Core Property
Fund Research & Ratings
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Unlisted Property Trust Report

Elanor Warrawong Plaza Fund

October 2021

Sub-regional shopping centre with Core-Plus repositioning strategy targeting 7.0%+ distributions

for sophisticated and wholesale investors only

Elanor Warrawong Plaza 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.

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Core Property
Fund Research & Ratings

Elanor Warrawong Plaza Fund

October 2021

The Elanor Warrawong Plaza Fund ("The Fund") is an unlisted property fund that invests in the Warrawong Plaza shopping centre in Warrawong NSW ("the Property"). The Investment Manager, Elanor Funds Management Limited ("the Manager") is a subsidiary of Elanor Investors Group (ASX: ENN), an established Australian real estate fund manager with $2.3B of funds under management.

The Fund is seeking to raise 82.2M units priced at $1.00 per unit and is only available to Wholesale and Sophisticated Investors under the terms of the Information Memorandum.

The Property is a two level sub-regional shopping centre located 8km south of the Wollongong CBD in Warrawong NSW. The Property is in a key gateway location that benefits from exposure to major arterial roads, connecting the centre with inland, coastal and CBD communities. With 43,372 sqm of Gross Lettable Area (GLA) on a seven-hectare site, the Centre is anchored by two supermarkets (Coles and Aldi), two discount department stores (DDS) (Big W and Target), 9 mini majors and 66 specialty tenants including three pad sites. The Property is being acquired on favourable terms for $136.4M, below an estimated replacement cost of $253.0M. Key property metrics include, (1) annual sales of ~$191.0M across the centre (2) occupancy of 91.6% and (3) a WALE of 4.5 years (by income).

The Manager is planning to reposition the centre with a comprehensive strategy that involves remixing tenancies to non-discretionary uses including – replacing the Target DDS with a new full line Woolworths supermarket, and an ecommerce fulfillment ('dark store') with 'direct to boot' facilities. The Manager is also looking to introduce a 1,000 sqm childcare facility and additional health-based services. A large proportion of the strategy has already been de risked, with preliminary agreements already in place with Woolworths, a childcare operator and an extension of the Big W lease. The strategy will look to position the centre as the only triple-supermarket anchored shopping centre in the region with a strong performing DDS, and the latest E-commerce fulfillment offering.

The Manager is targeting initial distributions of 7.0% p.a. in year 1 and 2. Distributions are expected to increase to 9.2% - 9.7% p.a. in years 3-5 as a result of expected increase in rental income delivered by the repositioning strategy.

The Manager has obtained indicative terms for a four-year debt facility, with an initial Loan-To-Valuation Ratio (LVR) of 50%. The debt facility will include capacity for $26.4M to be drawn down to fund the repositioning strategy. The LVR is expected to remain below 50% throughout the initial Fund term as a result of revaluation gains from the repositioning strategy.

The Fund will have an initial NTA of $0.85 per unit with most of the dilution coming from stamp duty and upfront establishment costs. Core Property considers the fees charged to be at the high end of the market, however this should be seen in relation to the additional work required for the strategy proposed by the Manager. As such, in the context of the targeted returns and strategy, the fees can be seen as appropriate (see *Figure 6: Fees in Perspective*).

Core Property estimates the Fund to deliver a pre-tax Internal Rate of Return (IRR) of 7.4% - 10.1% p.a. based on capitalisation rates remaining in the 6.75% - 7.25% range (to be consistent with Core Property's methodology of rating comparable funds). Notwithstanding this, Core Property recognises the Manager's target IRR of 11.1% - 13.3% p.a. is based on a rerating of the Property as a result of the repositioning strategy, achieving lower capitalisation rates of 6.00% - 6.50%. The lower capitalisation rates are in line with recent market sales evidence (*see Market Sales Evidence*) and an independent market valuation, supporting on a 6.50% capitalisation rate upon completion of the repositioning strategy (*see Expected Future Performance (IRR Sensitivity)*).

Investor suitability

Core Property considers the Fund will appeal to investors who seek an attractive distribution with the potential for a higher return delivered by a Core Plus investment strategy. Downside risks, to a degree, are mitigated by the attractive acquisition price, as well as preliminary lease agreements in place. Investors should note the value-add scenario is based on several assumptions which may or may not eventuate and a return outside this range may also be achieved. Investors should expect to be invested for a minimum five-year period, subject to the Manager's discretion and execution of its strategy.

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:	15 September 2021
Offer Close:	15 October 2021[1]
Minimum Investment:	$100,000
Unit Entry Price:	$1.00 per unit
Net Tangible Assets:	$0.85 per unit[2]
Liquidity:	Illiquid
Forecast Distributions:	Year 1: 7.0 cpu Year 2: 7.0 cpu
Distribution Frequency:	Quarterly
Initial Investment Period:	5.0 years to 2026 (approximately)[3]

1. The Manager may close the Offer at any time when sufficient commitments have been received.
2. NTA of $0.85 per unit includes capitalised borrowing costs, or $0.84 per unit is borrowing costs are expensed.
3. The Fund has an investment horizon of approximately five years, or more, subject to the Manager's discretion.

Fund Contact Details

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Manager - Website

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Note: This report is based on the Elanor Warrawong Plaza Fund Information Memorandum dated 15 September 2021, together with other information provided by Elanor Investors Group.

Key Considerations

Management: The Responsible Entity and Manager, Elanor Funds Management Limited, is a wholly owned subsidiary of Elanor Investors Group (ASX: ENN), an ASX-listed fund manager established in 2014 with $2.3 billion of assets under management. The Manager has advised that it has realised a total of 14 unlisted property funds, delivering an average IRR to investors of 19.8% p.a. (range 7.7% - 46.4% p.a.), with an average IRR of 24% p.a. on retail properties.

Fund Structure: The Fund will issue 82.2M of stapled units at $1.00 to sophisticated and wholesale investors under the terms of the Information Memorandum. The units will be stapled with the Warrawong Development Fund, to provide future flexibility for further development opportunities.

The Property: Warrawong Plaza is as sub-regional shopping centre located on the corner of two major arterial roads in Warrawong NSW, 8 km south of the Wollongong CBD. The Property provides 43,372 sqm of gross lettable area (GLA) with 1,555 at grade car parking bays spread across the basement and two levels upper levels. Originally built circa 1960, the Centre has undergone several major refurbishments, with the most capital-intensive period between 2016 -2019 when over $40M was invested into the Centre to begin remixing tenancies to non-discretionary and destination retailing. The centre is anchored by two supermarkets (Coles and ALDI), two discount department stores (Big W and Target), 9 Mini Majors and a further 63 specialty tenants including three pad sites. The centre holds a WALE of 4.5 years (by income) and is 91.6% occupied, with 3.8% attributable to two vacant mini major tenancies.

Fund Strategy: The Manager plans to undertake a significant asset repositioning strategy to enhance the value of the Property, which includes: (1) Replacing the underperforming Target DDS with a full line Woolworths supermarket with e-commerce fulfilment capabilities (2) Fill existing vacancies and introduce a 1,000 sqm childcare facility near the existing medical centre with health service tenants to create a upper level health service precinct, and (3) Introduce travelators from the basement carparking to improve convenience and accessibility to the Centre. The successful execution of the strategy is intended to transform the Property into an ultra-convenient sub regional shopping centre with an enhanced tenancy profile focused on non-discretionary and essential spending.

Acquisition Price: The Property is being acquired on favourable metrics for $136.4M, well below its estimated replacement cost of $253.0M.

Debt Profile: The Manager has obtained indicative terms for a four-year $94.6M debt facility from a Major Global Bank, comprised of $68.2M to purchase the Property, and a further $26.4M to fund the Property's repositioning strategy. The facility has an all-in cost of ~2.75% p.a., with an initial Loan to Value (LVR) ratio of 50% below the LVR covenant of 55%, and an Interest Cover Ratio (ICR) of 3.5x with an ICR covenant of 2.0x.

Distributions: The Manager is forecasting a distribution of 7.0 cpu in years 1 and 2. Distributions are forecast to increase to 9.2 cpu in year 3 as a result of additional income from the repositioning strategy, with a forecast 5-year average distribution of 8.50 cpu. Distributions are paid on a quarterly basis.

Fee Structure: The Fund charges fees that are at the high end of what Core Property has seen in the market. The fees can be seen as being reflective of the additional work required to undertake the repositioning strategy. As such, in the context of the strategy and targeted returns, the fees can be seen as appropriate (see *Figure 6: Fees in Perspective*).

Total return profile: Core Property estimates the Fund to deliver a pre-tax equity IRR of between 7.4% - 10.1% p.a. (midpoint 8.8% p.a.), based on a capitalisation rate of 6.75% - 7.25% (see *Financial Analysis*). The Manager is forecasting a higher IRR of 11.1% - 13.3% p.a. (midpoint 12.2% p.a.) based on the strategy delivering a capitalisation rate of 6.00% - 6.50%. The Manager has received an independent market valuation supporting the assumption that the Property will achieve a 6.50% capitalisation rate upon completion of the strategy. Investors should be aware that forecast returns are based on the successful delivery of the Manager's strategy as well as market conditions, and a return outside this range is possible.

Illiquid investment: Investors should be aware that by their nature, unlisted property funds are illiquid. The Fund has an expected investment horizon of five-years however this is subject to the Manager's discretion and the successful execution of the strategy.

Investment Scorecard

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

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Key Metrics

Trust Structure

A closed-ended single asset unlisted property fund investing in a sub-regional shopping centre located in Warrawong NSW. The Fund is an unregistered managed investment scheme managed by Elanor Funds Management Limited, a subsidiary of Elanor Investors Group (ASX: ENN).

Management

Elanor Investors Group (ASX: ENN) is a specialist real estate fund manager with $2.3B of funds under management. Elanor focusses on delivering value through a combination of strong cashflows and value-add projects to deliver capital growth for investors.

Property Portfolio

No. of Properties:	1
Property Location:	Warrawong Plaza, 43-65 Cowper St, Corner of King St & Cowper St, Warrawong NSW
Acquisition Price:	$136.4M
Property Valuation:	$136.4M
Property Sector:	Retail
Key Tenants:	Coles, Big W, Target
Occupancy:	91.6%
WALE:	4.5 years (by income)

Return Profile

Forecast Distribution:	Year 1: 7.0% p.a. Year 2: 7.0% p.a.
Distribution Frequency:	Quarterly
Tax advantage:	TBA
Estimated Levered IRR (pre-tax, net of fees):	7.4% - 10.2% p.a. (based on 6.75% - 7.25% capitalisation rate) 12.2% p.a. (based on the Manager's target 6.25% capitalisation rate)
Investment Period:	5 years to Nov 2026

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
Development Risk:	The Property's repositioning strategy is dependent on Development Application approval in order to be completed.
Tenant Risk:	Lower than forecasted new / renewal tenant income assumptions may affect the performance of the Fund.

For a more detailed list of the key risks, refer to "Section 12: Investment Considerations and Risk factors" of the Information Memorandum.

Fees Paid

Entry Fees:	Nil
Exit Fees:	Nil
Establishment Fee (Property Acquisition Fee):	2.0% of purchase price, paid once on settlement of the Property.
Equity Raising Fee	1.0% of equity raised. Paid once only from the Funds' assets on settlement of the Property
Management Fees:	Management Fee: 1.0% p.a. of the Fund's Gross Asset Value (GAV), paid monthly.
Performance Fee:	25% of the outperformance over an IRR of 10.0% p.a.

Debt Metrics - indicative

Initial Debt / Maximum Debt /Facility Limit:	$68.2M / $94.6M / $94.6M
Loan Period:	4 years
Initial LVR / Peak LVR/ LVR Covenant:	50% / 50% / 55%
Initial ICR / Low ICR / ICR Covenant:	3.5x / 3.5x / 2.0x

Legal

Offer Document:	Elanor Warrawong Plaza Fund Information Memorandum, dated 15 September 2021
Wrapper:	Unlisted Property Trust
Custodian:	Elanor Funds Management Limited (ABN 39 125 903 301, AFSL No.398196)
Responsible Entity, Trustee & Manager:	Elanor Funds Management Limited (ABN 39 125 903 301

Fund Overview

The Fund is a closed-ended, unlisted property fund that invests in the Warrawong Plaza, Warrawong NSW ("the Property"). The Fund is managed by Elanor Funds Management Limited ("the Manager") which is a wholly owned subsidiary of Elanor Investors Group (ASX: ENN), an ASX-listed real estate fund manager established in 2014.

The Manager is seeking to raise $82.2M through the issuance of 82.2M stapled securities at an issue price of $1.00 per unit. The funds will be used in conjunction with debt, to acquire the Property for a purchase price of $136.4M plus costs. The Offer is available to wholesale and sophisticated investors, as per the terms of the Information Memorandum.

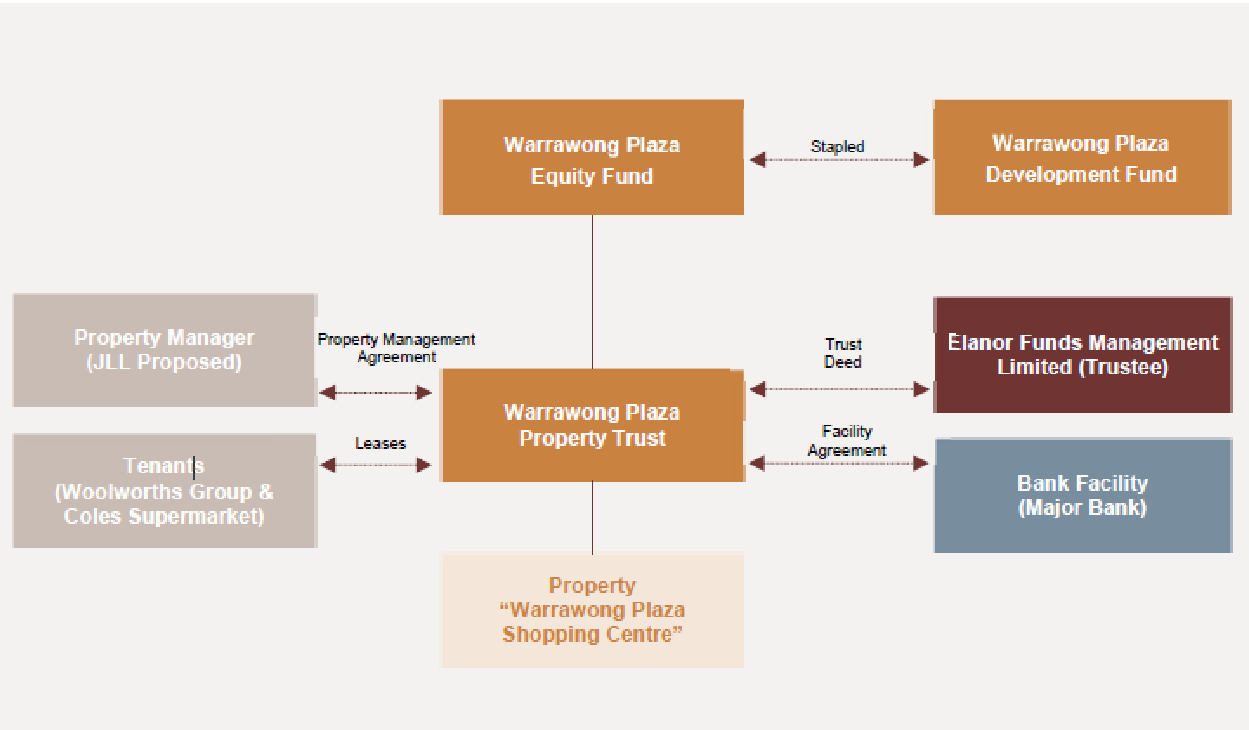
The Fund is a stapled entity which consists of a property trust (Warrawong Plaza Equity Fund) and a development trust (Warrawong Plaza Development Fund). Each investor in the Fund will own an equivalent number of units in both the property trust and the development trust. The property trust will own the Property. The development trust will not hold any assets initially, however is set up for any future development opportunities that are not already considered.

Warrawong Plaza is a two-level sub regional shopping centre located on the corner of King and Cowper Street in Warrawong NSW, 8km south of the Wollongong CBD. Originally constructed in circa 1960, the Centre has undergone several refurbishments, with the most capital-intensive periods between 2016 – 2019, when over $40M was spent in beginning to reposition the Centre towards non-discretionary and destination retailing. Situated on a 7-hectare site, the Property comprises 43,372 sqm of GLA with 1,555 car parking spaces spread across the basement as well as levels 1 and 2. The Centre is anchored by two supermarkets (Coles and Aldi), two discount department stores (Big W and Target), Hoyts Cinemas, 9 Mini Majors along with 66 specialty tenants including 3 pad sites. Together, the five majors represent 39.4% of gross income, while another 37% is sourced from non-discretionary service-based tenants.

The Manager plans to undertake an extensive repositioning of the Property to unlock underlying value for investors. The repositioning strategy involves a remixing of tenancies with a weighting towards non-discretionary users, including replacing the underperforming Target DDS with a full line Woolworths supermarket with e-commerce and fulfillment centre capabilities, and expanding the upper levels medical centre into a health services precinct by introducing new healthcare tenants and a childcare facility. The majority of the repositioning strategy has already been de-risked, with a Woolworths agreement for lease in place and an offer received from a new childcare operator.

The Fund has an estimated investment horizon of five-years however this is subject to the Manager's discretion based on the delivery of the strategy and market conditions.

Figure 1: Fund structure



Source: Elanor

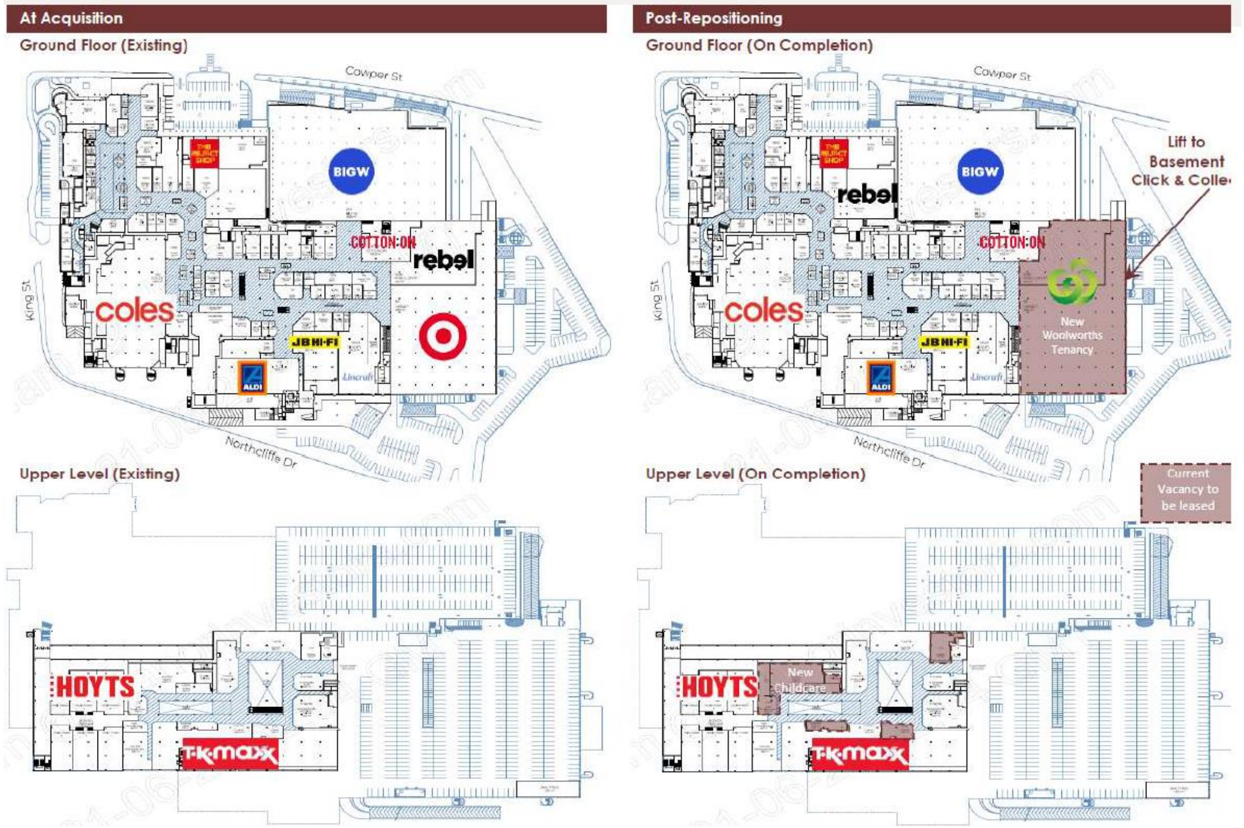
Repositioning strategy

The Fund's strategy seeks to provide investors with a high yielding quality investment, while actively managing the Centre to unlock its value-add potential through repositioning, leasing, and marketing. The key components of the strategy are:

- **Introduction of a new Woolworths supermarket:** The Manager is looking to reconfigure the existing tenancies for Target and Rebel to facilitate a new full line Woolworths supermarket with e-commerce capabilities.
    - The Target store is an underperforming store with lease expiry in 2032 with the Manager receiving preliminary agreement for an early surrender of the lease.
    - The Rebel lease expires in April 2023 with no options and the Manager is looking to relocating the store closer to the Coles supermarket.
    - A new lease has been negotiated with Woolworths for a new 3,800 sqm Woolworths supermarket. The repositioning will make Warrawong Plaza the only triple supermarket, single DDS centre within the trade area. The lease will also include a 2,000 sqm e-commerce fulfilment facility that will be Woolworths and Big W's only combined E-Commerce 'Dark Store' and 'Direct to Boot' offering in the Wollongong region.
- **Extend the Big W lease:** As part of the new Woolworths lease, the Manager also intends to extend the lease of the strong performing Big W for an additional five-year term including a new store fit out. It is expected that the exit of the Target store (~$12M sales) will drive a minimum $8M increase in sales for Big W (currently $25M sales).
- **Additional childcare/medical tenancies:** The Manager has also received an offer for a new 1,000 sqm childcare tenancy to be located on the upper-level services precinct. The Manager will also target additional health services in the precinct, such as radiology, pathology, allied health and dental services.
- **Centre upgrades:** To promote enhanced circulation to non-supermarket anchored precincts, several strong trading and destination mini-major retailers will be relocated (and/or expanded). Additionally, new travelators linking the basement carpark will be introduced to improve customer convenience, accessibility, and visibility to the new Woolworths and Big W shopfronts.

The reposition strategy is expected to produce an additional $3.6M of net income to the Property, with a possibility of cap rate compression following the repositioning strategy. The Manager intends to capitalise on the increased revenue and stronger tenancy mix to provide investors with attractive total returns via a sale of the repositioned asset.

Figure 2: Floor plan of Warrawong Plaza before and after repositioning



Source: Elanor

Liquidity / exit strategy

Investors should view the Fund as illiquid and long term in nature, with an expected investment horizon of five years. The Manager has discretion to extend or reduce the term of the Fund if it considers it to be in the best interests of unitholders. Investors should note that liquidity in the Fund is intended to be provided by way of the sale of the Property, which is subject to the successful delivery of the Manager's repositioning strategy as well as market conditions.

Sources & Application of funds

The following table sets out the initial sources and application of funds as presented in the IM.

Figure 3: Sources and Application of Funds

	$M	% of purchase price	% of total funds
Sources of funds			
Equity subscriptions	$82.2M	60.3%	54.7%
Bank debt	$68.2M	50.0%	45.3%
Total Sources (At Acquisition)	**$150.4M**	**110.3%**	**100.0%**
Finance Facility (Repositioning Strategy)	$26.4M		
Total Sources (On Completion)	**$176.8M**		
Application of funds			
Purchase price	$136.4M	100.0%	90.7%
Stamp duty	$7.5M	5.5%	5.0%
Acquisition costs	$1.8M	1.3%	1.2%
Debt & Fund Establishment Costs	$1.5M	1.1%	1.0%
Managers Fee	$2.7M	2.0%	1.8%
Working Capital	$0.5M	0.4%	0.3%
Total Application of funds (At Acquisition)	**$150.4M**	**110.3%**	**100.0%**
Capex (Repositioning Strategy)	$26.4M		
Total Application of funds (On Completion)	**$176.8M**		

Source: Elanor, Core Property

Debt Facility & Metrics

The Manager has obtained indicative terms for a total $94.6M in debt, held in two tranches with a major global bank. The first tranche will be used to fund the acquisition of the Property, whilst the second tranche will be used to execute repositioning strategy. Both facilities have a four-year term, with an estimated all-in cost of debt of ~2.75% p.a.

The first tranche, for $68.2M, is used to fund the acquisition of the Property.

- The initial Loan to Valuation (LVR) ratio is calculated at 50%, against an LVR covenant of 55%. Core Property estimates that the value of the Property must fall by 9.1% in order to breach the LVR covenant.
- The initial Interest Coverage Ratio (ICR) is calculated to be 3.5x, with an ICR covenant of 2.0x. Core Property calculates that net passing income must decline by 42.4% for the ICR covenant to be breached.

The second tranche, for $26.4M, will be used to fund the repositioning of the tenants, including capital expenditure, leasing incentives and general maintenance. Based on the repositioning strategy delivering the targeted rental income, Core Property estimates the LVR and ICR will be maintained at the same or better levels for the remaining term of the Fund.

The debt facility terms are indicative only. Core Property considers the terms to be conservative, with the possibility that final terms will be more favourable.

Figure 4: Debt Metrics – indicative

Details	Metric
Bank	Major Global Bank
Security	First mortgage over the Property with a charge over the assets of the Fund.
Initial Drawn Debt / Maximum Drawn Debt / Total Debt Facility Limit	$68.2M / $94.6M /$94.6M
Initial Loan Period	4 Years
Effective Interest Rate	Approximately 2.75%
Fixed/Hedged	100% fixed
Initial LVR / Peak LVR	50% / 50% (incl of revaluation gains as a result of additional income from repositioning the centre)
LVR Covenant	55%
Initial ICR / Low ICR / ICR covenant	3.5x / 3.5x / 2.0x
Amount by which valuation of property will have to fall to breach LVR covenant	9.1%
Amount by which initial income will have to fall to breach ICR covenant	42.4%

Source: Core Property, Elanor

Fees Charged by the Fund

A summary of fees charged by the Fund is provided in the table below. Core Property notes:

- The Fund charges Management Fees based on 1.0% of the Gross Asset Value (GAV) of the Fund. Core Property considers this to be at the high end of what we have typically seen in the market (0.7% - 1.1% of GAV) and reflective of the repositioning strategy being deployed at the Property.
- The Fund charges a 1.0% equity raising fee on the amount of equity raised for the Fund. Core Property notes that an equity raising fee is not uncommon for similar funds in the market.
- The Performance Fee is 25% of the Fund's performance above an IRR of 10%. Core Property considers the hurdle rate of 10% to be attractive for investors as it provides a strong a strong incentive for the Manager to deliver higher returns for investors, however, is offset by the higher fee of 25%, which is above what is currently seen in the market.

Figure 5: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Entry/Establishment Fee	Nil	
Exit/Withdrawal Fee	Nil	
Equity Raising Fee	1.0% of the wholesale capital equity raised	Paid once only from the Fund assets on settlement of the Property.
Arrangement and Acquisition Fee	2.0% of the purchase price of the Property.	The Acquisition Fee is at the high end of the industry average of 1.5% - 2.0%, which is reflective of the acquisition being actively sought by the Manager and undertaken off-market.
Property Disposal Fee	Nil	No Disposal Fee is charged. The Fund may however incur an agent's fee if an external agent is appointed to sell the property.
Management Fee	1.0% p.a. of the Gross Asset Value (GAV) of the Fund.	The Management Fee is towards the higher end of the industry (0.7% - 1.1% p.a. of GAV). Core Property considers this to be reflective of the costs associated with the repositioning strategy at the Property. The Fee is paid monthly out of the assets of the Fund.
Leasing Fee	15.0% of year 1 gross rents post execution of leases	Core Property considers the fee to be in line with market practice.
Development management fee	8.0% of Capital Expenditure	Core Property considers the Fee to be at the high end of what has seen.
Performance Fee	25% (excl. GST) of the Fund's performance above an IRR of 10.0% p.a. after fees and costs.	While the benchmark hurdle is in line with market expectations, the outperformance fee payable is above what Core Property has seen in the market.

Source: Elanor, Core Property

All-in fee analysis

In the table below, Core Property analyses how much of the Fund's cash goes to Manager fees, and how much is left over for investors as a percentage of the total Fund cash flow. Our calculations do not take into account any Performance Fees or Development Fees that the Manager may receive.

Core Property estimates the Manager is entitled to 8.2% of the total cash flow based on the sale of the Property at the same capitalisation rate of 7.0%. Based on a sale of the Property at a 6.25% capitalisation rate (the Manager's target), Core Property estimates the Manager to be entitles to 7.0% of the total cash flow. Core Property considers the fees to be at low to mid-point 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 26.1% 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 6: Fees in Perspective – based on an initial 5-year Fund term

Core Property estimates that for every $1.00 of equity invested the Fund can return:	**Amount per $1.00 unit**	
	Base case (7.00% cap rate)	**Manager Target (6.25% cap rate)**
Principal repayment to investors:	$1.000	$1.00
Income and capital gains to investors:	$0.434	$0.701
Total cash to investors:	**$1.43**	**$1.701**
Acquisition fee:	$0.033	$0.033
Disposal fee:	$0.000	$0.000
Base management fee:	$0.094	$0.094
Fees for the Manager (excluding admin costs)	**$0.127**	**$0.127**
Total cash generated by the Fund	**$1.562**	**$1.828**
Fees = % of total cash generated (before fees)	8.2%	7.0%
Up-front fee vs total fees	26.1%	26.1%

Source: Core Property

The Property

Warrawong Plaza is a two level, enclosed Sub-Regional Shopping Centre located on the corner of King St and Cowper St, Warrawong in Wollongong, NSW. The Property is situated on a 69,860sqm site, and provides 43,372 sqm of Gross Lettable Area (GLA). The centre is anchored by two supermarkets (Coles 4,395 sqm, Aldi 1,668 sqm), two discount department stores (Target 5,970 sqm, Big W 8,568 sqm), a Hoyts Cinema (2,440 sqm), 9 mini majors, 63 specialties, 9 kiosks, 6 ATMs, and 3 pad sites. At grade parking is provided on the basement, level 1 and level 2 (rooftop) for 1,555 car spaces.

Originally constructed in circa 1960, the Centre has undergone several refurbishments beginning in 1988, with the latest in 2019. During this time, specifically between 2016 – 2019, the Plaza received over $40M of investment, used to reposition the Centre towards non-discretionary and destination retailing.

The centre has an occupancy of 91.6% (by GLA) with a WALE of 4.7 years (by income). The Fund is looking to acquire the Property for $136.4M, significantly below the estimated replacement cost of $253M.

The Property is located 8km south of the Wollongong CBD and benefits from exposure to 45,000+ vehicles travelling along Wollongong's main arterial roads. The gateway location and network of major roads provides the Property with regional road access, beneficial due to the proximity of Lake Illawarra as well as convenient routes for eastern/coastal local suburbs. Wollongong is the largest urban centre within the Illawarra-Shoalhaven region, the third-largest regional economy in NSW with a mix of traditional and emerging industries. Since 2013, the NSW Government and Illawarra-Shoalhaven region has invested in growing the regional economy via increased business activities and diversifying job opportunities beyond mining and manufacturing. The region is expected to continue to grow off the back of recently completed and planned government and private infrastructure, totalling $12B.

Figure 7: Warrawong Plaza, Warrawong NSW

Source: Elanor, Google maps

Property Valuation

An independent valuation was undertaken by Savills in September 2021 valuing the Property at $136.4M, in line with the acquisition price. The independent valuer has also indicated the repositioning strategy is supportive of a revaluation of the Property to $185M, based on a 6.50% capitalisation rate. A summary of the valuation metrics is provided below.

Figure 8: Valuation Metrics

	Warrawong Plaza – On acquisition
Title	Freehold
Acquisition date:	November 2021 (expected)
Ownership	100%
Site Area	69,860 sqm
Gross Lettable Area	43,372 sqm
Major Tenant (% GLA)	Big W (19.7%), Target (13.7%), Coles (10.1%)
Weighted Average Lease Expiry	4.5 years (by gross income), 4.7 years (by GLA)
Occupancy	91.6%
Initial net passing income	$8.4M
Net Market income (fully leased)	$10.3M
Purchase price	$136.4M
Valuation	$136.4M
Passing initial yield	6.17%
Capitalisation rate	7.00%
Valuer	Savills
Valuation Date	Sept 2021
Valuer's Discount rate	7.25%
Value/sqm	$3,142 per sqm
Valuer's unleveraged 10-year IRR	7.43%

Source: Savills, Elanor

Retail Metrics

Location: Warrawong is located 8 km south of the Wollongong CBD and 92 km South of the Sydney CBD. Wollongong is the largest urban centre within the Illawarra-Shoalhaven region, the third largest regional economy of NSW. Warrawong has an estimated population of 4,752 (2016 Census) and is represented by the Wollongong City Council. The largest employment sectors are Labourers (18.0%), Technicians and Trades Workers (16.5%), Community and Personal Service Workers (12.5%) and Sales Workers (12.4%).

Retail spending: Core Property has reviewed the suburb of Warrawong in comparison to Wollongong, NSW, and Australia, while also analysing key retail statistics of the total trade area. Some of the key findings are summarised below.

- Warrawong median household income levels are below median levels in Wollongong, NSW, and Australia.
- Hardware & Electronics expenditure is forecasted to grow by approximately 35% by 2031 in the Total Trade Area, while food and groceries is expected to only grow by 12%.

Expenditure for both apparel and bulky goods is expected to increase around 25% by 2031, while liquor expenditure is forecasted to grow by 12%.

Figure 9: Trade analysis of the Fund's asset

2016 census date	Warrawong	Wollongong	NSW	Australia
People	**4,752**	18,442	7,480,228	23,401,892
Median Household Weekly Income	**$762**	$1,180	$1,486	$1,734
Average Household size (persons)	**2.4**	2.1	2.6	2.6

Source: ABS

Figure 10: Forecast Retail Spending 2021 - 2031

Forecast Retail Spending – Total Trade Area	2021	2031 Forecast	Growth
Food and Groceries	$1,578M	$1,764M	11.8%
Liquor	$208M	$233M	12.0%
Food Catering	$624M	$719M	15.2%
Apparel	$368M	$459M	24.7%
Hardware & Electronics	$275M	$370M	34.5%
Bulky Goods	$414M	$516M	24.6%
Leisure, General & Retail Services	$593M	$664M	12.0%
Total Trade Area	**$4,061M**	**$4,724**	**16.4%**

Source: Urbis, based on data from ABS and Marketinfo

Supermarket demand

Urbis data has identified that the Main Trade Area of Warrawong Plaza currently has a 13,800 sqm shortfall of supermarket floorspace compared to the non-metro NSW average. With the nearest Woolworths 7.5km north-west of the Property, the repositioning strategy to introduce a full line Woolworths at Warrawong Plaza is in line with underlying demand.

Health and Wellbeing

Similarly, according to Urbis data the Main Trade Area currently has a shortfall of Australian Institute of Health and Welfare (AIHW) workers with 793 workers per 10,000 persons. As health and wellbeing operators tend to locate close together to establish "cross shop" opportunities, repositioning existing space on the upper level at Warrawong Plaza near the Warrawong Accident and Medical Centre is in line with the underlying market demand and will be the largest medical centre offer within the primary trade area with 11 registered General Practitioners.

Investment projects

Significant public and private infrastructure investments in the Illawarra-Shellharbour precinct are expected to improve the performance of Warrawong Plaza. Some key projects that will have a material economic impact upon the Wollongong/ Warrawong economy include:

- Regional Development Australia "City Deal", $875M of infrastructure investment aiming to generate over 12,500 jobs within the region over the next decade and reduce congestion via investments in
    - Transformative infrastructure ($522M)
    - Visitor economy ($250M)
    - Economic resilience ($103M)
- Albion Rail Bypass ($630M). A 10km extension combining the M1 motorway and the Albion Park rail improving the accessibility and logistic efficiency.
- Life City Wollongong Masterplan ($300M). A Hi-Tech health care precinct covering 16 hectares of land.
- Mount Ousley Interchange ($300M). An upgrade to the Princess Motorway and Mount Ousley Road, improving the travel time for commuters and freight into the Wollongong CBD, University of Wollongong, and Port Kembla.
- Port Kembla Rail Freight Accessibility ($1.7B). Investment to improve current and future capacity constraints
- Shellharbour hospital ($700M), increase hospital capacity and amenity to support forecasted population growth.
- Badgerys's Creek International Airport ($8.0B), Sydney's second international airport will be less than an hour by road for freight and commuter transport once complete.

Competition

Warrawong Plaza is the third largest shopping centre in the Wollongong region and faces two categories of competitors, 1) Higher order competition provided by regional centres Wollongong Central and Stockland Shellharbour. 2) Supermarket competition provided from various neighbourhood centres within 5 – 9 km from the centre.

There is only one major proposed retail development within the Main Trade Area, which is located 8.3km north of Warrawong Plaza. The Atchison Street Mixed Use development in central Wollongong is expected to introduce a 1,800 sqm supermarket in 2025, which is not likely to affect the performance of Warrawong Plaza materially.

Figure 11: Competition analysis

Competition	Distance from subject	Lettable Area	Summary
Stockland Shellharbour	12km SE	73,009 sqm	Regional shopping centre with 2 levels of retail anchored by Myer, Kmart, Target, Coles, Woolworths, 19 mini majors and 180 specialities. The centre expanded to 73,009 sqm in 2013 and is the largest shopping centre within Greater Wollongong.
Shellharbour Retail Park	12 kms SE	22,275 sqm	Neighbourhood/Bulky goods retail with 789 on site car parking bays, anchored by Woolworths, Rebel Sport, Petbarn, TK Maxx and Dan Murphy's.
Wollongong Central	8.8km N	55,000 sqm	Regional shopping centre owned by GPT that incorporates 212 specialties including David Jones, Target, Coles, H&M and over 2,100 car spaces. The Centre has a large focus to discretionary retail (particularly fashion) and does not pose an immediate level of competition to Warrawong Plaza.

Source: Core Property, Savills

Figure 12: Warrawong Plaza Trade Area

Source: Urbis

Leases, tenants, and income

The Centre holds a defensive tenancy mix heavily weighted towards anchor tenants and non-discretionary retailers which account for 75% of income, including Big W (10.8% of income), Coles (10.2% of income), Target (10.2% of income), Aldi (3.4% of income) and non-discretionary specialty stores (37% of income).

The Property is 91.6% occupied and holds a WALE of 4.5 years (by income), with an average speciality gross occupancy cost 15.8%. Approximately 19% of income is forecasted to expire in the second year of the Fund, however 10.8% of this is represented by Big W, who the Manager has agreed preliminary terms with to extend lease terms for a further five years. A summary of the key tenancies is provided below:

- **Big W** (8,568 sqm or 19.7% of GLA) holds a 26-year lease which commenced in Jul 1996 and expires in Oct 2022, with a 10-year option to extend. The Big W is a strongly performing DDS with MAT of approximately $25M as at 30 Jun 2021 and is expected to capture the market share of the existing Target following the reposition strategy.
- **Target** (5,970 sqm or 13.7% of GLA) currently holds a 20-year lease term which commenced in Nov 2012 expiring in Nov 2032. The DDS is currently underperforming the Urbis Benchmark, as part of the repositioning strategy, the Manager has agreed preliminary terms to replace the existing Target with a full-line Woolworths supermarket with an e-commerce/ fulfillment store attached.
- **Coles** (4,395 sqm or 10.1% of GLA) holds a 20-year lease term, commencing in Sep 2011 and expiring in Aug 2031 with zero option periods. The lease is structured on a base rent plus percentage rent, which the tenant is currently paying as the supermarket is trading above the Urbis benchmark by 11.6% with MAT of around $57.4M.
- **Hoyts** (2,440 sqm or 5.6% of NLA) holds an 18-year lease term expiring in Nov 2028 with a 10-year option period thereafter and is the only Hoyts Cinema in Greater Wollongong. Cinemas are amongst the hardest hit industries by COVID-19. The Urbis Research in August 2021 has suggested that "assuming stabilisation and allowing for industry trends, annual visitation could return to 90% of pre-COVID levels at Warrawong Plaza".
- **Mini Majors** hold 9,504 sqm or 21.9% of GLA within the Centre and have lease terms ranging between 2- and 11-year periods. The 9 mini-majors are diverse and consist of well-known tenants such as JB-Hi-Fi, The Reject Shop and Tk Maxx, as well as a fresh food grocer and local medical centre.
- **Specialty tenants** hold 9,732 sqm or 22.4% of GLA within the Centre and have typical lease terms ranging between 3 and 11 years with no tenants holding further renewal option periods. All leases are structured on the payment of base rentals and include annual reviews which comprise of either CPI, fixed increases between 1% to 5% or increases by percentage of sales between 12% - 15%.
- The centre currently has 25 tenancies that are vacant, or 4,068 sqm of GLA. The vacancies are comprised from two Mini-major (1,115 sqm and 533 sqm), 20 specialties (33 sqm – 357 sqm) and three kiosks (21 sqm – 36 sqm). As part of the repositioning strategy, relocating mini-majors and introducing childcare and health tenancies, the centre is expected to reach 97.5% occupancy by year 3.

Future leases

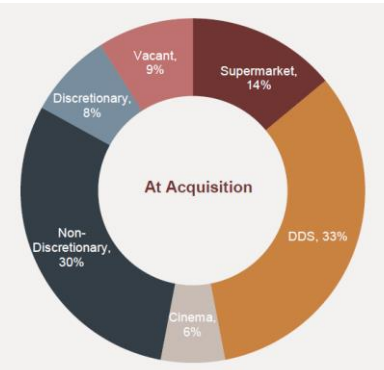
The Manager has obtained a preliminary agreement to introduce a 3,800 sqm full line Woolworths's supermarket, with an additional 2,000 sqm e-commerce fulfillment centre. Known as a "dark store", the e-commerce fulfillment centre generally has wider aisles to allow personal shoppers to hand pick online orders and deliver it straight to customers cars in dedicated parking bays. The Manager has advised that they are currently in negotiations with Big W to extend their lease for a further five years, as well as preliminary agreement with a long day childcare operator for a 1,000 sqm facility.

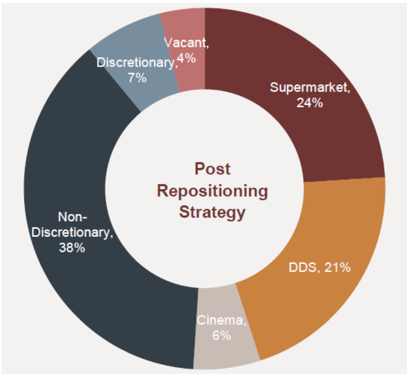
Figure 13: Portfolio Tenant Summary Warrawong Plaza

Tenant	Lettable Area	Lease Period	Options	Passing Gross rental	Occupancy cost	Rent Review
Big W	8,568	26 yrs (Jul 96 – Oct 22)	10 years	$1.6M	6.3%	Percentage rent
Target	5,970	20 yrs (Nov 12 – Nov 32)	Nil	$1.5M	12.6%	Percentage rent
Coles	4,395	20 yrs (Sep 11 - Aug 31)	Nil	$1.5M	2.8%	Percentage rent
Hoyts	2,440	18 yrs (Jul 10 – Nov 28)	10	$0.7M	21.4%	CPI
Aldi	1,668	9 yrs (Nov 18 – Nov 27)	5 + 5	$0.5M	4.0%	CPI
Mini – majors	9,504	Various 2-11-yr periods	various	$2.3M	5.9%	Percentage of sales, CPI or fixed of 3% or 4%
Specialties	9,732	Various 3-11-yr periods	Nil	$5.9M	17.9%	Percentage of sales, CPI or fixed between 1% - 5%
Pad sites	810	Various 2-11 yr periods	Nil	$0.3M	9.7%	Fixed 3% or 5%
Kiosks and ATM's	284	Various 2-9 yr periods	Nil	$0.5M	18.9%[1]	Fixed 4% or 5%
Total	**43,372**			**$14.9M**	**15.8%[2]**	

Source: Elanor, Note 1: Kiosks occupancy cost. Note 2: average gross specialty occupancy cost

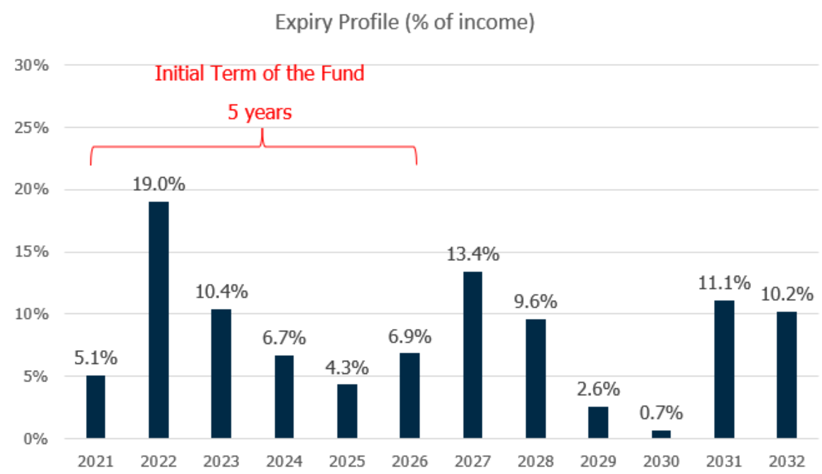
Figure 14: Tenant composition post re-mixing





Source: Elanor

Figure 15: Property lease expiry (by income)



Source: Core Property

Centre Performance

The centre reported Moving Annual Turnover (MAT) for the 12 months to June 2021 of approximately $191.9M (inc. GST) which has grown 38% over the last five years. The increase in sales can be attributed to the $40.0M capital expenditure undertaken between 2016 – 2019, which remixed the centre towards more non-discretionary and destination retailing.

The Coles supermarket is the strongest performing tenant within Warrawong Plaza, with MAT of approximately $57.4M to June 2021, up 7.4% on the prior year and 11.6% above the Urbis benchmark average. The Aldi supermarket reported sales of approximately $12.7M, which is below the Urbis estimated average of ~$20.0M.

Retail specialty sales have increased 3.6% from the prior year, however, are approximately 34.3% below the Urbis benchmark averages per sqm. The shortfall is attributable to the impact of Covid-19, which has resulted in an uptick of major sales and general loss of trade for other stores. Occupancy costs are 15.8% on average, slightly above the market 14.6%.

The DDS at Warrawong Plaza reported sales 22% below Urbis benchmark averages, which is largely attributable to the Target currently 39% below Urbis benchmarks. The Managers reposition strategy to replace the underperforming Target with a Woolworths is expected to benefit the performance of the remaining DDS, as Big W captures Targets market share.

Figure 16: Warrawong Plaza – retail performance metrics

				Moving Annual Turnover (MAT)		MAT per sqm			Occupancy Cost (%)	
Tenant	**GLA sqm**	**% of GLA**	**% of Gross Inc.**	**Warrawong Plaza[1]**	**Growth %**	**Warrawong Plaza**	**Market[2]**	**Variance %**	**Warrawong Plaza**	**Market**
Big W	8,568	19.7%	10.6%	$25.4M	16.1%	$2,961	$3,351	-11.6%	6.3%	7.0%
Target	5,970	13.8%	10.2%	$12.2M	17.2%	$2,043	$3,351	-39.0%	12.6%	7.0%
Coles	4,395	10.1%	10.2%	$57.4M	7.4%	$13,062	$11,709	11.6%	2.8%	3.0%
Hoyts	2,440	5.6%	4.8%	$3.4M	-37.3%	$1,381	$1,775	-22.5%	21.4%	20.0%
Aldi	1,668	3.8%	3.4%	$12.7M	-0.1%	$7,617	$11,704	-35.0%	4.0%	3.0%
Mini Majors (8)	7,456	17.2%	13.4%	$40.1M	8.3%	$5,521	5,135	7.5%	5.9%	NA
Retail specialties (50)	5,698	13.1%	33.9%	$26.2M	3.6%	$5,881	$8,959	-34.3%	15.8%	14.6%
Non-retail specialties (5)	1,240	2.9%	5.9%	$6.3M	8.1%	$37,023	-	-	3.2%	NA
External / Pad sites	1,513	3.5%	5.1%	$3.1M	NA	$2,059	-	-	9.8%	NA

Note 1: Based on 12 month results to June 2021. Note 2: Market comparisons are based on Urbis average for double DDS centres 2017/2018.
Source: Urbis, Savills

Capex

The Manager has forecasted $29.5M of total capital expenditure to be spent over 5-years. The amount includes $26.4M to be financed from a drawdown in the finance facility as part of the repositioning strategy, with the balance to be used for general maintenance.

The repositing strategy is estimated to deliver an additional $3.6M p.a. of net income for the Property, representing a ~13.6% yield on cost.

Based on the additional income delivering a revaluation of the Property, Core Property estimates the LVR to remain below 50%.

Market Sales Evidence

The table below is a summary of the most relevant comparable sales transactions as provided in the independent valuation report. The Property is being acquired at a rate of $3,142 per sqm, which is below the comparable transactions range of $4,132 - $12,068 per sqm.

Figure 17: Comparable sales transactions

Property Address	Sale Date	Sale Price	Gross Lettable Area Retail (GLAR)	Initial Yield	Market Yield	IRR	Price per sqm
Mount Pleasant, QLD	Aug 21	$162.5M	22,331	6.46%	6.24%	6.29%	$6,015
Coolalinga Central, NT	Jul 21	$83.0M	20,086	5.79%	6.75%	7.47%	$4,132
Market Place Raymond Terrace, NSW	Jul 21	$87.6M	14,837	5.68%	5.25%	6.70%	$5,901
Casey Central Shopping Centre, VIC	Jul 21	$225.0M	31,196	5.38%	5.25%	5.75%	$12,068
Marketown East & West, NSW	Jun 21	$150.5M	26,376	5.58%	5.25%	6.06%	$5,706
The Square Mirabooka, WA	May 21	$195.0M	42,800	6.78%	6.51%	6.76%	$4,556
Clifford Gardens, Toowomba QLD	Apr 21	$145.0M	27,730	8.40%	7.37%	7.40%	$4,692
Range	**Apr 21 –Aug 21**	**$83.0M -$225.0M**	**14,837 – 42,800**	**5.79% - 8.40%**	**5.25% - 7.37%**	**5.75% -7.47%**	**$4,132 -$12,068**
Warrawong Plaza, Warrawong NSW	**Aug 21**	**$136.4M**	**43,371**	**6.11%**	**6.98%**	**7.43%**	**$3,142**

Source: Savills

Market Rental Evidence

A report by the independent valuer has provided a market rental analysis of the Property. A summary of these findings is listed below:

- All major tenants, excluding Big W, are in the market range as per the independent valuation report. Big W's gross passing rent is slightly below the market range.
- Specialty tenants are on average 30.6% below market gross passing rents.

Figure 18: Market Rental Comparison

			Gross Rent per sqm		
Tenant	**GLA (sqm)**	**% of GLA**	**Warrawong Plaza**	**Market range[1]**	**Variance %**
Big W	8,568	19.7%	$188	$200 - $300	0%
Target	5,970	13.8%	$257	$200 - $300	0%
Coles	4,395	10.1%	$365	$300 - $400	0%
Hoyts	2,440	5.6%	$296	NA	0%
Aldi	1,668	3.8%	$306	$300 - $400	0%
Mini Majors	7,456	17.2%	$291	$200 - $300	0%
Specialties	9,032	20.8%	$903	$1,302	-30.6%
Kiosks	278	0.6%	$1,867	$1,867	0%
Pad sites	810	1.9%	$377	$377	0%

Note 1: Market comparisons are based on Urbis averages. Source: Elanor, Savills, Urbis

Financial Analysis

Core Property has reviewed the financial forecasts by the Manager in the Information Memorandum. Our key observations are:

- The Manager is forecasting initial distributions of 7.0% p.a. in Year 1, increasing to 9.7% p.a. in Year 5.
- The Manager has assumed a deferral of management fees in years 1 and 2, which are recovered in years 3-5. A total of $0.8M is deferred ($0.4M in year 1, $0.4M in year 2), which is paid in later years ($0.2 in year 3, $0.2M in year 4, $0.4M in year 5).
- The forecasts assume a contingency allowance of 2% p.a. of base rent.
- Leasing assumptions include: Renewal probabilities (100% supermarkets, 75%-80% mini majors and specialties), Downtime (6 months), Lease terms (10 years for Majors, 5 years for mini majors and specialties), Incentives (12.5%). Noting the Manager has allowed for no leasing of vacancies prior to the completion of the repositioning strategy and incentives for repositioning impacted tenants allowed within development costs.

A summary of the Manager's forecasts, as provided in the IM, is presented in the table below.

Figure 19: Profit & Loss Forecast & Balance Sheet

Profit & Loss - Forecast $M 12-month period	**Current State**	**Year 1 to Nov 2022**	**Year 2 to Nov 2023**	**Year 3 To Nov 2024**	**Year 4 to Nov 2025**	**Year 5 to Nov 2026**
		Reposition	Reposition	Reposition	New Steady State	New Steady State
Retail & Sundry Net Income	9.4	9.3	7.2	8.8	8.9	9.3
Repositioning Net Income	-	-	2.4	3.4	3.6	3.6
Net Property Income	**9.4**	**9.3**	**9.6**	**12.2**	**12.5**	**12.9**
Interest & Borrowing Costs		-2.3	-2.5	-2.6	-2.7	-2.7
Management Fees and Costs		-1.2	-1.3	-2.0	-2.0	-2.2
Distributable Net Income		**5.7**	**5.7**	**7.6**	**7.8**	**7.9**
Distributions		**5.7**	**5.7**	**7.6**	**7.8**	**7.9**
Distribution per Unit		**7.0 cpu**	**7.0 cpu**	**9.2 cpu**	**9.5 cpu**	**9.7 cpu**
Distribution Yield (on $1.00 issue price)		7.0%	7.0%	9.2%	9.5%	9.7%
Average Distribution (5 years)						8.5%

Balance Sheet – $M – on acquisition	**Pro forma 11 November 2021**
Cash	0.5
Property	136.4
Other Assets	-
Total Assets	**136.9**
Borrowings	68.2
Capitalised Borrowing Costs	-0.7
Total Liabilities	**67.5**
Net Assets	**69.4**
Units on Issue	**82.2**
Net Tangible Assets per Unit	**$0.85[1]**
Gearing Ratio (Debt/ Total assets)	**49.8%**
Loan to Valuation Ratio (LVR)	**50.0%**

Note: NTA of $0.85 per unit includes capitalised borrowing costs of $0.7M. If these costs are expensed, the NTA is estimated at $0.84 per unit.
Source: Elanor, Core Property

Initial NTA

The starting Net Tangible Assets (NTA) of the Fund 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 initial NTA at $0.85 per unit, with most of the dilution coming from acquisition costs.

Our calculations include an amount of $0.7M in capitalised borrowing costs. If the borrowing costs are expensed, the NTA would reduce slightly to $0.84 per unit.

Figure 20: Initial NTA

Amount per unit	$ per unit
Issue Price	$1.00
Less:	
Acquisition Costs – Stamp Duty	-$0.09
Debt & Fund Establishment Costs[1]	-$0.03
Acquisition Fee	-$0.03
NTA per unit	**$0.85**

Note: NTA of $0.85 per unit includes capitalised borrowing costs of $0.7M. If these costs are expensed, the NTA is estimated at $0.84 per unit.
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 Manager's assumptions in the IM and the successful delivery of its repositioning strategy. **Using these assumptions Core Property expects the Fund to deliver a five-year Internal Rate of Return (IRR) in the range of 7.4% - 10.1% p.a. (midpoint 8.8% p.a.).** This calculation is based on a terminal capitalisation rate range of 6.75% - 7.25%, reflecting a +/- 25bps movement. Core Property's return expectations are based on its methodology that assumes no cap rate compression, as a base case, over the term of the Fund to be consistent with the return expectations presented in its reports for comparable funds.

It should however be noted the Manager considers the repositioning strategy to be supportive of a rerating of the Property as a result of an improved earnings profile with a greater focus on non-discretionary spending. Based on a terminal capitalisation rate of 6.00% - 6.50%, the IRR is estimated to be 11.1% - 13.3% p.a. (midpoint 12.2% p.a.) The Manager has received an independent market valuation supporting the assumption that the Property will achieve a 6.50% capitalisation rate upon completion of the strategy.

Investors should be aware the forecast returns are based on several variables, including market conditions and the repositioning strategy. As such, investors should consider the estimates as indicative and expect the possibility for returns to fall outside the forecast ranges provided.

Figure 21: Pre-tax, 5-year IRR (after fees) sensitivity analysis

Terminal cap rate	Estimated IRR based on cost of debt of 2.75%
6.00%	13.3%
6.25% (Manager target)	**12.2%**
6.50%	11.1%
6.75%	10.1%
7.00% (acquisition cap rate)	**8.8%**
7.25%	7.4%

Source: Core Property

Management & Corporate Governance

Elanor Investors Group (parent of Elanor Funds Management) is an ASX-listed Australian investment and funds management business operating over $2.3B funds under management. The Management team has had a proven track record in acquiring and managing assets across a range of real estate sectors.

Core Property has reviewed the composition of the Board and Senior Management of the Trustee and Manager and believes that it has the relevant skills and experience to operate the Fund. Each Director has demonstrable property and investment management skills, with no less than 20 years' property or finance experience.

Figure 22: The Board of the Trustee & Manager

Name & Role	Experience
Paul Bedbrook Chairman	Paul has over 30 years' experience in financial services, originally as an analyst, fund manager and GM & Chief Investment Officer of Mercantile Mutual Investment Management (ING owned) from 1987. In total, he was an executive for 26 years with ING Bank, with roles including: President and CEO of ING Direct Bank, Canada, CEO of the ING Australia/ANZ Bank Wealth JV and Regional CEO, ING Asia Pacific, Hong Kong. Paul was appointed a Director of both ERF and the RE in June 2014 and is also the Chairman of Zurich Financial Services Australia and its Life, General and Investment Companies.
Nigel Ampherlaw Non-Executive Director	Nigel was appointed a Director to the RE in June 2014. Prior to this, he was a Partner of PricewaterhouseCoopers for 22 years, holding extensive experience across a number of leadership positions, including heading the financial services audit, business advisory services and consulting businesses. Nigel's current Directorships include a Chairman with Credit Union Australia, where he is Chair of CCI Ltd and a member of the Strategy Committee, non-executive director of Quickstep Holdings Ltd and non-executive Director of the Australia Red Cross Blood Service.
Tony Fehon Non-Executive Director	Tony has over 30 years' experience working amongst Australia's leading financial services and funds management businesses. He is an Executive Director of Volt Bank Limited, with a primary responsibility for capital management. Prior to this he was an Executive Director for Macquarie Bank where he was involved in the formation and listing of several of Macquarie's listed property trusts, involving being a director of the listed leisure trust. In addition, Tony is also a director of enLighten Australia and Team Mates Pty Limited.
Su Kiat Lim Non-Executive Director	Mr Lim has over 18 years' of real estate experience, across a wide range of real estate related activities including real estate investment and origination, fund management, land economics and retail economics, across Asia Pacific including Australia. Mr Lim is the founder and CEO of Firmus Capital Pte Ltd, a fully integrated investment and asset management firm, which manages in excess of S$550M. Prior to Firmus, Mr Lim co-founded Rockworth Capital Partners in 2011 and was the firm's Chief Investment Officer and was responsible for the development of the investment management business. During his tenure, Rockworth's investment portfolio grew to approximately A$1bn of GAV invested into income producing commercial office and retail assets across Australia.
Glenn Willis Managing Director and Chief Executive Officer	Glenn has over 30 years' experience in Australian and international capital markets. Prior to the establishment and ASX listing of Elanor Investors Group in July 2014, Glenn was the co-founder and CEO of Moss Capital (now Elanor Investors Group). Before this, he co-founded Grange Securities and led the team in his role as Managing Director and CEO before it was acquired by Lehman Brothers International in 2007 as the platform for Lehman's Australian investment banking and funds management operations.
Michael Baliva Fund Manager & Co-Head of Real Estate	With over 24 years' experience in the Australian and international property industry, Michael is responsible for the acquisition and investment management of real estate assets, with a focus on the retail sector. Prior to Elanor's listing, Michael held the positions as an Executive Director of Real Estate at Moss Capital for five years, and a Chief Investment Officer of Centro Properties in the USA where he was responsible for 235 properties valued at US$6.4B.
David Burgess Co-Head of Real Estate (ENN)	David has over 20 years' experience in property and equity markets, most recently as the Head of Investment, Office and Logistics at GPT. David's experience also encompasses a number of property valuation roles and equity research roles at Credit Suisse and Citigroup. At Elanor, David is responsible for development and overall investment performance of Elanor's commercial and healthcare real estate platforms.
Matthew Healy Head of Retail, Development & Mixed Use	Matt is a retail property executive with over 20 years' experience in major real estate development, investment management and operations. He is responsible for the development and investment performance of Elanor's retail real estate asset management platform. Matt previously held senior roles with Westfield Group, Lend Lease and most recently, 151 Property Group, a Blackstone company, managing a portfolio of retail assets valued in excess of $3bn.
Paul Siviour Chief Operating Officer (ENN)	Paul has over 30 years' experience in senior roles in financial services, investment banking and corporate finance. Prior to Elanor's listing, Paul was the Oceania Leader of Banking and Capital Markets and a partner in the Financial Services practice at EY. He has also held a number of positions at Investec Bank Australia, including Co-Head of the Private Bank and Senior Mergers and Acquisitions Adviser.
Symon Simmons Chief Financial Officer, Company Secretary (ENN)	Symon has over 23 years' business management experience, most recently as Chief Operating Officer at Moss Capital, where he was responsible for the firm's Finance, Corporate, Human Resources, Legal and Administration functions. Symon also holds experience at EY, gaining experience across a range of businesses and transactions. He is Chairman of a social enterprise, Global Ethics Australia, and chairman and founder of The One Foundation Australia, which supports essential infrastructure projects in developing nations in Africa and Asia.

Source: Elanor

Compliance and Governance

The Fund is not registered with ASIC as a managed investment scheme. As an unregistered scheme, the Fund does not have a compliance plan, compliance committee, or related-party policy of its own. Instead, the Fund will be subject to the compliance policies of its Manager, Elanor Funds Management Limited, which is a wholly owned subsidiary of Elanor Investors Group (ASX: ENN).

As a listed entity, Elanor Investors Group has as a compliance plan, an audit & compliance committee, and policies covering related-party transactions and conflicts of interests. All related party transaction will be conducted on an arm's length basis, in the best interests of Investors.

Past Performance

Elanor Investors Group (ASX: ENN) listed on the ASX in July 2014 with $173M of assets under management and has since grown this to $2.3B. The Manager has advised that it has delivered an average IRR of 19.8% p.a. (range 7.7% - 46.4% p.a.) to investors across 14 separate funds, with an average hold period of 3.2 years. Elanor has also advised that it has delivered an average IRR of 24% to investors on its Retail properties.

Most recently, Elanor completed the successful repositioning Auburn Central, NSW transforming the asset from an underperforming subregional to a defensive triple supermarket, everyday needs neighbourhood shopping centre. The strategy delivered an IRR of 24.5%+ for the Elanor Retail Property Fund (ASX: ERF) upon sale in December 2020.

Investors should note that past performance is not a reliable indicator of future performance as each syndicate – and its respective underlying asset – has its own specific risks and attributes, which operate difference under different market conditions. The following is a table summarising the performance of completed funds, as provided by Elanor.

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.

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