**Primewest Property Income Fund – ASIC Benchmarks and Disclosure Principles**

Information provided pursuant to ASIC Regulatory Guide 46

**31 March 2022**

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| Primewest Property Income Fund<br><br>ARSN: 645 597 404<br><br>APIR CODE: PWG8492AU | | Primewest Management Ltd<br><br>ABN: 63 091 415 833<br><br>AFS Licence: 250963 |

## 1. Introduction

Primewest Management Ltd ABN 63 091 415 833 (**Responsible Entity**) is the responsible entity of the Primewest Property Income Fund ARSN 645 597 404 (**Fund**) and is the issuer of this document. The Responsible Entity issued a Product Disclosure Statement for the Fund on 5 February 2021, which contains an offer to apply for Ordinary Units in the Fund (Original PDS). Subsequently a replacement Product Disclosure Statement was issued for the Fund on 16 February 2022 (PDS).

The Australian Securities and Investments Commission (**ASIC**) has developed six benchmarks and eight disclosure principles for unlisted property schemes that are aimed at helping retail investors decide whether an investment in an unlisted property scheme is suitable for them. The benchmarks and disclosure principles are contained in Regulatory Guide 46: *Unlisted property schemes: Improving disclosure for retail investors* (**Regulatory Guide 46**).

As the Fund is an unlisted property scheme, the Responsible Entity is required to disclose against the benchmarks and apply the disclosure principles contained in Regulatory Guide 46.

## 2. About this document

The information in this document is general information only and does not take into account your objectives, financial situation or needs. This document should be read in conjunction with the Product Disclosure Statement for the Fund dated 16 February 2022 (**PDS**) as well as any updated information in relation to the Fund that is available on the Fund's website, www.primewest.biz/propertyincomefund (**Fund Website**).

If you have any doubt as to whether an investment in the Fund is appropriate for you, or whether you should stay invested in the Fund or increase your investment in the Fund, you should consult your financial or other professional adviser.

All information contained in this document is current as at 31 December 2021 unless stated otherwise. The Responsible Entity may update this document from time to time, and it is recommended you refer to the Fund Website for the latest version of this document.

A paper copy of this document is available free of charge to any person in Australia by calling us on +61 8 9321 7133.

## 3. Disclosure benchmarks

This section overviews the disclosure benchmarks developed by ASIC for unlisted property schemes. This section also indicates where in this document you can find more information as to whether the Fund meets the relevant benchmark.

### 3.1 *Benchmark 1: Gearing policy*

This benchmark is met if the responsible entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.

The Responsible Entity meets this benchmark. Refer to Section 5 for more information.

### 3.2 *Benchmark 2: Interest cover policy*

This benchmark is met if the responsible entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.

The Responsible Entity meets this benchmark. Refer to Section 5 for more information.

### 3.3 *Benchmark 3: Interest capitalisation*

This benchmark is met if the responsible entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.

The Responsible Entity meets this benchmark. Refer to Section 5 for more information.

### 3.4 *Benchmark 4: Valuation policy*

This benchmark is met if the responsible entity maintains and complies with a written valuation policy that requires the following:

(a) A valuer to be qualified and independent.

That is, the responsible entity's valuation policy must require a valuer be independent, and be registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists), or otherwise be a member of an appropriate professional body in that jurisdiction.

(b) Procedures be followed for dealing with any conflicts of interest.

(c) The rotation and diversity of valuers.

(d) Valuations be obtained in accordance with a set timetable.

(e) For each property, an independent valuation be obtained—

(i) before the property is purchased—

A. for a development property, on an 'as is' and 'as if complete' basis, and

B. for all other property, on an 'as is' basis, and

(ii) within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.

The Responsible Entity meets this benchmark. Refer to Section 6 for more information.

### 3.5 *Benchmark 5: Related party transactions*

This benchmark is met if the responsible entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.

The Responsible Entity meets this benchmark. Refer to Section 8 for more information.

### 3.6 *Benchmark 6: Distribution practices*

This benchmark is met if the scheme will only pay distributions from its cash from operations (excluding borrowings) available for distribution.

<u>The Responsible Entity does not meet this benchmark.</u> Refer to Section 9 for more information.

## 4. Disclosure principles

This section overviews the disclosure principles developed by ASIC for unlisted property schemes. This section also indicates where in this document you can find the information disclosed by the Responsible Entity in compliance with those principles.

### 4.1 *Disclosure Principle 1: Gearing ratio*

This principle provides a responsible entity should disclose a gearing ratio for the scheme calculated using the following formula:

$$\text{Gearing ratio} = \frac{\text{Total interest-bearing liabilities}}{\text{Total assets}}$$

Refer to Section 5 for the information disclosed by the Responsible Entity in compliance with this disclosure principle.

### 4.2 *Disclosure Principle 2: Interest cover ratio*

The interest cover ratio gives an indication of an unlisted property scheme's ability to meet the interest payments from earnings. This principle provides a responsible entity should disclose the scheme's interest cover ratio calculated using the following formula and based on the latest financial statements:

$$\text{Interest cover ratio} = \frac{(\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses})}{\text{Interest expense}}$$

Refer to Section 5 for the information disclosed by the Responsible Entity in compliance with this disclosure principle.

### 4.3 *Disclosure Principle 3: Scheme borrowing*

This principle provides a responsible entity should disclose the following:

(a) If a scheme has borrowed funds (whether on or off-balance sheet), clearly and prominently disclose—

(i) for each borrowing that will mature in five years or less—the aggregate amount owing and the maturity profile in increments of not more than 12 months

(ii) for borrowings that will mature in more than five years—the aggregate amount owing

(iii) the amount (expressed as a percentage) by which either the operating cash flow or the value of the asset(s) used as security for the facility must fall before the scheme will breach any covenants in any credit facility

(iv) for each credit facility—

A. the aggregate undrawn amount

B. the assets to which the facility relates

C. the loan-to-valuation and interest cover covenants under the terms of the facility

D. the interest rate of the facility, and

E. whether the facility is hedged

(v) details of any terms within the facility that may be invoked as a result of scheme members exercising their rights under the constitution of the scheme, and

(vi) the fact that amounts owing to lenders and other creditors of the scheme rank before an investor’s interests in the scheme.

(b) If borrowings and credit facilities will mature within 12 months, make appropriate disclosure about the prospects of refinancing or possible alternative actions (e.g., sales of assets or further fundraising). If a responsible entity has no reasonable grounds for commenting on the prospect of refinancing or possible alternative actions, it should state this and explain why to investors.

(c) Explain any risks associated with their borrowing maturity profile, including whether borrowings have been hedged and, if so, to what extent.

(d) Any information about scheme borrowing and breaches of loan covenants that is reasonably required by investors. A responsible entity should update investors about the status of scheme borrowings and any breaches of covenants through ongoing disclosure.

Refer to Section 5 for the information disclosed by the Responsible Entity in compliance with this disclosure principle.

### 4.4 *Disclosure Principle 4: Portfolio diversification*

This principle provides a responsible entity should disclose the following:

(a) The current composition of the scheme’s direct property investment portfolio, including—

(i) properties by geographic location by number and value

(ii) non-development properties by sector (e.g., industrial, commercial, retail, residential) and development projects by number and value

(iii) for each significant property, the most recent valuation, the date of the valuation, whether the valuation was performed by an independent valuer and, where applicable, the capitalisation rate adopted in the valuation

(iv) the portfolio lease expiry profile in yearly periods calculated on the basis of lettable area or income and, where applicable, the weighted average lease expiry

(v) the occupancy rate(s) of the property portfolio

(vi) for the top five tenants that each individually constitute 5% or more by income across the investment portfolio, the name of the tenant and percentage of lettable area or income, and

(vii) the current value of the development and/or construction assets of the scheme as a percentage of the current value of the total assets of the scheme.

(b) The investment strategy on investing in other unlisted property schemes, whether the scheme's current assets conform to the investment strategy and an explanation of any significant variance from this strategy.

(c) A clear description of any significant non-direct property assets of the scheme, including the value of such assets.

This principle also provides if the scheme is involved in property development, then a responsible entity should disclose the following for each significant development asset—

(a) the development timetable with key milestones

(b) a description of the status of the development against the key milestones identified

(c) a description of the nature of the funding arrangements for the development (including the sources of funding and repayment strategies if borrowing is used to fund the development)

(d) the total amounts of pre-sale and lease pre-commitments, where applicable

(e) whether the loan-to-valuation ratio for the asset under development exceeds 70% of the 'as is' valuation of the asset, and

(f) the risks associated with the property development activities being undertaken.

If a scheme has over 20% of its property assets in development based on an 'as if complete' basis, then a responsible entity should ensure that the scheme is clearly identified as a development and/or construction scheme.

Refer to Section 7 for the information disclosed by the Responsible Entity in compliance with this disclosure principle.

### 4.5 *Disclosure Principle 5: Related party transactions*

This principle provides a responsible entity that enters into transactions with related parties should describe related party arrangements relevant to the investment decision by disclosing—

(a) the value of the financial benefit

(b) the nature of the relationship (i.e., the identity of the related party and the nature of the arrangements between the parties, in addition to how the parties are related for the purposes of the Corporations Act or ASX Listing Rules—for group structures, the nature of these relationships should be disclosed for all group entities)

(c) whether the arrangement is on 'arm's length' terms, is reasonable remuneration, some other exception applies, or we have granted relief

(d) whether scheme member approval for the transaction has been sought and, if so, when (e.g., if member approval was obtained before the issue of interests in the scheme)

(e) the risks associated with the related party arrangement, and

(f) whether a responsible entity is in compliance with its policies and procedures for entering into related party transactions for the particular related party arrangement, and how this is monitored.

Refer to Section 8 for the information disclosed by the Responsible Entity in compliance with this disclosure principle.

### 4.6 *Disclosure Principle 6: Distribution practices*

This principle provides if a scheme is making or forecasts making distributions to investors, a responsible entity should disclose—

(a) the source of the current distribution (e.g., from cash from operations available for distribution, capital, unrealised revaluation gains)

(b) the source of any forecast distribution

(c) whether the current or forecast distributions are sustainable over the next 12 months

(d) if the current or forecast distribution is not solely sourced from cash from operations (excluding borrowings) available for distribution, the sources of funding and the reasons for making the distribution from these other sources

(e) if the current or forecast distribution is sourced other than from cash from operations (excluding borrowings) available for distribution, whether this is sustainable over the next 12 months, and

(f) the impact of, and any risks associated with, the payment of distributions from the scheme from sources other than cash from operations (excluding borrowings) available for distribution.

Refer to Section 9 for the information disclosed by the Responsible Entity in compliance with this disclosure principle.

### 4.7 *Disclosure Principle 7: Withdrawal arrangements*

This principle provides if investors are given the right to withdraw from a scheme, a responsible entity should clearly disclose—

(a) whether the constitution of the scheme allows investors to withdraw from the scheme, with a description of the circumstances in which investors can withdraw

(b) the maximum withdrawal period allowed under the constitution for the scheme (this disclosure should be at least as prominent as any shorter withdrawal period promoted to investors)

(c) any significant risk factors or limitations that may affect the ability of investors to withdraw from the scheme, or the unit price at which any withdrawal will be made (including risk factors that may affect the ability of the responsible entity to meet a promoted withdrawal period)

(d) a clear explanation of how investors can exercise their withdrawal rights, including any conditions on exercise (e.g., specified withdrawal periods and scheme liquidity requirements), and

(e) if withdrawals from the scheme are to be funded from an external liquidity facility, the material terms of this facility, including any rights the provider has to suspend or cancel the facility.

Refer to Section 10 for the information disclosed by the Responsible Entity in compliance with this disclosure principle.

### 4.8 *Disclosure Principle 8: Net tangible assets*

This principle provides a responsible entity of a closed-end scheme should clearly disclose the value of the net tangible assets (NTA) of the scheme on a per unit basis in pre-tax dollars using the following formula:

$$\text{NTA} = \frac{\text{Net assets – intangible assets +/- any other adjustments}}{\text{Number of units in the scheme on issue}}$$

A responsible entity should disclose the methodology for calculating the NTA and details of the adjustments used in the calculation, including the reasons for the adjustments.

A responsible entity should also explain to investors what the NTA calculation means in practical terms and how investors can use the NTA calculation to determine the scheme's level of risk.

This disclosure principle does not apply as the Fund is not a closed-end scheme and the unit price will be calculated daily. Refer to Section 11 for more information.

## 5. Borrowing and gearing

### 5.1 *Gearing and interest cover policy*

The Responsible Entity maintains and complies with a written policy that governs the Fund's level of gearing and interest cover at a Fund and individual debt facility level.

Debt facilities will be provided by major Australian or international financial institutions with security granted against the Properties by a first-ranking mortgage and security interests over Fund assets in priority, but with no recourse to Investors.

The Responsible Entity will aim to enter into debt facilities where the maximum allowable loan-to-value ratio and minimum allowable interest cover ratio provide sufficient headroom to minimise the likelihood of these covenants being breached.

Interest expenses of the Fund will not be capitalised in the ordinary course of business.

### 5.2 *Gearing ratio*

The gearing ratio indicates the extent to which the Fund's assets are funded by borrowings. The gearing ratio gives an indication of the potential risks faced by the Fund as a result of its borrowings due to, for example, an increase in interest rates or a decrease in the value of the Properties.

A higher gearing ratio means a higher reliance on external liabilities to fund assets and exposes the Fund to increased funding costs if interest rates rise. A highly geared investment has a lower asset buffer to rely on in times of financial stress. Regulatory Guide 46 requires the gearing ratio to be calculated as:

$$\text{Gearing ratio} = \frac{\text{Total interest-bearing liabilities}}{\text{Total assets}}$$

The Responsible Entity has a gearing target for the Fund of between 35% and 50%. Gearing may be temporarily higher in order to complete the acquisition of property assets or other investments, and the maximum gearing ratio of the Fund is 60%. Gearing may also be lower than the target from time to time if the Responsible Entity determines it is prudent to do so.

As at 31 December 2021 the Fund's gearing ratio is as follows:

Total Interest-Bearing Liabilities: $22,610,000

Total Assets: $57,522,191

**Gearing ratio**: 39.31%

The Fund may also be exposed indirectly to gearing because a Property Trust in which it invests may use borrowings to acquire their properties. The Responsible Entity periodically calculates the gearing of the Fund taking into account the Fund's share of assets and liabilities of all underlying Property Trusts. This is known as Look-Through Gearing. The Responsible Entity aims to maintain Look-Through Gearing for the Fund as a whole at no more than 60% and will not acquire any Direct Property or units in any Property Trust that, at the time of acquisition, would result in a Look-Through Gearing

Ratio for the Fund above 60%. The Responsible Entity does not take into account the gearing of any A-REITs or cash held by the Fund in calculating the Fund's look-through gearing ratio.

As at 31 December 2021, the Look-Through Gearing ratio of the Fund is 39.31%.

### 5.3 *Interest cover ratio*

Interest cover measures the ability of the Fund to meet its interest payments on debt finance from its earnings. The level of interest cover gives an indication of the Fund's financial health, in paying both interest to debt finance providers and distributions to Investors. It is a key measure of the risks associated with the Fund's debt finance and the sustainability of debt refinancing.

The lower the interest cover ratio, the higher the risk that the Fund will not be able to meet its interest payments. A fund with a low interest cover ratio only needs a small reduction in earnings, or a small increase in interest rates or other expenses, to be unable to meet its interest payments. Regulatory Guide 46 requires the interest cover ratio to be calculated as:

$$\text{Interest cover ratio} = \frac{(\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses})}{\text{interest expense}}$$

As at 31 December 2021, the Fund is not expected to have any unrealised gains or losses and the interest cover ratio is therefore expected to be calculated as follows:

EBITDA: $1,518,325

Interest expense: $180,937

**Interest cover ratio: 8.39**

The total cost of interest bearing liabilities over the period to 31 December 2021 was 1.60% (annualised), calculated by estimated total interest expense over the period divided by interest bearing liabilities as at 31 December 2021. This includes the estimated cost of the bank margin, any fixed interest rate and any floating facility rate.

### 5.4 *Covenant sensitivities*

Under the terms of the debt facility the Fund is required to comply with certain loan covenants over the course of the financial year. Based on the audited financial report as at 31 December 2021 the Fund is compliant with all covenants including the Interest Cover Ratio (ICR) and Loan to Valuation Ratio (LVR). The value of the properties (based on the 31 December valuations) would have to fall by 21.7% for the Fund to breach its LVR covenant. The income of the Fund would have to fall by 76.17% for the Fund to breach its ICR covenant.

### 5.5 *Interest capitalisation*

Interest expenses of the Fund were not capitalised during the period.

## 6. Valuations

The Responsible Entity has implemented a Valuation Policy for the valuation of property assets held by the Fund that meets Benchmark 4.

Valuations are classified as either Internal Valuations or Independent Valuations. An Internal Valuation is a valuation undertaken by the Responsible Entity in conjunction with the relevant fund manager and subsequently approved by the Directors of the Responsible Entity. It is commonly referred to as a Directors' valuation and may be adopted for the purposes of statutory and financial reporting or inform investors in the Fund of the current market value of the property.

An Independent Valuation is a valuation undertaken by an external valuer in accordance with the requirements contained within the Valuation Policy. The valuation may be adopted for the purposes of statutory and financial reporting or inform investors in the Fund of the current market value of the property, and also may be relied upon as mortgage security as required by financiers.

The Responsible Entity will obtain an Independent Valuation prior to the acquisition of a property. Valuations of all properties will be on an 'as is' basis. Valuations of Development Properties will also be on an 'as if complete' basis. All valuations will use consistent and widely accepted valuation methodology, taking into consideration the individual aspects of each property.

Valuers are selected and appointed to conduct Independent Valuations, having regard to their expertise and experience in the locality, mortgagee acceptance (bank panel), appropriate qualifications, cost, and any actual or potential conflicts of interest. Valuers are rotated such that no valuation company may perform an Independent Valuation more than three times consecutively.

The Fund undertook internal valuations as at 31 December 2021 for the direct properties that form the initial portfolio. See Section 7.1 for the valuation information.

## 7. Portfolio diversification

Generally, the more diversified a portfolio is, the lower the risk than an adverse event affecting one property or one lease will put the overall portfolio at risk.

The Fund's objective is to provide investors with monthly income and the potential for long term capital growth by investing in a diversified and growing portfolio of commercial property assets located in Australia.

The Fund aims to achieve its objective by investing in income producing properties (including assets in the office, industrial/logistics, healthcare, agriculture, social infrastructure properties and retail sectors) both directly and indirectly. Indirect investments will be made by the Fund investing in Property Trusts (which may include funds managed by entities within the Primewest Group).

The Fund will target well located Properties and will seek to build a portfolio with a target weighted average lease expiry of 5 years. The Fund may acquire a Property with a view to undertaking development or redevelopment, however development assets are not expected to represent more than 15% of the Fund's assets. As such, the Fund is not a development and/or construction scheme.

The Fund will also invest in more liquid assets, including A-REITs, cash and cash-like products. The Fund's exposure to more liquid assets is intended to facilitate liquidity for the Fund and to allow any excess capital which is not immediately required for investment in direct or indirect property to generate an income return for the Fund.

The following asset allocation ranges and typical allocations are provided as a guide only. At any time, the amount invested in any particular asset class may be less than or exceed the ranges and allocations set out below. For example, the amount held in A-REITs, cash or cash-like products may exceed the allocation range prior to the acquisition of a Property, or following the disposal of a Property. At these times, the amount held in direct and non-listed property assets may be less than the below range.

| Asset class | Allocation ranges | Typical allocations |
|---|---|---|
| Direct and non-listed property trusts | 70-90% | 85% |
| A-REITs | 0-15% | 10% |
| Cash or cash-like products | 0-15% | 5% |
| Total | 100% | 100% |

### 7.1 *Current investment portfolio*

Over time, as the Fund acquires or sells assets consistent with its investment strategy, the specific assets comprising the Fund's investment portfolio will change. The Fund currently has no development and/or construction assets. The only significant non-direct property asset of the Fund is cash. As at 31 December 2021, the Fund holds cash and cash equivalents of approximately 8.5%. Details of the Fund's current portfolio will be updated regularly on the Fund Website.

As at 31 December 2021, the investment portfolio of the Fund will include direct interests in the following:

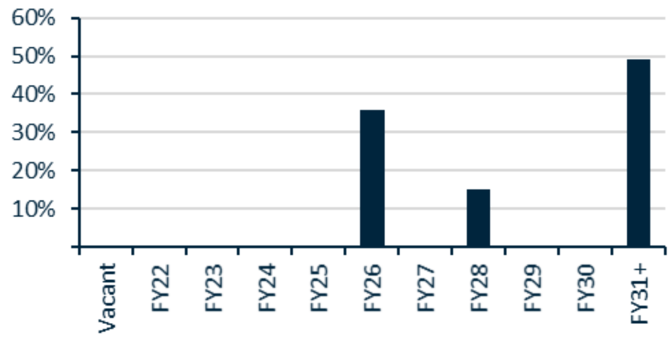
| Property | Valuation | Valuation Date | Ownership | Sector | Market Cap Rate[1] | Occupancy[2] | Valuer |
|---|---|---|---|---|---|---|---|
| 60 Investigator Drive, Robina QLD | 7,700,000 | 31-Dec-21 | 100% | Social Infrastructure | 5.50% | 100% | Internal |
| 26 Westbrook Parade, Ellenbrook WA | 5,800,000 | 31-Dec-21 | 100% | Social Infrastructure | 5.75% | 100% | Internal |
| 36-40 John Rice Avenue, Elizabeth Vale SA | 6,000,000 | 31-Dec-21 | 100% | Social Infrastructure | 5.50% | 100% | Internal |
| Foundation Place, Maroochydore QLD | 33,000,000 | 31-Dec-21 | 100% | Commercial | 6.00% | 100% | Internal |

[1] The market capitalisation rate (cap rate) is the capitalisation rate used to value a property, assuming it is fully leased at reasonable and current market rent rates.

[2] Calculated by vacant space over total net lettable area.

### 7.2 *Lease expiry profile*

The following chart shows the lease expiry profile by gross income expected as at 31 December 2021




### 7.3 *Vacancy rate*

The vacancy rate for the portfolio as at 31 December 2021 is 0%. The vacancy rate represents the portion of the properties which are not subject to a rental guarantee, lease or an agreement for lease.

### 7.4 *Tenants*

The Fund's top five tenants (by percentage of Net Lettable Area) as at 31 December 2021 are:

| Tenant | % of Net Lettable Area |
|---|---|
| Solvana Child Care Pty Ltd (Oxanda) | 16.9% |
| Think Childcare 5112 Pty Ltd (Think Group) | 13.6% |
| Think Ellenbrook 6069 Pty Ltd (Think Group) | 11.9% |
| Locality Planning Energy Pty Ltd | 9.4% |
| GHD Pty Ltd | 9.2% |

The Fund's weighted average lease expiry (WALE) is 9.80 years as at 31 December 2021.

The Funds WALE is calculated as follows:

$$\text{WALE} = \frac{\text{Remaining passing income}}{\text{Gross passing income}}$$

WALE is used to measure the overall tenancy risk of a particular property to assess the likelihood of a property being vacated. WALE of a property is measured across all tenants' remaining lease term (in years) and is weighted with the tenants' income against total combined income.

## 8. Related party transactions

The Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval process for such transactions and arrangements to manage conflicts of interest. All transactions in which the Responsible Entity may have, or may be perceived to have, a conflict of interest will be conducted in accordance with the Responsible Entity's related party transactions policy. Under this policy, the Responsible Entity may be required to disclose conflicts of interest to Investors and to ensure that its disclosure is timely, prominent, specific and meaningful, and contains enough detail to understand and assess the potential impact on the service provided by the Responsible Entity.

The primary examples of the conflicts of interest that applies to the Fund is the appointment of related parties to perform fund management and property management services, and investments in unlisted property funds managed or operated by Primewest Group.

The Responsible Entity may also seek other professional services for the Fund from qualified service providers, including from related parties of the Responsible Entity. The fees for these services will be charged at normal commercial rates to the Fund.

The Responsible Entity has appointed Primewest P/Q Pty Ltd ABN 28 620 298 339 to act as the manager of the Fund (Manager) pursuant to an investment management agreement. The Manager is a related company of the Responsible Entity and is also part of Primewest Group. The appointment is on arm's length terms and the remuneration paid to the Manager is consistent with market rates. The Responsible Entity complied with the procedures in its related party transactions policy in appointing the Manager and regularly reviews the arrangement in accordance with this policy and the investment management agreement. A summary of the investment management agreement is contained in Section 8.3 of the PDS, and the fees payable to the Manager are as described in Section 7 of the PDS, and the risks associated with related party arrangements are set out in Section 6 of the PDS.

The fund has previously issued out of cycle updates in regard to the proposed stapling of the Fund and Centuria Diversified Property Fund. Details of the proposed stapling, the Explanatory Memorandum and the Product Disclosure Statement can be found on https://centuria.com.au/diversified-property-fund/cdpf-ppif-merger/.

## 9. Distribution practices

Some property schemes make distributions partly or wholly from unrealised revaluation gains, capital, borrowings, or support facilities arranged by the responsible entity, rather than solely from cash from operations available for distribution. This may not be commercially sustainable over the longer term, particularly when property values are not increasing.

Distributions for the 2022 Financial Year will be paid from cash operations available for distribution, and where applicable, accumulated working capital of the fund. The partial payment of distributions from accumulated working capital allows the Fund to smooth distributions between periods. This approach will reduce the amount of accumulated working capital available in the Fund.

From time to time the Fund may seek to increase and draw upon the debt facility to pay for various items including capital works, leasing fees, and lease incentives.

Distributions are forecast on an annual basis at the commencement of each Financial Year and confirmed annually. The Fund is targeting a distribution rate of 5.5 cents per unit per annum, which is intended to be paid monthly.

The Responsible Entity considers the Fund's distributions will be sustainable from the Fund's available cash resources and working capital for at least 12 months into the future.

## 10. Withdrawal arrangements

Investors have no right to demand a withdrawal of their investment in the Fund. However, the Responsible Entity intends to offer Investors the opportunity to withdraw their investment each month on a limited basis. The amount available to meet withdrawal requests will be determined by the Responsible Entity, however the amount available to satisfy withdrawal requests for a month is expected to be at least 0.5% of the Fund's net asset value.

In addition to the Limited Withdrawal Facility, the Responsible Entity may (at its discretion) offer Investors the opportunity to withdraw from the Fund pursuant to a Periodic Liquidity Event on or around each 5-year anniversary of the commencement of the Fund. It is intended the first Periodic Liquidity Event will therefore be offered around December 2025.

Notwithstanding the above, withdrawals may be suspended in certain circumstances or generally if the satisfaction of all withdrawal requests would compromise the operation of the Fund, if it is impracticable or impossible for the Responsible Entity to calculate the withdrawal price, or when the Responsible Entity otherwise determines it to be in the best interests of all Investors.

In addition, the Responsible Entity must at all times ensure Investors are not unfairly treated by any withdrawal facility offered. The Responsible Entity may therefore vary the terms and conditions of any withdrawal facility to ensure the fair and equal treatment of all Investors. Any suspension or variation of the withdrawal facility will be communicated to Investors on the Fund's Website.

## 11. Unit Pricing

Disclosure Principle 8 was developed by ASIC to help investors understand the value of the assets upon which the value of their unit is determined. Disclosure Principle 8 requires the responsible entity of a closed-end scheme to clearly disclose the value of the net tangible assets (**NTA**) of the scheme on a per unit basis in pre-tax dollars, with the NTA to be calculated using the following formula:

$$\text{NTA} = \frac{\text{Net assets} - \text{intangible assets} +/- \text{any other adjustments}}{\text{Number of units in the scheme on issue}}$$

Disclosure Principle 8 does not apply to the Fund as the fund is an open-end scheme, and the Unit Price is calculated daily.

This section contains information as to how the Unit Price is calculated by the Responsible Entity. The current Unit Price can be found on the Fund Website. The Unit Price will be calculated in accordance with the unit pricing policy the Responsible Entity has in place in relation to the Fund. Investors may obtain a copy of this policy by contacting the Responsible Entity.

The Unit Price is the prevailing net asset value (**NAV**) of the Fund, plus the amortised value of acquisition costs, divided by the number of units on issue in the Fund. The Unit Price is also adjusted on account of the amortisation of acquisition costs in Property Trusts in which the Fund invests.

Acquisition costs are defined as including capital-raising expenses, acquisition fees, legal fees, brokerage, stamp duty, taxes and other costs that have been incurred in connection with the acquisition of assets held within the portfolio. These costs are usually written off over a five-year period. When an asset is sold, any outstanding acquisition and sale costs are written off immediately against the sale price. Where an asset has a shorter holding period, the amortisation of acquisition costs is in line with this period. For example, should the Fund invest in a Property Trust which has a remaining term of two years, the amortisation of acquisition costs will occur on a pro-rata basis over two years. This includes any acquisition costs the Fund incurs or charges associated with the purchase of an interest in a Property Trust or any other investment.

The constitution of the Fund defines NAV as meaning the total value of the assets of the Fund, less the liabilities of the Fund, adjusted for such provisions and incremental or decremental adjustments as the Responsible Entity determines are appropriate.

The NAV of the Fund as at the end of each reporting period will be contained in the financial reports for the Fund, which will be accessible to investors via the Investor Portal. Refer to section 9.9 of the PDS for more information on the disclosure and reporting.