

# CPF Diversified Property Fund

## Investor Update

For the Quarter Ending 31 December 2023



**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 INVESTOR UPDATE

Capital Property Funds Pty Limited (the Fund Manager) is pleased to provide the December 2023 Quarter Investor Update for the CPF Diversified Property Fund ARSN 610 941 654 (the Fund).

This and future updates on the Fund will be placed on our website: [www.capitalpropertyfunds.com.au](http://www.capitalpropertyfunds.com.au)

## OMIFL's Court Application for Judicial Advice

Investors would be aware from recent updates that OMIFL's court application for judicial advice about the proposed settlement with the vendor of the Pirie Street property was scheduled for a directions hearing on 13 February 2024. Under the most recent orders made by the court, the RE is to file an updated statement of facts by 7 March 2024, and the application is listed for a further directions hearing on 14 March 2024. The further material filed will be uploaded to the investor portal as soon as is practicable after it has been filed. As set out in previous updates, investors will not be required to do anything in response to this material. It is provided to keep investors fully informed in case they wish to participate in the proceedings. In the meantime, if investors have any queries about the application, please contact OMIFL at [capital@oneinvestment.com.au](mailto:capital@oneinvestment.com.au).

## DISTRIBUTIONS

As investors are aware, the general practice has been for distributions to be paid following the end of each calendar quarter.

In the usual course, this would mean a distribution for the quarters ended 30 September 2023 and 31 December 2023 would have been paid.

As disclosed in previous investor updates, the Fund is legally committed to acquiring an office building located at 63 Pirie Street Adelaide South Australia.

One Managed Investment Funds (OIFML), the independent trustee of the Fund, and Capital Property Funds, continue to work with Raptis, the vendor, on the proposed acquisition which:

- provides the Fund with a vendor support facility of up to \$20,000,000 to assist with the acquisition of 63 Pirie Street.
- provides the Fund time to settle the acquisition; and
- provides a potentially more favourable mechanism for the calculation of damages from those included in the 63 Pirie Street contract, if the contract cannot be completed.

If the acquisition strategy is agreed and sanctioned by the court, then the Fund will seek to raise equity in order to complete the acquisition of 63 Pirie Street.

If the acquisition cannot be executed for any reason, then it is likely that damages will need to be paid to Raptis.

No decision has been made on whether the proposed acquisition strategy will be confirmed by the judicial advice and therefore adopted by OMIFL.

Bearing in mind the above, OMIFL has determined it is not able to pay distributions for the September and December quarters. The cash for this distribution will be retained by the Fund and may be released to investors once there is greater clarity on the matters outlined above.

OMIFL will continue to review the position in respect of the September and December distributions, and future distributions, as these matters progress.

## FUND HIGHLIGHTS

- The Fund's gearing was 48.3% and the Loan to Valuation Ratio, based on a valuation of \$53.0M, was 53.7% as at 31 December 2023;
- Occupancy as at 31 December 2023 was 82.3% following Indue vacating 1,282sqm on level 3 at lease expiry on 30 November 2023;
- The WALE by income was 3.6 years as at 31 December 2023;
- Terms have now been agreed with the sitting tenant, Home Instead, to surrender their existing suites on the ground floor (277sqm) and on level 2 (633sqm) and enter into a new 10 year lease over the ex-Indue level 3 floor; a 372sqm net gain in leased area;
- Assuming this lease is executed shortly, the WALE will increase from 3.6 to approximately 4.8 years and the occupancy will increase from 82.3% to 87.5%. The lease will commence on completion of fitout works to be undertaken by the Lessor as part of the lease incentive;
- Net Tangible Assets (NTA) was approximated at 1.03 as at 31 December 2023;
- The Fund remains contracted to acquire a \$58.6m office asset at 63 Pirie Street, Adelaide;
- The Responsible Entity may shortly issue a Product Disclosure Statement inviting investors to subscribe for new Units in the Fund to raise the necessary capital to acquire 63 Pirie Street, Adelaide; and
- A directions hearing in relation to the application for judicial advice referred to earlier is scheduled for 14 March 2024 and OMIFL will provide a further update following this hearing.



## FINANCIAL POSITION

The following table summarises the key information for the Fund's financial position as at 31 December 2023.

### ASSETS

CASH	\$'000	4,056
OTHER CURRENT ASSETS	\$'000	74
PROPERTY ASSET	\$'000	54,838
INVESTMENTS	\$'000	-
<b>TOTAL ASSETS</b>	<b>\$'000</b>	<b>58,969</b>

### LIABILITIES

BORROWINGS	\$'000	28,483
OTHER PAYABLES	\$'000	690
<b>TOTAL LIABILITIES</b>	<b>\$'000</b>	<b>29,174</b>

### NET ASSETS

<b>DEBT - PROPERTY LOAN</b>	<b>\$'000</b>	<b>28,483</b>
PROPERTY LOAN TO VALUATION (LVR)	%	53.7
LVR COVENANT	%	55.0
FUND GEARING	%	48.3
UNITS ON ISSUE	'000	28,965
NTA PER UNIT	\$	1.03
INCOME DISTRIBUTION PER UNIT PAID FOR DECEMBER 2023 QUARTER	cents	0.00
INCOME DISTRIBUTION YIELD (ANNUALISED AS A % OF NTA)	%	N/A



## Fund Profile

The Fund is an unlisted property fund that aims to provide Investors with stable income returns and the potential for capital growth by investing in a diversified property portfolio. The Fund's strategy is to acquire direct property and additional asset classes such as listed and unlisted property funds, property backed mortgages, cash and cash like products which is intended to diversify the asset base.

## Periodic Limited Withdrawals

The Responsible Entity has determined it does not contemplate offering a withdrawal window for March 2024. More details of the Fund's liquidity will be included in the PDS.

## Existing and New Investors

Following the issue of a new PDS, the Fund will enable both existing and new investors the ability to make applications for units in the Fund which is currently closed for applications. If the Fund's operations can be normalised, Units will be issued on a monthly basis and be based on the NAV for the Fund at the end of each month.

## LEASING UPDATE

### Occupancy

Occupancy as at 31 December 2023 was 82.3% following Indue vacating 1,282sqm on level 3 at lease expiry on 30 November 2023.

### Weighted Average Lease Expiry

The weighted average lease expiry (WALE) by income as at 31 December 2023 was 3.6 years.

## Leasing

Indue vacated 1,282sqm on Level 3 at lease expiry on 30 November 2023.

Terms have been agreed with the sitting tenant, Home Instead, to surrender their existing suites on the ground floor (277sqm) and on level 2 (633sqm) and enter into a new 10 year lease over the ex-Indue level 3 floor; a 372sqm net gain in leased area.

Assuming this lease is executed, the WALE would increase from 3.6 to approximately 4.8 years and the occupancy would increase from 82.3% to 87.5%. The lease would commence on completion of fitout works to be undertaken by the Lessor as part of the lease incentive.

## Tenant Diversity

Tenant diversity in the building as at 31 December 2023 was as follows:

### Top 4 Tenants by Income

JUMBO INTERACTIVE	33.3%
QUEENSLAND COLLEGE OF TEACHERS	19.5%
HOME INSTEAD TENANCIES	16.0%
CASH COVERTERS	13.6%

### Top 4 Tenants by Gross Lettable Area

JUMBO INTERACTIVE	26.2%
QUEENSLAND COLLEGE OF TEACHERS	16.7%
HOME INSTEAD TENANCIES	12.5%
CASH COVERTERS	12.2%

## OTHER INVESTMENTS

The Fund held one of Capital Property Fund's recent wholesale investor debt offerings:

Tallowong Vlews - a \$50,772 investment yielding 9.00% which matured during the quarter and was repaid. The Fund does not currently hold any debt investments.

The Manager does not charge the Fund a management fee for investments in the Manager's debt offerings. Should investors wish to find out more about Capital Property Funds debt offerings, please go to: <http://capitalpropertyfunds.com.au/property-debt-fund/>.

## 63 Pirie Street Adelaide Update

As previously advised in the September 2023 Quarter Investor Update, in order to assist with the acquisition of 63 Pirie Street Adelaide, the vendor has agreed in principle to provide the following:

1. A vendor finance facility of up to \$20,000,000 on the basis the Fund contributes equity of at least \$15,000,000 in addition to a new debt facility to be secured over 601 Coronation Drive and 63 Pirie Street. The terms of the vendor finance facility will be outlined in a Product Disclosure Statement (PDS) expected to be issued by the Responsible Entity in the coming months; and
2. A deferred settlement aiming to occur by 30 June 2024.

Subject to receiving judicial advice, a PDS will be issued to raise a minimum of \$15,000,000 from investors which will be combined with a new debt facility and the vendor finance facility and used to fund the acquisition of 63 Pirie Street.

**Brief details of the property are noted below:**

### New Building Acquisition

63 Pirie Street Adelaide is a quality value-add office building strategically located in the heart of Adelaide's traditional core office precinct on a prominent corner site, within a short walk of Rundle Mall.

The Fund will benefit from a 2 year rental guarantee over any current vacancies at settlement, should the acquisition proceed.

The Fund Manager intends to construct high quality fitouts and engage leasing agents to undertake a leasing campaign to lease up the new suites following which 63 Pirie Street is expected to become a stabilised income producing asset.

**Key Tenants include:**





### **Lease Profile**

63 Pirie Street enjoys a staggered leasing expiry profile with 48% of the net lettable area secured by leases expiring between 2027 and 2031.

### **About 63 Pirie Street Adelaide**

Being an island site, 63 Pirie Street provides tenants with abundant natural light, high quality end of trip facilities, 2 separate coffee shops, a restaurant/wine bar, a general refurbishment of the building services including a renovated ground floor lobby and lounge and immediate access to all the retail & transport amenity that the Adelaide CBD has to offer.

### **Potential Income Upside**

63 Pirie Street may provide upside to investors with a leasing vacancy of approximately 30% which, once solved, will improve the net income of the Building which may in turn lead to an increase in capital value.

### **Zero Stamp Duty in South Australia**

There is no stamp duty payable on property purchases in South Australia<sup>3</sup> which lowers transaction costs and reduces the impact on the NTA of the Fund.

<sup>3</sup> <https://www.revenuesa.sa.gov.au/stampduty/real-property-land>

### **Manager Expertise**

Capital Property Funds, as manager of the Fund, has a proven strategy of refurbishing vacant office suites in order to improve the leasing profile of a building and adding capital value.

## VALUATION

The following provides a summary of the independent desktop market assessment of 601 Coronation Drive prepared by Colliers as at 27 September 2023:

VALUATION	\$53.00m
VALUATION DATE	27 September 2023
VALUER	Colliers
CAPITALISATION RATE	7.25%

## DEBT

The following table provides a summary of the Fund's borrowings as at 31 December 2023.

Facility Limit \$m	Drawn Amount \$m	Undrawn Amount \$m	Expiry Date	Interest Rate p.a.
Tranche 1 - \$25.93m	\$25.93m	\$0.00m	30 September 2024	Approx. 6.36% <sup>1</sup>
Tranche 2 - \$3.00m	\$2.55m	\$0.45m	30 September 2024	Approx. 6.36% <sup>1</sup> + 1.00% (Line Fee) <sup>2</sup>
Tranche 3 - \$1.00m	\$0.00m	\$1.00m	30 September 2024	1.00% (Line Fee) <sup>3</sup>
<b>Total</b>	<b>\$28.48m</b>	<b>\$1.45m</b>		

<sup>1</sup> Floating rate of BBSY Bid Rate + 1.95% margin.

<sup>2</sup> 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.

<sup>3</sup> Tranche 3 has been paused for any drawdown.

Tranche 2 is a partially drawn tranche and was used for ACP remediation capital expenditure at 601 Coronation Drive.

Tranche 3 is an undrawn tranche to be used for working capital, but has been paused for any drawdown.

The weighted average cost of the drawn debt for the Fund is approximately 6.36% per annum while Tranche 3 is undrawn.

The Fund's gearing level was 48.3% as at 30 September 2023 which is below its long-term target of 50-55%.



## DISTRIBUTIONS

The distribution for the quarter to 31 December 2023 has not been paid.

### Quarter Ending

	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
<b>Distributions - Cents Per Unit</b>	2.02	1.97	1.99	0.00	0.00
<b>NTA - \$</b>	1.03	1.04	1.00	0.98	1.03
<b>Distribution Yield (annualised)</b>	7.74%	7.68%	8.03%	0.00%	0.00%

## FUND PERFORMANCE

(Annualised as at 31 December 2023 <sup>1,2</sup>)

	1 Year (%)	3 Years (%)	5 Years (%)	Inception (% P.A.)
<b>Income Distribution</b>	3.84%	7.54%	8.18%	7.34%
<b>Capital Growth</b>	-0.52%	5.53%	3.39%	0.38%
<b>Total Return</b>	3.32%	13.08%	11.57%	7.73%

<sup>1</sup> Performance is shown for informational purposes only. Past performance is not a reliable indicator of future performance. Annualised total return figures are the sum of the annualised income distribution and the annualised unrealised capital growth (each calculated on a standalone basis).

<sup>2</sup> Inception date is 12 August 2016

## NET TANGIBLE ASSETS

The Fund's net tangible assets (NTA) show the value of the Fund's NTA 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).

The NTA is calculated as follows:

$$\begin{aligned} \text{NTA} &= \frac{(\text{Net assets} - \text{intangible assets} +/- \text{other adjustments})}{(\text{Number of Units on issue})} \\ \text{NTA per Unit} &= \frac{\$29,794,714}{28,964,501} \\ &= \$1.03 \text{ per unit} \end{aligned}$$

The NTA as at 31 December 2023 incorporates the transaction cost and the deposit paid for the proposed acquisition of 63 Pirie Street.

## CONTACTS

### Contact the Fund Manager for:

- Management of CPF Diversified Property Fund
- New investment opportunities

### Capital Property Funds Pty Limited

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### Contact the Registry for:

- Enquiries regarding your Unitholding
- Distributions
- Changing contact details

### Boardroom Pty Limited

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## IMPORTANT INFORMATION

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