Capital Property Funds

CPF Diversified Property Fund

ASIC RG46 Disclosure

Updated September 2022

Fund Manager

Capital Property Funds Pty Limited

ACN 162 323 506

Responsible Entity

One Managed Investment Funds Limited

ACN 117 400 987 | AFS licence no. 297042

CPF Diversified Property Fund (ARSN 610 941 654 APIR Code OMF0020AU)

ASIC Regulatory Guide 46 Disclosure

Introduction

The Australian Securities & Investments Commission (ASIC) requires responsible entities of unlisted property schemes in which retail investors invest to provide a disclosure addressing ASIC's six benchmarks and eight disclosure principles as set out in Regulatory Guide 46: Unlisted Property Schemes - Improving disclosure for retail investors (RG46).

The disclosure aims to help retail investors understand the risks, assess the returns and the effect of changing economic conditions on their investment in the unlisted property scheme.

One Managed Investment Funds Limited ACN 117 400 987 is the responsible entity (Responsible Entity) of the CPF Diversified Property Fund (the Fund).

The Responsible Entity has appointed Capital Property Funds Pty Limited ACN 162 323 506 (the Fund Manager or CPF) as the Fund Manager under an investment management agreement delegating the day-to-day investment management of the Fund to the Fund Manager.

The benchmarks and disclosure principals in relation to the Fund are listed in this document, which should be read in conjunction with the Fund's Product Disclosure Statement (PDS) dated 17 June 2022 and the Fund's quarterly updates found in the CPF Diversified Property Fund section of CPF's website, which are available at www.capitalpropertyfunds.com.au and the Responsible Entity's website www.oneinvestment.com.au.

In accordance with the requirements of RG46, the disclosures contained in this document will be updated for any material changes that the Responsible Entity becomes aware of, and in any event, at least every six months. The Continuous Disclosure Notices will be made available on:

https://www.oneinvestment.com.au/cpfdiversifiedfund and

https://www.capitalpropertyfunds.com.au/CPF_diversified_property_fund

Fund Objective and Strategy

CPF Diversified Property Fund (formerly 601 Coronation Drive Fund) is an unlisted property fund that acquired an office property at 601 Coronation Drive, Toowong, Brisbane (601CD) on 12 August 2016. The Fund Manager provided Investors with the opportunity to consider a restructure proposal involving additional Fund liquidity opportunities and allowing the Fund to acquire other property assets to provide location, property and tenant diversification benefits. The unitholder meeting to consider the restructure was held on 16 June 2022 and the restructure was approved with close to 97% in favour and the restructure has now been implemented.

The Fund's objective is to do the following:

- The Fund aims to provide Investors with regular property-based income combined with the potential for longer term capital growth.
- The Manager expects the return for the Fund to be derived principally from income.

The Fund is an open-ended property fund and is able to invest into a range of property-based assets with the aim of generating income returns for Investors and also the potential for longer term capital growth. Key investment strategies include:

- Investing in stabilised properties located in proximity to major capital cities, metropolitan cities and major regional town centres, with returns expected to be primarily rental income combined with longer term capital growth.
- Acquiring well-located properties which may benefit from capital works upgrades in order to create capital growth and improved income for the Fund.
- Fund-through property acquisitions, where the Fund may provide equity or debt funding in order to fund a property development and also to own suitable property assets and/or enjoy development returns.
- Other property asset including property debt investments.

Information on the Fund's property and performance can be found on the Fund Manager's website at:
https://www.capitalpropertyfunds.com.au/CPF_diversified_property_fund

Disclosure Benchmarks and Principles

Pursuant to RG46, responsible entities of unlisted property schemes are required to apply these disclosure benchmarks and principles in their product disclosure statements and in other disclosures they provide to their investors on an ongoing basis (through websites and other forms of communication with investors).

The following contains an explanation of each ASIC disclosure benchmark and principle and the Fund's disclosure.

The RG46 gearing ratio, interest cover ratio and NTA calculations are based on the Fund's annual accounts as at 30 June 2022, which were prepared by Unity Fund Services Pty Limited and audited by ESV Accounting and Business Advisors.

Disclosure Principle 1: Gearing Ratio

Gearing Ratio: 49.4%

The gearing ratio indicates the extent to which the Fund's assets are funded by interest bearing liabilities. It gives an indication of the degree of potential risks the Fund faces that are associated with its borrowings. For example:

- an increase in interest rates could lead to an increase in interest payments for the Fund and a reduction in cash flow available for distribution; or
- a reduction in property values could lead to an increase in the Fund's gearing ratio.

Both examples may potentially breach loan covenants of the Fund's debt facility with the lender and potentially reduce the availability of refinancing (if required).

The gearing ratio is calculated as follows:

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

The above calculation is different from the loan-to-value ratio calculation prescribed by the Fund's debt facility for the purposes of debt facility covenant calculations. The Fund does not have any off-balance sheet financing.

Benchmark 1: Gearing Policy

The Fund maintains and complies with a written policy that governs the level of gearing.

The Fund Manager considers a long-term gearing ratio of between 35% and 55% to be an optimal level of debt. A higher gearing ratio for a property fund means a higher reliance on external liabilities (primarily borrowings) to finance the Fund's assets and the impact of any upward or downward movements in the value of the Fund is magnified.

The following table provides a summary of the Fund's debt facilities as at 30 June 2022:

Facility Limit $m	Drawn Amount $m	Undrawn Amount $m
Tranche 1 - $25.93	$25.93	$0.00
Tranche 2 - $3.00	$0.20	$2.80
Tranche 3 - $1.00	$0.00	$1.00
Total	**$26.13**	**$3.80**

The Fund's gearing level is 49.4% as at 30 June 2022 which is within the Fund's long-term target of 35-55%.

The Fund meets this benchmark because the gearing is less than the Fund's maximum gearing limit of 55%.

Disclosure Principle 2: Interest Cover Ratio

Interest Cover Ratio: 5.22 times

An interest cover ratio provides an indication of the Fund's ability to meet interest payments on debt from earnings and assists with analysing the sustainability and risks associated with the Fund's level of borrowing. If the Fund has a low interest cover ratio, a small reduction in earnings or small increase in interest rates will increase the risk that the Fund will not be able to meet its interest payments.

The interest cover ratio is calculated as follows:

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

Where EBITDA is earnings before interest, tax, depreciation and amortisation.

The above calculation is different from the interest cover ratio calculation prescribed by the Fund's debt facility for the purposes of debt facility covenant calculations.

Benchmark 2: Interest Cover Policy

The Responsible Entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.

The interest cover ratio for the Fund for the period from 1 July 2021 to 30 June 2022 was 5.22 times.

The interest coverage ratio of 5.22 times indicates that there is $5.22 of earnings to pay every $1.00 of interest payment on debt.

The Fund meets this benchmark because it can meet its interest payments at a rate higher than the minimum interest cover ratio of 2.0 times as prescribed by the Fund's interest cover policy and debt facility.

Benchmark 3: Interest Capitalisation

Interest capitalisation is when the investment scheme is not required to make interest payments until an agreed point in time. This generally applies to developments, where an asset may not generate income during the development period to meet the interest obligations of the debt facility.

Benchmark 3 is satisfied in respect of Tranche 1, as the interest expense of the Fund is not capitalised. The line fee on Tranche 2 and 3 is capitalised until Tranche 2 are 3 are drawn.

Disclosure Principle 3: Scheme Borrowing

This principle requires disclosure of information on the Fund's borrowing (on or off-balance sheet) and any associated risks.

The Fund Manager finalised a refinancing with the current lender, ING Bank, to refinance the following debt facility including increasing the ACP remediation facility to $3,000,000 to fund the ACP remediation works:

- Tranche 1 - with a facility limit of $25,930,000 has a term of 3 years expiring 30 September 2024 drawn to $25,930,000 as at 30 June 2022. The interest rate is a floating rate of approximately 3.77% per annum.
- Tranche 2 - with a facility limit of $3,000,000 has a term of 3 years expiring 30 September 2024 and is drawn to $189,857 as at 30 June 2022. The interest rate is a floating rate of approximately 3.77% per annum on the drawn amount and a line fee of 1.00% per annum on the undrawn amount which is capitalised until drawn increasing to BBSY + 1.95% once drawn.
- Tranche 3 - with a facility limit of $1,000,000 has a term of 3 years expiring 30 September 2024 and is undrawn as at 30 June 2022. The interest rate is a line fee of 1.00% per annum on the undrawn amount which is capitalised until drawn increasing to BBSY + 1.95% once drawn.

Tranche 2 is to be used for any ACP remediation capital expenditure. Tranche 3 is to be used for other capital expenditure and Fund redemptions.

All borrowings are non-recourse to investors, however investors rank behind the lender in the event the Fund was to default on its loans.

The following table provides a summary of the Fund's borrowings as at 30 June 2022.

Facility Limit $m	Drawn Amount $m	Undrawn Amount $m	Expiry Date	Interest Rate p.a.
Tranche 1 - $25.93	$25.93	$0.00	30 September 2024	Approx. 3.77%[1]
Tranche 2 - $3.00	$0.20	$2.80	30 September 2024	Approx. 3.77%[1] + 1.00% (Line Fee)[2]
Tranche 3 - $1.00	$0.00	$1.00	30 September 2024	1.00% (Line Fee)[2]
Total	**$26.13**	**$3.80**		

[1] Floating rate of BBSY Bid rate + 1.95% margin.

[2] 1.% Line Fee capitalises and increases to BBSY Bid Rate + 1.95% once drawn, undrawn amount is less than the facility amount by the capitalised interest and drawn debt.

The following table provides a summary of the loan covenants as at 30 June 2022 in relation to the Fund and its secured property at 601 Coronation Drive, Toowong, QLD.

Financial Undertaking	Period	Loan Covenant	Actual
Loan to Value Ratio (LVR)	As at 30 June 2022	55%	51.0%
Interest Cover Ratio (ICR)	1 July 2021 to 30 June 2022	Not less than 2.0 times	5.22 times

Disclosure Principle 4: Portfolio Diversification

This principle requires disclosure of information on the composition of the Fund's property investment portfolio.

While the Manager intends to diversify the asset base of the Fund, as at the date of this Disclosure, the Fund holds cash and a single property asset being an office building at 601 Coronation Drive, Toowong, QLD.

The Fund aims to provide for regular distributions and the opportunity for capital growth.

The following provides a summary of the independent valuation of 601 Coronation Drive:

Valuation	$51.25m
Valuation Date	30 June 2021
Valuer	Colliers
Capitalisation Rate	6.68%

Tenant diversity in 601CD as at 30 June 2022 is as follows:

The Top 4 Tenants by Income and Lease Expiry

	% of Rental Income from the Property	Lease Expiry
Indue	27.7%	30 November 2023
Jumbo Interactive	26.7%	7 June 2025
Queensland College of Teachers	16.5%	31 October 2023
Home Instead Tenancies	11.8%	12 March 2030 & 29 February 2024

The Top 4 Tenants by Gross Lettable Area and Lease Expiry

	% by Lettable Area	Lease Expiry
Jumbo Interactive	26.2%	7 June 2025
Indue	26.0%	30 November 2023
Queensland College of Teachers	16.7%	31 October 2023
Home Instead Tenancies	12.5%	12 March 2030 & 29 February 2024

Occupancy and Weighted Average Lease Expiry

As at 30 June 2022, 601CD's occupancy is 100% by area and the weighted average lease expiry (WALE) by income is approximately 2.4 years.

Benchmark 4: Valuation Policy

The Responsible Entity maintains and complies with a written valuation policy.

A valuation policy helps investors understand how assets will be valued and can help them assess the reliability of valuations.

The Property will be independently valued at least once every three years and valued by the Fund Manager annually in the intervening years and prior to any Liquidity Event. If the Responsible Entity forms a view that there is a likelihood that there has been a material change in the value of the Property, the Responsible Entity will obtain an independent valuation.

Benchmark 4 is satisfied as the most recent valuation was completed as at 30 June 2021 by Colliers, an independent valuer.

Disclosure Principle 5: Related Party Transactions

This principle requires the provision of information on the Responsible Entity's approach to related party transactions. The Responsible Entity's policy ensures that any actual or potential conflicts of interest are identified and appropriately dealt with.

The PDS allows the Responsible Entity to enter into transactions with related entities. The Responsible Entity does not need member approval in respect of the related party transactions because they are entered into on arm's length terms. The risks associated with related party transactions may include the possibility of higher risks of conflicts of interest and less rigorous levels of monitoring.

The Responsible Entity has appointed the following related parties:

- pursuant to a Registry Services Agreement, One Registry Services Pty Limited ACN 141 757 360, a related body corporate was appointed to perform registry services for the Fund; and
- Unity Fund Services Pty Limited ACN 146 747 122 (Administrator), an associate of One Investment Group, was appointed as the administrator of the Fund pursuant to an administration agreement under which the Administrator provides administration services for the day-to-day operation of the Fund. These services include fund accounting, unit pricing, unit holding and reporting and preparation of statutory accounts.

Related Party Fees

Registry Fees

- Registry fees of $20,952 plus GST were incurred for the year ended 30 June 2022 of which $4,567 plus GST was payable to One Registry Services Pty Limited at the end of the period.
- Registry services were provided to the Fund by One Registry Services Pty Limited, which is a related body corporate of the Responsible Entity, for the year ended 30 June 2022.

Custody Fees

- Custody fees of $17,005 plus GST were incurred for the year ended 30 June 2022 of which $1,381 plus GST was payable to One Managed Investment Funds Limited at the end of the period.
- Custody services were provided to the Fund by One Managed Investment Funds Limited, for the year ended 30 June 2022.

Accounting and Administration Fees

- Accounting and administration fees of $23,244 plus GST were incurred for the year ended 30 June 2022 of which $4,000 plus GST was payable to Unity Fund Services Pty Limited at the end of the period.
- Accounting and administration services were provided to the Fund by Unity Fund Services Pty Limited, which is an associate of One Investment Group, for the year ended 30 June 2022.

Related Party Holdings

Holding of units in the Fund by key management personnel of the Responsible Entity and their associated entities as at 30 June 2022 is as follows:

	30 June 2022		
	Unit Class	**Units**	**% of the Class**
Frank Tearle	Ordinary	150,000	0.60%

Holding of units in the Fund by key management personnel of the Fund Manager and their associated entities as at 30 June 2022 is as follows:

	30 June 2022		
	Unit Class	**Units**	**% of the Class**
Andrew Kerr	Ordinary	60,400	0.24%
Joe Christie	Ordinary	37,167	0.15%

The Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions, and arrangements to manage conflicts of interest.

Benchmark 5: Related Party Transactions

The Fund complies with its policies and procedures with respect to related party transactions and this benchmark is satisfied.

Disclosure Principle 6: Distribution Practices

This principle requires disclosure of information on the Fund's intended distribution practices. This helps investors assess matters such as the sources of distributions and if the sources of distribution are not from cash from operations (excluding borrowings), the potential sustainability of paying distributions from such sources.

Distributions will be paid from property rental income. It is intended the Fund will pay distributions quarterly to investors, within four weeks of the end of each calendar quarter except for the quarter ending 30 June each year where distributions are expected to be paid within two months of 30 June. The distribution payment for the quarter ending 30 June 2022 was paid on 27 July 2022.

Benchmark 6: Distribution Practices

The Fund will only pay distributions from cash from operations and reserves (excluding borrowings) and this benchmark is satisfied.

Disclosure Principle 7: Withdrawal Arrangements

(a) Limited withdrawals

While the Fund is 'liquid' within the meaning of that term under the Corporations Act, the Responsible Entity intends to offer limited withdrawals every six-month period, being the periods ending 30 September and 31 March of each year (Withdrawal Period).

The applicable withdrawal price will be calculated on the last Business Day of the relevant Withdrawal Period (Withdrawal Date). However, it is important to note that withdrawals cannot be guaranteed and withdrawals will be limited and are subject to the Fund having available liquid assets. The amount made available in respect of each Withdrawal Date will be subject to available funds (if any) and notified to Investors prior to the relevant Withdrawal Date. This will be advised to Investors by any means as determined by the Responsible Entity, which may include publishing information on the Responsible Entity's website or including information in the Fund's monthly update.

An Investor wishing to withdraw from the Fund either in whole or in part in respect of a Withdrawal Date must lodge a Withdrawal Request Form prior to 5.00pm (AEST/AEDT) on the second last Business Day prior to and not including the relevant Withdrawal Date.

Where a withdrawal request is accepted, it will generally be paid within 4-6 weeks from the end of the relevant Withdrawal Period. However, under the Constitution, the Responsible Entity will have up to 365 days after it accepts a withdrawal request to satisfy the withdrawal request, if needed, or such longer period specified in the Constitution, and a further 21 days to pay the withdrawal price once the Units are redeemed. It is important to note that the Responsible Entity has the discretion to reject withdrawal requests and is not required to satisfy any withdrawal requests.

Withdrawal requests that are accepted are generally satisfied from the Fund's cash or cash-like products (including from Applications received from other Investors or borrowings), or the realisation of the Fund's investments (including in liquid assets such as listed property funds).

Where withdrawal requests received in respect of a Withdrawal Date cannot be fully satisfied due to a lack of available funds, the Responsible Entity will accept requests on a 'first-in' basis in the order of receipt, at the Responsible Entity's determination.

Any withdrawal request submitted during a particular Withdrawal Period which is not accepted by the Responsible Entity, either in whole or in part, will be cancelled.

If your withdrawal request is cancelled, wholly or in part, the Unit Registry will notify you in writing. An Investor will need to submit a new withdrawal request in respect of the next available Withdrawal Period.

If you are an Indirect Investor, you need to provide your withdrawal request directly to the platform operator. The time to process a withdrawal request will depend on the particular platform operator and the terms of the investment platform.

(b) Suspension or variation of withdrawals

The Responsible Entity has discretion to cancel, delay or suspend redemptions in certain circumstances, including but not limited to where:

- the withdrawal request is received between the date the Fund is terminated and the date the Fund is wound up;
- it would not be in the best interests of Investors as a whole for withdrawals to be made;
- due to circumstances beyond the Responsible Entity's control it cannot calculate or pay the withdrawal price; or
- the Responsible Entity is not able to realise assets needed to satisfy the withdrawal requests within the time required.

In addition, the Responsible Entity may determine that other terms and conditions for limited withdrawals, or a different withdrawal mechanism, will apply to withdrawals from time to time. This will be communicated to Investors at the relevant time. The Responsible Entity must at all times ensure Investors are not unfairly treated by any withdrawal mechanism offered.

(c) When the Fund is not liquid

Where the Fund is not 'liquid' within the meaning of that term under the Corporations Act, limited withdrawals will not be available and the Responsible Entity will not be permitted to accept any withdrawal requests. Rather, withdrawals from the Fund may only be permitted in response to any withdrawal offer made by the Responsible Entity in accordance with Part 5C.6 of the Corporations Act and the Constitution.

Disclosure Principle 8: Net Tangible Assets

Net Tangible Assets: $1.04 per unit

The Fund's net tangible assets (NTA) show the value of the Fund on a per unit basis. This amount can be used as an approximate measure of what an investor could expect to receive per unit held (before selling costs) and the value of tangible or physical assets of the Fund.

The NTA is calculated as follows:

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

The NTA per unit as at 30 June 2022 is calculated as follows:

$$\text{NTA per unit} = \frac{\$26{,}001{,}387}{\$25{,}063{,}915}$$

$$= \$1.04 \text{ per unit}$$

Updates to the information required under the ASIC disclosure principles will be placed on the following websites:

https://www.oneinvestment.com.au/cpfdiversifiedfund and

https://www.capitalpropertyfunds.com.au/CPF_diversified_property_fund

from time to time.

Contacts

Contact the Fund Manager for:

- Management of CPF Diversified Property Fund

Capital Property Funds Pty Limited

Suite 2, Mezzanine Level, 50 Margaret Street, Sydney NSW 2000

Telephone: (02) 8004 6218

Email: info@capitalpropertyfunds.com.au

Contact the Registry for:

- Enquiries regarding your Unitholding
- Distributions
- Changing contact details

One Registry Services Pty Limited

PO Box R1479, Royal Exchange NSW 1225

Telephone: (02) 8188 1510

Email: info@oneregistryservices.com.au

Contact the Responsible Entity for all other enquiries.

One Managed Investment Funds Limited

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Important Information

This report has been prepared by Capital Property Funds ACN 162 323 506 for general information purposes only, without taking into account any potential investors' personal objectives, financial situation or needs. This information consists of forward looking statements which are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Fund to be materially different from those expressed or implied. Past performance is not a reliable indicator of future performance. Neither this document nor any of its contents may be used for any purpose without the prior consent of Capital Property Funds. All figures stated herein are as at 30 June 2022 and in Australian dollars unless otherwise stated.

One Managed Investment Funds Limited (ACN 117 400 987) (AFSL 297042) is the responsible entity of the Fund (OMIFL). The information contained in this document was not prepared by OMIFL but was prepared by other parties. While OMIFL has no reason to believe that the information is inaccurate, the truth or accuracy of the information contained therein cannot be warranted or guaranteed. Anyone reading this report must obtain and rely upon their own independent advice and inquiries. Investors should consider the Product Disclosure Statement dated 17 June 2022 and the TMD dated 8 July 2022 issued by OMIFL before making any decision regarding the Fund. The PDS contains important information about investing in the Fund and it is important investors obtain and read a copy of the PDS before making a decision about whether to continue to hold or dispose of units in the Fund. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund. A copy of the PDS and TMD and continuous disclosures may be obtained from:

https://www.oneinvestment.com.au/cpfdiversifiedfund or
https://www.capitalpropertyfunds.com.au/CPF_diversified_property_fund