

Statement of Investment Policy and Objectives

Scheme: Oyster Direct Property Fund
Dated: 31 March 2023
Effective from: 3 May 2023

1. Description of the Scheme

- 1.1 The Oyster Direct Property Fund ("Fund") is a managed investment scheme registered under the Financial Markets Conduct Act 2013. The Fund was established under a Trust Deed dated 6 May 2016 and varied on 18 August 2016 ("Trust Deed"). The Trust Deed governs the Fund.
- 1.2 Oyster Management Limited is the manager of the Fund ("Oyster"). Units in the Fund ("Units") are held by investors in the Fund ("Investors"). Each Unit is of equal value and confers an equal interest in the Fund. The Fund issues new Units in the Fund to Investors under a continuous issue Product Disclosure Statement.
- 1.3 Oyster DPF Trustees Limited is the custodian of the Fund ("Custodian"). The title to the Property Investments and all other assets of the Fund are held by the Custodian as bare trustee on behalf of the Investors.
- 1.4 Covenant Trustee Services Limited is the statutory supervisor of the Fund (the "Supervisor"). The Supervisor holds the shares in and has appointed the directors of the Custodian.
- 1.5 The Fund has been established to hold a diversified commercial property investment portfolio. The Fund invests in Property Investment Vehicles managed by Oyster as well as purchasing its own commercial properties. It may also invest in Property Investment Vehicles managed by other managers.
- 1.6 The Fund has no fixed term. The Fund may be terminated by a special resolution of Investors.
- 1.7 The Fund may provide monthly redemptions of Units. The redemptions processed monthly are limited to the Monthly Available Funds. This is the amount that the Fund will have available to pay for redemptions. If redemption requests exceed the Monthly Available Funds redemptions may be processed on a pro-rata basis up to the Monthly Available Funds limit or suspended.

2. Investment Objectives

- 2.1 Commercial property is a long term investment. The primary objectives of the Fund are to:
 - Provide Investors with a stable monthly income stream;
 - Diversify and grow the Fund's investment portfolio by making Property Investments; and
 - Increase the net asset value of the Fund and as a consequence provide the potential for capital growth in the value of Investors' Units.

3. Investment Strategy

- 3.1 To invest directly, or through unlisted Property Investment Vehicles, in New Zealand commercial property to grow the Fund's diversified Property Investment portfolio. Oyster manages the Fund by carrying out regular reviews of the Fund's Property Investment portfolio to target optimal total returns to Investors, which includes making decisions to divest Property Investments to realise returns for the Fund.
- 3.2 Cash will be held for working capital. Working capital is used to fund redemptions, repay bank borrowings, pay the expenses of the Fund, pay for capital expenditure, and in some circumstances, pay distributions and Oyster's performance fee. Cash reserves may be increased to allow for purchase of new Property Investments or capital works required for a property owned directly by the Fund.
- 3.3 The authorised investments are:

Asset classes	Commercial property, interests in unlisted Property Investment Vehicles whose primary assets are commercial property, interest rate swap agreements and cash
Sectors	Industrial, retail, large format retail and office property
Geographical location	New Zealand major metropolitan and regional centres

Sector	Target Total Assets Allocation
Commercial property and interests in unlisted Property Investment Vehicles	80%-100%
Interest rate swap agreements	0% - 10%
Cash	0%-20%

4. Investment Philosophy

- 4.1 The Fund's goal is to optimise long term returns and reduce risk by acquiring a diversified Property Investment portfolio. Oyster considers that a diversified commercial property portfolio should include investments in a broad range of commercial property asset classes and geographical locations.
- 4.2 Oyster's philosophy is to optimise returns and add value through pro-active management of the Property Investments throughout the investment lifecycle from acquisition to disposal. Oyster seeks to add value by building a positive relationship with tenants and other stakeholders, careful management of leases, and effective

management of facilities and capital expenditure. Oyster will undertake a thorough due-diligence process when selecting investment grade Property Investments.

5. Investment Policies

5.1 The objectives and strategy will be implemented by Oyster through proactive management of the Fund and its Property Investments. Some of the key policies that will be used are:

- a. **Distributions:** It is the Fund's policy to distribute up to 100% of the Fund's Adjusted Operating Profit to Investors over the medium term. The Fund may pay less than 100% of the Adjusted Operating Profit when monies are required to fund redemptions, repay bank debt, or cash reserves are required to be built up for a future event, such as planned capital expenditure for a directly owned property. Due to fluctuations in the Fund's income and expenses, it is possible that the Fund may pay more than 100% of Adjusted Operating Profit in a particular period, but this will only occur where it is commercially sustainable over the life of the Fund.
- b. **Cash Reserves:** Where Oyster determines that the cash reserves exceed the amount required to fund future capital works, the purchase of Property Investments or funding redemptions of Units the surplus cash may be used to repay bank debt (if any) with any surplus distributed to Investors. Oyster will only pay distributions from the Fund's working capital where this is commercially sustainable over the life of the Fund.
- c. **Leverage:** Oyster has been authorised by the Trust Deed to direct the Supervisor to borrow and give guarantees for up to 50% of the aggregate value of the assets of the Fund. It is the policy of the Fund to limit direct borrowing and look through debt from its investments in Property Investment Vehicles to 50% of the aggregate value of the assets of the Fund. Look through debt is the debt of any Property Investment Vehicles that the Fund has invested in.
- d. **Hedging/Interest Rate Policy:** Fixing interest rates on any bank borrowing reduces the risk profile of the Fund by providing certainty as to interest rate cost. The trade-off is that long term interest rates may be higher than floating or short term rates, or a lower long term rate may be able to be fixed in the future. Oyster will actively monitor interest rates and assess on a case by case basis whether it is in the interests of the Fund to fix interest rates and the appropriate term.
- e. **Property Valuation Policy:** Directly Owned Properties may be valued at least annually by a registered valuer. If there has been a significant event such as a major new leasing, or other material event, Oyster may commission a valuation of the property. Any change in the valuation will be reflected in the Unit price, which is calculated monthly.
- f. **Conflicts of Interests/Related Party Transactions:** Oyster has adopted policies in relation to conflicts of interest and related party transactions. Each director and employee will act in the best interests of Investors in relation to any transaction between an Oyster Group company and the Fund.
- g. **Voting Policy:** Where a meeting is called by a Property Investment Vehicle in which the Fund has an investment, Oyster will exercise the votes held by the Fund in the best interests of Investors in the Fund. Where a vote is in relation

to the performance of Oyster as manager of that Property Investment Vehicle, Oyster will exercise the votes following discussion with the Supervisor.

- h. **Limits requiring Supervisor Approval:** Without first obtaining the Supervisor's written approval (such approval not to be unreasonably withheld or delayed, having regard always to the Supervisor's duty to act in the interests of Investors generally) Oyster shall not enter into a transaction that will result in more than 20% of the Fund's total assets or \$20 million, whichever is greater, to be held in a particular financial product or property. This is to be tested as at the date the Fund declares a contract to purchase a property unconditional, or it agrees to make an investment into a Property Investment Vehicle, and is based on the Fund's total assets expected at the date of the settlement of the transaction, including the proposed transaction.

6. Investment Performance Monitoring

- 6.1 Oyster prepares an annual budget for the Fund. At least quarterly Oyster monitors the performance of the Fund. This monitoring includes income, expenses, and capital expenses incurred against budget.
- 6.2 The Trust Deed requires that key compliance items and fund metrics are reported on quarterly to the Supervisor, including compliance with bank covenants, such as interest times cover and loan to value ratio.
- 6.3 Oyster provides Quarterly Reports to Investors which provide a summary of the performance of the Fund as at the end of the quarter.
- 6.4 Oyster provides every Investor with the Fund's audited financial statements within three months following the end of the Fund's financial year and the half yearly financial statements within three months following the end of each half year. The Fund's Annual Report is provided within four months following the end of the Fund's financial year.

7. SIPO Review

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

8. Availability of this SIPO

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

Glossary of Defined Terms

Adjusted Operating Profit	means the figure used as a guide when determining the cash distributions payable by the Fund. This is calculated by adding to the Operating Profit certain one off and unpredictable costs, including acquisition fees, marketing costs in relation to raising investor capital and performance fees. This figure is not calculated in accordance with GAAP.
Custodian	means Oyster DPF Trustees Limited, the company which holds the Property Investments of the Fund on behalf of Investors.
Directly Owned Properties	means the properties owned directly by the Fund
Fund	means the Oyster Direct Property Fund
Investors	means the people or entities that hold Units in the Fund.
Monthly Available Funds	means the amount held available to fund redemptions of Units, see Section 7.2(c) of the Trust Deed for details.
Operating Profit	means the Fund's Operating Profit Before Fair Value Movements, as set out in the Fund's financial statements or management accounts.
Property Investment	means an investment in a Property, Property Investment Vehicle or other authorised investment.
Property Investment Vehicle	means an investment structure where a group of investors jointly purchase a property investment. The investment structure used may include a unit trust, proportionate ownership scheme or a company.
Oyster	means Oyster Management Limited, the manager of the Fund
SIPO	means this Statement of Investment Policies and Objectives
Supervisor	means the statutory supervisor of the Fund, Covenant Trustee Services Limited.
Trust Deed	means the document that established the Fund and sets out the rules under which the Fund is operated
Units	means a security issued in the Fund