assisting teachers with autonomy and better control over the learning environments. The end result is a centre with market leading design and quality fitout that is fit for purpose.

The centre is scheduled to open during October and is to be licensed for up to 105 children. The property is subject to a 15-year lease to an experienced and proven operator, with rights of renewal expected to extend the potential lease term to October 2045. Fixed rental increases are built into the lease arrangement until final expiry.

THE TENANT

The tenant, the GMG Trust, is to operate the centre under the name Childsteps Early Learning Centre. The tenant is ultimately owned and operated by Dianne Major. Dianne previously operated the Hummingbirds Early Learning Centre in St Johns, Auckland, which was licensed for 120 children before being sold to Evolve Education Group in 2014. On opening, the tenant will operate the centre as a full-day childcare centre and will not offer short days or sessions. Their fees will include high teacher-per-child ratios and nutritious food three times a day. Designed for infants, toddlers and pre-school children, the centre will place an emphasis on small class sizes. Research shows that small class sizes foster more positive teaching interaction, meaning less energy is spent on managing children and more energy on teaching them. The tenant anticipates high demand as the area is located in a central but peaceful location, making them a top pick for local families from Glen Innes, St Johns, St Heliers, Kohimarama, Glendowie, Mission Bay and Meadowbank.

The Manager does not have access to all financial information related to the tenant. However, the Manager has carried out due diligence on the key people associated to the tenant and is satisfied with its findings. Such enquiries included searches of the Insolvency Register and public information where available.

As a result of the above, the Manager is satisfied in the tenant's ability to meet its contractual lease commitments from the date of acquisition.

THE LEASE

The Manager considers the lease relating to this property to be material information. A summary of this lease is set out below.

Tenant Details	The GMG Trust
Term of the Lease:	15 years, initially expected to expire 30 October 2035 with final expiry up to 30 October 2045
Rights of Renewal:	Two rights of renewal, each for a term of five years
Rent Reviews:	4% per annum fixed increase on the second anniversary of commencement, with 2% per annum increases on each anniversary of commencement thereafter.
Other Key Information:	The tenant is to provide a bank guarantee for the first five years of the lease totalling the annual rental income at the lease commencement date. For each subsequent five-year period, the guarantee will be adjusted to equal the annual rental income at the start of the relevant five-year period.

A copy of the lease is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR12950.

NOTES ON VALUATION

The Glen Innes Property was independently valued by Jones Lang LaSalle on 13 August 2020 with the valuation provided reconfirmed within two weeks of the date of this PDS.

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

- The Capitalisation of Net Income Approach - the direct capitalisation of passing and market income.
- The Discounted Cashflow Approach – utilising cash flow projections, combined with discount rates, growth rates, sustainable rental levels, vacancy allowances, capital expenditure, outgoings, and terminal yields.

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

Value per sqm of NLA	$7,250	Weighted Average Lease Term Remaining	14.8 years
Initial Yield	6.16%	Yield on Net Market Income	5.59%

In preparing the valuation, the critical assumptions include:

- Due to COVID-19 Alert Level 3 restrictions at the time of valuation, only an exterior inspection of the property was conducted. Internal areas were presumed to be in the excellent, new-build condition as evidenced in recent internal photography.
- Given the circumstances surrounding COVID-19, the valuation considers 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.
- For the Capitalisation of Net Income Approach, a capitalisation rate of 5.625%; and
- For the Discounted Cashflow Approach, a discount rate of 7.125%, terminal yield of 5.875%, and average applied rental growth of 1.95%.

For further assumptions, see a copy of the valuation report, which is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR12950.

GULF HARBOUR PROPERTY

PROPERTY TYPE	NET LETTABLE AREA (Internal)	VALUATION	OCCUPANCY (as at 31 March 2021)	WALT (as at 31 March 2021)
ECE Centre	**565 sqm**	**$5,600,000**	**100%**	**14.8 years**

Address:	102-130 Pinecrest Drive, Gulf Harbour, Auckland
Purchase Price:	$5,350,000 (per sale and purchase agreement dated 1 September 2020)
Vendor:	PMG Capital Fund Limited
Acquisition Date:	31 January 2021 (estimated – pending completion of centre)

Other Key Acquisition Information:

- The sale and purchase agreement is conditional, subject to:
  - capital raising requirements of the Fund (up to 30 September 2020)
  - the vendor achieving practical completion of the property. The vendor has until 1 September 2021 to achieve practical completion (the Sunset Date). Should this date be missed, the vendor may extend the Sunset Date, or cancel the sale and purchase agreement.
- Following practical completion of the property, the sale and purchase agreement will be unconditional. The acquisition date will be 10 working dates after the date that a Certificate for Public Use is issued for the property.
- Before settlement, the Fund will be entitled to receive rental income from the property (at $289,380 per annum plus GST) for the period from 1 February 2021 until the date which is the earlier of acquisition date and the Sunset Date.
- Should the tenant cancel their agreement to lease prior to acquisition by the Fund, the Fund is entitled to cancel the sale and purchase agreement with full reimbursement of any monies paid under the terms of the agreement.

Tenant:	Rainbow Corner Early Learning Private Limited
Rental Income from Acquisition Date:	$289,380 per annum plus GST and outgoings
Seismic Rating:	Expected to be 100% or greater in the Manager's opinion, to be completed in 2021 to the building code, with Code of Compliance to be issued.
Building Report:	A building report has not been obtained because the property is not built.

THE PROPERTY

Currently under development, the property is located on a 1,927sqm site in Gulf Harbour – a suburb approximately 4km from the end of the Whangaparoa Peninsula, and about 30 minutes' drive north of Auckland City. It has one of the country's largest marinas and now has a world-class golf course. The population of the local area is destined to continue increasing as the surrounding Fairway Bay residential development continues towards completion. A ferry service operates between Gulf Harbour and downtown Auckland, allowing people to commute to the city while living in Gulf Harbour.

The property is currently under the ownership of PMG Capital Fund Limited, a related party of the Fund. Currently undergoing construction, the development (being undertaken by CPMC) is expected to be completed by 31 January 2021. The site has an approved resource consent for childcare use and on completion of the centre, the internal area of the property will total 565sqm, with the remaining built area of 154sqm consisting of decks and playground areas. The ECE centre is expected to have a capacity of up to 105 children. The site will also accommodate 16 car parks and is zoned mixed use.

THE TENANT

On completion the building is to be fully leased to established operator Rainbow Corner Early Learning Private Limited, who will operate the centre for a minimum term of 15 years. Rainbow Corner Early Learning Private is a highly reputable childcare operator owned and managed by Rrahul and Bhavini Dosshi. Rainbow Corner currently operate centres across Auckland in Mangere, Flat Bush, Takanini, Beach Haven, Hamilton, and Invercargill, with further centres planned in Manurewa, Red Beach, Papatoetoe, Gulf Harbour and now Suva in Fiji. They are well known to the Manager having signed leases to operate two centres for PMG Direct Childcare Fund, being the Enderley Property, and the Invercargill Property.

The vision of Rainbow Corner's ECE programmes is to work in partnership with families and the community. Their belief is to enhance the abilities and skills of the whole child, including social, physical, intellectual, communication, and emotional (SPICE) development.

The Manager does not have access to all financial information related to the tenant. However, the Manager has carried out due diligence on the key individuals associated to the tenant and is satisfied with its findings.

Such enquiries included searches of the Insolvency Register and public information where available.

As a result of the above, the Manager is satisfied in the tenant's ability to meet their contractual lease commitments from the date of acquisition.

THE LEASE

The Manager considers the lease relating to this property to be material information. A summary of this lease is set out below.

Tenant Details	Rainbow Corner Early Learning Private Limited
Term of the Lease:	15 years from expected commencement date, expected to initially expire 31 January 2036 with final expiry up to 31 January 2048
Rights of Renewal:	Two rights of renewal, for a term of six years each
Rent Reviews:	1.5% fixed increase two-yearly, with market rent review to be conducted on every sixth anniversary of lease commencement (with a ratchet clause to prevent rent reduction on market rent review dates)
Other Key Information:	The Tenant is responsible for all operating expenses at the property. A bank guarantee of three months' rent and outgoings to be provided by the tenant, in addition to personal guarantees provided by the ultimate owner of the tenant, covering the tenant's performance of all covenants associated with the lease. The lease includes an incentive of 50% discounted rental for the first six months.

A copy of the lease is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR12950.

NOTES ON VALUATION

The Gulf Harbour Property was independently valued by Jones Lang LaSalle on 30 July 2020, with the valuation provided reconfirmed within two weeks of the date of this PDS.

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

- The Capitalisation of Net Income Approach - the direct capitalisation of passing and market income.
- The Discounted Cashflow Approach – utilising cash flow projections, combined with discount rates, growth rates, sustainable rental levels, vacancy allowances, capital expenditure, outgoings, and terminal yields.

Value per sqm of NLA	$9,912	Weighted Average Lease Term Remaining	15.0 years
Initial Yield (including lease incentive)	3.88%	Yield on Net Market Income	5.43%

In preparing the valuation, the critical assumptions include:

- Given the circumstances surrounding COVID-19, the valuation considers 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.
- For the Capitalisation of Net Income Approach, a capitalisation rate of 5.625%; and
- For the Discounted Cashflow Approach, a discount rate of 6.625%, terminal yield of 5.875%, and average applied rental growth of 2.12%.

For further assumptions, see a copy of the valuation report, which is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR12950.

EXISTING PROPERTIES

The valuation reports referred to in this section are available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR12950.

Throughout this sub-section, Expected Rental represents the expected annualised rental income as at 31 March 2021, stated before lease incentives, based on the contractual arrangements in place at the date of this PDS, plus any prospective period assumptions up to 31 March 2021 related to property completion, lease commencements, and rent reviews.

The Manager does not have access to all financial information related to the tenants. However, the Manager has carried out due diligence on the key individuals associated to the tenants and is satisfied with its findings. Such enquiries included searches of the Insolvency Register and public information where available.

ROLLESTON PROPERTY

NOTES ON PROPERTY AND LEASE

The property comprises a recently purpose-built childcare facility with an MOE licence for 130 children (including up to 25 under 2-year-olds). Constructed in 2017 on 3,080sqm of land, the property has concrete flooring, timber framing, weatherboard cladding, double glazed joinery, and a long-run metal roof. The property has at least 13 commercial heat pump units. The property includes an infant room, under 2's room with sleep areas, four over 2's spaces, an administration area, timber decking, sealed driveway, extensive landscaping and 32 car parks.

Located in Rolleston, a growing township 30 minutes' drive south west of central Christchurch, significant residential growth in the past decade has required the provision of new services such as retail, primary and secondary schooling, and childcare facilities in the area. The immediate location is zoned to allow for residential development. The property backs onto a recently developed Christian school catering for Years 1 to 8 and opened in February 2015, accommodating up to 300 pupils.

The tenant, trading as Three Trees Learning, is backed by experienced operators Jenny Tippett and Libby Cunliffe, and has entered a 15-year lease agreement. Jenny and Libby established, owned, and operated two successful centres until they were acquired by Evolve Education Group. Jenny has a background in education, including more than 15 years of teaching and management experience, and nine years of centre start-ups and ownership. Jenny also owns and operates 4E's Consulting, a firm specialising in business design, pre-school start-ups, and management contracts for early childhood services.

A copy of the lease (which is considered to be material information) is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR12950.

PROPERTY TYPE	NET LETTABLE AREA (Internal)	VALUATION (See notes below)	OCCUPANCY (as at 31 March 2021)	WALT (as at 31 March 2021)
ECE Centre	**629 sqm**	**$5,415,000**	**100%**	**12.7 years**

Address:	26 Dynes Road, Rolleston, Christchurch
Current Independent Valuation:	$5,415,000 (by Bayleys Valuation Limited, as at 22 July 2020)
Seismic rating:	Expected to be 100% or greater in the Manager's opinion – constructed in 2018 to the building code, with Code of Compliance issued
Tenant:	Education Hub Limited
Expected Rental:	$354,121 per annum plus GST and outgoings
Lease Term:	15 years, initially expiring 7 December 2033 with final expiry 7 December 2043
Rights of Renewal:	Two rights of renewal, for a term of five years each
Rent Reviews:	Annually increasing by CPI plus 1% except for the fourth and ninth anniversary of commencement date, and on each renewal date, where rent shall be reviewed to market with a ratchet clause preventing rental reduction on market rent review date
Other key information:	The Tenant is responsible for all operating expenses at the property. A bank guarantee has been lodged as security by the tenant, totalling $207,000 (representing six months' rent and outgoings at lodgement).

PROPERTY TYPE	NET LETTABLE AREA (Internal)	VALUATION (See notes below)	OCCUPANCY (as at 31 March 2021)	WALT (as at 31 March 2021)
ECE Centre	**715 sqm**	**$5,250,000**	**100%**	**12.9 years**

Address:	154 Hibiscus Coast Highway, Red Beach, Auckland
Current Independent Valuation:	$5,250,000 (by Jones Lang LaSalle, as at 22 July 2020)
Seismic rating:	Expected to be 100% or greater in the Manager's opinion - constructed in 2019 to the building code, with Code of Compliance issued.
Tenant:	Nurture Early Learning Limited Partnership
Expected Rental:	$346,500 per annum plus GST and outgoings
Lease Term:	15 years, initially expiring 27 February 2034 with final expiry up to 27 February 2054
Rights of Renewal:	One right of renewal for ten years, followed by two rights of renewal of five years each
Rent Reviews:	On the eighth anniversary of commencement and every anniversary thereafter, other than a market review date, rental will increase by 1% per annum. Market reviews to occur on the tenth anniversary of commencement and five-yearly thereafter. The market rent review mechanism has a cap of 7% of the annual rent preceding the market rent review, plus a soft ratchet to prevent rent reducing below the annual rent at commencement.
Other key information:	The Tenant is responsible for all operating expenses at the property (excluding management fees). A bank guarantee and personal guarantee have been provided by the tenant as security, totalling $199,238 (representing six months' rent and outgoings at lease commencement, split evenly between bank and personal guarantees).

RED BEACH PROPERTY

NOTES ON PROPERTY AND LEASE

The property comprises a modern childcare facility with an MOE licence for 80 children, situated on a land holding of 1,584 square metres zoned in the Residential - Single House Zone of the Auckland Unitary Plan. The property is located between the suburbs of Silverdale, Red Beach and Orewa, 33 kilometres to the north of Auckland CBD. Surrounding properties consist primarily of residential dwellings.

The property is constructed of concrete floor and foundations, with steel framing, concrete and weatherboard cladding, and long-run coloursteel roof. The centre contains multiple separate indoor play areas with associated sleeping rooms, children's bathrooms, kitchen, office and changing rooms. A feature of the building is the voids on the first floor providing additional natural light and high stud space to parts of the ground floor. In addition, there are outdoor play areas with covered decking around three sides of the building. The property is finished to a modern childcare standard and also includes 21 car parks.

Nurture Early Learning Limited Partnership has entered into a 15-year lease agreement on the Red Beach Property. The partners in the partnership own and operate two successful centres in Avondale and Onehunga. Their mission when they built their first centre in 2010 was to provide the Avondale and Onehunga areas with early childcare centres that set the benchmark for high standards within New Zealand. The success of Nurture Early Learning is measured by the fact that their centres draw families from across Auckland.

A copy of the lease (which is considered to be material information) is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR12950.

BLENHEIM PROPERTY

PROPERTY TYPE	NET LETTABLE AREA (Internal)	VALUATION (See notes below)	OCCUPANCY (as at 31 March 2021)	WALT (as at 31 March 2021)
ECE Centre	**450 sqm**	**$3,525,000**	**100%**	**13.0 years**

Address:	25 Spitfire Drive, Burleigh, Blenheim
Current Independent Valuation:	$3,525,000 (by Jones Lang LaSalle, as at 29 July 2020)
Seismic rating:	Expected to be 100% or greater in the Manager's opinion - constructed in 2019 to the building code, with Code of Compliance issued
Tenant:	Omaka Learning Limited (transferring to Omaka ELC Limited)
Expected Rental:	$212,680 per annum plus GST and outgoings
Lease Term:	15 years, initially expiring 28 April 2034 with final expiry up to 28 April 2054
Rights of Renewal:	Two rights of renewal of 10 years each
Rent Reviews:	Net rent will increase by CPI plus 1% annually during the initial term, except in the fifth and tenth years from commencement, and on any renewal, where rent shall be reviewed to market rent (with a ratchet clause preventing rent reduction below the level of the most recent rent payable prior to the rent review)
Other key information:	A bank guarantee has been provided by the tenant as security, totalling $119,000 (representing six months' rent and outgoings at lodgement)

NOTES ON PROPERTY AND LEASE

The property is a recently constructed childcare facility (acquired in March 2019), occupying approximately 2,290sqm of land in the Omaka Landing subdivision on the eastern outskirts of Blenheim, the major population base for Marlborough. The area continues to grow as a result of thriving local industry (predominantly wine, agriculture and farming) and lifestyle. The site for the property is located close to a number of primary schools in a rapidly growing suburb of Blenheim.

The property is constructed of reinforced concrete foundations and flooring, timber framed walls, weatherboard cladding, and long-run profiled steel roofing. It comprises approximately 450sqm of internal area with multiple indoor areas catering to specific child age brackets, including associated sleeping rooms, children's bathrooms, administrative space and changing rooms. In addition, there is an outdoor play area of approximately 700sqm and car parking for 20 vehicles. The outdoor play area is extensive, with paving, lawn, garden beds, sandpit, decking, and a mixture of timber and aluminium fencing.

The centre is licensed for 80 children, including up to 27 children under two years old. It is currently leased to Omaka Learning Limited on a 15-year lease, and the lease is due to transfer to a new tenant, Omaka ELC Limited, on 25 September 2020. Both the current and new tenants are experienced in the ECE industry. The current tenant, managed and owned by Jenny Tippet, is affiliated with the ongoing tenancy at the Rolleston Property. The new tenant, due to take on the lease 25 September 2020, is owned and managed by Megan Stevens and her husband Matt. They will continue to operate under the brand Omaka Early Learning Centre. Megan is a qualified teacher and has vast experience in the education of children. Since 2017, Megan has taught at Childhood Concepts Early Learning Centre in Wellington and now manages that centre. Between 2008 and 2017, Megan was a Regional Manager for PORSE In-Home Childcare, a role which included the coaching of PORSE staff across the South Island of New Zealand, in addition to marketing and liaising with the MOE. Prior to this, Megan started the PORSE business in Wanganui and developed it to four staff, 30 educators and 120 children.

A copy of the lease (which is considered to be material information) is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR12950.

ENDERLEY PROPERTY

PROPERTY TYPE	NET LETTABLE AREA (Internal)	VALUATION (See notes below)	OCCUPANCY (as at 31 March 2021)	WALT (as at 31 March 2021)
ECE Centre	**558 sqm**	**$4,900,000**	**100%**	**17.3 years**

Address:	10-18 Shakespeare Avenue, Enderley, Hamilton
Current Independent Valuation:	$4,900,000 (by Jones Lang LaSalle, as at 28 July 2020)
Seismic rating:	Expected to be 100% or greater in the Manager's opinion - constructed in 2020 to the building code, with Code of Compliance to be issued
Tenant:	Rainbow Corner Early Learning Centre
Expected Rental:	$293,280 per annum plus GST and outgoings
Lease Term:	18 years from commencement, initially expiring 12 July 2038 with final expiry up to 12 July 2050
Rights of Renewal:	Two rights of renewal of six years each
Rent Reviews:	Annually increasing by CPI plus 1%. On the fifth, tenth and fifteenth anniversary of commencement and on any lease renewal, the rent shall be reviewed to market rates with a ratchet clause to prevent a reduction in rental rates
Other key information:	The initial lease includes a lease incentive of 50% discount on rent for the first four months. A bank guarantee is provided by the tenant as security, totalling $168,636 (representing six months' rent and outgoings at lodgement).

NOTES ON PROPERTY AND LEASE

The property is a modern childcare facility occupying approximately 2,444sqm of land zoned as general residential, in a five-lot subdivision in Enderley, Hamilton. The property is in close proximity to Wairere Drive, a main arterial route through Hamilton providing access to State Highway 1, and Boundary Road, which provides east-to-west access across Hamilton suburbs and to State Highway 23. Surrounding properties are predominantly residential dwellings and recreational reserves. Fairfield Intermediate School and St Paul's Collegiate School are situated approximately within one kilometre of the property.

Recently completed, the property provides a purpose-built facility on one level, with an outdoor play area. Designed to accommodate 120 children, the property also includes 40 car parking spaces. Construction is primarily of concrete floor and foundations, plus timber framing and external cladding.

The property is fully leased to established operator Rainbow Corner Early Learning Private Limited who will operate the centre for a minimum term of 18 years. Further information regarding this tenant can be found in this section, under the Acquisition Property sub-section titled Gulf Harbour.

A copy of the lease (which is considered to be material information) is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR12950.

INVERCARGILL PROPERTY

PROPERTY TYPE	NET LETTABLE AREA (Internal)	VALUATION (See notes below)	OCCUPANCY (as at 31 March 2021)	WALT (as at 31 March 2021)
ECE Centre	**452 sqm**	**$3,000,000**	**100%**	**14.3 years**

Address:	173 Bill Richardson Drive, Avenal, Invercargill
Current Independent Valuation:	$3,000,000 (by Jones Lang LaSalle, as at 27 July 2020)
Seismic rating:	Expected to be 100% or greater in the Manager's opinion - constructed in 2020 to the building code, with Code of Compliance issued
Tenant:	Rainbow Corner Early Learning Centre
Expected Rental:	$210,600 per annum plus GST and outgoings
Lease Term:	15 years from commencement, initially expiring 30 June 2035 with final expiry up to 30 June 2055
Rights of Renewal:	Two rights of renewal of ten years each
Rent Reviews:	Annually increasing by CPI plus 1% for the initial term and on any renewal. On the fifth and tenth anniversary of commencement rent shall be reviewed to market rates with a ratchet clause to prevent a reduction in rental rates
Other key information:	The lease includes an incentive of 50% discounted rental for the first three months. A bank guarantee is to be provided by the tenant as security, totalling $60,548 (representing three months' rent and outgoings at lodgement).

NOTES ON PROPERTY AND LEASE

The property is a recently completed modern childcare facility in Avenal, Invercargill that is purpose-built to accommodate 88 children. It includes an outdoor play area and 16 car parking spaces. Built on 2,408sqm of land zoned for business purposes in the Invercargill Business Park, the property is within three kilometres of Invercargill CBD. The property is constructed of concrete slab floor over a ribraft foundation, supporting a timber frame structure. The external walls consist of rusticated cedar weatherboard.

The centre includes three classrooms (one for under 2's, the other two for over 2's), with the over 2's sharing children's toilet facilities and a store/sleep area. Internal subdivision provides for an entrance lobby adjacent to the reception area and manager's office. A central corridor subdivides the three classrooms from the kitchen, staffroom, laundry and two toilets. Outside the property has an L-shaped timber deck to the north-western side, accessible from each classroom.

The property is fully leased to an established operator, Rainbow Corner Early Learning Private Limited, who will operate the centre for a minimum term of 15 years. Further information on this tenant can be found in this section, under the Acquisition Property sub-section titled Gulf Harbour. The centre is located 24 kilometres driving distance away from the Tiwai Point Aluminium Smelter, owned by Rio Tinto Group. It was announced on 9 July 2020 that the smelter will be closed by August 2021. The Manager currently does not expect there to be a material impact on the tenant or the Fund as a result of this closure. This will be re-evaluated by the Manager over time, as part of normal, regular communications with all tenants.

A copy of the lease (which is considered to be material information) is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR12950.

PUKEKOHE PROPERTY

PROPERTY TYPE	NET LETTABLE AREA (Internal)	VALUATION (See notes below)	OCCUPANCY (as at 31 March 2021)	WALT (as at 31 March 2021)
ECE Centre	**444 sqm**	**$3,850,000**	**100%**	**17.7 years**

Address:	17 Catherine McLean Road, Pukekohe, Auckland
Purchase Price:	$3,266,370 (per development agreement)
Current Independent Valuation:	$3,850,000 as-if complete (by Jones Lang LaSalle, as at 28 July 2020)
Seismic rating:	Expected to be 100% or greater in the Manager's opinion - to be completed in 2020 to the building code, with Code of Compliance to be issued
Tenant:	The Conscious Collective
Expected Rental:	$220,480 per annum plus GST and outgoings
Lease Term:	18 years from expected commencement date, expected to initially expire 30 November 2038 with final expiry up to 30 November 2050.
Rights of Renewal:	Two rights of renewal of six years each
Rent Reviews:	Annually increasing by CPI plus 1% for the initial term and on any renewal. On the fifth, tenth and fifteenth anniversary of commencement rent shall be reviewed to market rates with a ratchet clause to prevent a reduction in rental rate

Other key information:
The development agreement (and agreement to lease) includes a sunset clause. If practical completion is not completed by 30 November 2020, the tenant has no obligation to remain committed to the lease arrangement.
The initial lease includes an incentive of 50% discounted rental for the first six months.
A bank guarantee is to be provided by the tenant five days following practical completion as security, totalling $126,776 (representing six months' rent and outgoings at lodgement).

NOTES ON PROPERTY AND LEASE

The property is currently under development, expected to be complete by 30 November 2020. It will comprise a modern, newly built childcare facility accommodating 80 children on a 37-lot subdivision, with a total of 18 car parking spaces. The site area of 1,830 sqm is zoned as Residential Single House on the Auckland Unitary Plan, located in an area primarily of residential dwellings with a reserve bordering the northern boundary of the property. The property is located close to Puni Road, a main arterial route, providing access into Pukekohe town centre two kilometres away.

The property is being purpose-built by CPMC for the Fund and will be completed to a high standard. Construction will be of concrete floor and foundations, timber framing, weatherboard cladding and long-run metal roofing.

The tenant, Conscious Collective, was formed in 2019 as the vehicle to establish an innovative approach to ECE. With ten years' experience in the sector, including the establishment of six new centres and a nationwide home-based childcare network, the Managing Directors Nick Scott and Rick Fourie intend that Conscious Collective will be a shining example of effective ECE. Through focussing on people-centric culture, world class pedagogy and beautiful environments, they create early learning villages that inspire a more loving, peaceful world. They are working towards establishing ten of these villages in New Zealand over the next five years.

A copy of the lease (which is considered to be material information) is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR12950.

2.3 MANAGEMENT OF THE FUND

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

DENIS MCMAHON

Chairman of the Board

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

Denis successfully built PMG up over the following 28 years to date, to a company now managing a portfolio with a value in excess of $500 million. In 1994, Denis syndicated his first property in Tauranga and has overseen in excess of a further 40 investment offerings since. Denis is a member of the Property Institute and was the Chairperson of the Property Council (Bay of Plenty Branch) from 1996–2000.

DR WAYNE BEILBY

Independent Director

Dr Wayne Beilby joined the Board of PMG as an Independent Director in September 2017. He brings extensive management and governance experience in the financial services industry, both in New Zealand and throughout the Asia Pacific region, to PMG. His experience includes professional appointments such as chairman, company secretary, director, and chief executive for several companies, including NZX listed companies and local government entities.

Wayne is managing director of Pacific Advisory Services, a company which provides governance, and risk and asset management advice to its clients. Wayne has a Doctorate in Corporate Governance, a Master of Business Administration in Finance and Risk, Bachelor degrees in Law and Arts, and is a lawyer by profession. Wayne is a fellow and mentor of the Australia New Zealand Institute of Insurance and Finance (ANZIIF) and a fellow of the Institute of Management New Zealand (IMNZ).

SCOTT MCKENZIE

Chief Executive Officer & Director

Scott has a wealth of commercial and leadership experience in diverse businesses across New Zealand and the United Kingdom, including ASB Bank in New Zealand, the Royal Bank of Scotland in London, and the Bank of New Zealand. As Director and CEO of PMG, Scott is responsible for leading and overseeing operations across the management and investment arms within the Manager. Scott's leadership experience plays a key role in the determination and implementation of innovative strategy for PMG. Scott holds a Bachelor of Commerce in Valuation and Agribusiness Management, a Post Graduate Diploma in Management and holds several personal directorships.

Scott is vice-president of the Property Council Bay of Plenty, Board Member at Priority One, and is a member of Enterprise Angels BOP and the Institute of Directors. Scott is the largest indirect shareholder in the Manager.

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

DANIEL LEM

Head of Investment & Director

Daniel is a real estate professional with over 20 years' experience in asset and project management, commercial leasing, and structured property finance. A previous Director and Head of Tenant Representation for Jones Lang LaSalle, Daniel represented tenants including Microsoft, IBM, Unisys, and the New Zealand Government. Between 2006 and 2010, Daniel was the joint Fund Manager of Danube Property Funds I and II, where he acquired and managed 100 million Euro worth of commercial office assets across Eastern Europe.

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

NIGEL LOWE

Chief Financial Officer & Director

Nigel joined the PMG team in August 2016 after spending 13 years at accounting firm KPMG. At KPMG, Nigel's role was to lead a team in the Private Enterprise division looking after a significant number of small to medium business, with a focus on compliance and business transactions. Nigel also holds an independent director role for Juted Holdings Limited which operates Mitre 10 Mega businesses in Tauranga, Waihi, and Rotorua. Nigel's role within the Manager is to strengthen and provide additional capability to the senior management team with a focus on financial reporting, compliance, and assistance with future property acquisitions within the Group.

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

MATT MCHARDY

Head of Investor Relationships

Matt joined PMG in April 2015 to develop the sales and investor relationship team for the business. He has extensive experience in business development and relationship management, finance, and compliance after a banking career with BNZ.

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

Alongside the wider Investor Relationships team, Matt focuses on building and maintaining strong personal relationships with all of PMG's investors and is the key point of contact for those across the central and lower North Island regions. The team is also responsible for promoting new investment opportunities to investors and improving PMG's secondary market across all of PMG's existing funds.

2.4 PURPOSE OF THE OFFER

The purpose of this Offer is to raise the funds necessary to assist with the purchase of the Acquisition Properties. The purchase of the Acquisition Properties is part of the Manager's investment strategy of investing directly in commercial properties (principally ECE centres) across metropolitan centres of New Zealand.

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

Purchase Price of Acquisition Properties	$19,155,600
Offer Costs	$1,087,372
Total Cost	**$20,242,972**

Funded by:	
Unit subscriptions	$14,175,000
Debt	$6,067,972
Total	**$20,242,972**

- Unit subscriptions above assumes the Maximum Equity Raise under the Offer is achieved, based on an issue price of $1.05 per Unit. At least $12,600,000 (12,000,000 Units, being the Minimum Equity Raise, must be raised before the Offer can proceed. Of this amount, $8,032,500 (7,650,000 Units) is underwritten by the Manager.
- Debt above represents the additional net debt to be drawn to purchase the Acquisition Properties, assuming the Maximum Equity Raise number of Units (13,500,000) are issued under the Offer, among other factors. A new bank facility of $7,662,000, is to be established with ASB in relation to the Offer. Should only the Minimum Equity Raise number of Units be issued from the Offer, sufficient debt facility headroom is available in this facility to enable the settlement of the Acquisition Properties. For further details on the Fund's borrowings, see Section 2.7 *Borrowings* and Section 6.3 *Financial Measures of the Fund's Borrowings*.

2.5 ASPECTS OF THE FUND WITH THE MOST IMPACT ON FUTURE PERFORMANCE AND THE KEY STRATEGIES AND PLANS TO ADDRESS THEM

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

Further information about the potential risks to Unitholders of investing in Units are set out in Section 7 *Risks to Returns from the PMG Direct Childcare Fund*, and in Other Material Information disclosed on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR12950.

Rolleston Property

Factor impacting on financial performance	Strategy or plan
Current economic conditions linked to COVID-19	The Manager has considered the immediate and potential future impacts of the current economic conditions and COVID-19 on the Fund. The Fund's over-arching strategy of diversification with scale has created a portfolio with exposure to multiple tenants in a resilient industry considered essential to many. In the current economic environment related to COVID-19, this strategy is expected to be beneficial for protecting Fund and investor returns from sustained reductions. The Manager has already taken a series of specific steps to mitigate the risk to the Fund from the current economic environment, including: – Supporting tenants through any periods where access to property is not possible as planned (either by delaying lease commencements or offering rent relief). – Maintaining occupancy rates at 100%. – Ensuring high WALT (currently over 14 years) with built in rights of renewal to extend the term further. – Fixed rental increases with ratchet clauses included in most lease arrangements.
Rental income and ability of tenants to meet their obligations to pay contracted rental amount	Rental income will be driven by tenancy occupancy rates, the terms of lease agreements, the renewal of lease agreements, and the ability of tenants to fulfil their lease obligations. The Manager utilises its in-house specialist property management experience to find leasing, maintenance and value-add repositioning opportunities, to increase rental income across the Property Portfolio. Considering the current economic environment, the Manager has performed additional analysis including in relation to tenants, the ECE industry, and stress testing on the Property Portfolio. The Fund has provided rental relief to three tenants to date (at the Rolleston Property, the Red Beach Property and the Blenheim Property), related to the initial Government response to COVID-19 in March 2020 (totalling $81,470 plus operating expenditure recovery). Further allowance for the potential downside risk to rental income associated with the ongoing COVID-19 pandemic has been made in the prospective period to 31 March 2021, totalling $116,755 plus operating expenditure recovery. It is the Manager's ongoing strategy to maintain a close understanding of the specific economic circumstances and lease terms of each of the Fund's tenants. The Manager is aware that a number of existing tenants are covered to some degree by pandemic insurance, aiding to mitigate rental income risk. Where required, the Manager will act to minimise any detrimental impact on the Fund's rental income. As at the date of this PDS, no tenant has material rental arrears, nor is the Manager aware of any material breach of lease terms.
Renewal of leases, leasing of vacant space and unexpected vacancy	It is possible that existing tenants may vacate a premises early, or when their leases expire or are not renewed, which may create vacant space that requires leasing. If the leasing of space takes time, creating void periods, this will have an impact on the Fund's returns and potentially impact investor returns. The Manager is experienced in managing existing lease obligations to ensure occupancy and rental growth opportunities are optimised to achieve positive leasing results. In addition, current leases all have long-term expiry dates, reducing the likelihood of vacancy impacting returns in the foreseeable future.
Property values	The performance of the Fund will be influenced by the value of the Fund's Property Portfolio. The value of the Property Portfolio, in turn, will be influenced by the state of the property market, the level of rental income from each property, and the remaining terms of the leases of those properties. Current property valuations consider a range of inputs and market evidence in forming an opinion on value, including COVID-19. Notwithstanding this, there may be a greater range around the assumption of market value than would normally be the case. In the current economic environment, as a result of COVID-19, the level of rental income from each property was temporarily reduced due to the inability for tenants to access premises. The Manager aims, where within its control, to execute a strategy of annual income growth, maintaining 100% occupancy, and maintaining long WALTs, to maintain or improve property valuations.
Change in interest rates	The Manager manages interest rate risk with a combination of rate swap agreements and/or floating rates. The Manager's hedging/interest rate policy is set out in detail in Section 7 *Risks to Returns from the PMG Direct Childcare Fund*.
Future capital and operating expenditure requirements	Expenses for repairs and maintenance, and operating expenditure not recoverable from tenants, will impact performance. These expenses are managed through regular maintenance plans and service contracts. Planned major capital works are included in long-term budgets, and where possible, working capital or bank facility headroom will be utilised to enable future capital expenditure needs to be met. The Fund's strategy is to invest in recently constructed ECE centres. Prior to a property being purchased, a review of likely capital, repairs, and maintenance expenditure requirements is undertaken and factored into the price paid for a property.

2.6 NATURE OF RETURNS AND THE KEY FACTORS THAT DETERMINE RETURNS

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

Rental profits – The Fund's primary source of income will be rental income from each of the properties in the Property Portfolio. The amount of income available for distribution to Unitholders will be primarily drawn from the net income of the Property Portfolio, which depends on the rental income and operating expenses of the properties, and the amount of fees paid to the Manager, the Supervisor, the auditor, and other ongoing expenses related to the Fund (further information about the fees paid by the Fund is set out in Section 8 *What Are The Fees?*). The Fund will pay tax on behalf of Unitholders based on the Unitholders' share of the profit of the Fund at their respective notified investor rates (further information about tax that Unitholders will pay is set out in Section 9 *Tax*).

Interest rates – A primary cost of the Fund is interest expense, driven by both the level of borrowings and interest rates. Given the total debt held by the Fund, interest rates are a key factor in determining the overall return of the Fund. A summary of the Fund's borrowing arrangements is set out in Section 7.5 *Interest and Derivative Risk*.

Capital value – The value of Units will be influenced by the value of the Property Portfolio. The value of the Property Portfolio will, in turn, be influenced by the state of the property market, the level of rental income from each property, and the remaining terms of property leases, among other property specific information. Where property is being developed by the Fund, successful execution of development within appropriate timeframes and budgets should deliver gains for the Fund.

2.7 BORROWINGS

The Fund has received a formal offer of funding from ASB to help fund the purchase of the Acquisition Properties, in addition to an existing funding facility already in place with ASB. The ASB offer is subject to variation at the time of the loan being drawn and assumes the conditions in the Offer are fulfilled.

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

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

The main terms of the overall funding arrangements are set out below:

Facility Limit:

Presuming the Minimum Equity Raise ($12,600,000) is achieved, or greater, total facility limits with ASB will be $18,912,000. Included in the total facility limit is a new facility associated with this offer, totalling $7,662,000. The facility limit will be made available in stages, as the number of completed properties owned by the Fund increases. At Settlement Date, the facility limit available is expected to be 38.2% of the total assets of the Fund, increasing to 40.8% of the total assets of the Fund by 31 March 2021. Should only the Minimum Equity Raise be achieved, the Fund will still be able to settle the acquisition of the Acquisition Properties within the facility limits.

Expected borrowing:

Total borrowings of $17,400,000 are expected at 31 March 2021 following settlement of the Acquisition Properties (being 37.5% of the total assets of the Fund). This includes $6,067,972 drawn for the purpose of the Offer from the $7,662,000 facility mentioned above. Should only the Minimum Equty Raise be achieved, additional borrowing of $1,500,000 may be drawn for the purpose of the Offer, from the new facility.

Security

First registered mortgage in favour of ASB over the Property Portfolio (including the Acquisition Properties). First ranking General Security Deeds in favour of ASB over all present and after acquired personal property of the Fund and Custodian.

Term of lending:

Committed Cash Advance Evergreen facilities on a 36-month term, extendable on mutual agreement. With an extendable term, the facilities can be renewed annually and subsequently extended by a further 12 months (to effectively reset the term to 36 months from the extension date). The current expiry profile of the three facilities is summarised in Section 6.3 *Financial Measures of the Fund's Borrowing*. Any extension of the facilities is subject to ASB's approval (which may or may not be given). If ASB approves an extension, the Bank may re-price the facility lending margin. The current market value price for the further 12-month extension will be combined with the current rate for the remaining term of the initial facility to determine a new lending margin. The Manager would not have to accept the extension if the margin were increased but, in those circumstances, the loan term would not be extended.

Interest rate:

The interest rate under the facility agreement is effectively floating and is based on the current 30, 60, or 90-day BKBM Bid Rate plus the Bank margin (which is subject to change on an extension). To hedge the risk on the floating nature of the interest rate, the Manager may enter into a swap agreement to fix the interest rate for any amount up to the entirety of the Fund's debt. The fixed term may not extend beyond the facility expiry date. An average bank borrowings interest rate of 2.95% has been forecast for the prospective financial periods, averaged across all loan facilities.

Establishment and other fees:

No fees are expected as part of establishing the increased funding facilities associated with this Offer. A line facility fee 0.25% per annum will be charged on the Facility Limit of the new facility, to cancel once the facility is fully drawn down.

Conditions after Advance:

Bank covenants applying to the Fund as a whole, including:

- **Loan-to-value ratio (LVR):**
  The loan-to-value ratio is to be less than 45% of the value of the completed security properties, measured annually. At Settlement Date, the LVR is expected to be 30%, and from 31 March 2021, 38%.
- **Weighted Average Lease Term (WALT):**
  WALT to be maintained at no less than 5.0 years at all times.
- **Interest Cover:**
  Not less than 2.0 times the interest cost (net rental income / interest expense).

Principal Repayments:

The loan facility is interest-only, and no principal repayments are required during the loan term.

Insurance:

Comprehensive insurance is required for all secured assets with the Bank's interest noted, including full replacement, loss of rental income for not less than 12 months, and adequate public risk insurance.

3 KEY DATES AND OFFER PROCESS

KEY DATES FOR THIS OFFER

PDS registered	**21 September 2020**
Opening Date	**29 September 2020**
Closing Date	**29 October 2020**
Settlement Date and Issue Date	**30 October 2020**
Acquisition Date for Flat Bush Property and Glen Innes Property	**30 October 2020**
Acquisition Date for Gulf Harbour Property	**31 January 2021**

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

Red Beach Property

4 TERMS OF THE OFFER

4.1 TERMS OF THE OFFER

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

The table below sets out the terms of the Offer in detail:

What is the Offer?

This is an offer of Units in a managed investment scheme (constituted as a unit trust) called the PMG Direct Childcare Fund. See Section 1.1 *What Is This?* for an overview of the Offer. Each Unit confers an equal interest in the Fund and ranks equally in all respects with any other Units issued in the Fund. Each Unit confers an equal right to distributions authorised by the Manager, and to cast votes at meetings of Unitholders, in accordance with the Trust Deeds.

Key Dates

See Section 3 *Key Dates and Offer Process* for more information.

Price

The price of each Unit is $1.05 with a minimum Unit subscription amount per investor of $21,000 (20,000 Units) and multiples thereafter of $10,500 (10,000 Units). To ensure compliance with the Fund's PIE status, a Unitholder's total Unit holding in the Fund (combined with Unit holdings of any "associated persons" for tax purposes in the Fund) cannot exceed 20% of the total Units in the Fund (equating to 5,600,000 Units if the Maximum Equity Raise is achieved), unless the Unitholder is itself a PIE or one of a limited class of other widely-held vehicles.

Minimum Equity Raise

The Fund is seeking to raise at least $12,600,000 (12,000,000 Units) from the Offer to provide it with the money that it needs to purchase the Acquisition Properties.

Maximum Equity Raise

The Fund has set a maximum raise amount of $14,175,000 (13,500,000 Units) from the Offer. The Fund has based its prospective financial information on the assumption that this amount of equity is issued from the Offer.

Underwrite

A total of 7,650,000 Units ($8,032,500) is being underwritten by the Manager. Sub-underwriting arrangements with third parties will ensure that the Manager does not hold more than 20% of the Fund's Units.

Issue

Units will be issued on the Settlement Date, which is one business day following the Offer Closing Date (or, if the Manager decides to extend the Closing Date, that later date). The Offer is made on the terms, and is subject to the conditions, set out in this PDS and on the Offer Register.

Scaling

If the Fund receives valid applications for more than 13,500,000 Units ($14,175,000, being the Maximum Equity Raise) then your application will be scaled, which means that you may receive fewer Units than you applied to subscribe for. Scaling may be pro-rata. If this happens, you will be refunded the difference (without interest) within five business days of Settlement Date.

HOW CAN I MAKE AN INVESTMENT IN THE FUND?

Investors must complete the Application Form correctly. Please read the instructions in the Application Form carefully before sending it to the Manager.

Subscriptions must be made before the Closing Date (or, if the Manager decides to extend the Closing Date, that later date). This is not a continuous offer of Units in the Fund.

4.2 HOW CAN I WITHDRAW MY INVESTMENT FROM THE FUND?

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

KEY DATES RELATING TO UNITS

Cash distributions: Paid on the 25th day of each month following declaration (if not a business day, the following business day). The first distribution for new Unitholders should be paid on 29 December 2020, assuming new Units are issued on 30 October 2020 and the first distribution is declared on 30 November 2020.

Annual Redemption Period: 1 July to 31 July, each year.

This timetable is indicative only and the dates may change.

ANNUAL REDEMPTION PERIOD

The current annual redemption period is from 1 July to 31 July in each year. Redemptions are available at the Manager's sole discretion and may be suspended at any time in accordance with the Trust Deeds. The Manager has elected not to provide a redemption period since Fund establishment as the Fund is currently focussed on growth.

REDEMPTION PRICE

For each redemption period, the Manager will set a redemption price in accordance with the Amended and Restated Establishment Deed of the Fund. The redemption price is derived from the Fund's NAV, subject to adjustments for the Fund's Establishment Costs as described below, as at 31 March in the relevant financial year.

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

(a) Equity issue costs (including any contribution fees, underwriting fees, due diligence, marketing, and adviser costs) will be written off on a straight line basis over three years from the date the associated equity was issued. On any winding up of the Trust, any remaining costs not previously amortised will be written off; and

(b) Unrealised gains on property under development (where a property is owned directly, is under construction, and construction has not been completed) will be included, on a 'straight line' basis over the expected duration of development.

The purpose of these adjustments is to ensure that the cost to the Fund of issuing equity, and the unrealised gains earned by the Fund to date, are accounted for across Unitholders over time. These adjustments are non-GAAP adjustments and therefore are not reflected in the Fund's financial statements. A reconciliation of the adjustment to GAAP-compliant information is available on the Offer Register under *Other Material Information*.

As indicated above, the NAV will be primarily influenced by independent valuations of the properties held by the Fund, revalued no less than once in each financial year. The Fund's liabilities will include accruals for fees and expenses. This means that, given performance fees (described in greater detail in Section 8 *What Are the Fees?*) are calculated annually in arrears, if a performance fee is payable, the fee will be accrued in the redemption price for Units at the time it is calculated.

A numerical example of the impact of the non-GAAP adjustments is set out in the following table. The information in the table is provided as an example only, and prepared subject to several assumptions.

Theoretical Net Asset Value for the purposes of Unit pricing	31 March 2021	31 March 2022
Total equity as per prospective statement of financial position	**$28,686,936**	**$28,769,091**
Remaining equity issue costs to be amortised	$697,651	$403,473
Adjusted Net Asset Value	**$29,384,587**	**$29,172,564**
Number of Units on issue	28,000,000	28,000,000
Theoretical price per Unit	**$1.05**	**$1.04**

The key assumptions include:

1. The total equity for each period presented only includes the impact of fair valuation adjustments to investment property based on reports received within four months of the date of this PDS, plus prospective capital expenditure. The Adjusted NAV takes no account of any future change in capital value beyond those reports held as at the date of this PDS.
2. The remaining acquisition costs to be amortised are based on the costs associated with both this Offer, and those unamortised from previous offers. It does not include costs associated with any future offers.
3. There are no properties under development on 31 March 2021 and beyond, and as a result no unrealised gain on development property is recognised in Adjusted NAV.

REDEMPTION FEE

Refer to Section 8.3 Fees Charged to Individual Investors for more information about fees charged to Unitholders on redemption of Units.

PAYMENT OF REDEMPTION PRICE

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

AVAILABLE FUNDS

The funds available for redemptions will be limited to:

(a) 3% of the NAV of the Fund as determined by the Manager at the relevant valuation date for the applicable redemption period; or

(b) having regard to the future requirements of the Fund, such other amount as determined by the Manager from time- to-time.

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

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

4.3 SALE OF UNITS

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

The Manager has a large database of investors and, from time-to-time, the Manager will assist in facilitating secondary transfers of Units from one investor to another. The Manager charges 1.5% of the transaction price as a fee for this service, excluding GST. See Section 8.3 *Fees Charged to Individual Investors for further information.*

The Manager does not represent that there will be sufficient demand or liquidity to enable a Unitholder to sell Units at any given time. No representatives of the Manager are Authorised Financial Advisers (as defined in the FMCA) and the Manager does not provide financial advice, or any recommendations in relation to buying or selling Units. For more information, please contact the Manager at the contact address in Section 14 *Contact Information.*

4.4 DISTRIBUTIONS

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

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

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

Distributions are paid monthly (or sometimes more frequently if an equity raise occurs part way through a month). Only those Unitholders registered as holding Units at the end of the preceding month are entitled to receive the distribution payment. The intention is to declare a distribution on the last day of the month and pay the distribution on the 25th of the following month. If these dates fall on a weekend, then the distribution will be made on the following business day.

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

(a) unrealised changes in the value of investment properties after completion

(b) unrealised changes in the value of derivative financial instruments

(c) realised gains on the disposal of investment properties; and

(d) Manager performance fee primarily charged as a result of unrealised gain on revaluation of completed investment property

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

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

HISTORIC DISTRIBUTIONS

Historically, distributions have been declared by the Fund since establishment of 6.50 cents per Unit (annualised return) on the fifteenth day of each month.

FORECAST DISTRIBUTIONS

It is expected that monthly distributions will be declared on 15 September and 15 October 2020 of 6.50 cents per Unit (annualised) to existing investors, prior to new Units being issued on 30 October 2020.

Forecast monthly distribution declarations for the prospective period after Settlement Date to 31 March 2022, starting 30 November 2020, are 6.825 cents per Unit per annum before tax, distributed monthly. For new Unitholders participating in this Offer, this equates to a projected annualised gross cash distribution return on Unit issue price of 6.50% per annum.

These returns are not guaranteed. The actual distribution amounts may vary if the actual result varies to the prospective financial information. The stated returns throughout the forecast period are prospective, and do not guarantee that the same or better returns will be achieved in the future under Offer Number OFR12950. The composition of the Fund has changed over time, as has the Fund's financial performance, position, and ability to make distributions. Specifically, the properties owned by the Fund have changed over time and distributions above are based on the properties held in the period leading up to those distributions.

4.5 GOVERNING DOCUMENTS

The Fund is subject to the Master Trust Deed (dated 28 October 2016) and Amended and Restated Establishment Deed (dated 18 September 2020) entered into by the Manager and the Supervisor (the Trust Deeds). The Master Trust Deed provides for several separate funds to be established and managed by the Manager pursuant to individual establishment deeds. Copies of the Trust Deeds may be found on the Scheme Register (on the Disclose Register) at https://disclose-register.companiesoffice.govt.nz under Scheme Number SCH12951.

5 HOW PMG DIRECT CHILDCARE FUND WORKS

5.1 KEY FEATURES OF THE FUND

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

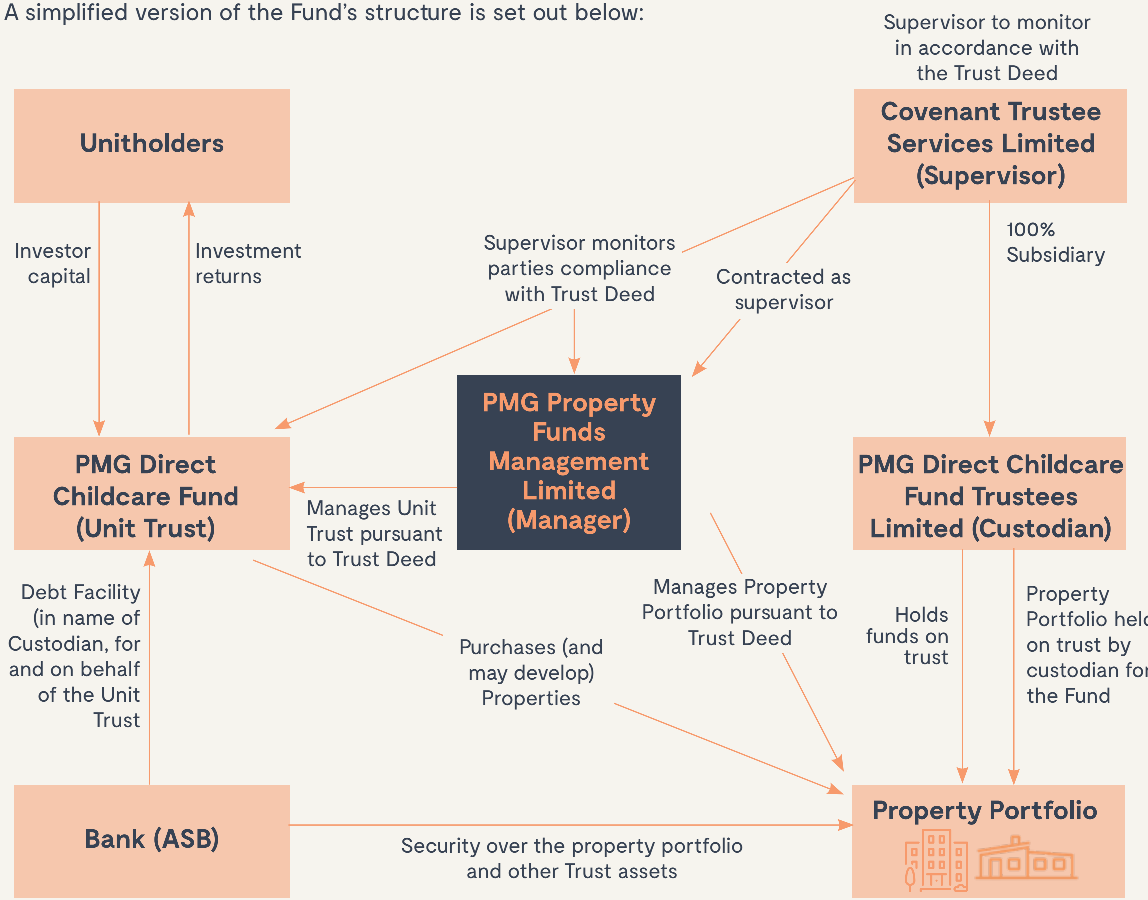
The interests that Unitholders will receive in the Fund are unitised interests in the Fund's property. The Supervisor has been appointed to act as the supervisor of the Fund. The Supervisor will hold the properties in the Fund (through a custodian company wholly-owned by the Supervisor called PMG Direct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

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

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

HOW PMG DIRECT CHILDCARE FUND WORKS

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



HOW PMG DIRECT CHILDCARE FUND WORKS (Cont'd)

Current Strategy Focus - The Fund's current strategy includes acquiring recently built ECE properties from third parties that are subject to long term leases with reputable ECE providers. The Fund's focus is on acquisitions, however the Fund may develop new ECE centres in the future, as well as completing existing centres under development.

ECE Centre Development - The Manager has a development partnership agreement with an experienced ECE development partner, CPMC, the Fund's current preferred ECE development partner. CPMC provides project and development management services and has the role of consenting and developing ECE centres on sites identified between itself and PMG. As a developer, CPMC are solely responsible for delivery of each project to PMG's programme and budget. CPMC has combined experience of over 80 years delivering property related project solutions.

ECE operators are selected by the Manager. Operators typically approach the Manager with a desire to lease the Fund's current or prospective centres. All potential operators submit key information to the Manager, including previous experience in operating ECE centres. If shortlisted, they are then interviewed by the Manager. It is the Manager's policy to choose an operator based on their experience and genuine passion to care for children. Large chain operators are not preferred as the Manager believes staff turnover typically increases in such centres, resulting in a less stable learning environment.

Currently the Fund is exposed to the ongoing risk of two projects being undertaken by CPMC:

- The Pukekohe Property – owned by the Fund; and
- The Gulf Harbour Property – due to be acquired by the Fund, from PMG Capital Fund Limited, on 31 January 2021.

The typical development process includes:

1. Identification of suitable sites for ECE operators, with PMG undertaking due diligence on each operator before engagement.
2. Conditional agreement from a developer to purchase the property, subject to due diligence. This due diligence includes operator trading history, planning parameters, project cost feasibility, development controls, market analysis, and minutes of pre-application meetings with relevant councils.
3. Site secured by the developer (such as CPMC), nominating the purchase to the Supervisor who will then acquire the site in the name of the Custodian (on behalf of the Fund). The Manager will arrange for the Supervisor to take assignment of the commercial lease with the ECE operator. A deposit is paid by the ECE operator while resource consenting and concept design is finalised.
4. The developer enters into a development agreement with the Manager once the site is secured. This agreement includes terms relating to financial feasibility, centre specifications, start and finish dates, fixed contract pricing and terms, liability periods for defects, provisions for liquidated damages and right of step-in for the Manager for non-performance by the developer. The developer is primarily responsible for development risks, with the Fund taking on the associated transaction risks that result from the development risks.

The risks associated with the remaining ECE centre developments are discussed in Section 7.7 *Development Risk*. A similar process and similar risks may occur in the future should the Manager determine it appropriate to commence new projects for the development of ECE centres.

Glen Innes Property

5.2 RELATED PARTY BENEFITS

The Fund's related parties include the Manager, the parent company of the Manager (PMG Holdings Limited), various other funds or entities managed or controlled by the Manager or its directors, and members of key management personnel of the Manager. The Manager endeavours to ensure all transactions are on normal commercial terms, under normal conditions, at market rates and on an arm's-length basis. Related party certificates are provided to the Supervisor where appropriate.

PMG Capital Fund Limited is a related party as Denis McMahon and Scott McKenzie are directors of both PMG Capital Fund Limited and the Manager. Denis is also a shareholder of PMG Capital Fund Limited.

OPERATING TRANSACTIONS

Fund expenditure: The Manager is entitled to recover fees and expenses from the Fund in the normal course of business. These fees can be seen in Section 6 *PMG Direct Childcare Fund's Financial Information* and Section 8 *What are the Fees?*

Other than this expenditure, no other operating transactions have previously occurred, or are forecast to occur, with related parties.

INVESTING AND FINANCING TRANSACTIONS

One of the Acquisition Properties, the Gulf Harbour Property, is currently owned by PMG Capital Fund Limited and is being developed by PMG Capital Fund Limited in conjunction with CPMC. The purchase price for the Gulf Harbour Property is $250,000 below current market valuation by an independent valuation expert. The purchase price reflects the capital commitment required from the Fund several months before the intended acquisition date, and the risk of a delay in acquisition.

Financing: PMG Capital Fund Limited may advance short-term funding to the Fund intermittently to support the Fund's cashflow associated with the development of property (excluding the Gulf Harbour Property), where bank borrowings are not otherwise available. The total amount due to PMG Capital Fund Limited at previous financial year ends are included in the table below and expected to be fully repaid no later than 30 September 2020. There are no such forecast borrowings at Settlement Date or beyond. Total interest charges for the year to 31 March 2020 were $5,528, and for the prospective period to 31 March 2021 are forecast to be $68,622 (based on an interest rate of 10%).

The purchase of the Flat Bush Property is being funded by a deposit from PMG Capital Fund Limited and will attract a fee of $38,452 payable to PMG Capital Fund Limited on settlement (being 5% of the deposit amount advanced).

Underwriting: The Manager has entered an underwriting agreement to underwrite the issue of 7,650,000 Units ($8,032,500). Fees associated with this agreement are included in Section 8 *What are the Fees?*

Investing in Units: The Directors and other key management personnel of the Manager may invest in the Fund on the same basis as any other investor. The Fund has previously had investing activity with related parties as follows (related as already noted above, or related by virtue of their relationship to a member of the Manager's key management personnel):

Party	Year to 31 March 2019			Year to 31 March 2020		
	Units Purchased/ (Sold)	Distributions	Units held	Units Purchased/ (Sold)	Distributions	Units held
PMG Holdings Limited	–	–	–	100,000	$3,792	100,000

Distributions payable at any point in time will be on the same basis as for all other investors.

BALANCES HELD WITH RELATED PARTIES

The balances with related parties at previous year ends are as follows:

	Year to 31 March 2019	Year to 31 March 2020
Trade Payables – Manager	$115,000	$6,132
Distribution payable – PMG Holdings Limited	–	$542
Short-term borrowings payable – PMG Capital Fund Limited	–	$1,123,500
Interest payable - PMG Capital Fund Limited	–	$5,528

There are no other transactions or proposed transactions under which the Manager, or any "associated person" (as that term is defined in the FMCA) of the Manager, may be entitled to receive a future benefit that either is given out of the Fund's property or creates an exposure to loss for the Fund. The Manager is entitled to recover further fees and expenses from the Fund. Further information about the fees and expenses is set out in Section 8 *What are the Fees?*

6 PMG DIRECT CHILDCARE FUND'S FINANCIAL INFORMATION

These tables provide selected financial information about the Fund. Full financial statements are available on the Offer Register https://disclose-register.companiesoffice.govt.nz under Offer Number OFR12950. 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 Unitholders in assessing the viability of, and return on, funds invested. The PDS and the prospective financial information may not be appropriate for any other purpose.

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

The principal assumptions on which the prospective financial information is based are set out in Section 6.4 *Principal Assumptions for Prospective Financial Information*. Full description of accounting policies and assumptions relating to the prospective financial information can be obtained on the Offer Register.

Glen Innes Property

Blenheim Property

6.1 PROSPECTIVE INCOME, EXPENSES, AND RETURNS

Period	Actual Year	Actual Year	Actual Year	Prospective Year	Prospective Year
Financial Year	**2018**	**2019**	**2020**	**2021**	**2022**
STATEMENT OF COMPREHENSIVE INCOME					
Total revenue	–	146,979	986,798	1,872,353	3,222,150
Total expenses	(15,998)	(43,863)	(219,671)	(490,761)	(715,695)
Fair value movement on investment property[18]	–	746,728	937,789	1,086,732	–
EBITDA[19]	**(15,998)**	**849,844**	**1,704,916**	**2,468,324**	**2,506,455**
Net financing costs	82,622	147,649	(114,853)	(354,495)	(513,300)
Total comprehensive income	**66,624**	**997,493**	**1,590,063**	**2,113,830**	**1,993,155**
STATEMENT OF CHANGES IN EQUITY					
Opening equity	**–**	**8,268,409**	**13,858,845**	**14,510,982**	**28,686,936**
Units issued net of issue costs	8,508,368	5,309,412	–	13,410,525	–
Total comprehensive income	66,624	997,493	1,590,063	2,113,830	1,993,155
Distributions for the year	(306,583)	(716,469)	(937,926)	(1,348,401)	(1,911,000)
Closing equity	**8,268,409**	**13,858,845**	**14,510,982**	**28,686,936**	**28,769,091**
STATEMENT OF FINANCIAL POSITION					
Assets					
Current assets	6,527,934	218,463	586,645	521,363	326,981
Non-current assets	2,077,079	14,283,561	21,971,289	45,881,406	46,142,435
TOTAL ASSETS	**8,605,013**	**14,502,024**	**22,557,934**	**46,402,769**	**46,469,416**
Liabilities					
Current liabilities	336,604	643,179	1,926,952	315,833	300,325
Non-current liabilities	–	–	6,120,000	17,400,000	17,400,000
TOTAL LIABILITIES	**336,604**	**643,179**	**8,046,952**	**17,715,833**	**17,700,325**
NET ASSETS	**8,268,409**	**13,858,845**	**14,510,982**	**28,686,936**	**28,769,091**
TOTAL EQUITY	**8,268,409**	**13,858,845**	**14,510,982**	**28,686,936**	**28,769,091**
STATEMENT OF CASHFLOWS					
Cash and cash equivalents at beginning of period	**–**	**5,957,638**	**129,977**	**22,326**	**403,856**
Net cash inflow from operating activities	(7,554)	5,094	465,157	827,593	1,814,619
Net cash inflow/ (outflow) from investing activities	(2,288,887)	(10,451,946)	(6,956,924)	(22,745,395)	(108,000)
Net cash inflow/ (outflow) from financing activities	8,254,079	4,619,191	6,384,116	22,299,332	(1,911,000)
Cash and cash equivalents at end of period	**5,957,638**	**129,977**	**22,326**	**403,856**	**199,475**

Rolleston Property

[18] Fair value movement on investment property is the difference between book value and fair valuation of investment properties, after accounting for capital expenditure. The only fair value movements forecast beyond Settlement Date are on completion of the Pukekohe Property and acquisition of the Gulf Harbour Property, based on as-if complete valuations held at the date of this PDS.

[19] 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 *"Other Material Information"*.

6.2 KEY RETURN INFORMATION FOR INVESTORS

The key return information below is based, where indicated, on the prospective performance of the Fund as outlined within this section of the PDS.

Period Financial Year	Actual Year 2018	Actual Year 2019	Actual Year 2020	Prospective Year 2021	Prospective Year 2022
Total comprehensive income	66,624	997,493	1,590,063	2,113,830	1,993,155
Return per subscribed Unit (weighted and annualised)[20]	**1.41**	**9.00**	**10.97**	**10.48**	**7.12**
Gross distributions to Unitholders	306,583	716,469	937,926	1,348,401	1,911,000
Gross distribution per subscribed Unit (weighted and annualised)	**6.50**	**6.50**	**6.50**	**6.69**	**6.83**
Gross Cash Distribution return on Offer Unit price[21]	N/A	N/A	N/A	6.5%	6.5%

Glen Innes Property

6.3 FINANCIAL MEASURES OF THE FUND'S BORROWING

Period Financial Year	Actual Year 2018	Actual Year 2019	Actual Year 2020	Prospective As At Settlement Date	Prospective Year 2021	Prospective Year 2022
Total borrowings	–	–	7,243,500	10,973,500	17,400,000	17,400,000
Gearing ratio[22]	0.0%	0.0%	32.1%	27.7%	37.5%	37.4%
Interest cover ratio	N/A	26.6	5.1	N/A	3.9	4.9

The above assumes 13,500,000 Units (achieving the Maximum Equity Raise) are issued under the Offer.

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

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

The assumptions in relation to the funding facility are set out in Section 6.4 *Principal Assumptions for Prospective Financial Information*, under the subheading *Bank Borrowings and Interest Expense*.

THE FUND'S BORROWING FACILITY MATURITY PROFILE

The bank facility limits of $18,912,000, referred to above and set out in detail in Section 2.7 *Borrowings*, expire and are due for renewal or extension in the financial year ending 31 March 2024.

[20] The return per subscribed Unit (weighted and annualised) is the total comprehensive income of the Fund divided by the weighted average number of units 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 for the relevant periods. No revaluation gains or losses are forecast for the year to 31 March 2022.

[21] The gross cash distribution return on Offer Unit price is shown for the period from 1 November 2020, as applicable to investors purchasing units at $1.05 per Unit under this Offer, rounded to two decimal places. Where relevant, these figures are annualised.

[22] The ratios assume the only property value movements forecast beyond Settlement Date are on completion of the Pukekohe Property and acquisition of the Gulf Harbour Property, based on as-if complete valuations held at the date of this PDS, plus any capital expenditure incurred on the Property Portfolio. The Gearing Ratio at 31 January 2021 is expected to be 36.9%, on acquisition of the Gulf Harbour Property.

6.4 PRINCIPAL ASSUMPTIONS FOR PROSPECTIVE FINANCIAL INFORMATION

The principal assumptions on which the prospective financial information has been prepared are set out below. These assumptions should be read in conjunction with the risks set out further below and in Section 7 *Risks to Returns from the PMG Direct Childcare Fund*. A prospective financial information statement (together with the 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 2021 and 31 March 2022. Actual management information has been included for three months to 30 June 2020, which includes any historic rent relief negotiations with existing tenants.

(b) **Settlement:** The Offer is expected to settle on the estimated Settlement Date of 30 October 2020. On the same day, the Fund intends to settle the acquisition of the Flat Bush Property and the Glen Innes Property. The Fund subsequently intends to settle the acquisition of the Gulf Harbour Property upon practical completion, currently expected to be 31 January 2021. The prospective financial statements only include financial information for the three Acquisition Properties from the expected acquisition dates noted above.

(c) **Offer Proceeds and Costs:** The Manager has assumed a total of $14,175,000 is raised by the Offer from the issuance of 13,500,000 Units (the Maximum Equity Raise) at $1.05 each. Total estimated issuance costs for the Offer are $1,087,302. For further information on specific offer costs, see Section 8.1 Offer Costs.

(d) **Revenue, occupancy rates, and lease renewals:** The prospective financial statements assume annual net rental income as follows:

For the year ended 31 March	Prospective 2021 $	Prospective 2022 $
Rolleston Property	319,387	347,090
Red Beach Property	313,911	340,974
Blenheim Property	195,237	214,071
Enderley Property	216,173	300,785
Invercargill Property	162,307	215,959
Pukekohe Property	75,392	225,116
Flat Bush Property	212,643	507,996
Glen Innes Property	184,740	440,477
Gulf Harbour Property	46,634	291,651
Allowance for additional rent relief	(116,755)	-
Total	**1,609,667**	**2,884,119**

Property occupancy is expected to be 100% (following lease commencement for the Acquisition Properties and the Development Property). There is no expected vacancy or allowance for vacancy in the prospective financial information.

Property-specific annual net rental income during the forecast period is budgeted to increase due to:

- Rental income from the completion of three of the Existing Properties commencing during the 2021 financial year, and rental income from the acquisition of the three Acquisition Properties commencing during the same year; and
- Rent relief related to COVID-19 reducing rental income from tenants at the Rolleston Property, the Red Beach Property and the Blenheim Property between April and May 2020 (being 50% of rent due for the period - totalling $81,470). This has been included as a reduction in rental income for these properties above.

Non-specific rental income allowances attributable to the current economic conditions related to COVID-19 have been made that reduce total rental income in the prospective financial period to 31 March 2021 by a total of $116,755. The amount is based on a percentage of forecast property-specific rental income before accounting for allowances or rental incentives. This amount equates to approximately 4.2% of the Fund's annualised rental income before incentives from the date all centres are owned by the Fund and tenanted. For more information related to the impact of COVID-19 and the current economic risk, see Section 7 *Risks to Returns from the PMG Direct Childcare Fund*.

The estimate of any future temporary restriction on access to property that may be enforced on tenants is accounted for in the rent relief allowance noted above.

The amounts above are exclusive of all separately recoverable operating expenses. Property operating expenses are generally recoverable to the extent a property is tenanted. Due to COVID-19, an additional allowance for property operating expenses that may not be recoverable has been made in the financial year ending 31 March 2021 totalling $13,153.

More information can be found in the prospective financial information on the Offer Register.

(e) **Bank Borrowings and Interest Expense:** The total funding facilities from ASB have a limit of $18,912,000 (40.8% of the Total Assets of the Fund at 31 March 2021). Drawdown is typically only possible in relation to properties that are complete, and tenants are in possession of an MOE licence to operate. The actual total borrowings drawn at Settlement Date are forecast to be $10,973,500 (27.7% of the Total Assets of the Fund at Settlement Date), and borrowings at 31 March 2021 onwards at $17,400,000 (37.5% of the Total Assets of the Fund at 31 March 2021).

It is expected there will be sufficient headroom in the facility limit from Settlement Date to either provide funding for items such as future unexpected capital expenditure, or if the Fund only achieved the Minimum Equity Raise.

The interest rate on bank borrowings has been assumed to be a weighted average of 2.95% for the years to 31 March 2021 and 31 March 2022, inclusive of any applicable line fees. Considering interest rate hedging in accordance with the Manager's hedging policy and current interest rates, it is projected for the purposes of the prospective financial information that the average interest rates charged should be in line with this forecast weighted average.

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

(i) no principal repayments are expected during the term of the funding facilities

(ii) no recourse to Unitholders; and

(iii) development and capital may be funded by the funding facilities to the extent that free cash flows from operations or equity capital are not available to fund such expenditure.

The bank borrowings will be secured by first registered mortgages over the Property Portfolio and a general security agreement over all present and future acquired assets of the Fund. The ASB offer is subject to variation at the time of the loan being drawn and assumes the conditions in the offer are fulfilled.

(f) **Management Fees:** The management fees payable to the Manager have been estimated at $132,989 for the year ending 31 March 2021, and $213,351 for the year ending 31 March 2022. The management fees consist of a management fee charge of 1.00% of the gross rental received from the Property Portfolio and an asset management fee of 0.40% of the carrying value of completed properties within the Property Portfolio.

(g) **Performance Fees:** A performance fee of $19,363 has been presumed for the year to 31 March 2021, largely attributable to forecast valuation gains on properties completed or acquired during the year. No performance fee has been presumed for the year ending 31 March 2022 due to the Manager's benchmark for charging performance fees not being reached in the prospective financial information for this year. The performance fee calculation basis can be seen in detail at Section 8 What Are the Fees?

(h) **Gross cash distribution returns**: The annualised gross distributions before tax per Unit are forecast to be 6.50 cents per Unit per annum for the period 1 April 2020 to 30 October 2020, and 6.825 cents per Unit per annum from 1 November 2020. For new Unitholders participating in this Offer, this equates to a projected annualised gross cash distribution return on Unit issue price of 6.50% per annum from 1 November 2020.

(i) **Property Acquisition, Disposal, Development, Capital Expenditure, and Valuation:** It has been assumed that the Acquisition Properties are purchased for a total of $19,155,600 (before property acquisition costs and fees). Two properties, the Flat Bush Property, and the Glen Innes Property, will be purchased on Settlement Date. It is currently expected that the third property, the Gulf Harbour Property, settles on 31 January 2021.

All properties in the Property Portfolio are initially recorded at cost. Cost may either be the total development cost associated with constructing a property in accordance with a development agreement, or the acquisition cost of a property from a third party. All subsequent capital expenditure is recorded as an incremental cost. In the prospective financial information, the Existing Properties (excluding the Pukekohe Property) have been revalued to fair value in July 2020. The Pukekohe Property has been revalued to its expected fair value on completion in November 2020, based on a valuation report held at the date of this PDS on an as-if complete basis. The Acquisition Properties have been revalued to forecast fair value on acquisition date, based on valuation reports received at the date of this PDS. No further fair value movements have been presumed in subsequent periods, with the only changes to investment property value being the result of ongoing capital expenditure, deemed to be incurred at fair value.

Property Development: The prospective financial statements have been prepared on the assumption that development expenditure (which excludes ongoing capital expenditure, property acquisition costs, and disposal proceeds from surplus land sold) incurred for the prospective periods as follows:

For the year ended 31 March	2021 $	2022 $
Enderley Property residual cost to complete	926,378	-
Invercargill Property residual cost to complete	246,643	-
Pukekohe Property residual cost to complete	1,948,691	-
Total Development Expenditure	**3,121,712**	**Nil**

The Enderley Property and the Invercargill Property achieved practical completion and lease commencement with tenants by July 2020. The developments are subject to a development agreement between the Fund and CPMC, pursuant to which the Fund and CPMC have agreed liquidated damages totalling $75,879 plus GST forecast as due to the Fund, as a result of the completion of these properties later than contractually agreed. As a result, the Fund has not been significantly financially impacted by the delayed completion of development. It has also been assumed that the Pukekohe Property achieves practical completion by November 2020. All developments are presumed to be completed at the agreed fixed development price.

Capital Expenditure: The prospective financial statements have been prepared on the assumption that capital expenditure (excluding all property under development, and all property acquisition costs) is incurred for the prospective periods as follows:

For the year ended 31 March	2021 $	2022 $
Total Capital Expenditure	**55,000**	**108,000**

No significant individual capital expenditure projects are expected.

Additional capital expenditure of a general or provisional nature has been estimated based on the Manager's historic experience combined with technical due diligence completed by independent third parties prior to commitment to acquisition of the Fund's properties. This additional capital expenditure is spread across multiple lower value capital expenditure projects.

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

(k) **Other Assumptions:** Other assumptions can be found disclosed in more detail in the prospective financial information included on the Offer Register. Other assumptions include those relating to brokerage fees, accounts receivable default rates, redemptions, and the business environment (economic, legal, taxation).

7 RISKS TO RETURNS FROM THE PMG DIRECT CHILDCARE FUND

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

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

These risks, were they to occur and if they were not appropriately mitigated by the Manager, could have a material adverse effect on the Fund's financial position or future financial performance. The Manager has taken, and will, in the future, take steps to mitigate the effects of these circumstances. However, some risks may not be fully capable of mitigation. Unitholders should carefully consider these risk factors (together with other information in this PDS) before deciding whether to invest in the Units of the Fund.

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

Enderley Property

7.1 PROPERTY MARKET, ECE SECTOR, AND ECONOMIC ENVIRONMENT RISK

Manager's assessment of nature and magnitude	Mitigating factors
The Property Portfolio is concentrated in properties designed as ECE centres. Property market conditions and fluctuations in supply and demand for these kinds of properties will affect the value of the Fund's Property Portfolio, the rental income of the Fund, the expenses of the Fund, and other underlying property fundamentals. The Fund is reliant on the Property Portfolio to provide it with both cash and potential capital return for its investors. The Fund's tenants are also partially reliant on Government funding, in addition to the trading income from general consumers. Deterioration in the New Zealand economy, the ECE sector and the property market may result in Unitholders not receiving the forecast return and/or not being able to recoup their original investment. This impact will not be offset by exposure to other classes of assets. As a result of COVID-19, and the Government-issued Alert Level 4 lockdown in March to April 2020, existing tenants at that time were not able to access their premises for trading, resulting in the entitlement of tenants to rent abatement/relief. The Manager adopted the approach of assisting tenants fairly, to support the ability of tenants to continue meeting their lease obligations. The short-term cost to the Fund is expected to help tenants commence and continue operations, thus supporting rental income, property valuations and Fund returns in the longer term. No reduction in distributions to investors has occurred to date. Whilst no material impact on Fund and investor returns has been forecast, the current economic uncertainty and risk associated with COVID-19 could detrimentally impact the Fund and investor returns. The longer-term impacts on the Fund and investor returns, if any, are currently unknown. Returns are primarily driven by longer term rental income expectations and property valuations, underpinned by child attendance rates at each ECE centre in the Property Portfolio over time. It is possible that tenants may find themselves with an inability to meet rent payment obligations and there is an increased likelihood of vacancy periods emerging if leases are terminated early. These specific risks are considered further in other risks in this section, and an estimate of the sensitivity of the Fund's returns to these risks is further summarised in the Prospective Financial Information associated with this PDS.	The Fund expects all of its annual rental income to be generated by tenants that are centred around the ECE sector. The ECE sector is underpinned by Government funding support and is part of the fabric of New Zealand's society and education system. This supports the ability of ECE centres to continue to operate and honour lease obligations despite the current economic environment, provided access to property is not restricted. Ultimately, the success of ECE centres is underpinned by child occupancy levels achieved by operators. All of the Fund's ECE centres are high quality with hand-picked operators, giving the Fund confidence that the operators are more likely to maintain relatively high levels of child occupancy levels throughout challenging economic environments (when compared to either corporate, or less well-managed ECE centres) and thus be more likely to continue meeting their rental commitments. Several of the Fund's material leases include fixed rental increases during the prospective financial period. Provided access to property is not restricted, and tenants continue to meet their lease obligations, this assists in mitigating the risk of any downwards pressure on the Fund's rental income, property valuation and Unit value, and in turn, investor returns. The Manager is aware that a number of existing tenants are covered to some degree by pandemic insurance, aiding to mitigate rental income risk should future lockdown periods occur. Upside interest rate risk is also present, as the Fund's borrowings may be subject to decreasing interest rates, given recent favourable movements in interest rates. This may reduce the level of bank interest charged to the Fund.

Manager's assessment of likelihood of circumstance arising	- High likelihood of a short (up to six months) to medium (up to two years) deterioration in the New Zealand economy, with a low to moderate likelihood of a deterioration in the ECE sector. - Low likelihood of the deterioration being longer term.
Manager's assessment of the impact, were the circumstance to arise	- A short-medium term deterioration in the ECE sector may have a moderate impact on the Fund's short-medium term Unit value and return to investors, but a low impact on the Fund's long-term Unit value and returns to investors. - A long-term deterioration in the ECE sector may have a significant impact on the Fund's Unit value and returns to investors.

7.2 VALUATION RISK

Manager'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. The property market, the ECE sector, and general economic environment drives these inputs. The market value of the Property Portfolio directly impacts the Gross Asset Value, NAV, Offer Price per Unit, Redemption Price, and the gearing of the Fund, amongst other metrics. The Fund's audited financial statements for the year ending 31 March 2020, which can be found on the Offer Register, emphasised a material valuation uncertainty in relation to property valuation and property valuation reports at the time. Since this time, further valuation reports have been prepared by independent experts after consideration of the current factors and circumstances associated with COVID-19 and the wider economic environment. These do not highlight the same material valuation uncertainty. The 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. A material change in the valuation of the Property Portfolio may have a material impact on all of the above-mentioned metrics. A 5% reduction in property valuations ($2,283,250) would reduce the Gross Asset Value and NAV of the Fund by a similar amount and, if recorded at the date following Settlement Date, would reduce the Adjusted NAV per Unit by approximately 8.2 cents per Unit.	The Manager has obtained independent valuation reports on the Existing Properties and the Acquisition Properties dated within 2 months of the date of this PDS, reconfirmed by the same valuers within two weeks of the date of this PDS. The current economic environment, as a result of COVID-19, 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 Manager that would cast doubt on these valuations. As a result, the value of the Property Portfolio (before and on Settlement Date), and Offer Price Per Unit, is considered by the Manager to represent fair value as at Settlement Date, based on the facts and circumstances known to the Manager at the date of this PDS. Beyond Settlement Date, given the types of input that derive property and Unit valuations, mitigating factors include those noted in sections 7.1, 7.3 and 7.4 of this PDS.

Manager's assessment of likelihood of circumstance arising	– High likelihood of an individual property valuation varying over time. – Low to moderate likelihood of a short to medium term (up to two years) reduction in Property Portfolio and Unit values. – Low likelihood of long term, sustained reduction in Property Portfolio and Unit values (two years plus).
Manager'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, ECE sector and economic environment throughout ownership. – Typically, the larger the rental income from a property, and the shorter the lease term associated with a property, the larger the potential for fluctuation in the value of both the property the Fund's Units. – A material reduction in Property Portfolio valuation would materially reduce the Fund's Gross Asset Value, NAV, and Redemption Price per Unit.

7.3 RENTAL INCOME RISK

Manager's assessment of nature and magnitude	Mitigating factors
The Fund is reliant on rental income and exposed to rental income fluctuations. Rental income from any property may stop or decrease for several reasons, such as if a lease is terminated, expires without being renewed, or the rent under a lease decreases following a rent review. If a lease is terminated or expires without being renewed, there may be difficulty obtaining a replacement tenant and rental rates may be at a lower level than previously received. This may also reduce the value of the affected property and therefore the value of the Property Portfolio and the value of Units. The Government provides substantial subsidies to the ECE sector. This assistance could be changed by the Government at any time, or regulations applying to ECE providers could change. This may reduce the subsidies paid to operators and thus their profitability and ability to make rent payments may reduce. There are expected to be seven unique tenants in the Property Portfolio as at 31 March 2021. The largest Annual Rental Income exposure by tenant relates to Rainbow Corner Early Learning Centre, a total exposure of $793,260 across three leases. This represents 28% of the Expected Rental Income[23] of the Fund as at 31 March 2021. The lease expiry profile and annual net rental by lessee across the Property Portfolio are summarised in Section 2.2 *The Fund's Property Portfolio*. While the Manager anticipates rental abatement will not be required for tenants from Settlement Date, and no vacancy will emerge after the date of this PDS, rental income may be impacted as a result of COVID-19. The potential economic impact to some tenants in the future is unknown at the date of this PDS. As a result of Government funding to the ECE sector, the Manager's best assessment of the short to medium-term impact of the existing economic environment on rental returns is incorporated into the prospective financial information.	The Manager minimises rental income risk through its strategy to maintain long WALTs on each property, while aiming to have zero vacancy. The Manager's strategy with respect to rental income risk is to continue diversifying the Fund's Property Portfolio over time by tenant and region, thereby reducing the Fund's reliance on any one region, or tenant counterparty. The acquisition of further properties into the Property Portfolio is part of this strategy. As at the date of this PDS, Settlement Date, and 31 March 2021, the Manager expects the Property Portfolio to have a WALT exceeding 14 years with an occupancy rate of 100%. The largest rental income source post Settlement Date, Rainbow Corner Early Learning Centre, will be subject to three leases across three properties, with fixed rental increases between market rent review dates. The tenant is expected to have a WALT of 15.6 years at 31 March 2021, with rights of renewal that could extend the existing leases to at least the calendar year 2048. With respect to other leases, the Manager proactively engages with each tenant with respect to lease renewals before the lease term expiry. This assists with tenant retention, or in the event the existing tenant vacates, provides the opportunity to re-tenant the space with a minimal void period. Should a lease with existing tenants not be renewed, the Manager will actively market the upcoming vacancy to key real estate agents and ECE providers nationally at the earliest opportunity. To the Manager's knowledge, there are no proposals by the Government or opposition political parties to adversely change the current subsidies or regulations associated with ECE providers.

Manager's assessment of likelihood of circumstance arising	– Low likelihood of a tenancy expiring without either a renewal, an alternative tenant being sourced and contracted within a short time period, or the tenant terminating a lease early.
Manager's assessment of the impact, were the circumstance to arise	– If multiple tenancies temporarily yield reduced rental income (such as should property access be limited), the impact on investor returns could be moderate. – The majority of tenancies are considered material in isolation. If a lease were terminated or did not renew, and no alterative tenants were contracted within a reasonable period, the impact would be significant on investor returns and could be significant on Unit price. – If Rainbow Corner Early Learning Centre terminated or did not renew all of their leases, and no alterative tenants were contracted within a reasonable period, the impact on both investor returns and Unit value, would be significant.

[23] Rental Income represents the expected annualised rental income as at 31 March 2021, stated before lease incentives, based on the contractual arrangements in place at the date of this PDS plus any prospective period assumptions up to 31 March 2021.

7.4 TENANT DEFAULT RISK

Manager's assessment of nature and magnitude	Mitigating factors
Dependence is placed on the ability of tenants to meet their contractual obligations to continue payment of rental and outgoings. If any tenant was to suffer liquidity or other financial problems of a significant nature, and was unable to meet their obligations, any resulting failure to pay rental and outgoings and consequential recovery action or litigation would have a detrimental impact on the Fund's ability to pay Unitholder returns at the expected level prospectively. It may also reduce the value of the Property Portfolio, which would reduce the value of Units. Should a material tenant default rate exist across the Property Portfolio, total comprehensive income available for distribution to Unitholders would reduce significantly. The most likely cause of an increase in tenant defaults would be a specific financial issue with an individual tenant caused by tenant-specific factors or a general deterioration in the overall macroeconomic environment. The Property Portfolio is concentrated in the childcare industry. Whilst the current economic environment (linked to COVID-19) may present a general increase in counterparty credit risk, sole exposure to tenants operating in the childcare industry partially mitigates this risk based on the service being subsidised by Government funding. The aggregation of the exposure to individual tenants is summarised at Section 2.1 *The Fund's Property Portfolio.*	The Fund strategy is to invest in an increasingly regionally diversified portfolio of ECE centres and tenants. The intent is to minimise the impact of a tenant default should one occur, as the rent paid by each tenant makes up an increasingly smaller proportion of the Fund's total revenue, and ultimately the Fund's cash available for distribution. At Settlement Date, and at 31 March 2021, the Fund expects exposure to tenants who pose a low risk of default, given the continued funding committed by Government to the ECE sector and funding rates increasing from January 2021. The Manager undertakes due diligence on prospective tenants and (where possible) obtains personal guarantees or bank guarantees from tenants. These guarantees are summarised by property in Section 2.1 *The Fund's Property Portfolio*. As at the date of this PDS, there are no material tenant defaults on existing lease obligations and no proceedings have been issued in respect of any default. No bad debts have been recorded in the life of the Fund.

Manager's assessment of likelihood of circumstance arising	– Low to moderate likelihood of one or more tenants defaulting, low likelihood of a default for an extended period where not backed by a guarantee.
Manager's assessment of the impact, were the circumstance to arise	– If a material tenant failed to make their lease payments for an extended period, and this was not covered by a guarantee, the impact on investor returns, and potentially Unit value, would be significant.

The Property Portfolio (after successful completion of the Offer)

7.5 INTEREST AND DERIVATIVE RISK

Manager's assessment of nature and magnitude	Mitigating factors
Interest incurred as an expense as a result of borrowings is a material expense of the Fund. At Settlement Date, 27.7% of the Fund's total assets will be funded by interest-bearing borrowings at a floating interest rate, increasing to 37.5% of the Fund's total assets by 31 March 2021. In the future, total borrowings and the interest rate on borrowings is expected to fluctuate (further details on borrowings and interest rates can be found at Section 2.7 *Borrowings*). Under the current SIPO, the Manager is permitted to invest the Fund's assets in interest rate swaps (the target asset allocation is between 0 to 10% of the Fund's assets). An interest rate swap is a class of financial derivative, in which two parties agree to exchange interest rate cash flows based on a specified notional amount, from a fixed rate to a floating rate (or vice versa), or from one floating rate to another. Interest rate swaps are used by the Manager to hedge interest rate risks for the Fund. The Manager intends to determine the interest rate with a combination of short-term and long-term swap agreements and/or floating rates as appropriate over time. If any swap agreements are exited before the date those swaps expire, penalties may be payable. Furthermore, fair value losses on swap agreements will be recorded if they are out of the money (if the agreed swap rate was higher than the prevailing wholesale market rate that reflects the remaining term through to maturity).	The Fund maintains a hedging policy that would mitigate the actual effect of an increase in interest rates in the short to medium term. The Manager actively manages, on behalf of the Fund, the risk of interest rate movements by entering interest rate swap agreements with the Fund's lenders. The current policy is to have between 25% and 75% of the Fund's debt hedged, with a hedge expiry of two years or more. The Fund intends to enter new swap arrangements for three years or more, with a minimum term of three years. Such arrangements assist the Fund in mitigating unexpected interest rate changes. 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. In the current economic environment, a material increase in interest rates is not expected. Continued reductions in interest rates would conversely have a positive impact on Fund returns.
Manager's assessment of likelihood of circumstance arising	– The likelihood of a material adverse movement in interest rates, combined with the fair value of interest rates swaps, is low.
Manager's assessment of the impact, were the circumstance to arise	– The impact of a material adverse movement in interest rates would be significant on investor returns and may moderately impact Unit value.

Flat Bush Property

7.6 FUNDING RISK

Manager's assessment of nature and magnitude

The Fund intends to borrow further funds from ASB to assist with the purchase of the Acquisition Properties and may make further borrowings to help fund future development expenditure, capital expenditure and further acquisitions of property. Total borrowings at Settlement Date are expected to be $10,973,500 should the Fund achieve the Maximum Equity Raise, increasing to $17,400,000 by 31 March 2021. If the Fund only achieves the Minimum Equity Raise, it is expected that the Fund will have sufficient funding facilities to acquire the Acquisition Properties and meet the requirement of future capital expenditure in the prospective periods to 31 March 2022.

Adverse market movements may cause a breach of banking covenants - in particular, the requirements to maintain a loan-to-value ratio below the maximum allowed per bank covenants, and for interest cover levels against operating profits to be above the minimum allowed per bank covenants. If a breach of these (or any other) banking covenants is not remedied, ASB may enforce its security and sell some or all the Property Portfolio.

There is also the risk that a bank facility may not be able to be renewed at the end of its term. If the Manager were required to sell one or more of the Fund's properties in a forced sale process, a lower value is likely to be obtained.

Linked to Development Risk, there is also a possibility that additional borrowings may be required to complete any development properties over and above the initial expected cost of development, that are not otherwise funded from existing facilities or investor funds.

Mitigating factors

The extendable nature of the bank loan may assist to mitigate any renewal risk, whereby the loan may be extended (subject to mutual agreement) after the first 12 months, by a further 12 months, thereby resetting the loan term to three years. Should agreement not be reached, the Manager would have up to two years to arrange alternative loan arrangements. Where required, the Manager may source funding from related parties to assist with temporary shortfalls in cashflow to fund development projects.

The Manager expects a relatively low forecast LVR and ICR for the Fund compared to prevailing banking covenants and the Fund's SIPO requirements.

	LVR as at	ICR for the period/year
Forecast - Settlement Date	30%	2.4 times
Forecast - 31 March 2021	38%	3.9 times
Forecast - 31 March 2022	38%	4.9 times
Limit per SIPO	50%	N/A
Limit per Bank	45%	2.0 times

The difference between the above forecast ratios, and the maximum allowed by the Bank, gives the Manager confidence that the Fund will continue to comply with its banking covenants.

Manager's assessment of likelihood of circumstance arising	- Low likelihood of a circumstance arising with a material impact on the Fund.
Manager's assessment of the impact, were the circumstance to arise	- Potentially significant impact on investor returns and Unit value.

7.7 DEVELOPMENT RISK

Manager's assessment of nature and magnitude	Mitigating factors
The Fund will incur development risk from time to time when developing ECE centres in conjunction with a developer in accordance with a development agreement. This risk encompasses potential unforeseen adverse circumstances such as issues with an ECE operator, project costs exceeding budget and being charged to the Fund, a delay in construction (and thus practical completion and lease commencement), and the risk of insolvency of the developer or sub-contractors. These factors could adversely impact the Fund through reduced or no valuation gain on completion, additional holding costs, loss of future rental income, and potentially impact bank funding and covenant compliance over time. There may be residual risks of defects post completion of developed ECE centres. Currently one property is under development by the Fund and CPMC (the Pukekohe Property), with a total agreed purchase price of $3,266,370. There is currently no indication that the development of the Pukekohe Property will exceed budget. The development agreement and lease include a sunset clause enabling the tenant to walk away from the lease agreement if completion is not completed by 30 November 2020. Currently, the property is expected to achieve practical completion on 30 November 2020. The Fund is also due to purchase the Gulf Harbour Property from PMG Capital Fund Limited. PMG Capital Fund Limited are developing the Gulf Harbour Property in conjunction with CPMC. No further developments are currently committed to, or under investigation by, the Manager.	The Fund's strategy is to focus its growth in the future on acquiring recently built properties developed and owned by third parties, thus avoiding incurring additional development risk. The Fund will also not incur any costs in relation to the Gulf Harbour Property until the development is completed and the lease commences. The Manager undertakes due diligence on all potential ECE operators, and ongoing reviews of existing operators, to minimise the likelihood of disruption impacting the Fund, as well as those families relying on the applicable ECE centre. The residual exposure to development risk, with respect to the Pukekohe Property, in addition to any potential future development projects, is mitigated by the Manager with the following safeguards: – an established relationship with the current developer, CPMC, who have a proven track record of delivering ECE centres to specification – conducting sufficient due diligence on any development opportunity, including assessment of the ECE sector, localised ECE demand, location, and tenant suitability for quality new-build ECE centres – ensuring a comprehensive development agreement is entered with a developer for the construction and completion of each ECE centre. Most development and construction risks are passed onto the developer, including defect warranty for 12 months – liquidated damages are due to the Fund for late delivery of a development (for example, should the Pukekohe Property be delayed beyond 30 November 2020, the Manager may be entitled to $605 per day until practical completion to cover loss of rental income); and – fixed price development contracts, preventing additional cost of construction being passed on to the Fund in most circumstances. The residual risk of the sunset clause, which enables the tenant to walk away from the lease agreement if practical completion is not achieved by 30 November 2020, will be mitigated in advance if required through tenant negotiation. To date, there is no indication that the tenant would not tolerate a delay in completion beyond the sunset date.

Manager's assessment of likelihood of circumstance arising	– Low likelihood of a material risk associated with the Pukekohe Property given the proximity of the date of this PDS to the practical completion of the Pukekohe Property. – Low likelihood of the circumstances occurring subsequent to this given the intent to focus on purchasing completed ECE centres (such as the Acquisition Properties).
Manager's assessment of the impact, were the circumstance to arise	– Moderate to significant impact on investor returns and Unit value.

7.8 LIQUIDITY RISK

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

Manager's assessment of likelihood of circumstance arising	– Low.
Manager's assessment of the impact, were the circumstance to arise	– Potentially significant impact on Unit value.

7.9 TAXATION RISK

Manager's assessment of nature and magnitude	Mitigating factors
The Fund is a multi-rate PIE and expects to be a multi-rate throughout 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 distributions from a multi-rate PIE are not taxable, this allows capital gains of the entity to be distributed tax-free prior to wind-up. 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. If the Fund is not a PIE, investors may face a higher tax cost due to the loss of the 28% PIE tax rate cap and distributions of the Fund become taxable.	The Manager has processes in place to ensure investor and investment limits are not breached.

Manager's assessment of likelihood of circumstance arising	– Low.
Manager's assessment of the impact, were the circumstance to arise	– Potentially significant impact on investor returns.

8 WHAT ARE THE FEES?

All fees in this Section are exclusive of GST unless otherwise stated.

8.1 OFFER COSTS

The following table contains the estimated fees and expenses that will be charged to the Fund for the Offer. Fees and expenses associated with previous offers are not included below, however they are included in the table at Section 1.9 *What Fees will you Pay?* in the relevant historic periods.

Manager and associated persons fees (estimated)	
Manager's property acquisition fee	$239,445
Manager's underwriting commitment fee	$240,975
Contribution fee	$283,500
Deposit fee	$38,452
Offer Costs payable to the Manager and associated persons	**$802,372**

Other persons' fees (estimated)	
Legal fees	$110,000
Marketing costs	$90,000
Due diligence fees	$30,000
Supervisor's fees	$15,000
Financial, administrative and contingency costs	$40,000
Offer Costs payable to other persons	**$285,000**
Total Offer Costs of the Fund (estimated)	**$1,087,372**
As a percentage of Unit subscriptions received under the Offer	**7.67%**

(a) **Manager's property acquisition fee:** The acquisition fee relates to Property Acquisition Fees chargeable by the Manager as a result of the purchase of the Acquisition Properties under the terms of this Offer. This is charged at 1.25% of the property purchase price stipulated in the sale and purchase agreement or a minimum of $50,000 per property.

(b) **Manager's underwriting commitment fee:** The Manager has agreed to underwrite subscriptions for up to 7,650,000 Units. The Manager's underwriting commitment fee is the fee payable to the Manager for this underwriting commitment. The fee is charged as a 3.00% fee on the value of underwritten Units. The underwriting commitment agreement is unconditional; however, the fee is not payable by the Fund if the Offer does not proceed. A copy of the agreement between the Manager and the Supervisor relating to the Manager's underwriting commitment is available on the Offer Register.

(c) **Contribution fee:** The contribution fee is payable to the Manager by the Fund as commission for subscriptions of Units under the Offer. The contribution fee is charged at 2.00% of the value of Units issued under the Offer. It has been assumed that 13,500,000 Units (the Maximum Equity Raise) are issued under the Offer.

(d) **Deposit fee:** A deposit fee will be paid to PMG Capital Fund Limited for funding the deposit for the acquisition of the Flat Bush Property, prior to acquisition (5.00% of the deposit amount).

(e) **Legal fees:** Legal fees are payable on a time and attendance basis for:

(i) Simpson Grierson – the costs of advising on the PDS, compliance with the FMCA, and attending to registration of the Offer Information

(ii) Cooney Lees Morgan – legal due diligence on the Acquisition Properties, negotiation of the sale and purchase agreement for the Acquisition Properties, and settlement of the purchase of the Acquisition Properties; and

(iii) Other advice related to this Offer, including any subsequent amendments or changes to this PDS, advice to the Manager relating to ongoing compliance with the FMCA or in relation to the Fund generally, and attending to registration of ongoing Offer related information.

(f) **Marketing costs:** The costs payable on a time and attendance basis for designing this PDS, producing advertisements in relation to the Offer, and the costs associated with preparing and printing this PDS. Marketing costs include reimbursement made to the Manager for use of internal marketing team resources.

(g) **Due diligence fees:** This includes property valuation fees incurred in relation to the Acquisition Properties, and other disbursements and due diligence costs associated with the Acquisition Properties and the Offer.

(h) **Accounting fees:** Fees are payable to Baker Tilly Staples Rodway Audit Limited for support with preparing the prospective financial information of the Fund for the sole purpose of this Offer.

(i) **Supervisor's fees:** The fees payable to the Supervisor reflect an establishment fee related to the Offer, including conversion of the Fund from a wholesale fund to a retail scheme and due diligence on the three additional real estate assets to be acquired by the Custodian, calculated on a time and attendance basis (as notified by the Supervisor to the Manager from time to time).

(j) **Administrative and contingency costs:** This includes the PDS registration fee and FMA levies, preparation of the prospective financial information, bank fees and charges, compliance fees, and any other costs associated with preparing the offer documentation that may occur.

8.2 AGGREGATED FEES AND EXPENSES

Period Length Financial Year Description of fee	Actual Year 2018	Actual Year 2019	Actual Year 2020	Prospective Year 2021	Prospective Year 2022
Fees and expenses charged by the Manager and associated persons					
Offer-related costs	415,000	160,000	200,000	802,372	–
Property management fee	–	8,840	60,996	16,179	30,691
Fund management fee	–	–	10,125	116,810	182,660
Manager performance fee	–	–	–	19,363	–
Other property transaction fees	–	100,000	–		
Interest expense	–	–	6,295	68,622	–
Sub-total fees and expenses – Manager and associated persons	**415,000**	**268,840**	**277,416**	**1,023,346**	**213,351**
As a percentage of NAV	**5.02%**	**1.94%**	**1.91%**	**3.57%**	**0.74%**
Fees and expenses charged by other persons					
Offer-related costs	251,100	123,054	20,429	285,000	–
Property operating expenditure	440	12,029	82,350	220,337	372,232
Property capital expenditure	–	–	–	55,000	108,000
Other property transaction fees	–	9,379	1,985	–	–
Supervisor's fees	3,000	7,086	8,274	17,917	20,000
Auditor's fees	6,750	9,338	15,450	20,000	20,000
Interest expense	–	2,901	142,815	286,650	513,300
Other overhead expenditure	5,839	7,542	42,375	80,155	90,112
Sub-total fees and expenses - Other	**267,129**	**171,329**	**313,679**	**965,059**	**1,123,644**
As a percentage of NAV	**3.23%**	**1.24%**	**2.16%**	**3.36%**	**3.91%**

The aggregated fees and expenses for the prospective periods are estimates, based on assumptions set out in Section 6.4 *Principal Assumptions for Prospective Financial Information.*

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

(i) a fund management fee equal to 0.40% of the carrying value of the completed investment property assets in the Fund, based on the carrying value as at the beginning of the applicable financial year (i.e. 1 April), adjusted for acquisitions and properties completed throughout the year.

(ii) a property management fee equal to 1.00% of the gross annual rental of the investment property assets in the Fund.

The management fees are paid to the Manager monthly, in respect of the property and funds management services provided by the Manager during the prior month. Under the Master Trust Deed, the Manager may increase the management fees by giving two months' notice to Unitholders (no prior notice is required in respect of a decrease in management fees).

(b) **Manager Performance Fee:** The Manager is entitled to a performance fee equivalent to 20% of the excess performance above the Manager Performance Benchmark (**Manager Performance Fee**). The **Manager Performance Benchmark** is the average 10-year Government bond yield[24] plus 6%. The Manager's performance is measured by the annual capital and income returns to Unitholders at the end of each financial year against the Manager Performance Benchmark. If the measure of the Manager's performance is negative, no performance fee is payable to the Manager in respect of that year.

The Manager applies a "high water mark" to the Manager Performance Fee. The term high water mark means the highest value that a fund has achieved on previous performance fee calculation dates. A high-water mark ensures that if the Fund loses money over a period, the Manager must achieve investment returns above the high-water mark before receiving a performance-based fee.

In the context of the Fund, the Manager's Performance Fee is only payable if the Fund's performance exceeds both the Manager's Performance Benchmark Return, and the high-water mark. The high-water mark is the Adjusted NAV of the Fund when it last charged a performance fee. The Fund's high-water mark does not reset.

Any surplus or deficit will be carried forward for up to two years for the purposes of calculating the Performance Fee payable, in which each surplus or deficit will be used to offset the total Performance Fee Payable. The excess performance amount in calculating the Performance Fee is capped at 5% of Closing Adjusted NAV.

Any excess performance over and above 5%, multiplied by the Closing Adjusted NAV, is to be included in the carried forward surplus.

(c) **Property transaction fees:** The Manager is entitled to:

(i) **Acquisition:** on acquisition of a new property by the Fund (including completion of a development property), a fee equal to the greater of $50,000 and 1.25% of the acquisition cost of any property (Acquisition Fee)

(ii) **Disposal:** on disposal of a property held by the Fund, a fee equal to 1.00% of the sale price for the investment (Disposal Fee)

(iii) **Development:** if the Fund acquires a property where a development is being undertaken (whether under contract with the Manager or by a third party), the Manager will be entitled to charge the Fund, and retain for its own use, a fee of $50,000. The fee will become payable on completion of the development.

(iv) **Property Investigation:** on undertaking an investigation into a potential transaction, a fee (Investigation Fee), on a time and attendance basis, as agreed between the Manager and Supervisor (up to $100,000 unless otherwise approved by Unitholders). If the Manager is paid an Investigation Fee and the relevant transaction subsequently proceeds, an amount equal to the Investigation Fee will be deducted from the Acquisition Fee

(v) **Project Management:** if additional construction or refurbishment is undertaken on an existing property held by the Fund (beyond that required to initially complete a property subject to a development agreement), a fee equal to 5.00% of the development costs, provided that those development costs exceed $50,000 (Project Fee); and

(vi) **Consultant/adviser costs:** recover any costs incurred by the Manager from any consultants or advisers engaged in relation to property acquisition, disposal, investigation, construction, or refurbishment, subject to those costs being approved by the Supervisor.

Where Property Transaction Fees are incurred in relation to an offer of Units, these fees are included as offer-related costs.

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

(d) **Termination fee:** If the Manager is removed as manager of the Fund, the Manager is entitled to a sum equivalent to the fees under Section 8.2(a)(i) and (ii) (fund and property management fees) for the last full financial year preceding the removal as a termination fee.

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

(i) a fee for each additional real estate asset acquired by the Fund, with this fee to be calculated on a time and attendance basis.

(ii) an annual base fee, as agreed between the Manager and Supervisor, based on the NAV of the Fund. For the prospective periods presented, this is expected to be $20,000 per annum from 1 November 2020. The fee will increase only once the NAV of the Fund exceeds $40,000,000, at which point a fee of 0.05% of the NAV of the Fund will be charged per annum (calculated quarterly). The NAV is not expected to exceed $40,000,000 during the prospective periods presented.

(iii) special fees, in amounts agreed with the Manager, for any services provided by the Supervisor of an unusual or onerous nature outside of the Supervisor's regular services.

(f) **Recovery of expenses:** The Manager and Supervisor are entitled to be reimbursed out of the Fund (whether from income or capital or both) certain fees and expenses. These include costs incurred in connection with this Offer, the acquisition of the Acquisition Properties, the investigation and negotiation of additional properties for the Fund, the fees and expenses of the Fund's auditor, any fees or expenses incurred for any engagement by the Supervisor or as required by law, any taxes, duties, imposts or levies charged to the Manager or Supervisor in connection with the Fund, the costs of convening and holding Unitholder meetings, professional services fees (legal, accounting and so forth) incurred by the Manager or Supervisor in the discharge of their duties under the Master Trust Deed, communication and postage costs, expenses relating to the Unit registrar, and any other expenses properly and reasonably incurred by the Manager or Supervisor in connection with carrying out their duties under the Master Trust Deed.

(g) **Sub-contracted investment and administration services:** If the Manager sub-contracts investment management or administration services to other members of PMG (or its related parties), the providers of those services will be paid a reasonable fee and will be entitled to be reimbursed for any costs, charges or disbursements, out of the Fund.

(h) **Other fees:** If the Manager undertakes any works related to any of the Properties that do not fit within any of the obligations contemplated by Schedule 1 of the Establishment Deed, the Manager is entitled to charge the Fund, and retain for its own use such fees for those works calculated at a "time in attendance" market rate, as approved by Unitholders.

(i) **Interest expense:** Included in fees charged by other persons is predominantly the interest charged on bank borrowings. Refer to Section 6.4 *Principal Assumptions for Prospective Financial Information*, assumption (e) for further information. Included in fees charged by the Manager and associated persons is interest charged on temporary borrowings from PMG Capital Fund Limited, see Section 5.2 *Related Party Benefits* for additional information.

(j) **Property capital expenses:** Capital expenditure incurred on investment property after initial acquisition or development, excluding fees and expenses charged by the Manager that are capitalised (such as Project Fees). The expenditure includes payments for remediation, change to fitouts, and upgrades.

8.3 FEES CHARGED TO INDIVIDUAL INVESTORS

(a) **Redemption Fee:** The Manager is entitled to deduct a break fee on the redemption of any Units by a Unitholder. The current break fee is equal to 1.50% of the gross value of the Units redeemed (prior to the deduction of the break fee and any deduction or withholding on account of taxes) plus GST. The Manager is entitled to change the break fee at any time provided that the Manager gives notice in writing to all Unitholders in advance of the new break fee.

(b) **Transfer or Sale of Units:** Units in the Fund are intended to be a long-term investment. Should an investor wish to sell some or all of their investment, the Manager has a large database of investors and, from time-to-time, the Manager will assist in facilitating secondary transfers of Units. 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. Neither the Fund nor the Manager represents that there will be sufficient demand or liquidity to enable a Unitholder to sell Units at any given time. The Manager is not an authorised financial adviser and does not provide any recommendations in relation to buying or selling Units.

9 TAX

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

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

To determine your PIR, go to http://www.ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate. 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 Manager your correct PIR (and provide your IRD number) when you invest or if your PIR changes. If you do not provide your IRD number within six weeks of investing, the Fund may be required to cancel or reacquire your Units. If you do not tell the Manager your PIR, a default rate of 28% may be applied. Other points to note include:

a. Where the Commissioner of the Inland Revenue 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.

b. 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 part of the income tax year-end process. 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.

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 Unitholder in your income tax return.

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

If the Fund ceases to be a PIE any distributions paid will be taxable to Unitholders. Further, if the Fund ceases to be a 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 PIE. Additional tax rules will apply if a Unitholder is not New Zealand tax resident.

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

Unitholder 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 Government has reinstated tax depreciation on commercial buildings. This should reduce income tax payable by the Fund. 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 ABOUT THE MANAGER AND OTHERS INVOLVED IN THE PMG DIRECT CHILDCARE FUND

10.1 ABOUT THE MANAGER

The Fund is managed by the Manager, PMG Property Funds Management Limited. The Manager is one of the most established in New Zealand and the first unlisted property and funds manager to have previously received two "AA" ratings for its retail investment funds, Pacific Property Fund Limited and PMG Direct Office Fund, by investment research house FundSource. More recently the Manager received a 4-star rating by Research IP for Pacific Property Fund Limited, PMG Direct Office Fund and the recently launched PMG Generation Fund.

For over 28 years, the Manager has been invested in delivering long-term sustainability and value for investors through proactive management and portfolio diversification.

The Manager was formed in 1992 and has established more than 40 investment schemes throughout New Zealand, giving it a well-established record in property and funds management. The Manager has a highly experienced team of property investment and management professionals and currently manages assets with a value of over $500 million.

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

Further information about the Manager may be found at www.pmgfunds.co.nz.

The contact details for the Manager are:

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

PO Box 2034
Tauranga 3144

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

10.2 WHO ELSE IS INVOLVED?

	Name	Role
Supervisor	Covenant Trustee Services Limited	The Supervisor will monitor compliance with the Trust Deeds and fulfil the role of supervisor under the Financial Markets Conduct Act 2013
Custodian	PMG Direct Childcare Fund Trustees Limited	The Custodian is a wholly owned subsidiary of the Supervisor. PMG Direct Childcare Fund Trustees Limited is the Custodian for the Fund and will hold all assets belonging to the Fund on bare trust on behalf of the Fund in accordance with the Trust Deeds.
Unit Registry	Appello Services Limited	The Registry holds the details of all Unitholders and manages distributions and some communications to Unitholders.

PMG's Investor Relationships Team

11 HOW TO COMPLAIN

A complaint about your investment may be made to:

The Manager
The Chief Executive Officer
PMG Property Funds Management Limited
Level 1, 143 Durham Street
Tauranga 3110

PO Box 2034
Tauranga 3144
Phone (07) 578 3494
Fax (07) 578 6455

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

Dispute Resolution Scheme
Financial Dispute Resolution Scheme
PO Box 2272
Wellington 6140
Phone (05) 0833 7337
Email: enquires@fdrs.org.nz
Web: www.fdrs.org.nz

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

12 WHERE YOU CAN FIND MORE INFORMATION

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

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

Further information about the Manager is also available free of charge on its website, http://www.pmgfunds.co.nz.

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

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

13 HOW TO APPLY

If you want to apply for Units under the Offer you must fill in the Application Form associated with this PDS. For new investors, applications must be for at least 20,000 Units and in multiples of 10,000 thereafter. For existing investors, applications must be for at least 10,000 Units and in multiples of 10,000 thereafter.

Completed and signed Application Forms must be forwarded to:

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

PO Box 2034
Tauranga 3144

An alternative digital application form may be available for investors. Please contact the Manager if you would like support completing a digital application form.

Completed application forms are to be received no later than 5:00pm on 29 October 2020 (or such later date if the Offer is extended) and must be accompanied by payment of the full subscription amount and any required supporting documentation.

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

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

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

14 CONTACT INFORMATION

The Manager
PMG Property Funds Management Limited
Level 1, 143 Durham Street
Tauranga 3110
PO Box 2034
Tauranga 3144
Phone: 07 578 3494

The Supervisor
Covenant Trustee Services Limited
Level 6, 191 Queen Street
Auckland 1010
Phone: 09 302 0638

The Custodian
PMG Direct Childcare Fund Trustees Limited
c/- Covenant Trustee Services Limited
Level 6, 191 Queen Street
Auckland 1010
Phone: 09 302 0638

Legal Adviser
Simpson Grierson
Lumley Centre
88 Shortland Street
Auckland
Private Bag 92518
Auckland 1141
Phone: 09 358 2222

Tax Adviser
KPMG
ANZ Centre
247 Cameron Road
Tauranga 3141
Phone: 07 578 5179

Auditor
KPMG
ANZ Centre
247 Cameron Road
Tauranga 3141
Phone: 07 578 5179

15 GLOSSARY

Term	Interpretation
$	New Zealand dollars.
Acquisition Properties	The Flat Bush Property, the Glen Innes Property, and the Gulf Harbour Property.
Adjusted NAV	Where applicable, adjustments are made to the NAV to reflect the Fund's costs of equity issuance that are written off on a straight-line basis over three years from the date of equity issuance. Further adjustment is made to account for any unrealised gains on development property generated to date. The relevant adjustments are set out in Schedule 4 of the Amended and Restated Establishment Deed.
Adjusted Net Profit Before Tax	The Fund's net profit before tax, after subsequently reversing the following items (if applicable): (a) unrealised changes in the value of investment property after completion (b) unrealised changes in the value of derivative financial instruments (c) realised gains on the disposal of investment properties; and (d) Manager performance fee primarily charged as a result of unrealised gain on revaluation of completed investment property
Amended and Restated Establishment Deed	The establishment deed between the Manager and the Supervisor dated 18 September 2020 (which replaced the Establishment Trust Deed) plus any subsequent amendments.
Bank	ASB Bank.
BKBM	Bank Bill Market.
Business Day	Any day (other than Saturday or Sunday) on which banks in Auckland are open for business.

Term	Interpretation
Closing Date	29 October 2020. The Manager reserves the right to close the Offer before the Closing Date in the event that acceptances of the Offer are oversubscribed, or to extend the Closing Date.
CPMC	CPMC Group, the historic and current developer engaged by the Fund for the development of new ECE centres, subject to a development agreement.
Custodian	The Supervisor holds the properties of the Fund through a nominee company, called PMG Direct Childcare Fund Trustees Limited (the Custodian), on trust on behalf of Unitholders, subject to the Trust Deeds, the FMCA, and any other applicable legislation.
Disclose Register	Register of key documents pertaining to a Scheme or an Offer, accessed via https://disclose-register.companiesoffice.govt.nz
ECE	Early Childhood Education.
Establishment Trust Deed	The initial establishment deed between the Manager and the Supervisor dated 4 July 2017, pursuant to which the Fund was established.
Existing Properties	Consists of: · 26 Dynes Road, Rolleston, Christchurch (**Rolleston Property**) · 154 Hibiscus Coast Highway, Red Beach, Auckland (**Red Beach Property**) · 25 Spitfire Drive, Burleigh, Blenheim (**Blenheim Property**) · 10-18 Shakespeare Avenue, Enderley, Hamilton (**Enderley Property**) · 173 Bill Richardson Drive, Avenal, Invercargill (**Invercargill Property**) · 17 Catherine McLean Road, Pukekohe, Auckland (**Pukekohe Property**)
Flat Bush Property	The property at 58 Ormiston Road, Flat Bush, Auckland.
FMCA	Financial Markets Conduct Act 2013.
Fund	PMG Direct Childcare Fund.
Fund Performance Benchmark	The average of the 10-year government bond yield (as published by the Reserve Bank of New Zealand) plus 4%.

Term	Interpretation
Glen Innes Property	The property at 6-8 Merfield Street, Glen Innes, Auckland.
Gross Asset Value	Gross Asset Value has the same meaning as defined in the Master Trust Deed. In summary, this means 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 for a particular valuation by the Manager.
Gulf Harbour Property	The property at 102-130 Pinecrest Drive, Gulf Harbour, Auckland.
Manager	PMG Property Funds Management Limited, or PMG.
Manager Performance Benchmark	Average 10-year Government bond yield (as published by the Reserve Bank of New Zealand), Benchmark plus 6%.
Master Trust Deed	The Master Trust Deed between the Manager and the Supervisor dated 28 October 2016.
MOE	Ministry of Education.
NAV	The Gross Asset Value of the Fund as at the relevant date of the valuation less any liabilities, costs, outgoings or other expenses of the Fund, and such other provisions as the Manager or the Supervisor considers necessary for accrued or contingent liabilities or losses. Where applicable, the NAV is adjusted (and defined as the Adjusted NAV) with the relevant adjustments set out in Schedule 4 of the Amended and Restated Establishment Deed.
NBS	New Building Standard.
NLA	Net Lettable Area.

Term	Interpretation
Offer	An offer of Units in the Fund pursuant to the PDS.
Offer Information	The PDS and all entries on the Offer Register relating to this Offer.
Offer Register	The register available at https://disclose-register.companiesoffice.govt.nz/
Opening Date	29 September 2020.
PDS	The product disclosure statement for the Offer registered on or about 21 September 2020.
PIE	Portfolio Investment Entity.
PIR	Prescribed Investor Rate.
Property Portfolio	The combination of the Existing Properties and the Acquisition Properties.
Settlement Date	30 October 2020 (being the date the Offer settles).
SIPO	Statement of Investment Policies and Objectives.
SQM	Square metres, all estimated on a 'more or less' basis.
Supervisor	Covenant Trustee Services Limited.
Trust Deeds	The Master Trust Deed and Amended and Restated Establishment Deed.
Unitholder	A holder of Units in the Fund.
Units	Units in the Fund.
WALT	Weighted Average Lease Term.

pmg Direct Childcare Fund

c/o PMG Property Funds Management Limited
Level 1, 143 Durham Street
Tauranga, 3110
PO Box 2034, Tauranga 3144
P: (07) 578 3494
E: invest@pmgfunds.co.nz
pmgfunds.co.nz

Printed using environmentally responsible paper and soya-based inks

We're Invested