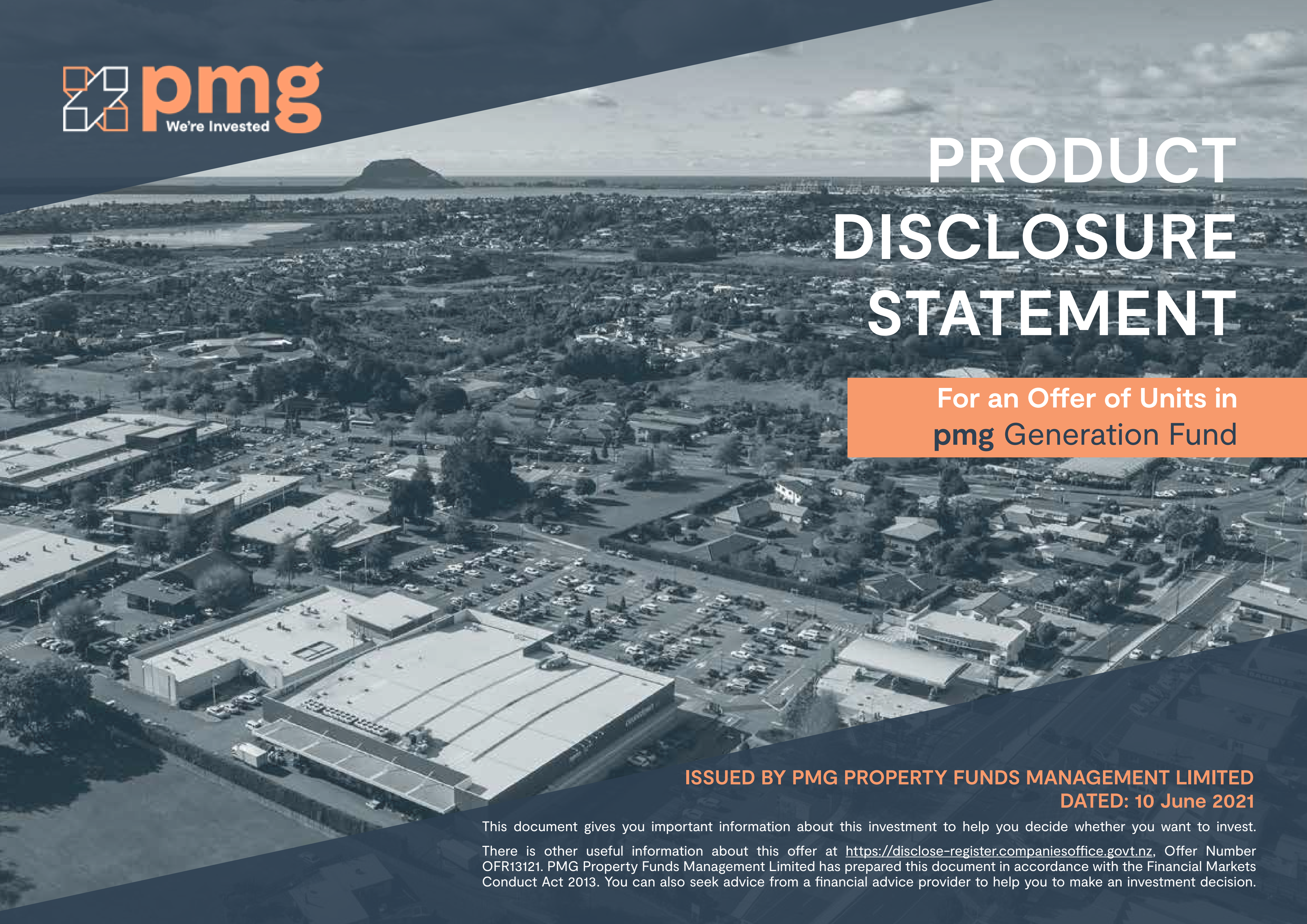

pmg We're Invested

PRODUCT DISCLOSURE STATEMENT

For an Offer of Units in **pmg** Generation Fund

ISSUED BY PMG PROPERTY FUNDS MANAGEMENT LIMITED
DATED: 10 June 2021

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 OFR13121. 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 advice provider to help you to make an investment decision.

1 Key Information Summary

1.1 WHAT IS THIS?

This is an offer of units in PMG Generation 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, 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 scheme. Section 10 of this Product Disclosure Statement (**PDS**) contains further details about the Manager and others involved in this scheme. 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, established on 20 February 2020 in accordance with the Master Trust Deed and the Establishment Deed (together, the **Trust Deeds**). The Fund is in the form of a Unit Trust with the purpose of investing in commercial real estate. As the Fund is a Unit Trust, investors will receive units as interests in the Fund. The Fund is managed by the Manager in accordance with the Trust Deeds.

The Fund currently invests in commercial buildings in major metropolitan and regional centres of New Zealand. The Fund currently holds an existing portfolio of three commercial properties (the **Existing Properties**), holding such properties directly. The Fund expects to acquire two further properties (the **Acquisition Properties**) on or around 30 July 2021. The combination of the Existing Properties and the Acquisition Properties is defined as the **Property Portfolio**. Further information about the Fund's Property Portfolio can be found at Section 2.2 *The Fund's Property Portfolio*.

PROPERTY PORTFOLIO

Existing Properties

The Fund currently holds three properties in the industrial property sector:

- 26 Sharpe Road, Rukuhia, Hamilton (**Sharpe Road Property**)
- 67 Vickerys Road, Wigram, Christchurch (**Vickerys Road Property**); and
- 32, 32a, and 32b Jamaica Drive, Grenada North, Wellington (**Jamaica Drive Property**).

Acquisition Properties

The Fund will be purchasing two properties:

- 19 Bethlehem Road, Bethlehem, Tauranga (**Bethlehem Town Centre**); and
- 11-13 Gough Street, Seaview, Lower Hutt, Wellington (**Gough Street Property**).

The cost of acquiring the Acquisition Properties, alongside the funding required, rounded to the nearest thousand dollars, are expected to be:

Purchase price of Acquisition Properties	$107,618,000
Offer costs	$6,977,000
Total Cost	**$114,595,000**
Unit subscriptions	$75,210,000
New debt	$39,385,000
Total Funding	**$114,595,000**

Should only $68,670,000 of unit subscriptions be received (the Minimum Equity Raise) additional bank borrowings will be drawn from available facilities to cover any funding shortfall. Further details about the Fund's borrowings are set out in Section 2.7 *Borrowings*.

INVESTMENT OBJECTIVES AND STRATEGY

The investment objective of the Fund is to provide Unitholders with a stable monthly income stream combined with increasing the Net Asset Value of the Fund (and as a result, provide the potential for capital growth in the value of Units).

To achieve the Fund's investment objectives, the investment strategy will focus on growth of the Fund's Property Portfolio through the acquisition of further properties. The Manager will also focus on increasing the value of properties by finding opportunities to add value, and ensuring rental income is at market rate per tenant.

The Fund plans, in the future and subject to a variation to the Manager's Managed Investment Scheme (**MIS**) licence, to indirectly hold interests in property through investments in unlisted (including other schemes managed by the Manager) and listed property schemes (the **Investment Portfolio**). The Manager's ability to invest the Fund in the Investment Portfolio relies on it achieving a variation to its MIS licence. The Manager is currently seeking a variation to its MIS licence; however there is no guarantee that such a variation will be granted. If the Manager receives a variation to its MIS licence, the investors in the Fund at that time will be notified of the variation via direct investor communications.

1.4 KEY TERMS OF THE OFFER

Managed Investment Product	Units in the Fund.
Offer Opening Date	18 June 2021.
Offer Closing Date	29 July 2021.
Offer Price Per Unit	$1.09 per Unit.
Minimum Equity Raise	$68,670,000 (63,000,000 Units). The Fund must meet this minimum subscription amount for the Offer to proceed.
Maximum Equity Raise	$75,210,000 (69,000,000 Units). The Fund will not take subscriptions over this maximum amount.
Subscriptions	The minimum unit subscription for the Offer is 1,000 Units per investor. Additional subscriptions from the Offer must be in multiples of 1,000 Units.
Scaling	If the Fund receives valid applications for more than $75,210,000 (69,000,000 Units), being the Maximum Equity Raise, scaling may apply. The Manager's discretion on scaling is absolute. No over subscriptions will be accepted.
Minimum Holding	Transfers and redemptions will not be processed if these will result in an investor holding less than 1,000 Units, unless the investor is selling or transferring its entire holding. 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.
Underwrite	The issue of 45,750,000 Units is underwritten by the Manager.
Cash Distributions	Target gross cash distributions of 6.00 cents per unit per annum for the period from 1 August 2021 to 31 March 2023. Distributions to be paid monthly, on the 20th 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*.

1.5 HOW YOU CAN GET YOUR MONEY OUT

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.

Under the Trust Deeds, no redemptions are permitted until the Fund reaches $100 million worth of Units on issue, but ultimately remain at the Manager's discretion (which factors in relevant considerations such as the Fund's growth focus and cash available for redemptions). While the Fund will reach $100 million worth of Units on issue assuming successful completion of this offer, the Manager has determined not to permit redemptions immediately, and there is no time frame established for permitting redemptions.

If the Manager provides a redemption facility for Units in the future:

- Redemption pricing will be based on the Adjusted Net Asset Value (**Adjusted NAV**) of the Fund per Unit, less a 2% redemption spread adjustment.
- The funds available for redemption will be limited to the greater of 0.5% of the Fund's Adjusted NAV determined on the relevant Exit Date (or other relevant date as selected by the Manager), and an amount as determined by the Manager from time to time.
- The Manager's current policy is that no redemption fee will be charged to investors. However, if Units are redeemable in future, the Manager reserves the right to change this policy.

Further information about unit redemption and the sales facility are set out in Section 4.3 *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 the Property Portfolio, 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.

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 7.3 *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	**1 day**	**Year**	**Year**	**Year**
Financial year	**31 March 2020**	**31 March 2021**	**31 March 2022**	**31 March 2023**
Gross distribution per Unit[1]	5.80 cents	5.80 cents	5.97 cents	6.00 cents
Gross cash distribution return on offer unit price[2]	N/A	N/A	5.50%	5.50%
Gearing ratio[3]	40.2%	36.8%	37.3%	37.9%
Interest cover ratio[4]	N/A	3.1 times	4.0 times	3.9 times

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 the Maximum Equity Raise is achieved as a result of this offer. Further details about the Fund's financial information may be found in Section 6 *PMG Generation Fund's Financial Information.*

VALUATIONS

The Manager has obtained recent independent valuation reports in relation to all properties in the Property Portfolio in anticipation of this offer. All current property valuations referred to in this PDS are stated as at dates within three months of the date of this PDS, and the Manager has no reason to believe a material change in the combined value of the properties has occurred since the date of the valuation reports. Valuation of the Acquisition Properties, to be purchased on or around 30 July 2021, are summarised below:

Property	Valuation	Valuer	Valuation Date	Purchase Price[5]
Bethlehem Town Centre	$94,800,000	CBRE	4 May 2021	$94,518,000
Gough Street Property	$13,100,000	Bayleys Valuations	31 March 2021	$13,100,000

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 *The Valuation* in respect of the Acquisition 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: a tenant defaults, a lease is terminated or expires without being renewed, the rent under a lease decreases, there is difficulty obtaining a replacement tenant, or new tenant rental rates are lower than those previously received. A loss or reduction in rental income may have a detrimental impact on the Fund's ability to make distributions to investors, 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. Due to economic conditions surrounding COVID-19, the Fund provided some rental abatement to tenants of the Existing Properties during the financial year ending 31 March 2021 of $114,000 plus GST (fully reimbursed by either the relevant property vendor, or the Manager). While the Manager has forecast no further rent abatement will be required, and no material related vacancy will emerge after the date of this PDS, rental income may yet be impacted further as a result of COVID-19 (further outbreaks, lockdowns and alert level changes that are as yet unknown) or general economic uncertainty. Reimbursement of rental income from property vendors or the Manager may not reoccur in such a circumstance.

(b) **Valuation Risk** – Property market conditions, the economic environment, and fluctuations in supply and demand for commercial properties relevant to the Fund will affect the value of the Property Portfolio. The value of the Property Portfolio directly impacts the value of the Units, and the gearing of the Fund, among other metrics. The Bethlehem Town Centre independent valuation report has been prepared on the basis of material valuation uncertainty. Less certainty, and a higher degree of caution, should be applied when relying on this valuation than is normally the case. Values may change more rapidly and significantly than under normal conditions.

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

This summary does not cover all of the risks of investing in Units. You should also read Section 7 *Risks to Returns From PMG Generation Fund.*

[1] Gross distribution per Unit is annualised, in cents per Unit before tax, and rounded to two decimal places.
[2] Gross cash distribution return for the prospective periods to 31 March 2023 are annualised and applicable only to Units issued under this offer, expressed as a percentage of the offer unit price of $1.09 per Unit.
[3] 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.
[4] 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. Information for the 1-day period to 31 March 2020 is not presented as it could be misleading over only a 1-day period.
[5] The purchase prices exclude any costs associated with acquisition that may be capitalised into the carrying value of the Acquisition Properties. Figures are rounded to the nearest thousand dollars.

1.9 WHAT FEES WILL YOU PAY?

The table below summarises the fees and expenses that you will be charged to invest in this scheme. Further information about fees is set out in Section 8 *What Are the Fees?* Unless otherwise indicated, all fees and expenses are stated exclusive of GST, are rounded to the nearest thousand dollars, and will be charged to the Fund.

OFFER COSTS

Manager and associated persons' offer costs charged to the Fund (estimated):	$5,170,000
Other offer costs charged by others to the Fund (estimated):	$1,807,000
Total offer costs charged to the Fund (estimated):	**$6,977,000**

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 fees), 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.*

AGGREGATED FEES AND EXPENSES

	Actual		Prospective (estimated)	
Period length	1 day	Year	Year	Year
Financial year	31 March 2020	31 March 2021	31 March 2022	31 March 2023
Charged by the Manager and associated persons	$2,360,000	$915,000	$6,352,000	$1,235,000
Charged by the Manager and associated persons as a percentage of NAV	**7.57%**	**2.55%**	**6.08%**	**1.18%**
Charged by other persons	$495,000	$1,495,000	$7,901,000	$5,854,000
Charged by other persons as a percentage of NAV	**1.59%**	**4.17%**	**7.57%**	**5.61%**

The offer costs charged to the Fund are also included in the aggregated fees and expenses table, in the year ending 31 March 2022. Previous offer costs have also been included in the table where applicable. The other aggregated fees and expenses include ongoing fees and expenses charged by the Manager (property management fees, fund management fees, property transaction fees, leasing fees, and fund administration fees) and by other persons (property operating expenditure, property capital expenditure, supervisor fees, auditor fees, interest expense, and other overhead expenditure).

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 to the Manager 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 prospective financial periods 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 and the purchase price of properties. The fees are disclosed in further detail in Section 8.2 *Aggregated Fees and Expenses.*

FEES THAT MAY BE CHARGED DIRECTLY TO INDIVIDUAL INVESTORS

Sale of Units: Units are freely transferable and no fee is payable to the Manager by an investor 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 4.3 *How Can I Withdraw My Investment From the Fund?*), the Manager may charge a fee of 1.5% plus GST for this service.

Redemption of Units: The Manager's current policy is that no redemption fee will be charged to investors, should they be able to redeem their Units. However, if Units are redeemed in future, the Manager reserves the right to change this policy.

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 associated with this PDS, or go to https://www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates. See Section 9 *Tax* for more information about taxation.

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Letter From the Board

Dear Investor,

We are excited to invite you to participate in the latest capital raising offer by PMG – an offer of units in PMG Generation Fund. The Fund is part of the Manager's investment diversification strategy, providing an alternative investment choice for our existing and new investors.

The Fund, managed by PMG (an experienced and trusted property funds manager with a 29-year track record of thriving through multiple economic cycles), is one of PMG's five unlisted commercial property funds and has provided regular returns to investors. Since its establishment in 2020, the Fund has acquired three industrial properties located in three main metropolitan areas of New Zealand, which are currently valued at $58 million.

In line with the strategy of the Fund, funds raised from this offer (along with conservative levels of bank funding) will see the Fund achieve greater diversification by region, sector and tenant. Two additional properties will be purchased on or around 30 July 2021. One, a large format retail property known as the Bethlehem Town Centre in Tauranga, with over 50 tenants, is well known to PMG, being in the same locality as PMG's headquarters. The other acquisition target, an industrial property in Seaview, Lower Hutt, Wellington, and is tenanted by an established national enterprise incorporated in 1929. The property market in both of these regions are very familiar to PMG – with PMG already managing ten properties with a total value exceeding $150 million across both regions (all owned by other funds managed by PMG).

These acquisitions will enhance the scale and robustness of the Fund, which has already shown good resilience since establishment. Following a successful offer and the acquisition of these two properties, the Property Portfolio will consist of five properties across four regions valued at approximately $166 million, with an estimated total of 60 tenants.

Despite the negative effects of the COVID-19 pandemic on New Zealand's economy, the Fund is growing as planned with a portfolio increased in diversification by region, sector, and tenant. We believe the outlook for the Fund is positive. The Offer is being partially underwritten, so investors can have comfort the required funds should be raised during the offer period, and the acquisition of the two target properties is likely to be completed.

The Fund's performance to date has met our expectations, with gross distributions of 5.80 cents per unit (**cpu**), before tax, declared for the financial year ended 31 March 2021. The Fund is forecasting to increase the cash distribution to 6.00 cpu per annum, before tax, from 1 August 2021.

For new Unitholders participating in this offer, this equates to a projected gross cash distribution return of 5.50% per annum, at a unit issue price of $1.09, from Settlement Date.

We invite you to join us as we aim to continue providing sustainable returns and growth in value over time to investors in PMG Generation 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 PMG Generation Fund* before making your investment decision.

Yours faithfully,

Denis McMahon
Chairman of the Board

Scott McKenzie
Executive Director

11-13 Gough Street, Seaview, Lower Hutt, Wellington

2 What PMG Generation Fund Invests In

	Actual At 31 March 2021[6]	Expected At 30 July 2021[7]
Portfolio Valuation[8]	$58.2 million	$166.1 million
Properties Owned	3	5
Net Lettable Area[9]	29,202 sqm	56,072 sqm
Unique Tenants[10]	5	60
Occupancy[11]	100%	99%
WALT[12]	3.5	4.4
Gearing Ratio[13]	37%	37%
Annual Distribution per Unit[14]	5.80 cents per Unit	6.00 cents per Unit

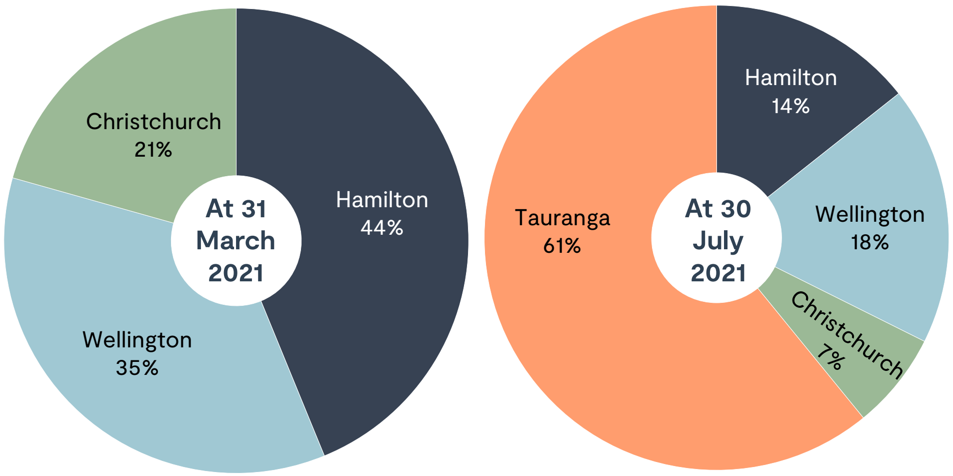
The Fund is growing a commercial property investment portfolio across New Zealand, diversified by region, sector, and tenant. Where possible the Fund targets properties underpinned by national or international tenants operating at scale. Investment is currently being focused on property in the industrial sector, in addition to a multi-purpose retail hub anchored by large format retailers.

A summary of the Fund's Property Portfolio can be found in this section, including what the Fund is invested in (based on the Existing Properties), and what the Fund expects to be invested in after the Offer is completed (based on the Existing Properties and the Acquisition Properties).

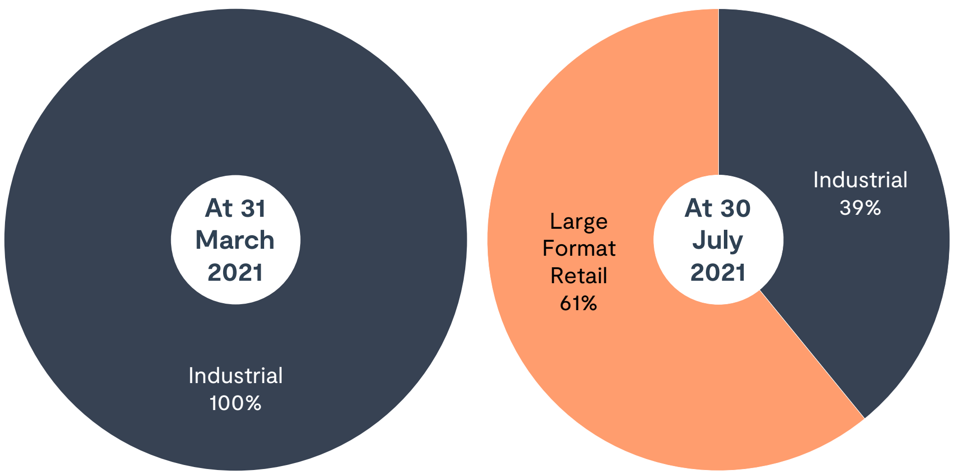
Expected as at 30 July 2021	Valuation[8] ($)	WALT[12] (years)	NLA[9] (sqm)	Occupancy[11] (%)	Tenants[10] (#)	Key tenants
Acquisition Properties						
Bethlehem Town Centre	$94,800,000	4.4	21,494	97%	54	Countdown, Kmart
Gough Street Property	$13,100,000	8.4	5,376	100%	1	HJ Asmuss & Co
Sub-total	**$107,900,000**	**4.7**	**26,870**	**98%**	**55**	
Existing Properties						
Sharpe Road Property	$29,850,000	4.6	16,010	100%	1	Torpedo7
Vickerys Road Property	$11,200,000	3.1	6,421	100%	1	Euro Corporation
Jamaica Drive Property	$17,100,000	3.0	6,771	100%	3	Coca-Cola Amatil (N.Z.)
Sub-total	**$58,150,000**	**4.1**	**29,202**	**100%**	**5**	
Property Portfolio	**$166,050,000**	**4.4**	**56,072**	**99%**	**60**	

[6] All items in this column are based on actual historic information, inclusive of the Existing Properties only.
[7] All items in this column are based on forecast information, stated after completion of the Offer at the Maximum Equity Raise, and after acquisition of the Acquisition Properties.
[8] Property valuations stated as per the value of the most recent independent valuation report held by the Fund per property as at the date of this PDS.
[9] Net Lettable Area (NLA) expressed approximately in square metres, excluding yard area and surplus land.
[10] Less than the ultimate number of leases, as some tenants are party to more than one lease.
[11] Approximate leased area (excluding yard area and surplus land), expressed as a percentage of NLA, rounded.
[12] Weighted Average Lease Term of current or expected leases expressed in years.
[13] Valuation of the Property Portfolio expressed as a percentage of the actual or expected carrying value of the total assets of the Fund.
[14] For further information, see Section 4.4 *Distributions*.

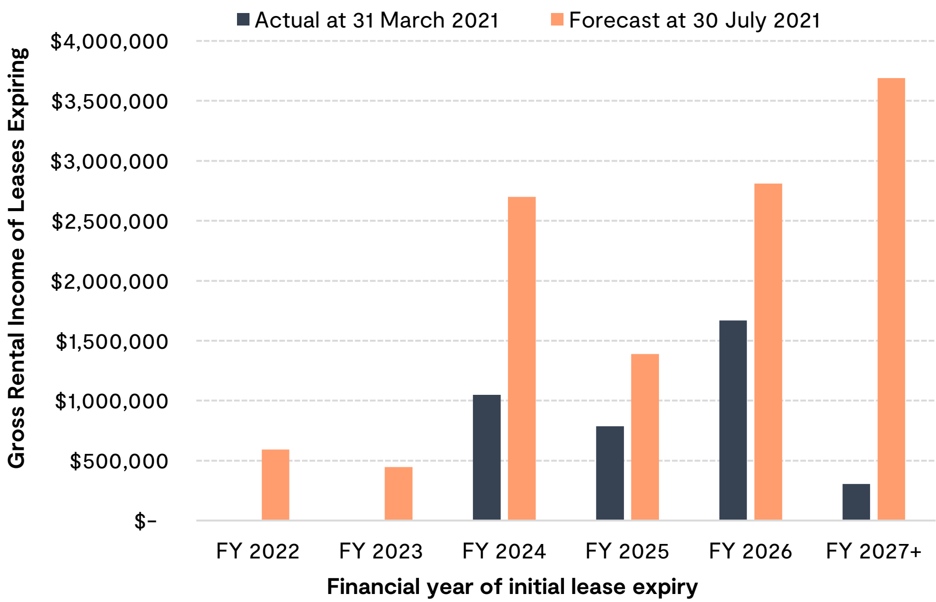
Gross Rental Income by Region



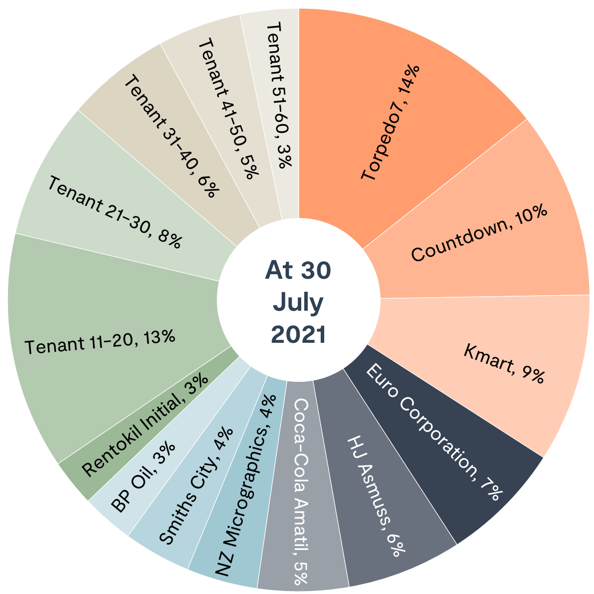
Gross Rental Income by Sector



Lease Expiry Profile



Gross Rental Income by Lessee



The lessees with the largest Gross Rental Income are specifically noted. Contribution to the Gross Rental Income of the Property Portfolio for smaller lessees is shown grouped in descending order of Gross Rental Income.

2.1 STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES SUMMARY

The Fund has a Statement of Investment Policies and Objectives (**SIPO**). The SIPO can be found on the scheme register at https://disclose-register.companiesoffice.govt.nz under Scheme Number SCH12827. A summary of the SIPO is as follows:

(a) **Purpose:** To grow a diversified commercial property investment portfolio, held over the medium to long term, to provide regular cash distributions to Unitholders and growth in value of Units over time.

(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.

The Fund intends to grow its portfolio of commercial property investments to establish greater economies of scale and diversification for investors. The SIPO contemplates that, in the future, the Fund may hold a broader investment portfolio.

(c) **Investment Philosophy:** The Manager believes that high quality commercial properties, held over the medium to long term, provide Unitholders with the opportunity for income and capital growth in excess of inflation.

(d) **Investment Strategy:** The Fund will invest directly in commercial property across New Zealand, and grow the value of these properties through finding opportunities to add value to the properties, maintenance, and finding and retaining quality tenants for the properties.

In the future, subject to a variation of the Manager's MIS licence being granted amongst other factors, the Fund intends to invest in other property schemes in New Zealand that invest in commercial property.

The Fund may hold cash for working capital purposes. Working capital will fund redemptions, repay bank borrowings, pay the expenses of the Fund and, in some circumstances, pay distributions and the Manager's performance fees.

26 Sharpe Road, Rukuhia, Hamilton

(e) **Investment Policies:** Some of the key investment policies include:

- Distributions – It is the Manager's policy to distribute up to 100% of the Fund's Adjusted Funds from Operations (**AFFO**) to investors. Due to fluctuations in the Fund's income and expenses, it is possible that the Fund may pay more than 100% of AFFO in a particular period, but this will only occur where it is commercially sustainable over the life of the Fund. Further information on AFFO can be found in Section 4.4 *Distributions*.
- Leverage – The Fund may borrow up to 50% of the gross asset value of the Fund with first-ranking mortgages over the Property Portfolio.
- Hedging – The Fund will enter interest rate swap contracts to hedge the risk of interest rate movements to the Fund. It does not speculate on interest rates.
- Valuations – Annual valuations of each property in the Property Portfolio will be undertaken by an independent valuer. The Manager may commission a valuation more often as and when deemed appropriate.

(f) **Permitted Investments:**

Asset classes	• Direct investments in commercial property • Interest rate swaps (for hedging purposes) • Other assets associated with property ownership; and • Cash.
Sectors	• Commercial property (and assets underpinned by commercial property).
Geographic location	• Major New Zealand metropolitan and regional centres.

The permitted investments set out reflect the extent of the investments permitted under the Manager's existing MIS licence, but the SIPO permits (subject to a variation to the Manager's MIS licence) investment in:

- Shares/units in the Manger's other managed commercial property funds
- Shares/units in other managed commercial property funds; and
- Shares/units in listed property vehicles.

(g) **Target Asset Allocations:**

Asset Class	Target Allocation	
	Current	Future (assuming MIS licence variation)
Direct investments in commercial property	80% – 100%	40% – 100%
Interests held in property schemes (listed and unlisted)[15]	N/A	0% – 40%
Interest rate swaps (for hedging purposes)	0% – 10%	0% – 10%
Other assets associated with property ownership	0% – 10%	0% – 10%
Cash	0% – 10%	0% – 10%

Once the Fund has Units on issue with a value exceeding $100 million, the Fund has a target to have no single property investment reflecting more than 35% of the value of the assets of the Fund, and no single interest held in any other property scheme reflecting more than 20% of the value of the assets of the Fund. This target may be exceeded with the consent of the Supervisor. Consent has been provided in relation the acquisition of the Bethlehem Town Centre, and the Manager expects this property to fall below 35% of the value of assets in the Fund in due course, as the Fund continues to grow.

If the Manager is permitted to invest the Fund in other property schemes following a variation to its MIS licence, then up to 40% of the Fund's assets may comprise interests held in property schemes in the medium term of the Fund. If no MIS licence variation is granted, the Manager will continue to invest the Fund in the Property Portfolio and related assets.

(h) **Investment Performance Monitoring:** Each financial quarter, the Manager will provide a report to the Board of the Manager summarising a review of past performance, key metrics, bank covenant compliance, and comments pertinent to the investment objectives and the outlook for future returns.

(i) **Strategy and SIPO Review:** The Board of the Manager will review the key metrics for the Property Investments no less than annually and assess if any of the investments should be sold. If the Manager determines that a property investment should be sold, it will endeavour to sell (or redeem) the investment. Any decision by the Manager to sell an investment is subject to the terms of the Trust Deeds and the FMCA. This means that the Manager must notify the Supervisor about the proposed sale, and the Supervisor is entitled to refuse to sell the property if, in the Supervisor's opinion, the transaction is manifestly not in the interest of Unitholders or is in breach of the Trust Deeds or any law.

The Board of the Manager will formally review the SIPO on an annual basis, or more often as required in relation to market conditions and regulatory requirements (such as if the Manager identifies a material and/or sustained change in conditions). The Manager may amend the Fund's strategy, and any such amendment may involve an amendment to the SIPO. A change to the SIPO or investment strategy requires the Board of the Manager to follow the procedure in its relevant charter.

Should a breach of any SIPO benchmark or limit occur at the time of annual monitoring, a full strategic review of the Property Investments will be undertaken, and the requirement for an ad-hoc review of the SIPO will be triggered.

32, 32a and 32b Jamaica Drive, Grenada North, Wellington

[15] The Fund's SIPO permits this class of assets as investments, but it is subject to a variation to the Manager's MIS licence before the Fund would be permitted to hold interests in property schemes of this nature. The Manager anticipates that it may invest the Fund in schemes where the underlying assets include commercial property under development with the intention of being held for long-term capital appreciation. The Manager does not anticipate investing directly in assets that are under development.

2.2 THE FUND'S PROPERTY PORTFOLIO

The Fund expects to own five properties following completion of the Offer and acquisition of the Acquisition Properties.

The Manager reviews the financial standing of tenants on acquisition of a property, on becoming aware of new facts and circumstances related to a tenant, and on agreeing to leases with new tenants. The Manager does not have access to all financial information related to the tenants. The Manager has carried out due diligence on the financial standing of tenants and is satisfied with its findings. Enquiries include understanding deposit and guarantee arrangements, searching the Insolvency Register, and reviewing publicly and privately available financial information related to tenants. As at the date of this PDS, no tenant has material rental arrears, nor is the Manager aware of any failure to meet any material obligations under their agreements in relation to the relevant property. A review of the financial standing of tenants expected to provide more than 5% of the Fund's Gross Rental Income from Settlement Date have been stated within this section at the appropriate location. Throughout this section, Gross Rental Income represents the expected annualised rental income as at 30 July 2021 (as defined at the section titled *Glossary*).

19 Bethlehem Road, Bethlehem, Tauranga

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 OFR13121 (**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*.

19 Bethlehem Road, Bethlehem, Tauranga

11-13 Gough Street, Seaview, Lower Hutt, Wellington

BETHLEHEM TOWN CENTRE

PROPERTY TYPE	NET LETTABLE AREA	VALUATION	OCCUPANCY	WALT
Large Format Retail	21,494 sqm	$94,800,000	97%	4.4 years

Address	19 Bethlehem Road, Bethlehem, Tauranga.
Title	Freehold.
Key Tenant(s)	Countdown and Kmart.
Gross Rental Income	$7,081,000 per annum plus GST from Acquisition Date.
Seismic Rating	At least 100% NBS based on ISAs by a qualified, independent engineer. The seismic reports are available on the Offer Register.
Building Report	A building report has been obtained and is available on the Offer Register.

THE PROPERTY AND STRATEGY

Bethlehem Town Centre is a community retail hub in the centre of Bethlehem, Tauranga, comprising 54 tenants across a mix of retail types – with anchor tenants being Countdown and Kmart. The total site area is 7.8 hectares and includes over 1,000 car parks. Designed as an outdoor shopping centre, the initial phase of construction was completed in 2009. The buildings have been broken up into precincts that create an environment with a sense of place and connection to the local community.

In addition to the initial anchor tenant (Countdown), Kmart was completed and opened in 2016 on a 12-year lease term, adding another proven anchor tenant to the property. Bethlehem Town Centre's roads were reconfigured to accommodate the increased vehicle and foot traffic from the additional tenancy. A new BP Connect site was also opened in July 2020, leased for 15 years – reflecting the growth and demand seen for the centre, as well as locally and throughout the Bay of Plenty region.

The Bethlehem Town Centre is predominantly constructed from a combination of corrugated zincalume, finished pre-cast concrete, and timber slat wall claddings. Wide, square footpaths, landscaping, continuous canopies and a mix of tenancies combine to create a well-connected destination for visitors.

Strategically, and in the near future, the Manager will prioritise a new lease arrangement with Countdown, the nearest term expiry of a lease to a major tenant. Furthermore, the Manager has several initiatives in mind to improve the attractiveness of the property to customers, and also to improve long-term property value and rental income beyond the forecast period. This includes utilising the currently unrented, undeveloped land on the site (**Surplus Land**), which is approximately 3,500 sqm. Future capital expenditure to develop the site further, creating additional lettable area and yielding additional income streams, has not been presumed in the prospective financial information.

THE SECTOR AND LOCATION[16]

Exposure to the retail sector is considered appropriate for the Fund in its pursuit of an increased level of diversification within the commercial property investment sphere (by region, sector and tenant). Prime retail assets, underpinned by large format retailers that drive car and foot traffic to a site, are believed by the Manager to be of critical importance. With positive New Zealand retail sector growth signals continuing, the Manager is excited to provide the Fund with the opportunity to acquire this premium quality retail hub in one of Tauranga's most affluent suburbs.

Statistics New Zealand data shows a strong bounce back in post-lockdown retail trading conditions, and improving performance on previous years, with the volume of retail sales in the December 2020 quarter up 4.8% year-on-year, and the September 2020 quarter up 8.3% year-on-year. This compares favourably to the positive long-run average trend from 1996 to 2020 of a 3.0% increase in volume year-on-year.

Located within New Zealand's economic golden triangle, the property sits on State Highway 2 in Bethlehem – approximately seven kilometres west of Tauranga's central business district and easily accessible to those entering and leaving the city.

In the five years to March 2020, the Bay of Plenty's Gross Domestic Product (GDP) has grown with a compound annual growth rate of 9%, making it the fastest growing economic region in New Zealand based on GDP growth. The population of Tauranga grew 19% between the 2013 and 2018 censuses, and is projected to grow a further 18% over the ten years to June 2028, which the Manager expects will lead to a continued increase in economic output and retail demand. With Tauranga viewed as a compelling alternative to Auckland by some, the region's housing market has also been experiencing significant growth, with a more than 8% increase in occupied dwellings over the 2013 and 2018 censuses.

Tauranga has one of the lowest ratios of retail space per capita in New Zealand, at just 0.39 sqm per person, compared to 0.50 sqm per person nationally. Limited supply of retail has been made available in Tauranga, with the most recent development, Tauranga Crossing, completed in two stages (2016 and 2019). The Manager believes the supply pipeline for new retail developments is minimal, outside of any developments already underway.

[16] All statistics quoted on this page are derived from raw data available from Statistics New Zealand, with the exception of the final paragraph. The retail space per capita statistics are extracted from a third party due diligence report prepared for the Fund by Macroplan.

BETHLEHEM TOWN CENTRE

THE TENANTS

With over 50 tenants, income from the property is spread across different tenant sectors and consumer types – these include essential services, healthcare, lifestyle, real estate and banking service providers, food and beverage, and more.

A selection of the most notable tenants to the property are summarised below.

Countdown is a full-service supermarket chain and subsidiary of Woolworths NZ – itself a subsidiary of Australia's Woolworths Limited. Countdown is one of New Zealand's leading supermarket retailers serving 2.5 million customers every week. With over 180 Countdown supermarkets across New Zealand, they are the largest private sector employer with 18,500 people employed in their stores, support offices, processing plants and distribution centres. The tenant's ultimate New Zealand parent company's most recently filed audited financial statements (Woolworths New Zealand Group Limited - for the 52 weeks ending 28 June 2020) are available on the New Zealand Companies Office website. The Manager has completed its due diligence on the tenant and is satisfied with its findings.

Kmart is an Australian-based retail chain owned by the Kmart Group division of Wesfarmers. With the first store opening in 1969, Kmart now operates 234 stores across Australia and New Zealand, with 25 of those stores in New Zealand. Kmart Group recorded had $9.21 billion worth of sales in Australia and New Zealand for the 2020 financial year, making it one of the largest discount retailers in Oceania by revenue. The tenant's most recently filed audited financial statements (for the year ending 30 June 2020) are available on the New Zealand Companies Office website. The Manager has completed its due diligence on the tenant and is satisfied with its findings.

BP Oil New Zealand Limited is a subsidiary of BP, a British multinational oil and gas company. BP has operated in New Zealand since 1946, with over 210 service stations across the country and roughly 3,000 people are employed across their wider New Zealand operations. Other notable tenants at the property include Smiths City (purchased and repositioned by an entity ultimately controlled by Polar Capital), and Chemist Warehouse.

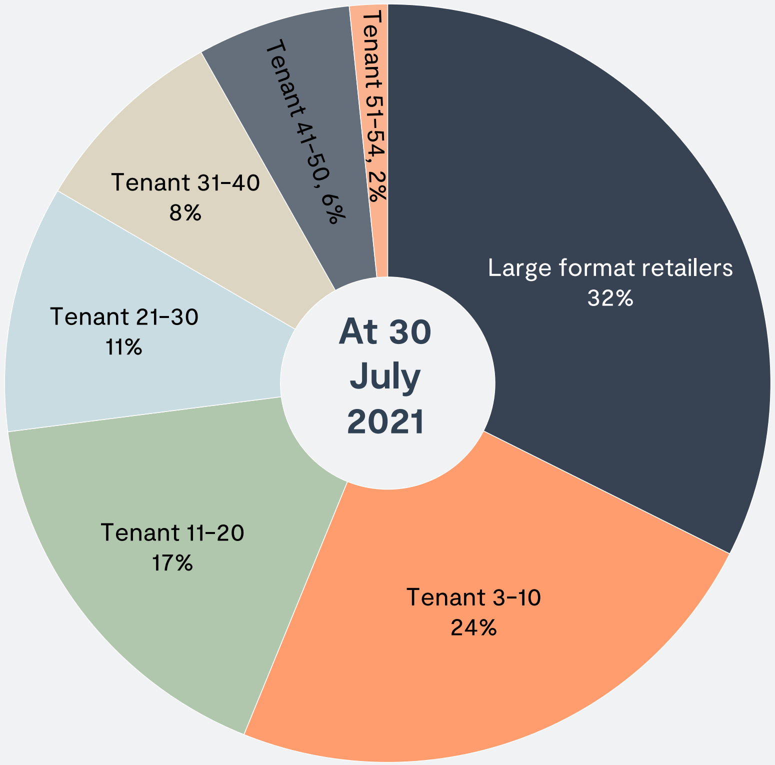
Bank guarantees are in place with tenants totalling approximately $821,000 and a further $103,000 in guarantees are due to be confirmed in place at Settlement Date (a combined total of 13% of Gross Rental Income per annum expected from the property).

Tenant agreements related to the property generally do not have a specific clause related to "no access in an emergency". As such, any potential rental abatement related to future Government imposed Level 3 or Level 4 lockdowns (as seen in the financial year ending 31 March 2021) is likely to be at the Manger's discretion. No such abatement is currently expected by the Manager.

INCOME BREAKDOWN

The tenants at the property operate in a variety of sectors. Whilst the property is considered a large format retail sector property, the individual tenancies are exposed to a broad array of sectors. The largest rental income share is derived from tenants operating from large format retail stores (Countdown and Kmart), supported by essential service or Fast Moving Consumer Goods providers (including BP, Chemist Warehouse and Unichem Pharmacy), healthcare, food and beverage, professional services, and general retail.

Below is a summary of the expected Gross Rental Income from the property, spread across the property's 54 tenants. The largest rental income contributors, the large format retailers, constitute almost one third of the income from the property, with the ten largest tenants contributing over half of the rental income from the property. Beyond that, all smaller lessees are shown aggregated in groups of ten, in descending order of Gross Rental Income.



MATERIAL LEASES

The Manager considers the following leases relating to this property to be material information. A summary of these leases are set out here, and copies of these leases are available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR13121.

Tenant	Countdown (General Distributors Limited).
Rental Income	$1,060,000 per annum plus GST and outgoings from acquisition date.
Term of the Lease	15-year lease commencing 8 December 2003, renewed before initial expiry for a term of five years, expiring 6 December 2023.
Rights of Renewal	No rights of renewal remaining.
Rent Reviews	For the remaining lease term, rental income is subject to annual CPI adjustments with a hard ratchet (the higher of the existing rent and the CPI-adjusted rent will be payable), other than on 6 December 2021 when a market rent review will be undertaken with a hard ratchet (the higher of the CPI-adjusted rent and the market rental amount will be payable).
Other Key Information	· A primarily net lease, where most outgoing expenditure is recoverable from the tenant (with the exception of certain items, such as specific types of repairs and maintenance). · The lease provides for access to no less than 234 car parks. · The net lettable area leased by Countdown totals approximately 3,709 sqm.

Tenant	Kmart NZ Holdings Limited (renamed from Coles Group New Zealand Holdings Limited).
Rental Income	Base rent is currently $1,050,000 per annum plus GST. An additional percentage rent amount is payable if the tenant exceeds certain revenue thresholds. If, following any rent review, there is an increase in the initial base rent ($1,050,000), this is deducted from any percentage rent payable (provided percentage rent cannot be a negative number).
Term of the Lease	12-year lease commencing 24 March 2016, initially expiring 23 March 2028, with final expiry up to 23 March 2050.
Rights of Renewal	One right of renewal for a period of 12 years, and one further right of renewal for a period of 10 years.
Rent Reviews	Base rent will be reviewed every three years provided that the tenant meets a certain revenue threshold, with the first review due on 24 March 2025. At each such review, the base rent will be increased to the amount that is the greater of 3% above the then applicable base rent and the amount which is the average of aggregate base and percentage rent over the preceding three-year period.
Other Key Information	· A semi-gross lease, where the only expenditure recoverable from the tenant is insurance and rates expenditure. · The net lettable area leased by Kmart totals approximately 5,548 sqm.

BETHLEHEM TOWN CENTRE

THE SALE AND PURCHASE AGREEMENT

The Manager considers the Sale and Purchase Agreement for the property to be material information. A summary of key terms of the sale and purchase agreement are set out here, and a copy of the Sale and Purchase Agreement is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR13121.

Purchaser	PMG Funds Limited (to be nominated to the Fund).
Vendors	PSPIB/CPPIB Waiheke Inc. and F.H. Thompson and Sons Limited.
Date of Agreement	21 May 2021.
Acquisition Date	30 July 2021.
Purchase Price	$94,517,685 plus GST (if any), subject to purchase price adjustment for any Seismic Works Retention returned to the Fund (see below). A deposit equal to 5% of the purchase price amount was payable one working day after the sale and purchase agreement became unconditional, and was funded by PMG Capital Fund Limited.
Seismic Works Retention	The Fund expects no seismic works are required on the property, based on an ISA already conducted. At settlement, the Fund's solicitors will however retain $2,000,000 of the purchase price (the **Seismic Works Retention**), pending a DSA related to the building at the property occupied by Countdown. Should the DSA indicate a seismic rating of below 67% NBS, any seismic works required to increase the seismic rating of the property to greater than 67% NBS will be funded from the Seismic Works Retention, reducing the purchase price. Any residual unused amount within the Seismic Works Retention will be paid to the vendors.
Other Key Information	The vendor will be liable for up to six months post acquisition date for any rental abatement that may fall due to tenants as a result of a Level 3 or Level 4 lockdown entered before acquisition date. An agency fee associated with the purchase is payable by the Fund to Bayleys Real Estate, totalling 1.125% of purchase price, and is included within the costs of this offer. A block of land bordering the Bethlehem Town Centre is currently partially occupied by a childcare centre (**the Associated Land**). The Associated Land is due to be sold by the vendors to a third party contemporaneously with the Fund's acquisition of the Bethlehem Town Centre. The transactions are interdependent. At the date of this PDS, the third party has paid a 10% non-refundable deposit, and is expected to acquire the Associated Land. Should the third party renege on their commitment to purchase the Associated Land, the Manager has made alternative arrangements for settlement of the Associated Land to ensure the Fund can settle the Bethlehem Town Centre. The interest rate for late settlement on either property is 12% per annum until settlement of both properties (chargeable to the Manager, which would be entitled to charge such cost to the Fund). At settlement, the vendors are required to pay the Fund the value of all lease incentives that have been agreed between the vendors and tenants of the property to date, for which the obligation has not been satisfied by the vendors to date. This amount is expected to be $322,000.

THE VALUATION

The Bethlehem Town Centre was independently valued by CBRE Limited on 4 May 2021 at $94,800,000. 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 Income Approach plus Surplus Land – the direct capitalisation of passing and market income plus the value of under-developed land; and
- The Discounted Cash Flow Approach plus Surplus Land – utilising cash flow projections, combined with discount rates, growth rates, sustainable rental levels, vacancy allowances, capital expenditure, outgoings, and terminal yields – plus the value of under-developed land.
- The Surplus Land was separately valued using the Direct Comparison Approach, using comparable land sales within Tauranga, and large commercial land sales nationally, at $3,150,000 and is included in the valuation total of $94,800,000.

Key summary metrics from the valuation report (excluding the Surplus Land) include:

Value per sqm of NLA	$4,230	WALT remaining	4.7 years
Initial Yield	6.36%	Yield on Net Market Income	6.91%

In preparing the valuation, the critical assumptions include:

- The valuation is reported on the basis of material valuation uncertainty as a result of COVID-19 and the related economic environment. The valuation takes into account the independent valuer's best estimate of the impact of the current economic environment related to COVID-19. Allowances have been made for the potential impacts of COVID-19 in the valuation, that may not be reflected in the prospective financial information.
- For the Capitalisation of Net Income Approach, a capitalisation rate of 6.38% was utilised, alongside a value of Surplus Land of $3,150,000 at $900 per sqm, rental reversions with a present value of $4,049,000, and present value of seismic works potentially required of $1,897,000.
- For the Discounted Cashflow Approach, a vacancy rate of 4.0%, capital expenditure at 1.0% of gross income, a discount rate of 6.79%, a terminal yield of 6.88%, compounding average CPI rate of 1.88%, and compounding average rental growth rate of 2.60%.

For further detail and 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 OFR13121. The full valuation report has been redacted by CBRE Limited in respect of any information deemed commercially sensitive, including tenancy turnover. All material information related to the valuation is believed to be included in this PDS.

GOUGH STREET PROPERTY

PROPERTY TYPE	NET LETTABLE AREA	VALUATION	OCCUPANCY	WALT
Industrial	5,376 sqm	$13,100,000	100%	8.4 years

Address	11-13 Gough Street, Seaview, Lower Hutt, Wellington.
Title	Freehold.
Key Tenant(s)	HJ Asmuss & Co Limited.
Gross Rental Income	$741,000 per annum plus GST from Acquisition Date.
Seismic Rating	At least 67% NBS based on a DSA by a qualified, independent engineer.
Building Report	A building report has been obtained.

THE PROPERTY

Occupying a level site on 9,091 sqm of land area, the property comprises four industrial warehouse buildings and an ancillary office structure, positioned centrally on the site. The original construction dates to the 1960s with subsequent extensions in more recent years. The improvements provide generic industrial accommodation in terms of functionality and useful drive-through capability for loading and unloading. The balance of the site consists of sealed and secured concrete yard space situated to either side of the improvements.

Primary structural systems for the four warehouses consist of steel portal frames resting on reinforced concrete foundations supporting steel purlins and topped with lightweight corrugated iron roofing. The office and amenities building is a single-storey concrete structure with lightweight steel trusses supported by concrete walls and frames.

Seismic strengthening work was undertaken in April 2016 on two of the warehouses, including replacement of roof cross bracings, replacement of bolts, new steel fly braces and new mid-height compression struts.

THE LOCATION

The property is situated at the western end of Gough Street in Seaview, Lower Hutt in the Wellington region. The property is well located within Seaview, having good connections to major arterial road and rail network linkages, such as State Highway 2.

Gough Street is linked to the main industrial road in the area, Seaview Road, and comprises mostly small-to-medium-sized workshop structures erected during the 1960s. Recent construction in the area includes a Placemakers on Seaview Road, and a logistics warehouse on Hutt Park Road. PMG already manages other properties in the local area for another PMG fund, on Seaview Road and Hutt Park Road, so is familiar with the property and the area.

THE TENANT

HJ Asmuss & Co (also known as Asmuss Steel and Flow Control) is a privately-owned supplier and distributor of steel in New Zealand. Founded in 1920, incorporated in 1929, and occupying the property for over 20 years, the tenant has supplied many of the biggest industrial and construction projects in New Zealand (including the Fonterra Darfield Dairy Factory, the Tauranga Wharf Extension, Forsyth Barr Stadium, and the Victoria Park Tunnel). With branches strategically located throughout the country, HJ Asmuss & Co provides local delivery of its product range, which includes concrete reinforcing, fastenings, steel and pipes. Products are used in a range of industries, including industrial and commercial construction, pulp and paper, agriculture, horticulture, power generation, water, waste water, petrochemicals, and ventilation.

THE LEASE

The Manager considers the lease to HJ Asmuss & Co Limited to be material information. A summary of the lease is set out below, and a copy of the lease is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR13121.

Tenant	HJ Asmuss & Co Limited.
Rental Income	$601,000 per annum plus GST and outgoings from acquisition date, including a vendor rental top-up of $16,000 per annum to December 2021.
Term of the Lease	10-year lease commencing 11 December 2019, with initial expiry on 10 December 2029. Final expiry up to 10 December 2049.
Rights of Renewal	Four rights of renewal, each for a period of five years.
Rent Reviews	Market rent review on every renewal date, and fixed rent reviews on all other anniversaries of 2.75% per annum.
Other Key Information	· Clause 48 of the lease requires the tenant put in place a bank guarantee equivalent to 12 months' net rental income (excluding outgoings recoverable), and updated for current rental under the lease every five years). · Any tenant works undertaken on site will pass into the ownership of the landlord, without a requirement for recompense, or reinstatement of the property to its original condition.

THE SALE AND PURCHASE AGREEMENT

The Manager considers the Sale and Purchase Agreement for the property to be material information. A summary of key terms of the sale and purchase agreement are set out below, and a copy of the Sale and Purchase Agreement is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR13121.

Purchaser	PMG Funds Limited (to be nominated to the Fund).
Vendor	IPOH New Zealand Limited.
Date of Agreement	1 March 2021.
Acquisition Date	30 July 2021.
Purchase Price	$13,100,000 plus GST (if any).
Other Key Information	· Deposit of $1,000,000 paid on behalf of the Fund by PMG Capital. · The Vendor is required to establish a billboard lease for $20,000 per annum plus GST, with expiry and rent reviews in line with the main lease, but no rights of renewal. The Vendor will underwrite the income from the billboard lease until a lease with a third party is entered into. · The Vendor has provided a current Building Warrant of Fitness. · During the Manager's due diligence, an underground storage tank was identified on the property, and has been removed by the vendor. Any contamination risk to the property (and the Fund) is believed to be adequately mitigated, with any remediation obligations to be at the vendor's cost (see additional provisions to the sale and purchase agreement).

THE VALUATION

The Gough Street Property was independently valued by Bayleys Valuations Limited on 31 March 2021 at $13,100,000. 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 Income Approach – the direct capitalisation of passing and market income; and
- The Discounted Cash Flow 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	$2,437	WALT remaining	8.70 years
Initial Yield	4.54%	Yield on Net Market Income	4.99%

In preparing the valuation, the critical assumptions include:

- Given the circumstances around 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. The valuation report is not prepared on the basis of material valuation uncertainty.
- For the Capitalisation of Net Income Approach, a capitalisation rate of 4.90% was utilised; and
- For the Discounted Cash Flow Approach, a discount rate of 6.00%, terminal yield of 5.65% and applied rental growth rates of c. 2.05% (market) and 1.89% (CPI) were utilised.

For further detail and 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 OFR13121.

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 OFR13121. Given the circumstances around COVID-19, 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. None of these valuation reports have been prepared on the basis of material valuation uncertainty.

26 Sharpe Road, Rukuhia, Hamilton

32, 32a, and 32b Jamaica Drive, Grenada North, Wellington

67 Vickerys Road, Wigram, Christchurch

SHARPE ROAD PROPERTY

PROPERTY TYPE	NET LETTABLE AREA	VALUATION	OCCUPANCY	WALT
Industrial	16,010 sqm	$29,850,000	100%	4.6 years

Address	26 Sharpe Road, Rukuhia, Hamilton.
Title	Freehold.
Key Tenant(s)	Torpedo7 Limited.
Gross Rental Income	$1,668,000 per annum plus GST from Settlement Date.
Lease Term	A 10-year term commenced 3 March 2016, due to initially expire 2 March 2026. Final expiry up to 2 March 2062.
Rights of Renewal	Four rights of renewal, of nine years each.
Rent Reviews	Fixed rental increases of 2.5% per annum other than on renewal dates. Market rent review on renewal dates, with a cap and a collar of between 90-110% of the annual rental prior to the review.
Seismic Rating	100% NBS based on letter from a qualified, independent engineer. Constructed in 2013 to the building code, with Code of Compliance issued.
Building Report	A building report was previously obtained with nothing material to note.
Valuation Report	$29,850,000 (by Aim Valuation, as at 31 March 2021).
Other Key Information	A net lease, where reasonably incurred operating expenditure is recoverable from the tenant, excluding management fees and any property management responsibilities undertaken by the tenant per the terms of the lease.

NOTES ON PROPERTY AND STRATEGY

The property comprises a freehold site with a total land area of 40,710 sqm situated within Titanium Park, an industrial sub-division adjoining Hamilton Airport, zoned as Airport Business Zone. The site consists of three separate titles. The existing building was constructed in 2013 and comprises a warehouse with ground-floor and first-floor offices and 106 car parks. It is built across two of the three titles – occupying 23,035 sqm of underlying land.

The property, excluding the excess undeveloped bare land, is 100% leased to Torpedo7 (a wholly owned subsidiary of The Warehouse Group). As a large established business with a relatively long remaining term on the existing lease, and extensive future rights of renewal that could extend the lease term to a total of approximately 41 years from Settlement Date, the primary strategy is to maintain a strong relationship with the tenant during the remainder of its initial term.

Whilst there are no immediate capital expenditure requirements, the current improvements on site are currently highly utilised. Given the surplus land available on the site, there is a potential opportunity to extend the warehouse towards the existing car park in excess of 1,500 sqm, and relocate the car park to the surplus land on site. This could create another entry/exit point and allow better drive through for trucks. Any extension would also provide the opportunity to negotiate a lease extension, potentially increasing the property's WALT and value. Neither the cost of any such extension, nor the potential for additional rental income as a result, has been allowed for in the prospective financial information.

A copy of the lease is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR13121.

VICKERYS ROAD PROPERTY

PROPERTY TYPE	NET LETTABLE AREA	VALUATION	OCCUPANCY	WALT
Industrial	6,421 sqm	$11,200,000	100%	3.1 years

Address	67 Vickerys Road, Wigram, Christchurch.
Title	Freehold.
Key Tenant(s)	Euro Corporation Limited.
Gross Rental Income	$786,000 per annum plus GST from Settlement Date.
Lease Term	A six-year term commenced 1 September 2018, initially expiring 31 August 2024. Final expiry up to 31 August 2032.
Rights of Renewal	Two rights of renewal, of four years each.
Rent Reviews	Market rent review every two years.
Seismic Rating	90% NBS based on a DSA and letter from a qualified, independent engineer.
Building Report	A building report was previously obtained, with nothing material to note.
Valuation Report	$11,200,000 (by Jones Lang LaSalle as at 31 March 2021).
Other Key Information	A fully net lease, where all reasonably incurred operating expenditure is recoverable from the tenant.

NOTES ON PROPERTY AND STRATEGY

The property comprises a freehold site with a total land area of 14,870 sqm, located in the Sockburn industrial sector on the border of the Wigram suburb of Christchurch, approximately nine kilometres from Christchurch CBD.

The improvements are of industrial design – with initial construction in the 1970s, and further development taking place between 2002 and 2006. The improvements consist of three warehouses (the original warehouse, an additional adjacent warehouse, and a third standalone warehouse), associated offices and amenities, 92 car park spaces and a substantial sealed yard. The site can be driven through, with a turning circle positioned under the warehouse area to enable all-weather, 24-hour operations.

The property has 10 gantry cranes, four of which are owned by the Fund as an integral part of the property. The other cranes are owned by the tenant – one of New Zealand's largest steel fabrication and distribution companies.

The strategy for the property is to retain the existing tenant by seeking renewal of the lease at each right of renewal, extending the lease ultimately to 2032, at which point a new lease agreement will be considered. The Manager may offer incentives to the tenant as part of extending the term of the existing lease. The tenant may wish to build an exterior canopy onto the building to provide further storage.

A copy of the lease is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR13121.

JAMAICA DRIVE PROPERTY

PROPERTY TYPE	NET LETTABLE AREA	VALUATION	OCCUPANCY	WALT
Industrial	6,771 sqm	$17,100,000	100%	3.0 years

Address	32, 32a and 32b Jamaica Drive, Grenada North, Wellington.
Title	Freehold.
Key Tenant(s)	Coca-Cola Amatil (N.Z.), Rentokil Initial, Desktop Imaging & Micrographic Services.
Gross Rental Income	$1,354,000 per annum plus GST from Settlement Date.
Material Lease Term	The only lease considered material lease at this property is with Coca-Cola Amatil (N.Z.). The lease was renewed from 14 December 2020, and is due to expire 13 December 2023. Final expiry is up to 13 December 2026.
Material Lease Rights of Renewal	One remaining right of renewal, of three years.
Material Lease Rent Reviews	On lease renewal, rent review based on CPI plus 2% – capped at a 13% increase from the rental rate at prior renewal.
Seismic Rating	80% NBS based on an ISA from a qualified, independent engineer.
Building Report	A building report was previously obtained, with nothing material to note.
Valuation Report	$17,100,000 (by Bayleys Valuations, as at 31 March 2021).
Other Key Information	Two leases are net leases, where all reasonably incurred operating expenditure is recoverable from the tenant with the exception of management fees. The Coca-Cola Amatil (N.Z.) lease is a gross lease, meaning rental income includes a fixed amount for outgoings recoverable.

NOTES ON PROPERTY AND STRATEGY

The property is situated on three freehold titles covering a land area totalling approximately 1.09 hectares, and considered as a single property in this PDS. Situated in Grenada North, Wellington, the property is in close proximity to both State Highway 1, and the Wellington CBD (approximately a 10-minute drive).

The improvements on all titles were originally warehousing with office space. One of the warehouses has been fully converted to commercial office space. The buildings are modern and well maintained. In total, the property has in excess of 20 car parking spaces.

The Manager has executed its initial strategy of retaining all of the existing tenants on longer lease terms – extending all three leases since purchasing the property and also achieving rental income growth. The intent is to continue extending lease terms, or entering new lease arrangements with existing tenants at the appropriate time to increase the committed lease terms of all tenants at an appropriate market rental.

A copy of the Coca-Cola Amatil (N.Z.) lease is available on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR13121.

2.3 MANAGEMENT OF THE FUND

The Manager has been appointed under the Trust Deeds to manage and administer the Fund on behalf of Unitholders. The Manager's responsibilities include managing the investments of the Fund in accordance with the SIPO (including identifying future acquisition opportunities for the Fund), administering distributions and unit redemptions, communication with Unitholders, and ensuring compliance with the Trust Deeds and other legal requirements. The key personnel of the Manager responsible for governance and management of the Fund are split between the Manager's Board of Directors, and the Investment Committee.

PMG BOARD OF DIRECTORS

The Board of Directors of PMG currently consists of two independent directors, four non-executive directors, and two executive directors (who are also members of the Investment Committee documented in the following section).

Related party benefits derived by the Manager are included in Section 5.2 *Related Party Benefits*. 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, and ensuring the properties are properly maintained and meet all legal requirements.

DENIS McMAHON

Chairman of the Board

Denis established PMG in 1992 to offer a specialised, professional service for managing industrial, office, and retail property. Two years later he syndicated his first property in Tauranga and has overseen over 30 investment offerings since.

He transitioned to the role of Non-Executive Director and Chair following the appointment of Scott McKenzie as CEO in 2012. Denis has successfully overseen the growth of PMG's portfolio since then, with PMG now managing portfolios valued at over $750 million.

Denis is a member of the Property Institute and was Chairperson of the Property Council Bay of Plenty from 1996-2000.

DR WAYNE BEILBY

Non-Executive Independent Director

Dr Wayne Beilby joined the PMG Board as a Non-Executive Independent Director in September 2017. With over 15 years' experience in the financial services industry, he brings extensive management and governance experience across many NZX, PNGX and ASX-listed companies and local government entities.

Wayne holds a Doctorate in Business Administration, Bachelor's degrees in Law and Arts, and has a specialised Master of Business Administration in Finance and Risk from Deakin University in Melbourne.

Wayne is Managing Director of Pacific Advisory Group (NZ) Limited which provides governance, risk and asset management advice, and is a Fellow of both the Australia New Zealand Institute of Insurance and Finance, and the Institute of Management New Zealand.

JONATHAN CAMERON

Non-Executive Independent Director

Jonathan is an innovative, entrepreneurial and commercially astute senior management executive who provides intelligent, robust and insightful advice around strategic and financial matters.

His skills enable PMG's long-term corporate and strategic development and increase shareholder and economic value by following a strategic agenda focused on future-growth. His extensive experience in corporate development, mergers and acquisitions, valuation, and financial advisory comes from his various roles including Head of Corporate Development and Planning for Air New Zealand, Senior Manager of Merger and Acquisitions for Ernst & Young, and Manager of Corporate Finance for PricewaterhouseCoopers.

Jonathan is also currently the Managing Principal and Director for Elevate Capital Partners, and Director for VetEnt, Dunedin Airport, Tupu Angitu and Waipa Networks. He holds a Master of Commerce in Economics with first-class honours.

TONY PITT

Non-Executive Director

Tony joined PMG's Board in February 2021. He is Managing Director of 360 Capital and has a wealth of management and leadership experience along with valuable funds management and investment expertise.

Originally from Taupō, he has overseen the initial public offering on the ASX of three Australian real estate investment trusts, the creation of various unlisted funds, facilitated several company acquisitions, and the ASX listing of 360 Capital Group (which oversees $1.4 billion of managed funds).

He holds a Bachelor of Commerce in Property and has a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia.

JAMES STOREY

Non-Executive Director

As the Head of Real Estate at 360 Capital Group, James has in-depth knowledge and passion for real estate and investment, bringing further property and funds management expertise to PMG's Board when he joined in February 2021.

James has 15 years' experience investing across debt, equity and corporate transactions. He is Fund Manager of 360 Capital REIT (ASX:TOT) – the real estate arm of 360 Capital Group and James is also a Non-Executive Director of Velocity Property Group (ASX: VP7).

He holds a Bachelor of Business in Property Economics and a Graduate Certificate in Applied Finance and Investment. James is also a licensed real estate agent and qualified valuer.

GLENN BUTTERWORTH

Non-Executive Director

Following 360 Capital Group's investment in PMG in February 2021, Glenn joined the PMG Board as a Director.

With over 25 years of transactional and financial management experience, Glenn is the Chief Financial Officer of Australian-based listed company 360 Capital and provides governance and support to the PMG Board around the financial strategy and future growth.

Glenn joined the company after 11 years at Mirvac, where he was Financial Controller of the Investment Division that handled listed and wholesale managed funds and partnership structures.

Glenn is a Chartered Accountant and holds a Bachelor of Commerce.

2.3 MANAGEMENT OF THE FUND (CONTINUED)

THE INVESTMENT COMMITTEE

The Investment Committee is a sub-committee of the Board of Directors responsible for overseeing the day-to-day operations of the Manager's activities impacting on the management of the Fund and its investments. The Investment Committee is chaired by the Head of Investment (Daniel Lem), who is also a former director of PMG. The members of the Investment Committee are as follows, with those holding directorships on the Board of Directors of the Manager included first:

SCOTT McKENZIE

Chief Executive Officer and Director

With over two decades in business and 10 years specialising in funds management and commercial real estate, Scott is the driving force behind PMG's innovative strategy.

He honed his leadership skills in the banking sector, both in New Zealand and the UK, and holds a Bachelor of Commerce in Valuation and Management and a Post Graduate Diploma in Management.

Scott is a board member of Priority One (Tauranga's economic development agency), founding board member for Urban Taskforce for Tauranga, principal founding Trustee for PMG Charitable Trust, founding Director of Forsite (health and safety app), and recently served as Vice-President of the BOP Property Council.

NIGEL LOWE

Chief Financial Officer and Director

Nigel joined PMG in August 2016 after spending 13 years at accounting firm KPMG. His role is to strengthen and provide additional capability to PMG's senior management team across financial reporting, compliance and assistance with future property acquisitions.

With Nigel's direct oversight as Compliance Director of PMG, the Manager became one of only a handful of unlisted property funds managers to attain a Managed Investment Scheme licence from the Financial Markets Authority (FMA). His leadership of PMG's compliance function is crucial to compliance with the Anti Money Laundering Act (AML) and regulations regarding accepting retail investments.

Nigel is a Chartered Accountant and holds a Bachelor of Commerce.

DANIEL LEM

Investment Committee Chair and Head of Investment

Daniel has 20 years' experience in asset and project management, commercial leasing, and structured property finance. As 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 worth of commercial office assets across Eastern Europe.

Daniel's property management company merged with PMG Property Funds Management in 2015. He now chairs our Investment Committee, sources new investment opportunities, and project manages the repositioning/redevelopment of specific assets. Daniel holds a Bachelor of Science and is a Member of the Royal Institute of Chartered Surveyors.

STEVE WILLIAMS

Head of Transactions

Steve has over 26 years of property expertise, joining PMG in 2016 in the role of Head of Asset Management – and transitioning to the Head of Transactions role in May 2020. Steve's key responsibilities are to drive the acquisition and disposal of properties managed by PMG.

Steve previously worked for New Zealand's largest listed property company, Kiwi Income Property Trust, for eight years as an asset manager and later as National Commercial Leasing Manager. Steve established his own commercial property consultancy in 2006 prior to joining PMG.

Steve holds a property degree (BA Honours), is a Licensed Agent under the Real Estate Agents Act 2008 (REAA) and is a Member of the Royal Institution of Chartered Surveyors (MRICS).

MATT McHARDY

Head of Investor Relationships

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

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

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

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 for the Fund of growing a diversified commercial property investment portfolio across New Zealand.

The funds raised by the Offer, along with bank financing, will be allocated as follows (rounded to the nearest thousand dollars):

Purchase Price of Acquisition Properties	$107,618,000
Offer Costs	$6,977,000
Total Cost	**$114,595,000**

Funded by:	
Unit subscriptions	$75,210,000
Debt	$39,385,000
Total Funding	**$114,595,000**

Unit subscriptions above assumes that the Maximum Equity Raise under the Offer is achieved, based on an issue price of $1.09 per Unit. At least $68,670,000 (63,000,000 Units), being the Minimum Equity Raise, must be raised before the Offer can proceed. Of this amount, $49,867,500 (45,750,000 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 (69,000,000 Units) are issued under the Offer, among other factors. An increase in total bank facilities of $47,500,000 has been secured with the Fund's lenders in relation to the Offer and for future general commercial purposes. Should only the Minimum Equity Raise number of Units be issued from the Offer, sufficient debt facility headroom will be available in the Facilities to enable the settlement of the Acquisition Properties, and the funding of expected capital expenditure during the prospective financial periods presented in this PDS. For further details on the Fund's borrowings, see Section 2.7 *Borrowings* and Section 6.3 *Financial Measures of the Fund's Borrowings*.

32, 32a, and 32b Jamaica Drive, Grenada North, Wellington

26 Sharpe Road, Rukuhia, Hamilton

67 Vickerys Road, Wigram, Christchurch

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 summarised below. Further information about the potential risks to investors of investing in units of the Fund are set out in Section 7 *Risks to Returns From PMG Generation Fund*, and in Other Material Information disclosed on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR13121.

Factor	Strategy or Plan
Current economic conditions linked to COVID-19	Current economic conditions linked to COVID-19 could change, and have an impact on one or more of the other stated key drivers of financial performance. The Fund's overarching strategy of income diversification at scale is the primary strategy to manage the potential impact on performance, with growing exposure to an increased diversity of regions, property sectors, and tenant sectors. This strategy is expected in the long term to benefit investors by improving the stability of returns for the Fund and investors, and decrease the likelihood of sustained reductions in returns compared to a non-diversified commercial property fund. Should restrictions be placed on tenant access to property, related to COVID-19 or otherwise, the Manager would aim reduce impacts on long-term performance where possible and appropriate by: • strategically supporting tenants through any rental abatement, deferral, or lease incentive discussions • maintaining or growing WALT, with lease term extensions or built in rights of renewal to extend the term further; and • including fixed rental increases with ratchet clauses in lease arrangements.
Rental income and ability of tenants to meet their obligations to pay contracted rental amount	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. 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 aims to minimise any detrimental impact on the Fund's rental income, including due diligence on new tenants and establishment of guarantee arrangements or vendor underwriting arrangements. 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. No material leases have expiries within the prospective financial information periods presented, reducing the likelihood of vacancy materially impacting returns in the foreseeable future. The Countdown lease due for expiry in December 2023 is the first expiring material lease, and the Manager expects to commence renegotiation of this lease in the near future, well in advance of expiry.
Property values	The value of the Property Portfolio is influenced by multiple factors including the state of the property market, the level of rental income from each property, and the remaining terms of the leases associated with each property. Current property valuations consider a range of inputs and market evidence in forming an opinion on value. The Manager utilises its in-house investment, property and facilities management teams to deliver strategies that aim to maintain or improve property valuations (and thus fund performance). They strive to find opportunities for growth in annual income, occupancy levels, and lease terms for each property.
Change in interest rates	Variability in interest rates can materially change the performance achieved by the Fund if not managed appropriately. The Manager manages interest rate risk with a combination of interest rate swap agreements and floating rate borrowings. The Manager's hedging policy is summarised in Section 7 *Risks to Returns From PMG Generation 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. Any 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. 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. The Bethlehem Town Centre has the Fund's largest capital expenditure budget. The site will be proactively managed with on-site resource, supported by PMG's wider asset and facilities management teams to, where possible, reduce or prevent material, unplanned capital expenditure projects that negatively impact Fund performance.

2.6 NATURE OF RETURNS AND THE KEY FACTORS THAT DETERMINE RETURNS

The return on an investment 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. Investor returns at a point in time may be realised by investors (such as through the payment of regular distributions from the Fund) or remain unrealised (such as cumulative increases in the value of the Fund's Property Portfolio and thus the value of the Units. The key factors determining returns are as follows:

Rental profits – The Fund's primary source of income for the foreseeable future 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 taxable profit of the Fund at their respective prescribed investor rates as notified by the investor to the Fund (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 are set out in Section 2.7 *Borrowings*, and Section 7.3 *Interest and Derivative Risk.*

Capital value – The value of Units is 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.

67 Vickerys Road, Wigram, Christchurch

2.7 BORROWINGS

The Fund has syndicated funding arrangements (the **Banking Syndicate**), arranged by the ASB Bank Limited (**ASB**) – who is also the facility agent and security trustee. The current syndicated lender is solely ASB, with further banking counterparties expected to join the syndicate in the coming six months (together, the **Lenders**). ASB has agreed to offer borrowings of up to $70,600,000 to the Fund, to primarily assist with funding the purchase of the Acquisition Properties. The combined funding facilities available from the ASB are referred to as the **Facilities**, and replace the previous $23,100,000 facility the Fund held solely with ASB. In due course, the intention is to spread the facility limits amongst the Lenders.

Facility Name	Facility Type	Facility Expiry	Facility Limit	Expected Borrowing 30 July 2021
Revolving	Revolving credit	July 2024	$5,000,000	$Nil
Tranche A	Term Loan	July 2024	$11,550,000	$11,550,000
Tranche B	Term Loan	July 2025	$11,550,000	$11,550,000
Tranche C	Term Loan	July 2024	$21,250,000	$21,250,000
Tranche D	Term Loan	July 2025	$21,250,000	$16,750,000
Total			**$70,600,000**	**$61,100,000**

The expected borrowing from the Facilities as at Settlement Date is $61,100,000. The level of borrowing is expected to subsequently increase over time as capital expenditure is incurred, following which a commensurate increase in asset carrying value is expected.

Key terms of the Facilities are summarised in the following table:

Security	ASB, as the security trustee, holds first ranking mortgages over all properties in the Property Portfolio, a first ranking general security deed over the Fund and Custodian's assets, first ranking specific security deed regarding leases, bank accounts and rental bonds.
Interest Rate	The interest rates for the Facilities are structured on a base rate plus margin basis. The base rate is the bid settlement rate quoted on the Reuters Monitor System Page BKBM (or any replacement page) on the first day of an interest period. The margin per lender is commercially sensitive. The indicative effective weighted average interest rate across the Facilities during the prospective periods ending 31 March 2023 is expected to be 3.35%, after accounting for interest rate swap arrangements in place at the date of this PDS. Interest rates are however inherently subject to change. The Default Interest Rate is 2% above the Interest Rate.

Interest Payment	Interest is payable on the last day of each interest period. Where an interest period is no longer than 90 days, interest is payable after 90 days. In practice, interest is expected to be payable monthly.
Other Costs	Establishment fees for each new facility are payable to each lender as a percentage of the facility granted, and the amounts are commercially sensitive. Other costs (other than interest noted above) are expected to be: • Line fee – the revolving credit facility attracts a margin, and also incurs a 1.44% line fee chargeable on the facility limit, payable quarterly in arrears. This is treated as akin to interest by the Fund. • Annual facility agent and security trustee fees.
Principal Repayments	Interest only facilities – full repayment required on the expiry date unless renewed.
Renewal	The Facilities are extendible. Prior to each facility anniversary, each facility within the Facilities can be extended by a further 12 months (to effectively reset the original lending term), subject to request by the Fund and acceptance by the relevant lender. If acceptance is not given, borrowings will expire before the Fund is wound up and refinancing would be necessary.
Other Facility Terms	The revolving credit facility is provided by ASB only, and may be used for general commercial purposes (including the acquisition of properties). Where the revolving credit facility, or any new facilities, are being used to fund the acquisition of property, additional conditions may be imposed on these facilities by the relevant lending counter party.

Conditions After Advance	The following conditions apply:
	• Reporting – The Fund's annual financial statements must be provided to ASB within 180 days of the Fund's balance date. The Fund's tenancy schedule must be provided to ASB within 45 days of the end of each financial half-year, in addition to any new material lease.
	• Valuations – The Fund must provide valuations for the secured properties every two years from 31 March 2022, dated within 30 days of delivery and completed by an independent registered valuer. Valuations must also be provided as requested by the Lenders if an event of default subsists.
	• Covenants – Tested twice yearly:
	  ◦ Loan to value ratio must not be greater than 46.25% of the value of secured properties at any given time.
	  ◦ Gross Rental Income must be greater than 2.25 times interest expense at all times.
	  ◦ WALT must be greater than 3.0 years.

3 Key Dates and Offer Process

KEY DATES FOR THIS OFFER

PDS Registered	10 June 2021
Offer Opening Date	18 June 2021
Offer Closing Date	29 July 2021
Settlement Date	30 July 2021
Allotment Date	30 July 2021
Acquisition Date	30 July 2021

This timetable is indicative only and the dates are subject to change. The Manager reserves the right to vary or extend these dates. The Manager may also withdraw the Offer at any time before the allotment of the Units associated with the Offer, or accept late applications (either generally, or in individual cases) at the Manager's sole discretion.

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 Offer is made on the terms, and is subject to the conditions, that are set out in this PDS, the application form related to this PDS, and on the Offer Register. The information below sets out the key terms of the Offer in detail:

What Is the Offer?

This is an offer of units in a managed investment scheme (constituted as a unit trust) called PMG Generation 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 $1.09 with a minimum unit subscription amount per investor of $1,090 (1,000 Units), and multiples thereafter of $1,090 (1,000 Units). To ensure compliance with the Fund's PIE status, an investor'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 20,600,000 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 $68,670,000 (63,000,000 Units) from the Offer to provide it with the money that it needs to purchase the Acquisition Properties. Should the Minimum Equity Raise not be achieved, all investor monies advanced to the Fund related to the Offer will be reimbursed in full, without interest.

Maximum Equity Raise

The Fund has set a maximum raise amount of $75,210,000 (69,000,000 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 45,750,000 Units ($49,867,500) is being underwritten by the Manager, for which the Manager charges a fee. Sub-underwriting arrangements with third parties ensure that the Manager does not hold more than 20% of the total units in the Fund. Such sub-underwriting arrangements come at no cost to the Fund or its investors.

Allotment

Units will be allotted and 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).

Scaling

If the Fund receives valid applications for more than 69,000,000 Units ($75,210,000, being the Maximum Equity Raise) then your application may be scaled, which means that you may receive fewer Units than you applied to subscribe for. Scaling may be pro-rata, but is ultimately at the Manager's discretion. As a result, you may receive no Units at all. If scaling occurs, you will be refunded the difference between the Units applied for and the Units allotted (without interest) within five business days of Settlement Date.

KEY DATES RELATING TO UNITS

Cash Distributions: Paid on the 20th 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 20 September 2021, assuming new Units are issued on 30 July 2021 and the first distribution applicable to new investors is declared on 31 August 2021.

Redemption Period: Currently the Fund has no set date from which redemptions will commence. The Trust Deeds allow for monthly redemptions to occur on the first day of each month, which the Manager intends to commence in future when the Fund has established sufficient scale, and when the Fund holds sufficient liquidity.

This information is indicative only and the dates may change.

4.2 HOW CAN I MAKE AN INVESTMENT IN THE FUND?

Investors are required to complete the application form related to this PDS, provided by the Manager in either paper or electronic form.

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.

4.3 HOW CAN I WITHDRAW MY INVESTMENT FROM THE FUND?

Units are currently not redeemable. Units may be sold or transferred, but there is currently no established market for trading in Units, nor will Units be listed on any securities exchange.

REDEMPTIONS

While Units are not redeemable, and investing in the Fund is intended to be a long-term investment, the Manager may decide to commence redemptions at its discretion once the Fund reaches $100 million worth of Units on issue, in accordance with the Trust Deeds.

Under the Fund's Establishment Deed, the Manager may open a monthly redemption period, and process redemptions at any other times, at its sole discretion. The Manager may also suspend or defer redemptions in certain circumstances pursuant to the Trust Deeds (see Master Trust Deed, clause 8.11).

Should Redemptions Be Made Available to Unitholders in the Future

Pricing of redemptions

The redemption price will be based on the Adjusted NAV of the Fund per Unit, less a 2% redemption spread adjustment. The redemption price formula and an example calculation can be found in the document titled *Other Material Information* disclosed on the Offer Register, under Offer Number OFR13121.

Adjusted NAV includes:

- independent valuation of properties as at a date not more than 12 months preceding the date NAV is calculated
- spreading, on a straight-line basis over five years from acquisition date, the amount by which the aggregate of the acquisition cost of a property exceeds the fair value of property; and
- spreading, on a straight-line basis over five years from offer settlement date, any Fund establishment and equity issue costs.

Further details related to Adjusted NAV can be found in Schedule 5 of the Establishment Deed.

Payment for redeemed units

Payments to Unitholders for redeemed Units will be made by the Fund no later than the 20th day of the month that follows the redemption date (unless unlikely circumstances occur as set out in the Trust Deeds).

Limitations on redemptions

Distributions to investors would be prioritised over redemption requests. A redemption would not be permitted if the Unitholder would hold less than 1,000 Units following redemption, unless the Unitholder was selling their entire holding.

The funds available for redemption will be limited to the greater of:

- 0.5% of the Fund's Adjusted NAV determined on the relevant Exit Date (or other relevant date as selected by the Manager); and
- an amount determined by the Manager from time to time (having regard to the future working capital requirements of the Fund).

If applicable, priority will be given to unmet redemption requests from previous redemption periods.

Funding redemptions

Redemptions would be funded using a combination of the Fund's operating cashflow, the issuance of new units (if applicable), proceeds from the sale of Property Investments, and additional borrowings. Use of borrowings for this purpose may require bank approval, which may not be given by the Lenders. The Manager does not expect to establish a separate cash facility for redemptions.

Redemption fee

The Manager's current policy is that no redemption fee will be charged to investors. However, if Units are redeemed in future, the Manager reserves the right to change this policy.

SALE FACILITATION SERVICE

Units are intended to be a long-term investment. Should an investor wish to sell some or all of their investment, the Manager has a 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. This excludes any associated costs such as legal and professional advisory fees. See Section 8.3 *Fees Charged to Individual Investors* for further information.

There is no guarantee that this service will be available or that there will be any buyers for Units in the future. The Manager does not represent that there will be sufficient demand or liquidity to enable a Unitholder to sell Units at any given time. The Manager is not a financial advice provider and does not provide any recommendations in relation to buying or selling Units. For more information, please contact the Manager using the details 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 intention to declare gross distributions of approximately 100% of the Fund's adjusted funds from operations (**AFFO**) per annum, as detailed below, after consideration of any required re-investment in capital expenditure programmes, redemptions, and debt repayment. The distributions will be paid monthly. 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 investing and financing activities – specifically from the gain on disposal of properties in the Property Portfolio, or from borrowings secured against the value of the Property Portfolio. Distributions made from borrowings may be required where temporary timing differences in relation to operational cash flow occur. Over the life of the Fund, use of gains from disposal of properties in the Property Portfolio, or 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 at the discretion of the Manager). Only those Unitholders registered as holding Units on the relevant record date 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 20th of the following month. If these dates fall on a non-business day, then the distribution will be made on the following business day. The Fund will prioritise distributions to its Unitholders over redemption requests.

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

- unrealised changes in the value of the Property Portfolio
- realised gains and losses on the disposal of a property in the Property Portfolio; and
- unrealised changes in the value of derivative financial instruments.

A reconciliation from AFFO to GAAP-compliant information is available on the Offer Register in the document titled Other Material Information.

The actual gross distribution per Unit may therefore be above or below 100% of the Fund's net profit before tax, and above or below 100% of the Fund's AFFO after consideration of required re-investment in capital expenditure programmes, redemptions, and debt repayment. The actual gross distribution per Unit for a period may also vary from the prospective financial information.

For the avoidance of doubt, the distribution policy is not affected by whether or not the Manager receives a variation to its MIS licence. The Manager will notify and update the Fund's investors if a variation to the Manager's MIS licence affects the distribution policy of the Fund in due course through direct communications to investors.

HISTORIC DISTRIBUTIONS

Historically, distributions have been declared by the Fund since establishment of 5.80 cents per Unit per annum before tax on the 20th day of each month from 20 May 2020 (or the next business day if applicable).

FORECAST DISTRIBUTIONS

It is expected that monthly distributions will be declared on 30 June 2021 and 29 July 2021 at 5.80 cents per Unit per annum before tax to existing investors, prior to new Units being issued on 30 July 2021, being Settlement Date.

Forecast monthly distribution declarations for the prospective period after Settlement Date to 31 March 2023, starting 31 August 2021, are 6.00 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 5.50% 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 OFR13121. 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 Establishment Deed (dated 19 February 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 SCH12827.

5 How PMG Generation Fund Works

5.1 KEY FEATURES OF THE FUND

The Fund is a managed investment scheme for the purposes of the FMCA. The Fund's strategy and objectives are outlined in Section 2.1 *Statement of Investment Policies and Objectives Summary.*

The interests that investors receive in the Fund are unitised interests in the Fund's Property Investments. The Supervisor has been appointed to act as the supervisor of the Fund. The Supervisor holds the Property Investments for the Fund on trust (through a custodian company wholly-owned by the Supervisor called PMG Generation Fund Trustees Limited), on behalf of the Unitholders of the Fund, 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. 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.

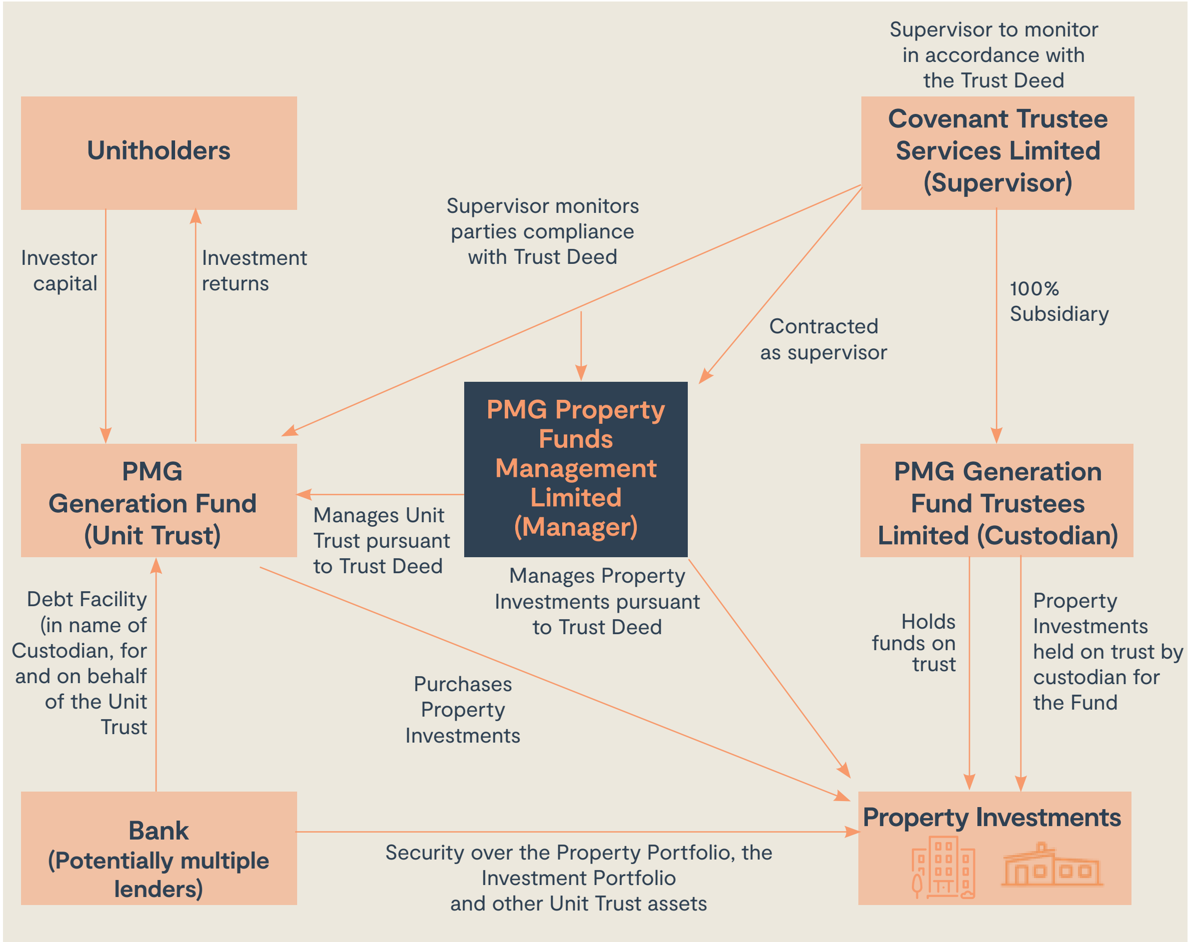
The Manager provides a reinvestment plan to existing investors, whereby investors may elect to reinvest some or all of their distributions into Units on the secondary market (to the extent that there are Units available in the secondary market). Investors may invest in the reinvestment plan in multiples of a single Unit. To elect to participate in the reinvestment plan, investors must complete an appropriate application after contacting the Manager. Investors may be able to reinvest by acquiring new units issued by the Fund in future, if the Fund becomes a continuous issuer of units.

In the future the Fund may:

- continue to acquire additional directly owned commercial properties that satisfy the investment criteria set by the Manager, provided that enough funding from the issuance of Units combined with bank borrowings are available; and
- establish the Investment Portfolio – investing indirectly in commercial property via holdings in other funds or schemes (subject to the Manager obtaining an appropriate variation to its MIS licence).

HOW PMG GENERATION FUND WORKS

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



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 Funds Limited (**PMG Funds**) and PMG Investments 2021 Limited (**PMG Investments**) are subsidiaries of PMG Holdings Limited. PMG Capital Fund Limited (**PMG Capital**) is a related party as Denis McMahon and Scott McKenzie are directors of both PMG Capital and the Manager. Denis is also a shareholder of PMG Capital. 360 Capital FM Limited, as responsible entity for 360 Capital Active REIT (**360 Capital**), purchased 50% of the shares of PMG Holdings Limited in February 2021. 360 Capital is a related party as Tony Pitt, Glenn Butterworth and James Storey are directors of both 360 Capital and the Manager, and 360 Capital is a 50% shareholder of PMG Holdings Limited.

OPERATING TRANSACTIONS

Fund expenditure: The Manager is entitled to recover fees and expenses from the Fund in the normal course of business, including a fixed amount for certain types of overhead expenditure. These fees can be seen in Section 6 *PMG Generation 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. Forsite Limited, a related party with two directors in common with the Manager, provides a software service to the Fund. The cost for the year to 31 March 2021 was $3,600, and for the prospective periods ending 31 March 2023 are forecast to be $5,400 and $6,000 respectively.

INVESTING TRANSACTIONS

Property Portfolio transactions – PMG Funds typically commits to contracts for the acquisition of property prior to nomination to the Fund. The Fund purchased a directly owned property from PMG Capital (the Jamaica Drive Property) on establishment of the Fund for $14,750,000, based on an independent valuation report. PMG Capital provided a rental income underwrite and top-up arrangement as part of that transaction, which ensured an established level of rental income was received from the property by the Fund after acquisition.

Investment Portfolio transactions – The Fund may, in the future and subject to obtaining a variation to its MIS licence, purchase and dispose of investments in related parties of the Fund or the Manager, and receive dividends or distributions from these related parties.

FINANCING TRANSACTIONS

Deposits – PMG Capital funded the deposit for the Sharpe Road Property and the Vickerys Road Property, and earned a fee for this service of 5% and 6% of the deposit paid respectively. PMG Capital are also funding the deposits for the purchase of the Acquisition Properties, and will earn a fee of 5% of the deposit amount on settlement of those properties. Fees associated with this agreement are included in Section 8 *What are the Fees?*.

Underwriting – The Manager has entered an underwriting agreement to underwrite the issue of 45,750,000 Units ($49,867,500). Fees associated with this agreement are included in Section 8 *What Are the Fees?*.

Investing in Units – The Manager and related parties of the Manager may invest in the Fund on the same basis as any other investor. PMG Investments purchased Units on the secondary market during the year to 31 March 2021 from PMG Capital. PMG Capital, 360 Capital and some key management personnel of the Manager have entered into sub-underwriting arrangements with the Manager related to this underwriting agreement on comparable terms and conditions as other sub-underwriters (and PMG Capital entered such arrangements for the previous capital raise). Unit pricing, and distributions payable, at any point in time will be on the same basis as for all other investors. The Fund has previously had investing activity, including secondary transfers, with related parties in the table at the foot of this page (including those related by virtue of their relationship to a member of the Manager's key management personnel). Units held as a result of short term underwriting arrangements are not considered in the context of ensuring no Unitholder holds more than 20% of Units on issue per the PIE rules.

BALANCES HELD WITH RELATED PARTIES

Related party	Balance type	1 day to 31 March 2020	Year to 31 March 2021
The Manager	Trade and other receivables	$105,000	$31,000
	Trade and other payables	$80,000	$567,000
PMG Capital	Trade and other payables	$311,000	$12,000
Unitholders	Distributions payable	–	$18,000

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?*

Investing Activity	1 day to 31 March 2020			Year to 31 March 2021		
Unitholder	Units Purchased/(Sold)	Distributions	Units held	Units Purchased/(Sold)	Distributions	Units held
The Manager	1,458,000	–	1,458,000	1,213,000 / (1,564,319)	$81,832	1,106,681
PMG Investments	–	–	–	1,500,000	$14,500	1,500,000
PMG Capital	12,500,000	–	12,500,000	(11,623,458)	$443,883	876,542
Denis McMahon (associated trust)	–	–	–	16,350	$553	16,350
Scott McKenzie (associated trust)	–	–	–	79,339	$2,709	79,339
Nigel Lowe (associated trust)	10,000	–	10,000	87,331	$2,828	97,331
Matt McHardy (associated trust)	5,000	–	5,000	35,282	$1,313	40,282

19 Bethlehem Road, Bethlehem, Tauranga

67 Vickerys Road, Wigram, Christchurch

32, 32a, and 32b Jamaica Drive, Grenada North, Wellington

19 Bethlehem Road, Bethlehem, Tauranga

11–13 Gough Street, Seaview, Lower Hutt, Wellington

26 Sharpe Road, Rukuhia, Hamilton

6 PMG Generation Fund's Financial Information

The tables provided in this section present selected financial information about the Fund. Full financial statements are available on the Offer Register https://disclose-register.companiesoffice.govt.nz under Offer Number OFR13121. If you do not understand this sort of financial information, you can seek professional advice.

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

The prospective financial information included in the tables below has been extracted from prospective financial statements prepared in accordance with Financial Reporting Standard 42: Prospective Financial Statements (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.

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

6.1 PROSPECTIVE INCOME, EXPENSES AND RETURNS

	Actual		Prospective	
Period	**Year**	**Year**	**Year**	**Year**
Financial Year	**2020**	**2021**	**2022**	**2023**
STATEMENT OF COMPREHENSIVE INCOME				
Total revenue	-	3,809,000	9,336,000	11,820,000
Total expenses	(10,000)	(1,527,000)	(2,877,000)	(3,434,000)
Fair value movement on investment property[17]	(982,000)	5,049,000	(3,215,000)	-
EBITDA[18]	**(1,342,000)**	**7,416,000**	**3,244,000**	**8,386,000**
Net financing costs	4,000	(732,000)	(1,679,000)	(2,206,000)
Total comprehensive income	**(1,338,000)**	**6,684,000**	**1,565,000**	**6,180,000**
STATEMENT OF CHANGES IN EQUITY				
Opening equity	**-**	**31,178,000**	**35,889,000**	**104,407,000**
Units issued net of issue costs	32,516,000	-	71,730,000	-
Total comprehensive income	(1,338,000)	6,684,000	1,565,000	6,180,000
Distributions for the year	-	(1,972,000)	(4,777,000)	(6,180,000)
Closing equity	**31,178,000**	**35,889,000**	**104,407,000**	**104,407,000**
STATEMENT OF FINANCIAL POSITION				
Assets				
Current assets	805,000	609,000	885,000	1,038,000
Non-current assets	52,950,000	58,104,000	167,862,000	169,120,000
TOTAL ASSETS	**53,755,000**	**58,713,000**	**168,747,000**	**170,158,000**
Liabilities				
Current liabilities	978,000	1,223,000	1,430,000	1,340,000
Non-current liabilities	21,600,000	21,600,000	62,910,000	64,411,000
TOTAL LIABILITIES	**22,578,000**	**22,823,000**	**64,340,000**	**65,751,000**
TOTAL EQUITY / NET ASSETS	**31,178,000**	**35,889,000**	**104,407,000**	**104,407,000**
STATEMENT OF CASH FLOWS				
Cash and cash equivalents at beginning of period	**-**	**9,000**	**459,000**	**105,000**
Net cash inflow from operating activities	(330,000)	2,363,000	4,061,000	5,965,000
Net cash inflow/(outflow) from investing activities	(53,885,000)	(105,000)	(113,029,000)	(1,258,000)
Net cash inflow/(outflow) from financing activities	54,224,000	(1,808,000)	108,614,000	(4,679,000)
Cash and cash equivalents at end of period	**9,000**	**459,000**	**105,000**	**133,000**

[17] Fair value movement on investment property is the difference between book value and fair valuation of investment properties, after accounting for capital expenditure. No fair value movements are forecast beyond Settlement Date based on the inherent uncertainty of such estimations further into the future.

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

6.2 KEY RETURN INFORMATION FOR INVESTORS

	Actual		Prospective	
Period	1 day	Year	Year	Year
Financial Year	2020	2021	2022	2023
Total comprehensive income	(1,338,000)	6,684,000	1,565,000	6,180,000
Return per subscribed Unit (weighted and annualised)[19]	N/A	19.66 cpu	1.96 cpu	6.00 cpu
Gross distributions to Unitholders	-	1,972,000	4,777,000	6,180,000
Gross distribution per subscribed Unit (weighted and annualised)	-	5.80 cpu	5.97 cpu	6.00 cpu
Gross Cash Distribution return on Offer unit price[20]	N/A	N/A	5.50%	5.50%

The key return information above is based on the historical and prospective performance of the fund (as indicated). The prospective performance is based on the assumptions as outlined within this section of the PDS. The return per subscribed unit for the year to 31 March 2021 includes property revaluation gains. The return per subscribed Unit for the year to 31 March 2021 includes unrealised property revaluation gains, whereas the return for the year to 31 March 2022 includes unrealised property revaluation losses on acquisition of the Acquisition Properties (costs associated with acquisition). No future revaluation gains beyond Settlement Date have been forecast.

19 Bethlehem Road, Bethlehem, Tauranga

6.3 FINANCIAL MEASURES OF THE FUND'S BORROWING

	Actual		Prospective		
Period	1 day	Year	Settlement Date	Year	Year
Financial Year	2020	2021	2022	2022	2023
Total borrowings	21,600,000	21,600,000	61,100,000	63,050,000	64,500,000
Gearing ratio[21]	40.2%	36.8%	35.0%	37.3%	37.9%
Interest cover ratio	N/A	3.1 times	N/A	4.0 times	3.9 times

The above assumes the Fund achieves the Maximum Equity Raise (69,000,000 Units are issued as a result of 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 ratio differs from the LVR ratio measured by the Banking Syndicate, which is based on the total interest-bearing liabilities as a proportion of the Fund's Property Portfolio valuation.

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 in 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 ratio differs in definition from the interest cover ratio defined by the Banking Syndicate, which is based on projected net rental income (excluding tenants in arrears for more than two months) divided by Projected Interest Costs (including financing costs with the exception of upfront fees). The measures are expected to be materially the same during the prospective financial periods presented.

The 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 limit of $70,600,000, referred to above and set out in detail in Section 2.7 *Borrowings*, expires and is due for renewal or extension between July 2024 and July 2025.

[19] 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 from 31 July 2021. The result for the 1 day ending 31 March 2020 is not presented as it could be misleading over only a 1-day period given the nature of the one-off transactions during that day.
[20] The gross cash distribution return on offer unit price is shown for the period from 1 August 2021, as applicable to investors purchasing Units at $1.09 per Unit under this offer, rounded to two decimal places. Where relevant, these figures are annualised.
[21] The ratios assume no property value movements forecast beyond Settlement Date, other than related to capital expenditure incurred on the Property Portfolio.

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 in Section 7 *Risks to Returns From PMG Generation 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 2022 and 31 March 2023.

(b) **Offer Settlement and Acquisition Properties:** The Offer is expected to settle on 30 July 2021. On the same day, the Fund expects to settle the acquisition of the Acquisition Properties. The Prospective Financial Statements only include information related to the Acquisition Properties from the estimated acquisition date. The acquisition dates and purchase prices for the Acquisition Properties are derived from the sale and purchase agreements for the Acquisition Properties.

(c) **Offer and Property Acquisition Costs:** It is assumed that the Maximum Equity Raise will be achieved by 30 July 2021, being 69,000,000 Units at $1.09 each. The Fund has estimated $6,977,000 of costs associated with the Offer ($3,480,000 of issue costs to be accounted for within equity, and $3,497,000 of acquisition costs to be accounted for within Investment Property). For further information on specific offer costs, see Section 8.1 *Offer Costs*.

(d) **Rental Income:** The prospective financial statements assume Net Rental Income as follows:

For the prospective year ended 31 March	2022 $	2023 $
Bethlehem Town Centre	4,142,000	6,190,000
Gough Street Property	455,000	681,000
Sharpe Road Property	1,552,000	1,567,000
Vickerys Road Property	674,000	683,000
Jamaica Drive Property	1,144,000	1,163,000
Total	**7,967,000**	**10,284,000**

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

Approximately 72% and 71% of total property operating expenses recorded in the statement of comprehensive income are expected to be recoverable from tenants in the years ending 31 March 2022 and 31 March 2023 respectively.

Occupancy rates forecast for the Fund overall are as follows:

As at date	1 April 2021	Settlement Date	31 March 2022	31 March 2023
Occupancy Rate (sqm NLA occupied)	100%	99%	99%	99%

Existing lease agreements expiring in the prospective periods ending 31 March 2023 represent Gross Rental Income totalling $1,040,000 (8.8% of total property revenue for the year ending 31 March 2023). All such leases are presumed to renew, or new leases be signed in their place, in relation to all currently occupied space on or around respective lease expiry dates, with only insignificant and temporary leasing up allowances made. Existing vacancy at the Bethlehem Town Centre is presumed to remain throughout the prospective financial periods presented (a total of 655 sqm of the NLA).

No rental abatement has been provided for in the prospective periods on the basis that further Level 3 or Level 4 lockdowns are not expected at the present time. More information can be found in the prospective financial information on the Offer Register.

(e) **Fund and Property Management Fees:** The management fees payable to the Manager have been estimated at $750,000 for the year ending 31 March 2022, and $974,000 for the year ending 31 March 2022. For further information on fees payable to the Manager, see Section 8.2 *Aggregated Fees and Expenses*.

(f) **Performance Fees:** No performance fees have been presumed for the prospective financial periods presented, as the Manager's benchmark for charging performance fees is not forecast to be reached at this time. This is primarily a result of no forecast revaluation gains on properties for the year. For further information, see Section 8 *What Are the Fees?*.

(g) **Bank Borrowings and Interest Expense:** It is presumed that total funding facilities from the Banking Syndicate are available, as documented in Section 2.7 *Borrowings*, with a total facility limit of $70,600,000 (41.8% of the Total Assets of the Fund at Settlement Date). The total facilities actually forecast as drawn, and the corresponding Gearing Ratio, are included in Section 6.3 *Financial Measures of the Fund's Borrowing*.

The interest rate on bank borrowings has been assumed to be a weighted average of 3.35% for the prospective financial periods. 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 both the balance of the funding facilities, and the prevailing interest rate at the time.

The Manager expects the Fund to be fully compliant with existing banking covenants at all times throughout the prospective periods.

(h) **Gross Cash Distribution Return**: The gross distributions before tax per Unit are forecast to be 5.80 cents per Unit per annum for the period 1 April 2021 to 31 July 2021 (applicable to existing Unitholders only), and 6.00 cents per Unit per annum from 1 August 2021 to 31 March 2023.

(i) **Capital Expenditure, Investment Property and Fair Valuation:** Budgeted capital expenditure (excluding general property acquisition costs, and fees payable to the Manager for property acquisition and project management) is forecast as $2,236,000 and $1,364,000 for the years ending 31 March 2022 and 31 March 2023 respectively.

The valuation of investment property includes the following information derived from independent valuation reports:

Property	Valuer	Valuation as at	Valuation
Bethlehem Town Centre	CBRE	4 May 2021	$94,800,000
Gough Street Property	Bayleys Valuations	31 March 2021	$13,100,000
Sharpe Road Property	Aim Valuation	31 March 2021	$29,850,000
Vickerys Road Property	Jones Lang LaSalle	31 March 2021	$11,200,000
Jamaica Drive Property	Bayleys Valuations	31 March 2021	$17,100,000
Total			**$166,050,000**

It has been assumed there will be no revaluation gains or losses in the fair value of the Existing Properties, as future gains or losses cannot be reliably predicted. It is assumed that the fair value of the Existing Properties at 31 March 2022 and 31 March 2023 is equal to the latest independent valuation received, plus capital expenditure forecast for each property up to the relevant period end date.

It has been assumed that the Acquisition Properties are valued on Settlement Date (30 July 2021) at their respective independent valuations (each dated within four months of the date of the PDS) and valued at 31 March 2022 and 31 March 2023 based on that valuation plus capital expenditure forecast from the date of acquisition for each property up to the relevant period end date (including any capitalised Property Project Fees).

(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 throughout this PDS, including in Section 8 *What Are the Fees?*, and additional information can also be obtained in the prospective financial information statement included on the Offer Register.

32, 32a and 32b Jamaica Drive, Grenada North, Wellington

7 Risks to Returns From PMG Generation 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 steps, and will in the future take steps, to mitigate the effects of these circumstances. However, some risks may not be fully capable of mitigation. Unitholders should carefully consider these risk factors (together with other information in this PDS) before deciding whether to invest in Units.

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 Units, you consider the suitability of an investment in 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.

19 Bethlehem Road, Bethlehem, Tauranga

7.1 RENTAL INCOME RISK

Manager's assessment of nature and magnitude	Mitigating factors
The Fund is reliant on rental income and is 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, rent under a lease decreases following a review, access to property is restricted, or a tenant defaults. If a lease is terminated or expires without being renewed, there may be difficulty obtaining a replacement tenant and rent may reduce. All these factors may reduce rental income, distributions to Unitholders, the value of the Property Portfolio, and the value of Units. In relation to COVID-19, the Fund provided rental abatement of approximately 3% of Gross Rental Income per annum to tenants of the Existing Properties during the financial year ending 31 March 2021 (fully reimbursed by arrangements in place with property vendors and the Manager). Had the Fund owned the Acquisition Properties for the year to 31 March 2021, the Manager estimates the average rental abatement provided to tenants would have been 5% of Gross Rental Income per annum. The lease expiry profile and annual rental income by lessee across the Property Portfolio are summarised in Section 2 *What PMG Generation Fund Invests In*. Torpedo7, Countdown, Kmart, Euro Corporation, HJ Asmuss & Co and Coca-Cola Amatil are the Property Portfolio's largest tenants by rental income, considered material individually and together expected to constitute over 50% of the forecast Gross Rental Income of the Fund[22]. The largest tenant, Torpedo7, is expected to account for Gross Rental Income of $1,668,000 per annum at Settlement Date – 14% of the Gross Rental Income of the Fund. The first lease expiry related to the material tenants, Countdown, is due 5 December 2023. The WALT of the Property Portfolio summarises the expected contractual term of existing lease arrangements. WALT is generally seen as a measure of relative certainty or vulnerability with respect to ongoing rental income. The expected WALT of the Acquisition Properties at 30 July 2021 is 4.7 years, and the Property Portfolio overall is 4.4 years. There are 17 lease agreements that are either casual or due to expire by 31 March 2023, representing Gross Rental Income of $1,040,000 at Settlement Date, 8.8% of the forecast Gross Rental Income at that date. In the ordinary course of business of the Fund, any potential vacancy from such lease expiries is not expected to have a material impact on rental income over time as vacancy periods are typically short term. An increase in tenant defaults could occur due to financial issues with a tenant, or general deterioration in the overall macroeconomic environment. Should a material tenant default for a period of time, or an overall material default rate exist across the Property Portfolio, distributions to Unitholders could reduce significantly. A sensitivity analysis of the Fund's returns to a reduction of Gross Rental Income per annum by 5% (which aligns with the Manager's best estimate of potential abatement should similar lockdown circumstances to the prior year re-emerge), can be found in the Prospective Financial Information document on the Offer Register.	The Manager continues to execute on its strategy to continue growing a commercial property portfolio diversified by sector (expected to be five properties with buildings from the industrial, office and retail sectors), region (expected to be four regions across the North and South Island) and tenant (expected to be 60 on acquisition of the Acquisition Properties) reducing reliance on any single commercial property, characteristic, or tenant. The six largest tenants are considered to be large, well-established businesses with a diversified blend of tenant sector exposures (including large format retail, distribution for large-scale retailers, and engineering for the construction industry). Their ability to meet ongoing rental commitments is considered strong based on information available to the Manager. The Manager is focused on retaining these six tenants and identifying opportunities for rental income growth. Any specific leasing strategies for these tenants, where not commercially sensitive, are set out in Section 2.2 *The Fund's Property Portfolio*. Several of the Fund's leases also include fixed or CPI rental increases during the prospective financial period. Provided access to property is not restricted, and tenants continue to meet their lease obligations, this directly reduces the risk of downwards pressure on the Fund's rental income. The Manager undertakes due diligence on tenants and acquisition properties, and (where possible) obtains guarantees from tenants or vendors to mitigate rental income risk. Notable arrangements are summarised in Section 2.2 *The Fund's Property Portfolio*. The Fund anticipates no material rental abatement will be required for tenants during the prospective financial information periods, and anticipates no material vacancy will emerge after the date of this PDS. Should a Level 3 or Level 4 lockdown occur before Settlement Date, the vendor of the Bethlehem Town Centre will be required to cover any rental abatement to tenants that emerges up to six months after Settlement Date. The Manager also believes there are no mandatory rental abatement requirements stipulated in leases related to the Bethlehem Town Centre. Despite this, rental income may yet be impacted further as a result of COVID-19 or general economic uncertainty.

Manager's assessment of likelihood of circumstance arising	• Moderate likelihood of one or more leases expiring without renewal, low likelihood of a material tenancy (or multiple immaterial tenancies considered material in aggregate) expiring without renewal or being terminated by the Manager and an alternative tenant not being contracted within a relatively short time period (0-6 months). • Moderate likelihood of one or more tenants defaulting, low likelihood of a default for an extended period where not backed by a guarantee, bond, or vendor underwrite.
Manager's assessment of the impact, were the circumstance to arise	• If a single immaterial tenancy, or multiple tenants backed by a guarantee, bond, or vendor underwrite arrangement yield reduced rental income, the impact on investor returns and the value of Units would be low. • If a material tenant, or multiple immaterial tenants (considered material in aggregate) have their leases terminated early or do not renew their leases, and no alternative tenants are able to be contracted within a reasonable period of time, or if tenants default or are unable to access the relevant property for a reasonable period of time, the impact on both investor returns and the value of Units could be significant.

[22] Gross Rental Income represents the expected annualised income from all tenants, including operating expenditure recovered and any vendor underwrites at 30 July 2021, based on contractual arrangements in place at the date of the PDS. The amount excludes lease incentives and any lease adjustments for the purpose of financial reporting in accordance with New Zealand equivalents to International Financial Reports Standards (**NZ IFRS**).

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. Various factors including, but not limited to, the overall property market and the general economic environment drive these inputs. The market value of the Property Portfolio directly impacts the Gross Asset Value, NAV, Redemption Price, and the gearing of the Fund, amongst other metrics. It may also impact compliance with banking covenants. See Section 7.4 *Funding Risk* for more information in this respect. The independent valuation for the Bethlehem Town Centre has been prepared on the basis of material valuation uncertainty. Less certainty, and a higher degree of caution, should be applied when relying on this valuation than is normally the case. Values may change more rapidly and significantly than under normal conditions. The Gough Street Property does not include this material valuation uncertainty. The Fund's audited financial statements for the previous year ended 31 March 2020 (which can be found on the Offer Register) emphasised a material valuation uncertainty in relation to the property valuation of the Existing Properties and property valuation reports at the time generally, as a result of COVID-19. Since this time, further valuation reports on the Existing Properties have been prepared by independent experts. These do not highlight the same material valuation uncertainty. All valuations consider a range of inputs and market evidence in forming an opinion on value. Notwithstanding this, there may be a greater range around the assumption of market value than would normally be the case. 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 valuation from those held at the date of this PDS for the five properties to be owned after this offer (amounting to $8,303,000) would reduce the Gross Asset Value and NAV of the Fund by a similar amount – approximately 0.81 cents per Unit.	The Manager has obtained independent valuation reports on the Existing Properties and the Acquisition Properties dated within three months of the date of this PDS. The current economic environment has been factored into the valuations as at the date of the valuation reports. Since the date of the valuation reports, no material adverse changes have been observed by the Manager that would cast material doubt on these valuations to warrant a revaluation. 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 Section 7.1 *Rental Income Risk*, in addition to the property specific strategies of the Fund summarised in Section 2.2 *The Fund's Property Portfolio*.

Manager's assessment of likelihood of circumstance arising	• High likelihood of an individual property valuation, the valuation of the Property Portfolio, and overall valuation of Units moving up or down over time. • Low likelihood of a long-term, sustained reduction in valuation of the Property Portfolio and Units.
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 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 risk for fluctuation in the value of both the property and 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 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, 35.0% of the Fund's total assets are expected to be funded by interest-bearing borrowings at a floating interest rate, increasing to 37.3% by 31 March 2022 and 37.9% by 31 March 2023. Total debt and the interest rate on borrowings is expected to change over time (further details on borrowings can be found in Section 2.7 *Borrowings*). Under the Fund's current SIPO, the Manager is permitted to invest the Fund's assets in interest rate swaps (the target asset allocation is between 0-10% of the Fund's total 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 has entered a combination of short-term and long-term swap agreements, combined with floating rate borrowings, and will continue to do so. If any swap agreements are exited before the date existing swaps expire, penalties may be payable. Furthermore, fair value losses on swap agreements will be recorded if they are 'out of the money' (if the agreed swap rate was higher than the prevailing wholesale market rate that reflects the remaining term through to maturity).	The Fund maintains a hedging policy that aims, at least partially, to mitigate the actual effect of an increase in interest rates in the short to medium (0-5 year) term. The 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 60% and 100% of the Fund's debt hedged, with a weighted average hedge expiry of 1.5 years or more. At Settlement Date, the Fund expects to have 66% of its interest rate risk hedged with interest rate swaps having expiry dates within the range of 1.75 to 3.0 years. Further swap arrangements will be entered as considered appropriate by the Manager as part of mitigating unexpected interest rate changes associated with existing or new borrowing in future. 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 (after allowing for the impact of existing interest rate swaps) is not expected. Continued reductions in interest rates would conversely present upside risk for the Fund, to the extent not offset by interest rate swap agreements.

Manager's assessment of likelihood of circumstance arising	• The likelihood of a material adverse movement in the Fund's interest expense through movement in interest rates, combined with the fair value of interest rates swaps, in the prospective financial periods presented in this PDS 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 the value of Units.

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7.4 FUNDING RISK

Manager's assessment of nature and magnitude	Mitigating factors
The Fund intends to borrow further funds to assist with the purchase of the Acquisition Properties, and may make further borrowings available to help fund future capital expenditure, and further acquisitions of Property Investments. Total borrowings at Settlement Date are expected to be $61,100,000 should the Fund achieve the Maximum Equity Raise, increasing to $63,050,000 by 31 March 2022 and $64,500,000 by 31 March 2023. Should the Fund only achieve the Minimum Equity Raise, it is expected that the Fund will be able to access sufficient funding facilities to acquire the Acquisition Properties and meet the requirement of future capital expenditure in the prospective periods to 31 March 2023. 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. Adverse operating circumstances, including those related to tenants, may also cause a breach of banking covenants, particularly with respect to minimum WALT levels. If a breach of these, or any other banking covenants, is not remedied, the Fund's lenders may enforce their security and sell some or all the Fund's Property Investments. If the Facilities cannot be extended beyond their current expiry dates (which range from July 2024 to July 2025), there is a risk that the Fund could be forced to find alternative funding arrangements. There is no certainty that alternative funding arrangements could be secured, or that the alternative arrangements, if secured, would be as favourable as the Fund's current financing arrangements. If the Fund were required to sell one or more of its properties in a forced sale process to repay borrowings as a result of the above risks, a lower value is likely to be obtained than the prevailing market valuation at the time, which would impact investor returns and the value of Units.	The Fund has established access to syndicated banking facilities, with the intention of having multiple lenders in future to enable greater flexibility of funding arrangements and access to a larger pool of potential debt. The extendible nature of the Facilities may assist to mitigate any renewal risk, whereby the loans may be extended (subject to mutual agreement) after the first 12 months, by a further 12 months, thereby resetting the term of the facility to its original length. Should agreement not be reached, the Manager would have multiple years to arrange alternative loan arrangements. Where required, the Manager may also be able to source funding from related parties to assist with temporary shortfalls in cash flow to fund capital expenditure.

	Bank LVR	Estimated Bank ICR	Bank WALT
31 March 2021 (actual)	37.1%	3.1 times	3.5 years
Settlement Date	36.8%	N/A	4.3 years
31 March 2022	38.0%	4.0 times	3.6 years
31 March 2023	38.8%	3.9 times	2.7 years^
Limit per Bank	46.25%	2.25 times	3.0 years

^Forecast WALT above, beyond Settlement Date, conservatively presumes any expiring lease during the period, with no confirmed renewal at the date of this PDS, is not renewed. In reality, the Manager expects leases to renew over time (as no increase in vacancy rates is forecast) such that at future covenant measurement dates, the WALT will be higher. The Manager has not included speculative assessments of future lease renewals for this purpose. The Manager does not expect any banking covenants will be breached.

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

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

7.5 UNIT LIQUIDITY RISK

Manager's assessment of nature and magnitude	Mitigating factors
Under the Trust Deeds, no redemptions are permitted until the Fund reaches $100 million worth of Units on issue, but ultimately remain at the Manager's discretion (which factors in relevant considerations such as the Fund's growth focus and cash available for redemptions). The Manager has determined it is currently not redeeming Units, and a time frame to commence redemptions has not been established as the Fund remains focussed on growing the Property Portfolio and ensuring the Fund has sufficient working capital to fund distributions. Unitholders are not expected to be able to redeem Units for the foreseeable future (0-6 months). The Property Portfolio (and any future properties acquired by the Fund) comprise inherently long-term investments that are not considered liquid investments (they cannot readily be converted into cash). As the Fund's underlying assets are relatively illiquid, it may not have enough cash resources or working capital available to commence redemptions and satisfy redemption requests, and may suspend redemptions for a period of time or indefinitely. The principles and other limitations that apply to redemptions are set out at Section 4.3 *How Can I Withdraw My Investment From the Fund?* If redemptions do not commence, or are suspended after commencement, this may restrict the ability of Unitholders to dispose of their Units and realise any growth in value of Units that may have occurred. Investors may only be able to realise the value of Units on the secondary market with a willing buyer, and the price achieved from such a sale may be below the price that would have been achieved had redemptions been available from the Fund.	The Manager has sole discretion on redemptions, and has currently not established a timetable for the Fund to offer redemptions as the Fund continues to focus on strategic growth. Investors can sell their Units on the secondary market, should they be able to find a willing buyer. Should redemptions be offered in future, the Fund expects to maintain a relatively low loan-to-value ratio that may allow for additional funds to be borrowed to support redemptions, if necessary. In future, the Fund may also have an Investment Portfolio (subject to obtaining a variation to its MIS licence) that may provide a pool of assets with increased liquidity that can more readily fund redemptions compared to the current Property Portfolio.

Manager's assessment of likelihood of circumstance arising	• Currently redemptions are not available, and in the short-term (0-6 months) it is virtually certain that redemptions will not be available. • In the medium-to-long term (greater than 6 months), there is a moderate likelihood that redemptions will not be available on a monthly basis. The Manager will continue to assess the growth of the Fund after the Offer and notify investors in accordance with the Trust Deeds if it determines that a redemption period will occur.
Manager's assessment of the impact, were the circumstance to arise	• Potentially significant impact on investors who want to realise their investment on a shorter term time horizon than an investment in the Fund is intended for. The impact could be either that Units cannot be disposed by a Unitholder, or that Units are disposed of at below expected value on the secondary market.

7.6 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. The Manager has external advisers that have advised the Manager on the Fund's establishment, and provide ongoing advice as required to ensure active monitoring of the taxation landscape in respect of the Fund. Further, given the Fund's size, number of investors, and intent to continue distributing all of its taxable income to investors, the risk of breaching many of the PIE eligibility requirements have been significantly reduced.

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 and rounded to the nearest thousand unless otherwise indicated. It has been assumed in this section that 69,000,000 Units are issued under the Offer (the Maximum Equity Raise).

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 tables in Section 8.2 *Aggregated Fees and Expenses* and Section 1.9 *What Fees Will You Pay?* in the relevant historic periods.

Manager and associated persons' fees (estimated)	
Manager's property acquisition fees	$1,884,000
Manager's underwriting commitment fee	$1,496,000
Contribution fee	$1,504,000
Deposit fees	$286,000
Offer costs payable to the Manager and associated persons	**$5,170,000**
Other persons' fees (estimated)	
Real estate agent fee	$1,063,000
Legal fees	$162,000
Marketing costs	$300,000
Due diligence fees	$202,000
Supervisor's fees	$10,000
Financial, administrative and contingency costs	$70,000
Offer costs payable to other persons	**$1,807,000**
Total Offer Costs of the Fund (estimated)	**$6,977,000**

(a) **Manager's property acquisition fee:** Property acquisition fees are to be charged by the Manager as a result of the purchase of the Acquisition Properties under the terms of the Offer. This is charged at 1.75% of the property purchase price stipulated in the sale and purchase agreement.

(b) **Manager's underwriting commitment fee:** The Manager has agreed to underwrite subscriptions for up to 45,750,000 Units, for which it will charge a 3.00% fee on the value of underwritten Units. The underwriting commitment is enshrined in an unconditional agreement. 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.

(d) **Deposit fees:** A deposit fee will be paid to PMG Capital Fund Limited for advancing funding to cover the deposits required to secure the Acquisition Properties. The fee payable by the Fund equates to 5.00% of the deposit amount advanced.

(e) **Real estate agent fee**: A fee is payable to Bayleys Real Estate, totalling 1.125% of the purchase price for the Bethlehem Town Centre, for services associated with procuring the property.

(f) **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) Dentons Kensington Swan – 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 the 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.

(g) **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.

(h) **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.

(i) **Supervisor's fees:** The fees payable to the Supervisor reflect an establishment fee related to the Offer, including due diligence on the two 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) **Financial, administrative and contingency costs:** Fees are payable to Baker Tilly Staples Rodway Audit Limited for review of the prospective financial information of the Fund (limited assurance engagement) and a third-party provider for internal review of the prospective financial information of the Fund. Other administrative and contingency costs include PDS registration fee and FMA levies, 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

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.*

	Actual		Prospective	
Period Length	**1 day**	**Year**	**Year**	**Year**
Financial Year	**2020**	**2021**	**2022**	**2023**
Fees and expenses charged by the Manager and associated persons				
Offer-related costs	$2,360,000	–	$5,170,000	–
Property management fee	–	$44,000	$90,000	$127,000
Fund management fee	–	$221,000	$660,000	$847,000
Fund administration fee	–	$51,000	$122,000	$157,000
Manager performance fee	–	$536,000	–	–
Project management fee	–	–	$73,000	$49,000
Leasing fees	–	$63,000	$237,000	$55,000
Sub-total fees and expenses – Manager and associated persons	**$2,360,000**	**$915,000**	**$6,352,000**	**$1,235,000**
As a percentage of NAV	**7.57%**	**2.55%**	**6.08%**	**1.18%**
Fees and expenses charged by other persons				
Offer-related costs	$485,000	–	$1,807,000	–
Property operating expenditure	–	$604,000	$2,065,000	$2,146,000
Property capital expenditure	–	$105,000	$2,236,000	$1,364,000
Supervisor's fees	–	$20,000	$41,000	$52,000
Auditor's fees	$10,000	$26,000	$35,000	$35,000
Interest and other finance expense	–	$732,000	$1,679,000	$2,206,000
Other overhead expenditure	–	$9,000	$38,000	$51,000
Sub-total fees and expenses – Other	**$495,000**	**$1,495,000**	**$7,901,000**	**$5,854,000**
As a percentage of NAV	**1.59%**	**4.17%**	**7.57%**	**5.61%**

(a) **Management fees:** 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). Currently, the Manager is entitled to the following management fees:

(i) a fund management fee equal to 0.50% per annum of the Fund's Gross Asset Value. This amount will reduce to 0.45% per annum of the same, once the Fund's Gross Asset Value exceeds $500,000,000.

(ii) a property management fee equal to 1.50% of the gross annual rental of the Property Portfolio of the Fund, payable only to the extent management fees are recovered from tenants by the Fund.

(b) **Manager performance fee:** The Manager is entitled to a performance fee equivalent to 15% of the excess performance above the Manager Performance Benchmark (**Manager Performance Fee**). The **Manager Performance Benchmark** is the average 10-year Government bond yield plus 6%. 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.

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 value over a period, the Manager must achieve investment returns above the high-water mark before receiving a further 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 purpose of calculating the Manager Performance Fee, in which each surplus or deficit will be used to adjust the Manager Performance Fee Payable. The excess performance amount in calculating the Manager Performance Fee is capped at 5% of Closing Adjusted NAV (before the Manager Performance Fee for that year is charged). Any excess performance over and above 5%, multiplied by the Closing Adjusted NAV (before the Manager Performance Fee for that year is charged), is to be included in the carried forward surplus.

8.2 AGGREGATED FEES AND EXPENSES (CONTINUED)

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

(i) **Acquisition fee:** on acquisition of a new Property Investment by the Fund, a fee equal to 1.75% of the acquisition price of any investment (with the exception of investment in interests in property schemes managed by the Manager, for which no fee would be chargeable)

(ii) **Disposal fee:** on disposal of a Property Investment by the Fund, a fee equal to 1.00% of the sale price for the investment (with the exception of investment in interests in property schemes managed by the Manager, for which no fee would be chargeable)

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

(iv) **Project management fee:** if construction or refurbishment is undertaken on an existing property held by the Fund, a fee equal to 4.00% of the development costs may be charged, provided that those development costs exceed $50,000; and

(v) **Consultant 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.

(d) **Leasing fees:** The Manager is entitled to charge a leasing fee for new lease arrangements entered into, related to property directly held by the Fund. The fee will be based on the gross annual rental for the first year of the relevant lease agreement (disregarding any lease incentives), calculated as:

(i) 6% of the gross annual rental for a lease; plus

(ii) where a lease term exceeds three years, an additional 1% of the gross annual rent for a lease for each subsequent 12 months contracted or part thereof.

A minimum fee of $500 will apply per lease agreement.

(e) **Fund administration fee:** The Manager is entitled to charge the Fund an annual fee equal to 0.15% annually of the NAV to compensate the Manager for day-to-day administrative costs that are incurred by the Manager in the management of the Fund. This fee covers the Fund's administration expenses including accounting fees, AGM expenses, marketing fees, postage fees, bank fees, registry provider fees, consultants and legal fees not associated with any property, printing and stationery costs and routine valuation fees.

(f) **Termination fee:** If the Manager is removed as manager of the Fund, the Manager is entitled to 1.75% of the Gross Asset Value of the Fund on termination.

(g) **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, subject to a minimum annual fee of $20,000. The fee per annum must not exceed 0.05% of the Net Tangible Assets of the Fund; and

(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.

(h) **Recovery of expenses:** The Manager and Supervisor are entitled to be reimbursed out of the Fund (whether from income or capital or both) for certain fees and expenses. These include:

(i) costs incurred in connection with the Offer, the acquisition of the Acquisition Properties, and the investigation and negotiation of additional investments for the Fund

(ii) the fees and expenses of the Fund's auditor

(iii) 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; and

(iv) any other expenses properly and reasonably incurred by the Manager or Supervisor in connection with carrying out their duties under the Master Trust Deed, not specifically covered by the Fund administration fee or elsewhere.

(i) **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.

(j) **Other fees:** If the Manager, with the approval of the Supervisor, undertakes any works related to the Property Portfolio that do not fit within any of the obligations contemplated by Schedule 4 of the Establishment Deed, the Manager is entitled to charge the Fund, and retain for its own use, such fees for those works on normal commercial terms, or terms as favourable to the Fund as normal commercial terms.

(k) **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 (g) for further information.

(l) **Property capital expenses:** These relate to capital expenditure incurred on investment property after initial acquisition, excluding fees and expenses charged by the Manager that are capitalised (such as project management fees). The expenditure includes payments for remediation, change to fit-outs, and upgrades.

Further information on fees and expenses can be found in the document titled Other Material Information disclosed on the Offer Register at https://disclose-register.companiesoffice.govt.nz under Offer Number OFR13121.

8.3 FEES CHARGED TO INDIVIDUAL INVESTORS

Transfer of Units: Units are intended to be a long-term investment. Should an investor wish to sell some or all of their investment, the Manager has a 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 adviser 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 a financial advice provider and does not provide any recommendations in relation to buying or selling Units.

11-13 Gough Street, Seaview, Lower Hutt, Wellington

9 Tax

Tax can have significant consequences for investments and can affect your return from units in the Fund. If you have queries relating to the tax consequences of investing in units in the Fund, 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 https://www.ird.govt.nz/roles/portfolio-investment-entities/using-prescribed-investor-rates. The current PIRs are listed in the table below. If you are unsure of your PIR, we recommend you seek professional advice or contact the Inland Revenue Department (**IRD**).

It is your responsibility to tell the 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 close your account and pay the balance of your investment. If you do not tell the Manager your PIR, a default rate of 28% may be applied.

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

Other points to note include:

- Where the Commissioner of the IRD believes the wrong PIE tax is applied, the Commissioner has the ability to instruct the Fund directly to change the rate of tax applied. However, this in turn can be overridden by any subsequent PIR that the investor informs the Fund of.
- An end of year square-up calculation will be required for all individual investors in the Fund. The tax paid by the multi-rate PIE based on the investor's notified PIR will be compared to the tax that should have been paid based on the correct PIR (and not the investor's personal marginal tax rate). If the rate applied to your PIE income is lower than your correct PIR you will be required to pay any tax shortfall as 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.

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 a New Zealand tax resident.

A Unitholder may be taxed on the sale of 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 New Zealand Government has reinstated tax depreciation on commercial buildings. This has reduced 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 PMG Generation 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 PMG Generation Fund.

For over 29 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, or has under contract, assets with a value of over $750 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

Phone: (07) 578 3494

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 Generation Fund Trustees Limited	The Custodian is a wholly-owned subsidiary of the Supervisor. PMG Generation 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.

19 Bethlehem Road, Bethlehem, Tauranga

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 04 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 Units (for example, the Trust Deeds and financial statements) is available on the Disclose Register under Scheme Number SCH12827. A copy of the information on the Disclose Register is available on request to the Registrar (email registrar@fspr.govt.nz). The website for the Disclose Register is https://disclose-register.companiesoffice.govt.nz. Further information relating to the Fund is available from this website, including on the Offer Register.

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 this offer you must fill in the Application Form associated with this PDS. For all investors, applications must be for at least 1,000 Units and in multiples of 1,000 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 28 July 2021 (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.

11-13 Gough Street, Seaview, Lower Hutt, Wellington

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 Generation Fund Trustees Limited
c/- Covenant Trustee Services Limited
Level 6, 191 Queen Street
Auckland 1010

Phone: 09 302 0638

Legal Adviser
Simpson Grierson
Level 27, 88 Shortland Street
Auckland 1010

Private Bag 92518
Auckland 1141

Phone: 09 358 2222

Auditor
Baker Tilly Staples Rodway Audit Limited
Level 1, 247 Cameron Road
Tauranga 3110

Phone: 07 578 2989

Tax Adviser
KPMG
Level 2, ANZ Centre
247 Cameron Road
Tauranga 3141

Phone: 07 578 5179

15 Glossary

Term	Interpretation
$	New Zealand dollars, rounded to the nearest $1,000 unless indicated otherwise.
Acquisition Properties	The Bethlehem Town Centre and the Gough Street Property.
Adjusted NAV	Where applicable, adjustments are made to the NAV to reflect the Fund's costs of establishment, equity issuance and property acquisition that are written off on a straight-line basis over five years from the date of each equity issuance. The relevant adjustments are set out in Schedule 5 of the Establishment Deed, and provided in the Other Material Information Document found on the Disclose Register.
AFFO	Adjusted Funds From Operations, being net profit before tax, after subsequently reversing the following items (if applicable): (a) unrealised changes in the value of the Property Portfolio (b) realised gains and losses on the disposal of properties from the Property Portfolio; and (c) unrealised changes in the value of derivative financial instruments.
Applicant	An investor whose Application Form has been received by the Manager prior to the Closing Date.
Application	An application to subscribe for Units under the Offer.
Application Form	The application form associated with this PDS that must be completed to subscribe for Units under the Offer (either physical or digital).
Banking Syndicate	The parties that advance the Fund's borrowings, led by ASB Bank Limited. ASB Bank Limited is the only confirmed lender at the date of the PDS.
Bank ICR	Similar ratio to the Interest Cover Ratio, but applied by the Banking Syndicate in assessing bank covenant compliance. The ratio differs in definition from the interest Cover Ratio as it is based on projected net rental income (excluding tenants in arrears for more than two months) divided by Projected Interest Costs (including financing costs with the exception of upfront fees).
Bethlehem Town Centre	The property at 19 Bethlehem Road, Bethlehem, Tauranga.
BKBM	Bank Bill Market.
Business Day	Any day (other than Saturday or Sunday) on which banks in Auckland, New Zealand, are open for business.
CEO	Chief Executive Officer.
Companies Office	The New Zealand government agency responsible for the administration of corporate body registers.
CPI	Consumer Price Index.

Term	Interpretation
Closing Date	29 July 2021. 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.
Custodian	The Supervisor holds the properties of the Fund through a nominee company, called PMG Generation 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.
DSA	Detailed Seismic Assessment.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation.
Establishment Trust Deed	The establishment deed between the Manager and the Supervisor dated 19 February 2020, pursuant to which the Fund was established, plus any subsequent amendments.
Existing Properties	Consists of the Sharpe Road Property, the Vickerys Road Property, and the Jamaica Drive Property.
FMA	Financial Markets Authority.
FMCA	Financial Markets Conduct Act 2013.
Fund	PMG Generation Fund.
Gearing Ratio	The Fund's total interest-bearing liabilities as a proportion of the Fund's total assets at a point in time.
Gough Street Property	The property at 11-13 Gough Street, Seaview, Lower Hutt, Wellington.
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.
Gross Rental Income	The aggregate of Net Rental Income and operating expenditure recovered from tenants.
GST	Goods and Services Tax.
IEP	Initial Evaluation Procedure.
interest Cover Ratio	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.

Term	Interpretation
Investment Portfolio	The aggregation of all instruments held by the Fund in other entities that primarily invest in commercial real estate (only possible if and to the extent that this is permitted by a variation to the Manager's MIS licence).
ISA	Initial Seismic Assessment.
Jamaica Drive Property	The property at 32, 32a, and 32b Jamaica Drive, Grenada North, Wellington.
LVR	Loan to value ratio (total bank borrowings as a percentage of latest independent property valuation).
Manager	PMG Property Funds Management Limited.
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.
MIS	Managed Investment Scheme.
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 5 of the Establishment Deed.
NBS	New Building Standard.
Net Rental Income	Rental income from property, stated before lease incentives and any lease adjustments for the purposes of New Zealand equivalents to International Financial Reporting Standards. This measure excludes property operating expenditure recovered.
NLA	Net Lettable Area (exclusive of yard area and surplus land, where applicable), stated approximately in square metres.
Occupancy	Approximate leased area expressed as a percentage of NLA, rounded to the number of decimal places shown.
Offer	An offer of Units pursuant to this PDS.
Offer Information	The PDS and all entries on the Offer Register relating to this offer.
Offer Price	$1.09 per Unit.

Term	Interpretation
Offer Register	The register containing information on the Offer available at www.business.govt.nz/disclose, offer number OFR13121. All documents referred to in the PDS as being available of the Offer Register may also be inspected free of charge during normal business hours at the office of the Manager as set out in the Directory.
Opening Date	18 June 2021, or such other date that the Fund may determine.
PDS	This document – the product disclosure statement for the Offer registered on or about 10 June 2021.
PIE	Portfolio Investment Entity.
PIR	Prescribed Investor Rate.
PMG	Property Managers Group, the ultimate holding company of which is PMG Holdings Limited.
Property Investments	The aggregation of the assets of the Property Portfolio and the Investment Portfolio.
Property Portfolio	The aggregation of the Existing Properties and the Acquisition Properties.
Registrar	The Registrar of Financial Service Providers appointed under Section 35 of the Financial Service Providers (Registration and Dispute Resolution) Act 2008.
Settlement Date	The date on which the Offer is due to settle, being 30 July 2021 (also the date the Acquisition Properties are to be purchased).
Sharpe Road Property	The property at 26 Sharpe Road, Rukuhia, Hamilton.
SIPO	Statement of Investment Policies and Objectives.
Sqm	Square metre(s), estimated on a 'more or less' basis.
Supervisor	Covenant Trustee Services Limited.
Trust Deeds	The Master Trust Deed and the Establishment Deed.
Underwriting Agreement	The Manager and the Fund have entered into an agreement dated 10 June 2021 where the Manager has agreed to subscribe for up to 45,750,000 of the Units being offered under the Offer.
Unitholder	A holder of Units.
Units	Units in the Fund.
Vickerys Road Property	67 Vickerys Road, Wigram, Christchurch.
WALT	Weighted Average Lease Term of lease arrangements (occupied lettable areas only).

pmg Generation Fund

c/o PMG Property Funds Management Limited
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