Core Property
Fund Research & Ratings
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Unlisted Property Trust Report

APIL Essential Retail Income Fund

November 2021

Non-discretionary focussed retail property fund targeting 6.0% - 6.5% p.a. distributions

APIL Essential Retail Income Fund

Contents

About Core Property Research

Core Property Research Pty Ltd was established in July 2017 to provide market leading and insightful research on the property funds sector for its clients and investors. Our ratings and research cover sector level research, ratings and recommendations on listed and unlisted property funds, and is built upon the extensive research experience of its staff.

The Core Property team collectively, has over 50 years' experience across property, financial services and investment markets. The team has also evaluated over 500 different funds across multiple sectors and a range of investment structures over the last decade.

IMPORTANT NOTICE

For further information, please refer to the Disclaimer & Disclosure notice at the end of this document.

APIL Essential Retail Income Fund

November 2021

The APIL Essential Retail Income Fund ("the Fund") is an unlisted property fund that invests in a portfolio of retail properties with a focus on stable and secure income streams. The Fund Manager, Australasian Property Investments Limited ("APIL", or "the Manager"), has a track record of having established 29 commercial property syndicates since 2001, with a combined value of over $1.0B.

The Fund was established in April 2021, with the acquisition of the Coolbellup Village Shopping Centre, WA. The Fund is now looking to acquire its second asset, the Joondalup Commercial Centre, Joondalup WA ("the Property") for $16.5M. The acquisition will increase the portfolio to $37M of properties, with the Manager targeting a portfolio of $100M of properties by June 2022. After this, the Fund will hold and manage the assets through to the initial investment term, being eight years to April 2029.

The Manager is seeking to raise $9.4M through the offer of 9.4M units at $1.00 per unit ("the Offer"). The funds raised will be used in conjunction with debt to acquire the Joondalup WA property. As additional assets are acquired, the Manager expects to issue further equity based on a unit price that equitably takes into account updated valuations and expenses.

The Fund's strategy is to build a portfolio of strong performing retail assets with a stable tenant profile and secure income stream. Properties are expected to be situated in convenient consumer precincts with proximity to major traffic routes. The properties will have a high tenant appeal, with a focus on non-discretionary retail categories that are "essential" in nature.

Located at 15 Dwyer Turn, Joondalup WA, the Property is a large format retail centre anchored by an Officeworks retail store, with a discount department store (The Reject Shop), four specialities and 145 car parking bays. The Property is located near a busy regional shopping centre, complementing the tenants' offerings and is 100% occupied with a Weighted Average Lease Expiry (WALE) of 4.1 years.

Following the acquisition, the Fund will own a $37.0M portfolio of property, with the majority of income sourced from non-discretionary focused retailers, including Woolworths (41.5%), Officeworks (22.8%) and the Reject Shop (12.4%). These major tenants, representing 76.7% of gross income, provide the Fund with a solid underlying base of income which is complemented by a range of specialty tenants. The properties are 100% occupied with a weighted average capitalisation rate of 5.61% and attractive portfolio Weighted Average Lease Expiry (WALE) of 7.5 years (by income). Investors should be aware the portfolio metrics are likely to change as additional properties are acquired.

The Fund is targeting distributions of 6.0% - 6.5% p.a. once the portfolio has been fully acquired. The Manager intends to maintain FY21 distribution levels of 6.0% p.a. for FY22, based on the two-asset portfolio. As additional properties are acquired, the Manager is expected to progressively revise the forecast distributions for the Fund.

The Fund has an initial term of eight years to April 2029, with 7.4 years remaining. The portfolio NTA is estimated to be $0.85 per unit following the acquisition. Fees charged by the Fund are at the low end of what Core Property has seen in the market.

The Fund's Loan to Valuation Ratio (LVR) is calculated at 52.5% against a bank LVR covenant of 60%. Both assets have their own independent debt facility, expiring in July 2024, which will need to be extended. Whilst we would prefer the LVR to be below 50%, investors should be aware that the use of high leverage usually enhances investor returns when asset prices rise but can also magnify losses when asset prices fall.

Core Property estimates the Fund to deliver an Internal Rate of Return (IRR) of between 5.6% - 7.7% p.a. (midpoint 6.7% p.a.) based on the Manager's assumptions for the two assets and assuming a +/- 25 bps movement in capitalisation rates (see *Expected Future Performance (IRR Sensitivity)*). The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions.

Investor Suitability

Core Property considers the Fund will appeal to investors seeking a relatively stable and secure income distribution, supported by well-located retail properties. Capital gains are expected to be low to moderate and delivered over the long term. The Fund is illiquid, and investors should expect to remain invested until April 2029.

This report should be read in conjunction with the Target Market Determination provided by the Manager, as required by s994B of the Corporations Act 2001.

Recommended

See the Appendix for a description of our ratings. The above rating must be viewed in the context of comparable Funds and not across all products

Fund Details	
Offer Open:	30 November 2021
Offer Close:	20 December 2021[1]
Min. Investment:	$50,000[2]
Unit Entry Price:	$1.00 per unit
Net Tangible Asset per unit:	$0.85[3] per unit
Liquidity:	Illiquid
Forecast Distributions:	FY22: 6.0% p.a. FY23: 6.0% p.a.
Distribution Frequency:	Monthly
Remaining Initial Investment Period:	7.4 years to April 2029

1. The Manager may close the Offer at any time when sufficient commitments have been received.
2. Multiples of $5,000 thereafter
3. NTA of $0.85 per unit is based on the pro forma portfolio.

Fund Contact Details

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Fund – Website

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Note: This report is based on the APIL Essential Retail Income Fund Supplementary Product Disclosure Statement dated 30 November 2021, together with other information provided by APIL Group.

Key Considerations

Management: Australasian Property Investments Limited (APIL) is a leading manager of direct property investments. Commencing in 2001, APIL has established 29 syndicated funds with a combined value of over $1.0B of properties.

Fund Structure: The Manager is seeking to raise $9.4M in equity with units offered at $1.00 per unit, to fund the acquisition of Joondalup Commercial Centre, Joondalup WA. The Property, and any future properties, will be held in a separate Sub-Trust.

Fund Strategy: The Fund seeks to provide investors with stable and reliable income payments by investing in retail properties with high tenant appeal that are located in convenient consumer precincts with proximity to major traffic routes, community centres and retail bases. The Fund is targeting to acquire a total of $100M properties by June 2022, geographically diversified across major Australian cities. The Fund is targeting retail properties that have a secure income flow, which are likely to be classified as non-discretionary, or "essential", in nature. As such, the cash flow of key tenants is expected to have low volatility of earnings.

The Property: The Fund is looking to acquire its second asset, the Joondalup Commercial Centre, 15 Dwyer Turn, Joondalup WA for $16.5M. The Property is a large format retail centre anchored by Officeworks, which have occupied the centre since its construction in 2002, complemented by The Reject Shop and four specialty stores. The Property is well located, adjacent to the Lakeside Village Shopping centre – a regional shopping centre, Joondalup Drive - a major arterial road of Joondalup and the Mitchell Freeway – the main motorway connecting the northern suburbs of Perth to the CBD. The Property is 100% occupied and has a WALE of 4.1 years (by income). The acquisition of the Property is expected to be accretive for the Fund, based on Core Property's review of the forecasts provided by the Manager.

Property Portfolio: The acquisition will increase the portfolio to $37.0M and improve the Fund's tenant mix, income, and geographic diversification. The portfolio will have robust property metrics with 100% occupancy, a Weighted Average Lease Expiry (WALE) of 7.5 years (by income) and Weighted Average Capitalisation rate of 5.61%. Investors should expect the portfolio metrics to change as the Manager intends to further diversify the portfolio to reach $100M by June 2022.

Debt Profile: The Fund has obtained indicative terms to obtain a second independent debt facility of $8.7M to acquire the Joondalup WA property. The facility is for a three-year term, expiring in July 2024, the same as the existing facility. The Loan to Valuation (LVR) of the Fund is expected to remain unchanged at 52.5%, below the bank covenant of 60%. The Interest Coverage Ratio (ICR) is expected to be 5.1x, above the bank covenant of 2.25x. The Manager is targeting a gearing ratio of 45% - 60% and will only acquire properties on an initial Loan to Valuation Ratio (LVR) of less than 55%. The Manager will need to extend or replace the debt to cover the remaining 7.4-year term of the Fund as well as to fund additional properties.

NTA: The Fund's NTA is estimated to be $0.85 per unit following the acquisition.

Distributions: The Fund is targeting properties that can support a distribution of 6.0% - 6.5% p.a., paid monthly. The Manager is targeting an annualised FY22 distribution of 6.0% p.a. based on the two-asset portfolio, however, investors should expect that this may change as additional properties are acquired.

Fees: Core Property considers the fees to be at the low end of what has been seen in the market (*see Figure 5: Fees in Perspective*). Management Fees are 0.55% p.a. of GAV, at the low end of market ranges. Property acquisition fees are at the high end of the market. Performance Fees are 20% over an 8.0% IRR hurdle, which Core Property considers to be appropriate in the current market.

Total Returns: Core Property estimates the Fund to deliver an IRR of 5.6% - 7.7% p.a. (midpoint 6.7% p.a.) based on the Manager's assumptions and assuming a +/- 25 bps sensitivity to capitalisation rates (see the *Financial Analysis section*). Investors should be aware that returns may be affected by the purchase of additional properties and any capital gain or loss will be based on the sale price of the assets and overall market conditions, which may deliver an IRR outside this range.

Illiquid investment: The Fund has an initial term of eight years from April 2021 to April 2029, with 7.4 years remaining. The Fund may be extended beyond this period if it receives approval from 80% of units. Investors must accept that by their very nature, unlisted property funds are illiquid and should expect to remain fully invested for the minimum period to April 2029.

Investment Scorecard

Management Quality	★★★★☆
Governance	★★★★☆
Property / Portfolio	★★★☆☆
Income Return	★★★☆☆
Total Return	★★★☆☆
Gearing	★★★☆☆
Liquidity	★☆☆☆☆
Fees	★★★☆☆

Key Metrics

Trust Structure

A registered managed investment scheme consisting of a property fund investing in retail properties in Australia which are well located and supported by strong underlying fundamentals. Each property is held in a separate Sub-Trust that is fully owned by the Trust.

Management

Australasian Property Investments Limited ("APIL") is a leading Australian property investment group that specialises in the syndication and management of the commercial property. Established in 2001, APIL has established 29 commerical property syndicates with a combined value of $1.0B.

Property Portfolio

No. of Properties:	2	
Property Portfolio:	Location:	Valuation:
	1 Waverley Road, Coolbellup WA	$20.5M
	15 Dwyer Turn, Joondalup WA	$16.5M
	Total	**$37.0M**
Property Sector:	Retail	
Key Tenants:	Woolworths, Officeworks, The Reject Shop	
Occupancy:	100.0%	
WALE:	7.5 years (by income)	

Return Profile

Forecast Distribution:	FY22: 6.0% (annualised) FY23: 6.0% p.a.
Distribution Frequency:	Monthly
Tax advantage:	FY22: est. 100% tax-deferred FY23: est. 100% tax-deferred
Estimated Levered IRR (pre-tax, net of fees):	5.6% - 7.7% p.a. (midpoint 6.7% p.a.)
Investment Period:	7.4 years to April 2029

Risk Profile

Property/Market Risk:	Investors will be exposed to a potential capital gain or loss, based on market conditions.
Trust Investment Risk:	Illiquid nature of the Trust, gearing and interest rate risk.
Regulatory Risk:	Changes to taxation affect the tax effectiveness of income and capital distributions.
Interest Rate Risk:	Interest costs higher than forecasts from year three onwards may impact the distributable income and total returns for investors.

For a more detailed list of the key risks, refer to "Section 9: Risks" of the Product Disclosure Statement.

Fees Paid

Entry Fees:	Nil
Exit Fees:	Nil
Establishment Fee (Property Acquisition Fee):	2.5% of purchase price, paid out of the assets of the Fund.
Divestment Fee (Property Disposal Fee):	Nil. The Fund may however be charged an Agents Fee if an external agent is used.
Management Fees:	- Management Fee: 0.55% p.a. of GAV. - Trust Expenses: est. 0.20% p.a. of GAV - Development (Consulting Fee and Project Management Fees): up to 5% of a project cost equal to or greater than $50,000
Transfer Fee:	$500 (up to a maximum of 1% of the transfer amount)
Trust Extension Fee:	0.5% of GAV, capped at $150,000. The Fee is not payable if the Manager is entitled to a Performance Fee.
Performance Fee:	20% of the outperformance over an IRR of 8.0% per annum.

Debt Metrics - Indicative

Drawn Debt / Facility Limit:	$19.4M / $19.4M
Loan Expiry:	July 2024
LVR / LVR Covenant:	52.5% / 60%
ICR / ICR Covenant:	5.1x / 2.25x

Legal

Offer Document:	APIL Essential Retail Income Fund Supplementary Product Disclosure Statement, dated 30 November 2021.
Wrapper:	Unlisted Property Trust
Custodian:	Australasian Property Investments Limited (ACN 097 936 760)
Responsible Entity, Trustee & Manager:	Australasian Property Investments Limited (ACN 097 936 760, AFSL No.238795)

Fund Overview

The Fund is an unlisted property fund that invests in well-located retail properties in Australian capital cities. The Fund has an initial term of eight years from April 2021 – April 2029, with 7.4 years remaining.

The Fund is targeting to acquire a diversified portfolio of retail assets of up to $100M by 30 June 2022, with a focus on acquiring properties that are well located and provide high tenant appeal, to provide a stable and secure income stream for investors. Once the portfolio has been acquired, the properties will be managed through to the end of the initial fund term.

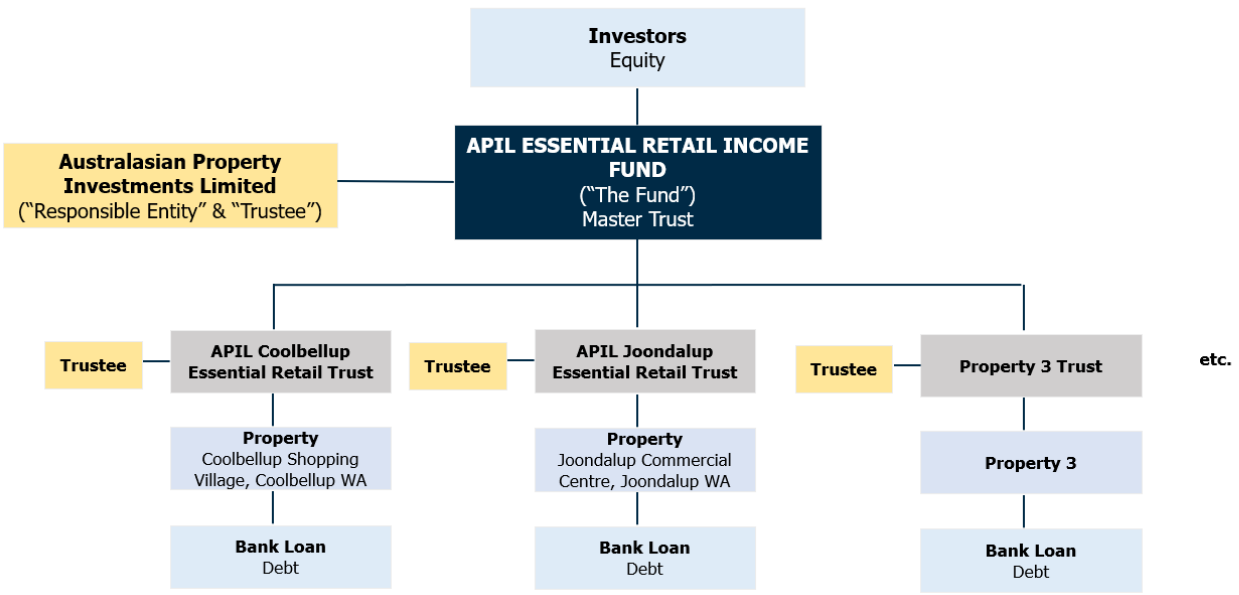
The Fund acquired its first asset, the Coolbellup Village Shopping Centre for $20.5M in May 2021 and is now seeking to acquire its second asset, the Joondalup Commercial Centre for $16.5M. The Manager is seeking to raise $9.4M in equity through the issue of 9.4M of units at $1.00 per unit, which will be used in conjunction with debt to acquire the property. As additional properties are acquired, the Manager intends to offer additional equity based on an issue price that adjusts for the updated valuation of the Fund and provides a fair and equitable allocation of the costs to investors. The Fund has a minimum investment of $50,000, and in multiples of $5,000 thereafter.

The Joondalup property is a well-located large format retail centre anchored by Officeworks, with a discount department store (the Reject Shop) and four specialties. The acquisition is accretive for the Fund, being acquired on a 5.75% capitalisation rate, above the current 5.50% capitalisation rate. The Manager is targeting an annualised distribution yield of 6.0% in FY22 and FY23r FY22. Distributions are paid monthly.

Each asset will be held in separate Sub-Trusts which are fully owned by the Fund, which provides flexibility to acquire and dispose of properties over time. Debt will be held in each individual Sub-Trust.

A summary of the Fund structure is provided below.

Figure 1: Fund structure



Source: APIL, Core Property

Fund strategy

The Fund has a Core investment strategy and is targeting to acquire a total of $100M in properties by 30 June 2022. The Fund will close for investment thereafter and the properties will be managed through to the end of the Fund term, estimated to be April 2029. The Fund's strategy includes the following Investment Criteria:

- The Fund will acquire retail properties in Australia which are well located and supported by strong underlying fundamentals.
- The Fund endeavours to secure properties with high tenant appeal and provide distributions between 6.0 – 6.5 cents per annum.

- Additional properties will be located in Australian major cities to provide diversification by geographic location and exposure to different property markets.
- Additional properties will be real property that is used for retail, mixed-use, medical or large format retail purposes, or any combination of these uses.
- The Fund will target retail properties in Australia with a high tenant appeal, where in the event of a vacancy, it is likely to be re-tenanted within a normal market period.
- Further acquisitions will have a target lease term of 2 years or greater.
- No properties will be under a leasehold arrangement of the land.
- The acquisition price must be supported by a written valuation from an independent valuer from a national real estate company.
- The total borrowings of all additional acquisitions will not exceed 55.0% of the Loan To Valuation Ratio (LVR).
- The cash reserve is expected to be constant across all property acquisitions, being approximately 1.0% of the purchase price.

Liquidity / exit strategy

The Fund has an initial investment term of eight years, from April 2021 to April 2029. Investors should view the Fund as illiquid and expect to remain invested for the remaining initial term of the Fund, being 7.4 years to April 2029.

The Fund also has several additional features which Core Property considers to be beneficial to investors:

- At the end of the initial term, the Fund may be extended if there is an agreement by at least 80% of all unitholders as per the Constitution. If the Fund continues, the RE will assist in the sale of units for those unitholders who do not wish to continue. If an 80% agreement is not approved, the portfolio will be sold, the Fund wound up and the net proceeds will be distributed to all unitholders.

- The RE may consider the sale of a property before the end of the initial term if it considers it to be in the best interests of unitholders and the RE receives approval from 65% or more of the total units on issue.

The Fund does not provide any other form of liquidity. Investors may also transfer their units to another investor and the RE will use its best endeavours to find a replacement investor however there is no guarantee that the RE will be able to do so. In such a situation, a transfer fee of $500 (up to a maximum of 1% of the transfer amount) is payable by the investor that is selling.

Sources & Application of funds

The following table sets out the sources and application of funds for the acquisition of the Joondalup WA asset.

Figure 2: Sources and Application of Funds

	Existing Portfolio $M	Joondalup Acquisition	Portfolio $M	% of portfolio purchase price	% of total funds
Sources of funds					
Equity subscriptions	$11.7M	$9.4M	$21.2M	57.2%	52.1%
Bank debt	$10.8M	$8.7M	$19.4M	52.5%	47.9%
Total sources of funds	**$22.5M**	**$18.1M**	**$40.6M**	**109.7%**	**100.0%**
Application of funds					
Purchase price	$20.5M	$16.5M	$37.0M	100.0%	91.2%
Acquisition Costs	$1.2M	$0.9M	$2.1M	5.6%	5.1%
Debt & Fund Establishment Costs	$0.1M	$0.1M	$0.2M	0.5%	0.4%
Managers Fee	$0.5M	$0.4M	$0.9M	2.5%	2.3%
Working Capital & Capital	$0.2M	$0.1M	$0.4M	1.0%	0.9%
Total application of funds	**$22.5M**	**$18.1M**	**$40.6M**	**109.7%**	**100.0%**

Source: APIL, Core Property

Debt Facility & Metrics

The Manager has received indicative terms to establish a new $8.7M facility to acquire the Joondalup WA property. Each asset of the Fund will have its own independent facility, with security to be a first ranking mortgage over each property and a charge over the assets of each sub-trust.

The interest cost of the facilities will be determined by the 90-day BBSY rate and bank margin of 1.4% p.a. The forecast average cost of debt is 1.9% p.a. in year one. The Manager intends to hedge a portion of the debt once the portfolio has been finalised, subject to market conditions.

- The Fund will have two debt facilities totalling $19.4M, both fully drawn following the Joondalup acquisition.
- The Fund has a target gearing ratio of between 45% and 60%. The Manager calculates gearing based on the purchase price of the properties including acquisition costs. On this basis, gearing is estimated at 47.9%, at the lower end of the target gearing range.
- The Fund is expected to have a Loan to Valuation Ratio (LVR) of 52.5% against a bank LVR covenant of 60%. Core Property calculates that the value of the properties must fall by 12.5% for the bank LVR covenant to be breached. The Manager will only enter into a new loan where the initial Loan to Valuation Ratio is less than or equal to 55%.
- The Fund is expected to have an Interest Coverage Ratio (ICR) of 5.1x, above the bank ICR covenant of 2.25x. Core Property calculates the net income must fall by 55.5% for this covenant to be breached.
- The debt facilities have a common expiry date of July 2024. The Fund will require an extension of the debt facility beyond this date for the full term of the Fund. Core Property expects the extension of the debt facility will be negotiated once the portfolio is finalised.

Investors should be aware that the debt profile of the Fund is expected to change as additional properties are acquired by the Fund.

Figure 3: Debt Metrics – indicative

Details	Metric
Bank	Bankwest (indicative)
Security	First ranking mortgage over the Property held in the Sub-Trust.
Drawn Debt / Debt Facility Limit	$19.4M / $19.4M
Loan Period	July 2024
% Hedged	Not hedged. The RE intends to hedge a portion of the debt once the portfolio is finalised, subject to market conditions.
Average cost of debt	1.90% p.a. (est. for initial 12 months)
LVR / LVR Covenant	52.5% / 60%
Interest cover ratio (Lowest ICR) / ICR covenant	5.1x / 2.25x
Amount by which valuation will have to fall to breach LVR covenant	12.5%
Decrease in net income to breach ICR covenant	55.5%

Source: Core Property, APIL

Fees Charged by the Fund

Core Property notes the Manager's Fees of 0.55% p.a. of GAV, are on the lower end of the industry average.

Core Property also considers the higher Acquisition Fees and lower hurdle rate to be offset by the lack of Disposal Fees.

Core Property notes that the Performance Fee on the Fund is calculated at 20% of the Fund's performance above an IRR of 8.0% p.a. The Performance Fee is payable at the total fund level at the end of the initial term of the Fund, or if the Fund is terminated earlier or the RE is removed or replaced before the initial term.

Figure 4: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Entry Fee:	Nil	
Exit Fee:	Nil	
Establishment Fee (Acquisition Fee):	2.5% of the Purchase price payable upon settlement and issuance of the units.	Core Property considers the Fee to be above the high end of the industry average of 1.0% - 2.0%.
Disposal Fee:	Nil	There is no disposal fee for selling the property. The industry average of around 1.0% - 2.0%. Core Property notes the sale of a property may incur an agent fee which will be treated as a separate expense to the Fund.
Fees & Expenses – Management Fee, Property and Facilities, Expenses, Custody Fees	- Management Fees of 0.55% p.a. of the Gross Asset Value (GAV). - Other costs and expenses are estimated at 0.20% p.a. of the GAV.	Core Property considers the Fees to be at the low end of what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV).
Performance Fee:	20% of the Fund's outperformance over an 8.0% IRR hurdle rate.	Core Property considers the Fee of 20% to be in line with industry practice. The threshold of 8.0% p.a. is lower than what has historically been seen in the market (10%).
Transfer Fee:	A fee of $500 (up to a maximum of 1% of the transfer amount) when selling units to a third party.	
Consulting & Project Management Fee:	Up to 5% of the total capital works expenditure for each project, for projects equal to or in excess of $50,000.	
Trust Extension Fee:	0.5% of GAV, capped at $150,000. If APIL earns a Performance Fee, then a Trust Extension Fee will not apply.	

Source: APIL, Core Property

All-in fee analysis

Core Property has analysed the fees that accrue to the RE over the term of the Fund as a percentage of all cash flow generated after deducting interest costs but before management fees and performance fees.

Core Property estimates the Manager is entitled to 7.6% of the total cash flow. Core Property considers the fees paid to the Manager to be at the low end of the range when compared to similar products, which are typically around 7% - 9%. In terms of fees paid to the Manager, Core Property estimates that 35.9% of the estimate fee is paid upfront and the remainder relates to ongoing management fees. Core Property stresses that these estimates of how much investors will receive are not guaranteed amounts. For further details, please refer to the *Financial Analysis* section.

Figure 5: Fees in Perspective – over 7.4 years to April 2029

Core Property estimates that for every $1.00 of equity invested the Fund can return:	Amount per $1.00 unit
Principal repayment to investors:	$1.00
Income and capital gains to investors:	$0.49
Total cash to investors:	**$1.49**
Acquisition fee:	$0.04
Base management fee:	$0.08
Disposal fee:	-
Debt Arrangement fee:	-
Performance fee:	$0.00
Fees for the RE (excluding disposal/admin):	**$0.12**
Total cash generated by Fund:	**$1.61**
Fees = % of total cash generated (before fees)	7.6%
Up-front fee as a % of total fees	35.9%

Source: Core Property estimates

The Property Portfolio

The acquisition of the Joondalup Commercial Centre ("the Property") will expand the portfolio to two properties collectively valued at $37.0M. The Property is being acquired for $16.5M will introduce two recognised national retailers and four specialty tenants to the portfolio. The Manager intends to acquire additional retail properties to build a total portfolio value of $100M by June 2022.

- **Joondalup Commercial Centre – 15 Dwyer Turn, Joondalup WA** is a large format retail centre originally constructed circa 2002. Located on a 9,800 sqm site, the centre holds 3,966 sqm of Gross Lettable Area and is anchored by Officeworks, who have occupied the site since its construction, complemented by The Reject Shop and four specialities, including a shoe retailer, hairdresser, beauty and eyewear store. The Property is located within the city of Joondalup, approximately 28 km north of Perth's CBD and is situated within an established retail precinct, immediately south of the Lakeside Shopping Centre, a regional shopping centre owned by Lendlease that interconnects with the Property. The shopping centre includes a Myer, Target, Kmart, four supermarkets as well as 240 specialty retailers. The Property is easily accessible by car, with 145 at grade car parking bays and in close proximity to the Mitchell Freeway and Joondalup Drive, as well as public transport with the Joondalup train station approximately 1.5 km south and multiple bus stops surrounding the Property.
- **Coolbellup Village Shopping Centre - 1 Waverley Road, Coolbellup WA** is a Woolworths anchored neighbourhood shopping centre that opened in November 2018. Situated on an 8,923 sqm parcel of land, the Property provides 3,768 sqm of GLA and is anchored by a full-line Woolworths supermarket, a pharmacy and 4 specialties with 180 onsite car parking bays. The Property is located in Coolbellup WA, a rapidly growing community centre currently undergoing a revitalisation strategy approximately 15 km south of the Perth CBD. The centre has good streetscape exposure, situated in a dense residential area within proximity to neighbouring parks, schools and bus services. The Property sits adjacent to and interconnects with the Coolbellup Shopping Centre, which includes a freestanding BWS store, Mini-mart, Australia Post, newsagency, childcare centre and medical centre.

Figure 6: Property Portfolio Metrics – as at November 2021

Property	Acqn Date	Site Area (sqm)	GLA (sqm)	Key Tenant	Valn	Portfolio Weight	Cap Rate	Occ %	WALE by income
Joondalup Commercial Centre	Feb 2021 (est. settlement)	9,800 sqm	3,966 sqm	Officeworks	$16.5M	45%	5.75%	100%	4.1 years
Coolbellup Village Shopping Centre	May 2021	8,925 sqm	3,768 sqm	Woolworths	$20.5M	55%	5.50%	100%	11.3 years
Total		**18,725 sqm**	**7,734 sqm**		**$37.0M**	**100%**	**5.61%**	**100%**	**7.5 years**

Source: APIL

Figure 7: Joondalup Commercial Centre, 15 Dwyer Road, Joondalup WA

Figure 8: Coolbellup Village Shopping Centre, 1 Waverley Road, Coolbellup, WA

Source: APIL

Property Valuation

The Fund's valuation policy requires each property to be valued by an independent valuation at least every three years or within two months of when the RE believes there to be a material change in the value. The properties also require a short form valuation every 12 months (which is usually done by way of a Director's valuation).

An independent valuation was undertaken on both properties prior to acquisition. The Coolbellup property was acquired in line with the independent valuation, as is the Joondalup property.

Figure 8: Valuation Metrics

Metric	Coolbellup Village Shopping Centre - 1 Waverley Road, Coolbellup WA	Joondalup Commercial Centre - 15 Dwyer Turn, Joondalup WA
Title	Freehold	Freehold
Acquisition date:	May 2021	Expected February 2022
Ownership	100%	100%
Site Area	8,925 sqm	9,800 sqm
Gross Lettable Area	3,768 sqm	3,966 sqm
Major Tenant (% GLA)	Woolworths (84.5%)	Officeworks (58.4%)
Weighted Average Lease Expiry	11.3 years (by income)	4.1 years (by income)
Occupancy	100%	100%
Initial net passing income	$1.1M	$0.9M
Net Market income (fully leased)	$1.1M	$0.9M
Purchase price	$20.5M	$16.5M
Valuation	$20.5M	$16.5M
Passing initial yield	5.59%	5.75%
Capitalisation rate	5.50%	5.75%
Valuer	CBRE	JLL
Valuation Date	March 2021	November 2021
Valuer's Terminal Yield	5.75%	6.00%
Value/sqm	$5,441 per sqm	$4,160 per sqm
Valuer's unleveraged 10-year IRR	5.43%	6.93%

Source: CBRE, JLL

Retail Metrics

Location: Joondalup is located roughly 28km north of the Perth CBD. Joondalup has an estimated population of 154,730 people (2016 Census). The largest employment sectors are Hospitals (5.0% of employed persons), Cafes and restaurants (3.2%), Supermarkets and Grocery Stores (2.8%) and Primary Education (2.5%).

Retail Spending: Core Property has reviewed the City of Joondalup in comparison to the Perth CBD, Western Australia, and Australian statistics. Some of the key findings are summarised below.

- Joondalup has a lower median weekly income than Perth and Western Australia, however, is higher than the average for Australia.
- Average Disposable Income and Total Household Expenditure for Joondalup are above the totals for Western Australia.

In the 5-years to 2019/2020, the Total Disposable Income for Joondalup has fallen by 1.9% p.a., with Total Household Expenditure falling 1.2% p.a. on average. These declines are in line with the results of Western Australia during the same period.

Figure 9: Trade area analysis of the Joondalup asset

2016 Census	Joondalup WA	Perth WA	Western Australia	Australia
People	**9,090**	11,425	2,474,410	23,401,892
Median Weekly Income	**$1,584**	$1,827	$1,595	$1,438
Average Household size (persons)	**2.5**	1.9	2.6	2.6

Source: ABS

Household Expenditure & Disposable Income	2014/2015	2019/2020	Avg. growth
Household expenditure ($ p.a.) City of Joondalup			
- Food	$11,801	$12,079	+0.5% p.a.
- Miscellaneous Goods & Services	$18,152	$17,352	-0.9% p.a.
- Housing	$27,851	$27,568	-1.0% p.a.
- Furnishings & Equipment	$5,759	$5,043	-2.5% p.a.
- Other Categories (Alcoholic Beverages & Tobacco, Clothing & Footwear, Health, Transport, Communications, Recreation & Culture, Education, Hotels Cafes & Restaurants, Utilities)	$63,089	$57,043	-1.9% p.a.
Total Household Expenditure – Joondalup	**$126,653**	**$119,085**	**-1.2% p.a.**
Total Household Expenditure – Western Australia	**$117,256**	**$111,040**	**-1.1% p.a.**
Total Disposable Income per household – Joondalup	**$182,300**	**$164,761**	**-1.9% p.a.**
Total Disposable Income per household – Western Australia	**$164,461**	**$146,607**	**-2.2% p.a.**

Source: Economy. id, based on data from the National Institute of Economic and Industry Research (NEIR).

Competition

The centre is situated in a highly competitive retail market, with a large number of retailers within the local area. The smaller tenancies within the Property face greater levels of competition than the anchor tenants, with similar retailers located within Lakeside Joondalup Shopping Centre, in close proximity to the Property.

Other large-format retailer centres which provide some level of competition is HomeCo Joondalup (2.2 km south) and Joondalup Gate (5 km south) which is also managed by APIL. The Independent Valuer considers that going forward, there will be limited new developments that would compete with the centre.

Leases, tenants and income

The Fund's income is underpinned by well-known national retailers, and an established pharmacy franchise representing approximately 84.1% of the portfolio's gross income. The balance of income is derived from speciality tenants complementing the anchor tenants of the two properties, including a shoe store, barber, café, nail bar and burger/pizza stores. Below is a summary of the Fund's four largest tenants by income:

Woolworths's supermarket is the largest tenant in the portfolio, representing 41.5% of the portfolio's gross income. The anchor tenant of the Coolbellup Village Shopping Centre, the Woolworths supermarket is the 100th store in WA and has a convenient Drive-Up option for pickup of online orders. The Woolworths lease commenced in November 2018, upon completion of the property, for an initial term of 15 years to 2033, with 4 x 10-year options to extend thereafter. The lease includes an option for Woolworths to expand the premises, and Woolworths has a first right of refusal to purchase the property before it can be sold to another party. The supermarket has delivered strong sales growth of around 30% in 2020, with current sales being 10% - 20% above the Australian average for major supermarkets, on a sales per sqm basis.

Officeworks is the second-largest tenant in the portfolio, representing 22.8% of portfolio income. Officeworks is a chain of Australian office supplies stores established in 1994 by Coles Group before it was acquired by Wesfarmers. Officeworks is the anchor tenant of the Joondalup Commercial Centre and is one of 13 Officeworks stores located in and around Perth's CBD. Officeworks has performed strongly during the COVID-19 pandemic disruptions, benefitting from the accelerated transition to work from home business models, with earnings for the business increasing 7.6% in FY21. Officeworks has been the anchor tenant of the Property since its construction in 2001, formerly holding a 12-lease term which expired in December 2013, exercising a six-year option period afterwards. In June 2020, the lease was extended for a further six years, now expiring in June 2026 with a 1 x 6-year option period remaining. The lease is subject to annual rental increases of CPI, subject to a minimum 3% p.a. and maximum 6% p.a.

The Reject Shop is the third-largest tenant in the portfolio, representing 12.4% of portfolio income. The Reject Shop (ASX: TRS) is an established discount variety store with over 365 store locations across Australia. The Reject Shop is one of 11 stores north of the Perth CBD, with over 20 stores across Perth. During FY21, The Reject Shop recorded a FY21 net profit after tax of $8.3M, up 643% on FY20 numbers as some shops were heavily impacted by COVID-19 restrictions. Sales at neighbourhood and strip locations however remained strong. The Reject Shop held a seven-year lease term beginning in September 2013 and exercised a three-year lease extension expiring in August 2023. The lease is subject to fixed rental increases of 3.5% p.a., with a 1 x 7-year option period available upon expiry.

Optimal Pharmacy Plus is the fourth-largest tenant in the portfolio, representing 7.4% of portfolio income. The Pharmacy is a well-established franchise with 29 locations across WA, NSW, ACT and QLD. The Pharmacy commenced a 10-year lease term expiring in December 2028, subject to fixed 3.5% annual increases, with no option periods available upon expiry

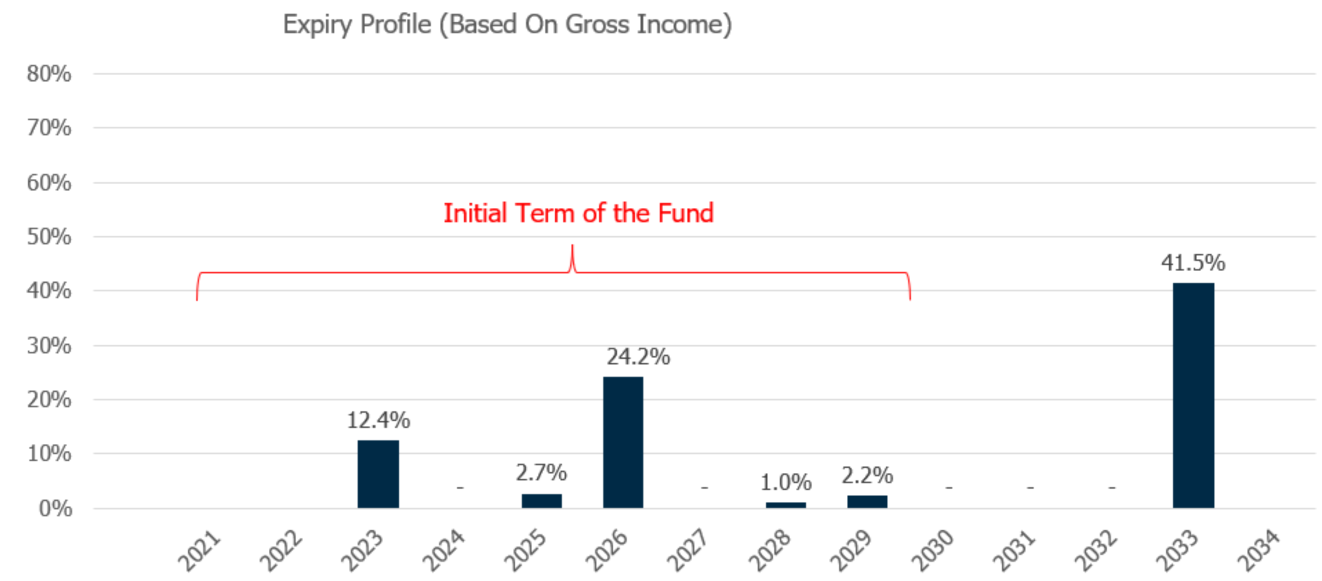
Figure 10: Portfolio Tenant Summary

Tenant	Property	% Of Portfolio Income	GLA (sqm)	Lease-End	Lease Period	Options	Rent Review
Woolworths	Coolbellup Village Shopping Centre	41.5%	3,184	Nov-33	15.0 yrs	4x10 yrs	Turnover rent of 2.5% up to $50M, + 2.25% in excess of $50M + 2.0% in excess of $55M
Officeworks	Joondalup Commercial Centre	22.8%	2,318	Jun-26	6.0 yrs	6 yrs	CPI, Min 3.0% - max 6.0% p.a.
The Reject Shop	Joondalup Commercial Centre	12.4%	971	Aug-23	3.0 yrs[1]	7 yrs	Fixed 3.5% p.a.
Optimal Pharmacy Plus	Coolbellup Village Shopping Centre	7.4%	295	Dec-28	10.0 yrs	-	Fixed 3.5% p.a.
Specialties	Joondalup Commercial Centre	9.8%	677	Feb 29 – Jul 25	6.9 – 7.6 yrs	0 – 8 yrs	CPI + 1.0% - 3.5% p.a.
Specialties	Coolbellup Village Shopping Centre	6.1%	189	Nov 28 – Apr 25	5.0 – 7.0 yrs	0 – 5 yrs	CPI – 4.0% p.a.
Total		**100%**	**7,734**				

Source: APIL, CBRE, JLL. Note 1: 3-year extension of the lease.

The Fund has a moderate level of lease expiries over the initial term of the Fund, with approximately 40.4% of the portfolio's gross income expiring before May 2028. The closest risk of income expiry is 12.4% in 2023, which is a result of The Reject Shop's three-year lease extension expiring. The largest year of expiry is currently 2026, which is primarily a result of Officeworks lease expiring (22.8% of income).
The Fund's lease expiry profile is likely to change as additional properties are acquired. The figure below represents the Fund's current weighted average lease expiry by income.

Figure 12: Property lease expiry (by income)

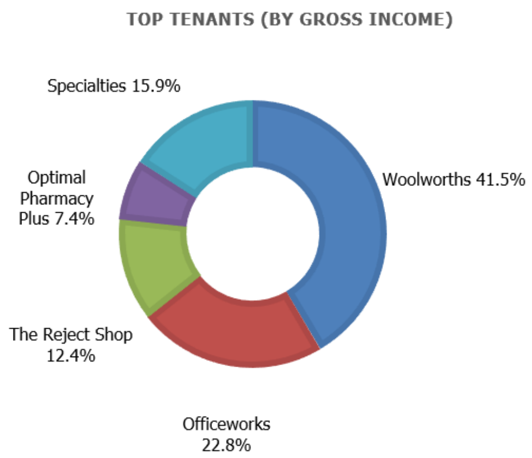


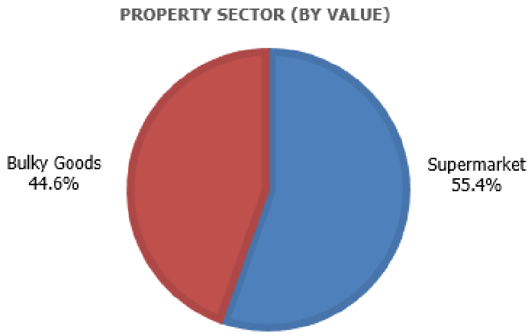
Source: Core Property

Diversification

Following the acquisition, the Fund will own two Western Australian retail properties. The majority of income is currently sourced from a supermarket retailer (41.5% - Woolworths), while Officeworks and the Reject Shop represent 35.2% of the portfolio's gross income. The diversification of the Fund is expected to improve as the Fund works towards the $100M portfolio size.

Figure 11: Diversification Metrics (Pro-forma)





Source: Core Property

Market Sales Evidence

The table below is a summary of comparable sales transactions for the two properties, as provided in the independent valuation report.

Based on the comparable transactions, the Joondalup Commercial Centre is being acquired on a price per sqm basis that is towards the high end of the comparable range, and on an initial yield around the midpoint of similar transactions in the last 12 months.

The Coolbellup Village Shopping Centre appears to be acquired at the low end of the range on a price per sqm basis, also on an initial yield that is around the mid-point for the past 12 months.

Figure 13: Comparable sales transactions

Location	Date	Sale Price	Initial Yield	Equivalent Yield	Price per sqm
Joondalup Commercial Centre, WA	**Est. Dec 21**	**$16.5M**	**5.75%**	**5.75%**	**$4,160**
LFR Range:	Jan 21- May-21 (8 transactions)	$12.4M - $66.0M	4.9% - 6.2%	5.7% - 6.7%	$1,771 - $4,465
Coolbellup Shopping Village, WA	**May-21**	**$20.50M**	**5.59%**	**5.54%**	**$5,441**
Neighbourhood Shopping Centre Range	Jan 21 – Apr 20 (5 transactions)	$19.5M - $33.5M	3.9% - 6.1%	3.9% - 6.0%	$4,596 - $7,752

Source: CBRE, JLL

Market Rental Evidence

The Independent Valuer has assessed the passing income of both properties and believes the rents are in line with the market.

- At the Joondalup property, the Officeworks lease, is at a net rate of $216 per sqm, which is within the range of net rents for similar larger tenancies in Perth over the last 18 months (between $173 - $245 per sqm). The Reject Shop lease is at a net rate of $263 per sqm, which is slightly above this range, a result of the fixed 3.5% p.a. rental increases. The specialty tenants have leases within the range of $250 - $375, below the range of comparable leases of $360 - $500 in Perth over the last 18 months.
- At the Coolbellup property, the Woolworths lease is at a gross rate of $353 per sqm, while the specialties are within the range of $350 - $581 per sqm (net). The leases are considered at market, having commenced between December 2019 to May 2021.

Capex

The Manager is forecasting approximately $0.4M of capex over the next five years, as estimated by the independent valuation assumptions. The Coolbellup WA property was constructed in November 2018 and has little capital expenditure requirements in the short term, while the Joondalup asset has recently received upgrades to the centres air-conditioning, external painting and car parking. The capex is expected to be funded by the excess cash reserves of the Fund.

Financial Analysis

Core Property has reviewed the financial forecasts by the Manager. The key observations are:

- The forecasts are based on the Joondalup WA property being settled by the Fund by 1 February 2022.
- The Manager is forecasting initial distributions of 6.0% p.a. for FY22 and FY23.
- The Manager is targeting a cash reserve of 1.0% of the purchase price, following the acquisition to provide a cash reserve for the Fund. The cash reserve is expected to increase in size to around $1.0M over the initial 9-year term of the Fund.
- Investors should expect the forecasts to change, as additional properties are acquired by the Fund over time.

A summary of the forecasts is presented below.

Figure 14: Profit & Loss Forecast & Balance Sheet

Profit & Loss - Forecast $M	**FY22 5 months (1 Feb 2 – 30 Jun 22)**	**FY23**
Gross Rental Income & Recoverables	1.1	2.8
Outgoings	-0.3	-0.7
Net Operating Income	**0.9**	**2.1**
Interest	-0.2	-0.6
Management Fee	-0.1	-0.2
Trust Management Expenses	0.0	-0.1
Cash Available for Distribution	**0.6**	**1.3**
Retained Income	-0.1	0.0
Distributions	**0.5**	**1.3**
Units on Issue	**21.1**	**21.1**
Cash Reserve in Fund	0.4	0.4
Distribution Per Unit	**2.5**	**6.0**
Annualised Distribution Yield	**6.0%**	**6.0%**

Balance Sheet – $M – Pro forma	**February 2022 Pro forma**
Cash	0.4
Property Value	37.0
Other Assets	-
Total Assets	**37.4**
Borrowings	19.4
Total Liabilities	**19.4**
Net Assets	**18.0**
Units on Issue	**21.1**
Net Tangible Assets per Unit	**$0.85 per unit**
Loan to Valuation Ratio (LVR)	**52.5%**
Gearing Ratio (Debt/Total assets) – Manager calcs, based on capitalised acquisition costs	**47.9%**

Source: APIL, Core Property

Initial NTA

The starting NTA is an important consideration. It should be assessed in the context of statutory costs and fees paid to the Manager, which dilute investors' return over the term of the Fund.

Core Property has calculated the NTA, based on the two properties in the Fund. The NTA is calculated at $0.85 per unit, with most of the dilution coming from acquisition costs (mainly stamp duty).

Figure 15: Initial NTA

Amount per unit	$ per unit
Issue Price	$1.00
Less:	
Acquisition Costs	-$0.10
Acquisition Fee	-$0.04
Debt & Fund Establishment Costs	-$0.01
NTA per unit	**$0.85**

Source: Core Property

Expected Future Performance (IRR Sensitivity)

The three main performance drivers in a property syndicate are:

1. The property income profile (lease structure);
2. The terminal value upon the sale of the property (asset quality + market conditions); and
3. The cost of debt (depending on leverage).

Core Property has estimated the total return from the Fund based on the acquisition of the two-asset portfolio and the assumptions provided by the Manager.

Using these assumptions Core Property expects the Fund to deliver an Internal Rate of Return (IRR) in the range of 5.6% - 7.7% p.a. (midpoint 6.7% p.a.). The calculation is based on the Manager's forecasts and assumes a +/- 25bps movement in the terminal capitalisation rate and +/- 25bps movement in interest rates.

Investors should be aware the sensitivities include the potential for the valuation of the assets to increase or decrease (depending on market conditions) which will result in either a capital gain or loss for investors. Investors should also be aware that the Fund intends to acquire additional assets, which may also impact investment returns.

Figure 16: Pre-tax, 7.4-year IRR (after fees) sensitivity analysis – Manager's assumptions

	IRR based on Cost of debt				
Terminal cap rate	**0.90%**	**1.40%**	**1.90%**	**2.40%**	**2.90%**
5.11%	8.6%	8.5%	8.5%	8.4%	8.3%
5.36%	7.8%	7.7%	7.6%	7.5%	7.4%
5.61%	6.8%	6.7%	**6.7%**	6.6%	6.5%
5.86%	5.9%	5.8%	5.7%	5.6%	5.5%
6.11%	5.0%	4.9%	4.8%	4.7%	4.6%

Source: Core Property

Management & Corporate Governance

APIL is a leading Australian property syndicator and manager specialising in commercial property investment with a proven track record of delivering strong income returns and capital growth. Established in 2001, APIL has established 29 commercial funds with a combined total of over $1.0B. Their strategic focus is on quality assets delivering strong yields with potential growth over the medium to long term horizon.

Core Property has reviewed the composition of the RE board and believes that it has the relevant skills and experience to operate the Fund successfully. Each Director has demonstrable property and investment management skills. We summarise the background of the directors and key managers, as provided in the PDS.

Figure 17: The Board of the Responsible Entity

Name & Role	Experience
Peter Hughes Managing Director FAPI, CPV	Peter has over 40 years experience in the property industry and is one of WA's most respected property professionals. His vast experience includes being a valuer, consultant and project manager for investment acquisitions, and the sale of commercial and industrial properties. Previously Peter was a Director of Burgess Rawson (WA) Pty Ltd from 1994 to 2002. Peter's principal responsibility is assessing property that meets with APIL's core investment strategy. Peter is a Fellow of the Australian Property Institute as a certified practicing valuer, holds a Real Estate Agents License and a current triennial real estate agents certificate. Peter acts as an ASIC Certified Responsible Manager of APIL.
Helen Lassam Executive Director	Helen has over 25 years' experience in the commercial property sector. Prior to joining APIL in February 2016 Helen was a Senior Director and Perth Executive Board Member at CBRE. Helen has also been the Director of Retail Asset Services a position which she held for 15 of her 18 years with CBRE where she was responsible for business development, client relationship management and staff mentoring. Helen sits on the APIL Board and is responsible for the operation of the Fund and the operations of the business and manages and mentors Fund Managers and administrative staff within the firm.
Sol Majteles Non-Executive Director LLB, FAICD	Sol has more than 40 years' experience in property and commercial law, focusing on all aspects of property acquisition, syndication, development, leasing and sales. Sol was one of the founding directors of APIL in 2001. His role is to ensure that the legal aspects of property acquisitions and syndicate arrangements are properly completed. He is currently a partner at Lavan, one of Western Australia's largest independent law firms.
Joe Evangelista Non-Executive Director BCom, CA, FAIT	Joe has over 25 years' experience as a chartered accountant and his experience in the property industry focusing on taxation planning, business administration and compliance, investment analysis and strategic and financial planning. Joe is currently a senior partner in the Perth office of a national accounting firm, BDO. He is a qualified Chartered Accountant and is responsible for the accounting and taxation issues relating to APIL's property acquisitions. He is also a responsible manager of APIL.

Source: APIL

Figure 18: Management Team

Name & Role	Experience
Peter Hughes Managing Director FAPI, CPV	Peter has over 40 years' experience in the property industry and is one of WA's most respected property professionals. His vast experience includes a valuer, consultant and project manager for investment acquisitions, and the sale of commercial and industrial properties. Previously Peter was a Director of Burgess Rawson (WA) Pty Ltd from 1994 to 2002. Peter's principal responsibility is assessing property that meet with APIL's core investment strategy. Peter is a Fellow of the Australian Property Institute as a certified practicing valuer, holds a Real Estate Agents License and a current triennial real estate agents' certificate. Peter acts as an ASIC Certified Responsible Manager of APIL.
Helen Lassam Executive Director	Helen has over 25 years' experience in the commercial property sector. Prior to joining APIL in February 2016 Helen was a Senior Director and Perth Executive Board Member at CBRE. Helen has also been the Director of Retail Asset Services a position which she held for 15 of her 18 years with CBRE where she was responsible for business development, client relationship management and staff mentoring. Helen sits on the APIL Board and is responsible for the operation of the Fund and the operations of the business and manages and mentors Fund Managers and administrative staff within the firm.
Gary Wrightson Fund Manager	Gary has over 30 years' experience in commercial property. Before joining APIL in May 2016, Gary was the Property Investments Manager for the Insurance Commission of Western Australia. Gary has extensive knowledge and experience in the asset management and development of office, retail and industrial properties within large property portfolios. As Fund Manager, Gary is responsible for the management of the office and industrial properties including asset management and leasing.

Nic Hughes Acquisitions Manager BCom (Eco/Fin)	After completing his Bachelor Degree in Commerce (Economics and Finance) at the University of Western Australia, Nic commenced his property career at Jones Lang Lasalle as an Analyst in the Sales & Investments team. In this role, Nic undertook property feasibility and analysis, preparing marketing information, assisting with sales campaigns and general property market commentary. Nic is now responsible for identifying property acquisitions by assessing a property's suitability to APIL's core investment strategy and providing recommended property to the Finance Committee for possible acquisition.
Adrian Di Carlo Company Secretary BBus (Acc), MBA, GradDip ACG, CPA, AGIA	Adrian is responsible for overseeing the APIL group's finance, accounting, corporate governance, and statutory compliance functions. Adrian is a CPA and Chartered Secretary with 28 years' corporate experience in the capacity as an employee and consultant working across various international jurisdictions and industries in accounting and finance, company secretarial and commercial roles within private and listed ASX 200 companies, large multi-national companies, and junior listed companies.
David Couzens Facilities Manager	David Couzens oversees the maintenance and capital works of all the properties within APIL's property portfolio. Drawing on his engineering degree and previous experience in the construction industry David is able to ensure the APIL portfolio of properties is maintained to the highest standard and facilities are upgraded to add both practical and financial value.
Cristhian Lopez Cardona Asset Manager BCom (Acc)	After completing his Bachelor Degree in Accounting Cristhian commenced his property related experience with a graduate role at the Insurance Commission of WA/Investments Division, supporting the team in the management and accounting of the $800 million property portfolio Divestment Project. Cristhian manages the everyday operations of APIL funds including leasing, construction, finance, and asset management responsibilities.

Source: APIL

Compliance and Governance

The RE has a Compliance Plan which has been lodged with ASIC, as required by the Corporations Act. The Compliance Plan outlines the policies and procedures for the RE to administer the Trust's assets, engagement of external service providers, valuation practices, borrowings and reporting to unitholders.

The Fund's compliance committee comprises of the three members, the majority of which are external independent directors.

ASIC Regulatory Guide 46 "Unlisted property schemes: Improving disclosure for retail investors" and Regulatory Guide 198 "Unlisted disclosing entities: continuous disclosure obligations" describe ASIC's preferred benchmarks and principles.

Core Property has reviewed the PDS in reference to the six benchmarks and eight disclosure principles recommended by RG46. The PDS adheres to all of the ASIC guidelines.

The Manager produces a Target Market Determination, which can be found on the Fund's website, in accordance with the requirements of s994B of the Corporations Act 2001.

Conflicts of Interests and Related Party Transactions

All conflicts of interests are to be handled in accordance with the RE's Related Party Transactions policy which is assessed by the Compliance Committee and, if necessary, referred to the RE's Board.

The PDS also sets out a number of related party transactions that are currently expected by the Fund:

- Peter Hughes is the Managing Director of APIL and a director of Hughes Advisory Pty Ltd which provides asset management services to the sub-trust and a related entity of Peter Hughes may be a participant in the Trust.
- Solomon Majteles is a Director of APIL and is a partner in the law firm Lavan which provides legal services to APIL and a related entity of Mr Majteles may be a participant in the Fund.
- Joseph Evangelista is a Director of APIL and is a partner in the accounting firm BDO which provides accounting services and other corporate services from time to time to APIL.
- Helen Lassam is a Director of APIL. A related party of Helen Lassam, BFI Building Services, may provide property maintenance and building services to the Fund.

Core Property
Fund Research & Ratings

Past Performance

The Manager has advised that, since 2001, APIL has established 29 commercial property syndicates with a combined value of over $1.0B. As at 30 November 2021, of 9 completed investment syndicates (sold and wound up) the average capital growth per annum was 16.4% with an average cash distribution of 11.2% per annum, resulting in a total average cash return per annum of 27.6% (before tax).

Readers should note that that past performance is not a reliable indicator of future performance as each fund, and its respective underlying property, has its own specific risks and attributes.

The following is a table of completed syndicates as provided by APIL.

Figure 19: Past Performance of APIL Completed Funds

Property	Start Date	Purchase Price	Sale Date	Sale Price (net)	Investment Period	Average Distributions Paid	Exit Price
405 Scarborough Beach Road Syndicate	September 1999	$9.9M	June 2007	$19.6M	7.8 years	15.0%	$2.83
Marlows Midland	December 2001	$2.3M	May 2014	$2.85M	12.5 years	11.5%	$1.44
10 Kings Park Rd	June 2002	$7.7M	March 2012	$19.7M	9.8 years	12.9%	$3.44
79 McCoy Street Syndicate	March 2003	$4.8M	June 2010	$9.35M	7.3 years	11.2%	$2.26
888 Nicholson Road Syndicate	August 2003	$8.5M	February 2008	$13.8M	4.5 years	9.7%	$1.96
2 Kings Park Rd Syndicate	October 2004	$10.65M	March 2011	$23.2M	6.4 years	12.0%	$2.39
Sheffield House Syndicate	July 2005	$9.86M	August 2016	$31.2M	11.2 years	13.1%	$2.50
APIL Wingate St Leonards Office Trust	July 2014	$96.4M	March 2018	$162.1M	3.6 years	8.8%	$1.79
59 Pilbara St, Welshpool WA syndicate	April 2007	$19.8M	July 2021	$22.7M	14.2 years	6.5%	$1.00

Source: APIL

Appendix – Ratings Process

Core Property has developed a framework for rating property and property related investment product offerings in Australia. The methodology gives consideration to a number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product and underlying portfolio construction; strength and depth of management team, product structure, risk management, financial analysis, and likely outcomes.

It is important for financial planners and investors to view the recommendation and rating in the context of comparable products only and not across all products rated by Core Property.

The Ratings

Financial Advisers and investors should note that for all ratings categories, the product may not suit the risk/return profiles of all investors.

Rating	Definition
Highly Recommended	This is the highest rating provided by Core Property and is indicative of the product exceeding the requirements of our review process across a number of parameters.
Recommended	Indicates that the product has an above average grade profile across a number of Core Property's parameters and has the potential to deliver above average risk adjusted total returns.
Approved	Indicates that the product has met the aggregate requirements of Core Property's criteria. The product has an acceptable risk/return trade-off and is potentially able to generate risk-adjusted returns in line with stated investment objectives.
Speculative	Core Property believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Core Property does not rule out investing in this product, investors should be very aware of, and be comfortable with the specific risks. The product may provide unique diversification opportunities, although concerns over one or more features mean that it may not be suitable for most investors.
Not Approved	Indicates that the product has failed to meet the minimum aggregate requirements of Core Property's criteria. While the product may have some positive attributes, Trusts in this category are considered high risk.

This report has been commissioned, and, as such, Core Property has received a fee for its publication. Under no circumstances has Core Property been influenced, either directly or indirectly, in making statements and / or recommendations contained in this report.

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