OTHER MATERIAL INFORMATION

PMG Direct Childcare Fund

Scheme: SCH12951
Related to Offer: OFR12950

This Other Material Information Document has been prepared to meet the requirements of clauses 48(1)(b) and 50(e) of Schedule 5 to the Financial Markets Conduct Regulations 2014 (**FMCR**) in relation to an offer of Units in the PMG Direct Childcare Fund, as set out in a Product Disclosure Statement (**PDS**) dated on or around the date of this document.

Terms capitalised but otherwise undefined in this document have the meanings given to them in the PDS. This Document must be read alongside the PDS.

Dated: 21 September 2020

Other Risks

Risks relevant to the PDS, but not considered the most significant risks, are summarised below. This list is not exhaustive and other risks will exist in relation to the Fund.

Capital Expenditure Risk
Nature and magnitude: The Fund will incur capital expenditure after development or acquisition of an ECE centre from time to time. Significant capital expenditure is not expected in the near future due to the new-build nature of the properties in the Property Portfolio, however work may be required for a number of reasons, including upgrading or adjusting lettable areas on a change of tenant to assist with leasing, undertaking structural repairs and related work to meet new requirements resulting from changes to current regulations and standards, or because general capital improvements are required. The Fund may not be able to recover all, or any, of this expenditure from tenants, which may have an adverse effect on the Fund's performance and funding risk.

Mitigation strategies: The Manager will minimise risk associated with future capital expenditure projects as they arise, through the use of certified professional experts in assessing specific capital expenditure requirements associated with each property. The Manager has procurement processes in place to budget for and monitor capital works as they progress, holding contractors to account in their provision of services to expected standards.

Assessment of likelihood of circumstances arising: Low
Assessment of Impact: Moderate

Dilution Risk
Nature and magnitude: If the Manager of the Fund seeks to raise further capital in order to fund development at any of the properties in the Property Portfolio or for the operating costs of any properties in the Property Portfolio or for the acquisition of any further properties into the Property Portfolio, the Unitholding of Unitholders may be diluted if a Unitholder is not able or willing to subscribe for further Units in the Fund.

Mitigation strategies: It is intended that existing Unitholders of the Fund will be provided the opportunity to participate in future capital raisings.

Assessment of likelihood of circumstances arising: Moderate
Assessment of Impact: Low

Damage or Destruction Risk
Nature and magnitude: There is a risk of damage or destruction to the properties in the Property Portfolio, and any other properties which are added to the Fund’s Property Portfolio, by fire, earthquake or other event which may result in the Fund being required to outlay capital expenditure to repair or reinstate the damaged or destroyed property, the loss of rental income while the damaged or destroyed property is being repaired or reinstated, or, if the tenant terminates the lease and the Fund is unable to find a suitable replacement tenant, vacancy of the property. These could impact on returns to Unitholders.

Mitigation strategies: The Manager will ensure that the Fund’s Property Portfolio will have comprehensive insurance cover, including consequential loss of rental cover.

Assessment of likelihood of circumstances arising: Low
Assessment of impact: Low

Management Related Risks
Nature and magnitude: The Manager has been appointed as property manager for the Fund. The Manager is able to terminate the Management Agreements upon 12 months' notice. The Fund do not have the resources to manage the properties themselves and would need to engage another manager to do so on their behalf. There is a risk that the Fund may not be able to find a suitable manager, and/or will need to pay higher management fees than those applicable under the Management Agreements, which could have an adverse effect on performance.

Mitigation strategies: Some of the directors of the Manager are invested in the Fund, helped to establish the Fund, and have formulated the strategy for the Fund. Given this relationship, it is highly unlikely that the Manager will terminate the Management Agreements. It is likely that if this scenario eventuated, a replacement manager would be identified prior to the termination of the Manager.

Assessment of likelihood of circumstances arising: Low
Assessment of impact: Low

Distributions

As indicated in the PDS, Section 4.4 *Distributions*, it is the Manager's intention to declare gross distributions of approximately 100% of the Fund's adjusted net profit before tax, after consideration of any required re-investment in capital expenditure programmes, redemptions, and movement in borrowings, on a monthly basis.

The Fund's adjusted net profit before tax is calculated using the "Net profit before and after income tax, and total comprehensive income" from the prospective financial statements and making the following adjustments to consider the Fund's investment activity. The following adjustments are non-GAAP adjustments and therefore are not reflected in the Fund's financial statements.

Adjusted net profit before tax for the purposes of distributions	**Actual Year ending 31 March 2018**	**Actual Year ending 31 March 2019**	**Actual Year ending 31 March 2020**	**Prospective Year ending 31 March 2021**	**Prospective Year ending 31 March 2022**
Net profit before and after income tax (total comprehensive income)	66,624	997,493	1,590,063	2,113,830	1,993,155
Reversal of unrealised gains or losses on revaluation of investment property (occurring after a development property is revalued on completion)	-	-	(503,670)	(261,634)	-
Reversal of manager performance fee primarily charged as a result of unrealised gain on revaluation of completed investment property	-	-	-	19,363	-
Adjusted net profit before tax	**66,624**	**997,493**	**1,086,393**	**1,871,559**	**1,993,155**

Assumptions for adjusted net profit before tax table above include:

1. All assumptions applicable to the prospective financial information included in Section 6 of the PDS associated with the Offer.
2. Unrealised gains and losses recorded on the completion of development properties have not been reversed, as such movements are factored into the distributions paid to Unitholders.
3. Changes in fair value of derivative financial instruments cannot be reliably predicted, therefore no revaluations have been included in the prospective financial information. No derivative financial instruments have historically been held by the Fund.
4. Additional borrowing is expected in the periods ending 31 March 2021 and 31 March 2022 within the current borrowings facilities to enable the Fund to meet the required reinvestment in capital expenditure programmes.
5. There is currently no forecast reduction in borrowing and therefore no debt repayments have been included in the calculation of adjusted net profit before tax in the prospective periods.
6. Any expenditure to be incurred on acquiring new properties, and associated borrowing required to acquire new properties, is not included in the above calculation as it is considered a financing activity that, in conjunction with equity raised from an offer, should be cash flow neutral in respect of funds available for distribution.
7. Performance fees are primarily driven by the revaluation gains on investment property, and as a result are reversed in the estimate of adjusted net profit before tax available for distribution.
8. Distributions to be declared for the year to 31 March 2022 are closely aligned with adjusted net profit before tax (as a result of no development property projects expected in that year). Distributions for all previous periods are in total less than the adjusted net profit before tax, based on the monies required to finance ongoing development costs throughout those periods.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)

Earnings before interest, tax, depreciation and amortisation (EBITDA) referred to in the PDS at Sections 1.7, 6.1 and 6.3 is a Non-GAAP measure. The following reconciling items have been extracted from the historic and prospective financial information of the Fund and a reconciliation to GAAP information is provided below:

Financial Period	**Actual Year ending 31 March 2018**	**Actual Year ending 31 March 2019**	**Actual Year ending 31 March 2020**	**Prospective Year ending 31 March 2021**	**Prospective Year ending 31 March 2022**
Net Profit/(loss) after tax per Prospective Statement of Financial Performance	**66,624**	**997,493**	**1,590,063**	**2,113,830**	**1,993,155**
Net Financing Costs (Income)	(82,622)	(147,649)	114,853	354,495	513,300
EBITDA	**(15,998)**	**849,844**	**1,704,916**	**2,468,324**	**2,506,455**

Net Financing Costs in the case of the Fund constitutes interest expense on borrowings, less interest income on cash deposits. Interest expense on borrowings includes any related party borrowings.

Manager's 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**), as disclosed in the PDS Section 8.2 *Aggregated Fees and Expenses.*

An example calculation is provided below for information purposes only, to illustrate the calculation of the Manager Performance Fee. Actual results are likely to vary significantly from those set out in this example.

Example Manager Performance Fee calculation (rounded where appropriate)
For the prospective year ending 31 March 2021

Inputs

Manager Performance Benchmark	6.00% (A)
10-year government bond yield (estimated)	0.62% (B)
Manager's Performance Benchmark	**6.62% (C)=(A)+(B)**
Manager's Performance Fee Multiple	20.0%
Closing Adjusted NAV per Unit (before current Manager Performance Fee)	$1.05
Opening Adjusted NAV per Unit	$1.04
Distributions per Unit declared during the year (Distributions per unit)	$0.06688
Closing Adjusted NAV of the Fund (before current Manager Performance Fee)	$29,403,950

Calculation

The Manager's Performance for the year is calculated as:

Formula: $\frac{\text{(Closing Adjusted NAV per Unit - Opening Adjusted NAV per Unit + Distributions per Unit)}}{\text{Opening Adjusted NAV per Unit}}$

Example: $\frac{(\$1.05 - \$1.04 + \$0.06688)}{\$1.05}$ = 6.95% rounded to 2 decimal places.

The Manager Performance Fee is calculated as:

Formula:
((Manager's Performance – Manager's Performance Benchmark) x Closing Adjusted NAV) x Manager's Performance Fee Multiple

Example: ((6.95% - 6.62%) x $29,403,950) x 20% = $19,363

Estimated Costs of Offer

The table below details the total of the amounts paid or agreed to be paid by, or on behalf of, the Manager in connection with the offer of Units in the Fund (this excludes fees and expenses payable to the Manager and associated persons).

Type of Cost	Amount	Cost paid to	Reason for cost and description of services
Legal Fees	$110,000	Simpson Grierson and Cooney Lees Morgan	Legal fees are payable to: - Simpson Grierson for costs relating to the costs of advising on the PDS, advising on the SIPO and Establishment Deed, advising the Manager relating to compliance with the FMCA, and attending to registration of the Offer Information. - Cooney Lees Morgan for the costs of 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.
Marketing Costs	$90,000	Various parties	The costs payable for designing the PDS, producing advertisements and holding events in relation to the Offer, and the costs associated with preparing and printing the PDS and associated marketing material.
Due Diligence Costs - Valuation Fees	$15,000	Jones Lang LaSalle	The fees payables to registered independent valuation experts in relation to the fair valuation of the Acquisition Properties.
Due Diligence Costs - Other	$15,000	Various Parties	Provision for other costs associated with the purchase of the Acquisition Properties including various technical and market due diligence requirements.
Supervisor's Fees	$15,000	Covenant Trustee Services Limited	The fees payable to the Supervisor for their costs in relation to reviewing this PDS, other Offer Documents, and oversight of the due diligence on the Acquisition Properties.
Administrative and Contingency Costs - specific	$5,000	Financial Markets Authority	The costs payable to the Offer Register and Financial Markets Authority on registration of the Offer Information.
Administrative and Contingency Costs - Other	$35,000	Multiple parties	Provision for other costs associated with the preparation of the Offer for the Fund and all associated Offer documents, including the prospective financial information and other incidental costs that may be incurred.
	$285,000		