

CPF Diversified Property Fund

Investor Update

For the Quarter Ending 31 March 2024



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) provides the March 2024 Quarter Investor Update for the CPF Diversified Property Fund ARSN 610 941 654 (the Fund).

Fund updates are available on the Fund's website: www.capitalpropertyfunds.com.au. We have included in the annexe to the Investor Update, updates in relation to the Fund released during the quarter.

STATEMENT FROM ONE MANAGED INVESTMENT FUNDS LIMITED

Proposed Acquisition of 63 Pirie Street

As disclosed in previous investor updates the Fund is contracted to acquire an office building located at 63 Pirie Street, Adelaide, South Australia (63PS).

As insufficient equity was raised by the contracted settlement date in February 2023, the Fund was unable to complete the purchase of 63PS. Raptis Properties Pty Ltd (Vendor) commenced proceedings in South Australia against the Fund in March 2023 and since then One Managed Investment Funds Limited (Responsible Entity) and the Fund Manager have been negotiating with the Vendor to acquire the Property on deferred settlement terms.

The Responsible Entity filed an application with the Supreme Court of New South Wales on 22 December 2023 seeking judicial advice to approve the Responsible Entity entering into a set of deferred settlement transaction documents that were negotiated with the Vendor and available to execute in November 2023.

In April 2024, the Responsible Entity concluded it was unlikely to obtain the judicial advice it was seeking to enter into the deferred settlement transaction documents.

As a result, the Responsible Entity has determined the proposed transaction in its present form was not in the best interests of members as a whole and communicated this to the Vendor.

The Vendor subsequently indicated to the Responsible Entity it was no longer willing to engage in further deferred settlement negotiations and is seeking for the court proceedings in the South Australian court to progress expeditiously. Subject to obtaining judicial advice, the Responsible Entity is preparing to defend those proceedings as well as instituting cross claims it considers arise in the circumstances.

The Responsible Entity appreciates that this may be a disappointing outcome for investors however the decision was taken after careful consideration of the prevailing circumstances.

As indicated in previous updates, the Fund's largest investor has applied to be joined as a party to the South Australian court proceedings. Its application is scheduled to be heard by the court on 25 June 2024. The Responsible Entity's application for judicial advice in relation to the filing of a defence and cross claims is scheduled to be mentioned before the Supreme Court of New South Wales on 19 June 2024.

In the meantime, the Responsible Entity is continuing to seek to negotiate a settlement outcome with the Vendor. To the extent any settlement involves the payment of damages, the Responsible Entity will seek judicial advice in respect of whether a portion of those damages can be paid from the Fund's assets. It is also important to note the Responsible Entity continues to investigate whether and the extent to which other parties ought to contribute to any damages which are agreed.

CPF DIVERSIFIED PROPERTY FUND **INVESTOR UPDATE**

Distributions

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

The Responsible Entity has determined that the Fund would not pay distributions for September 2023 to March 2024 quarters. The cash for these distributions has been retained by the Fund and may be applied towards distributions once there is greater clarity on the outcome of the dispute regarding the proposed acquisition of 63PS.

The Responsible Entity and the Fund Manager are aware of the disappointment the lack of distributions has caused for investors.

FUND HIGHLIGHTS

- The Fund's gearing was 48.1% and the Loan to Valuation Ratio, based on a valuation of \$53.0M, was 53.7% as at 31 March 2024;
- The new 10 year lease to Home Instead has been executed, surrendering their existing suites on the ground floor (277sqm) and level 2 (633sqm) and relocating to level 3 (ex-Indue floor) - this lease will commence on completion of the fitout works to be undertaken by the Lessor as part of the lease incentive (expected to be 1 July 2024) and results in a net gain of 372sqm in leased area;
- Assuming the Home Instead lease commences on 1 July 2024 as expected, the WALE will increase from 3.5 years to approximately 4.7 years and the Occupancy will increase from 80.5% to 85.6%;
- Occupancy as at 31 March 2024 was 80.5% following the vacation of Generation Health on lease expiry on 29 February 2024 of 134sqm on the ground level;
- The WALE by income was 3.5 years as at 31 March 2024;
- Net Tangible Assets (NTA) was approximately \$0.79 as at 31 March 2024;
- The Fund remains contracted to acquire a \$58.6m office asset at 63 Pirie Street, Adelaide;
- The Responsible Entity concluded it was unlikely to obtain the judicial advice it was seeking to enter into the deferred settlement transaction documents; and
- As a result, the Responsible Entity has determined the proposed transaction in its present form was not in the best interests of members as a whole and the Responsible Entity is continuing to seek to negotiate a settlement outcome with the Vendor



FINANCIAL POSITION

The following table summarises the key information for the Fund's financial position as at 31 March 2024.

ASSETS		
CASH	\$'000	4,221
OTHER CURRENT ASSETS	\$'000	90
PROPERTY ASSET	\$'000	54,854
INVESTMENTS	\$'000	-
TOTAL ASSETS	\$'000	59,165
LIABILITIES		
BORROWINGS	\$'000	28,484
OTHER PAYABLES	\$'000	7,827
TOTAL LIABILITIES	\$'000	36,311
NET ASSETS	\$'000	22,854
DEBT - PROPERTY LOAN	\$'000	28,484
PROPERTY LOAN TO VALUATION (LVR)	%	53.7
LVR COVENANT	%	55.0
FUND GEARING	%	48.1
UNITS ON ISSUE	'000	28,965
NTA PER UNIT	\$	0.79
INCOME DISTRIBUTION PER UNIT PAID FOR MARCH 2024 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. This decision has been made with regard to the ongoing dispute with the vendor of 63 Pirie Street.

Existing and New Investors

The Fund is currently closed to new investment. If the Fund's operations can be normalised, it is expected 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

Leasing

A new 10 year lease has been executed with the sitting tenant, Home Instead, over level 3 (ex-Indue floor) surrendering their existing suites on the ground floor (277sqm) and on level 2 (633sqm), resulting in a 372sqm net gain in leased area.

The lease commences on completion of fitout works to be undertaken by the Lessor as part of the lease incentive, expected to be 1 July 2024.

Assuming the Home Instead lease commences on 1 July 2024 as expected, the WALE will increase from 3.5 years to approximately 4.7 years and the Occupancy will increase from 80.5% to 85.6%

Occupancy

Occupancy as at 31 March 2024 was 80.5% following the vacation of Generation Health occupying 134sqm on the ground level on lease expiry on 29 February 2024.

Weighted Average Lease Expiry

The weighted average lease expiry (WALE) by income as at 31 March 2024 was 3.5 years.

Tenant Diversity

Tenant diversity in the building as at 31 March 2024 was as follows:

Top 4 Tenants by Income

JUMBO INTERACTIVE	33.8%
QUEENSLAND COLLEGE OF TEACHERS	19.8%
HOME INSTEAD TENANCIES	16.9%
CASH COVERTERS	13.8%

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

Other than cash, the Fund does not currently hold any other investments.

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 March 2024.

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% ¹
Tranche 2 - \$3.00m	2.55m	\$0.45m	30 September 2024	Approx. 6.36% ¹ + 1.00% (Line Fee) ²
Tranche 3 - \$1.00m	\$0.00m	\$1.00m	30 September 2024	1.00% (Line Fee) ³
Total	\$28.48m	\$1.45m		

¹Floating 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.

³ 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. Tranche 2 and 3 have been paused for any drawdown.

The weighted average cost of the drawn debt for the Fund is approximately 6.38% per annum while Tranche 3 is undrawn.

The Fund's gearing level was 48.1% as at 31 March 2023 which is below its long-term target of 50-55%.

DISTRIBUTIONS

The distribution for the quarter to 31 March 2024 has not been paid.

Quarter Ending

	Dec-22	Mar-23	Jun-23	Sep -23	Dec-23
Distributions - Cents Per Unit	1.97	1.99	0.00	0.00	0.00
NTA - \$	1.04	1.00	0.98	0.8	0.79
Distribution Yield (annualised)	7.68%	8.03%	0.00%	0.00%	0.00%

FUND PERFORMANCE

(Annualised as at 31 March 2024^{1,2})

	1 Year (%)	3 Years (%)	5 Years (%)	Inception (% P.A.)
Income Distribution	1.92%	6.77%	7.73%	7.11%
Capital Growth	- 24.23%	-3.66%	-2.05%	-2.72%
Total Return	-22.32%	3.11%	5.68%	4.38%

¹ 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).

² 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:

$$\begin{array}{lcl}
 \text{NTA} = & \frac{(\text{Net assets- intangible assets +/-} \\
 & \text{other adjustments})}{(\text{Number of Units on issue})} & \text{NTA per Unit} = \frac{\$22,854,220}{28,964,501} \\
 & & = \$0.79 \text{ per unit}
 \end{array}$$

The NTA as at 31 March 2024 incorporates an allowance for transaction costs for the proposed acquisition of 63 Pirie Street, including the deposit paid of \$1,100,000 as an asset, an allowance for potential default interest under the 63 Pirie Street contract but excludes the impacts of any potential reduction in the valuation of 63 Pirie Street between the contracted price and the current value as at 31 December 2023. Depending on the outcome of negotiations with the vendor of 63 Pirie Street, the NTA per unit may be impacted either positively or negatively.

CONTACTS

Contact the Fund Manager for:

- Management of CPF Diversified Property Fund
- New investment opportunities

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Contact the Registry for:

- Enquiries regarding your Unitholding
- Distributions
- Changing contact details

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IMPORTANT INFORMATION

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ANNEXURE

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, 7 March and 8 April 2024 which did not proceed and has been adjourned until June 2024.

OMIFL has issued the following investor updates over the quarter ending 31 March 2024:

Investor Update - 3 April 2024

One Managed Investment Funds Limited (OMIFL) as responsible entity of the CPF Diversified Property Fund advises that Avanti Nominees Pty Ltd (Avanti) has applied to be joined as a respondent to the proceedings commenced by Raptis Properties Pty Ltd in South Australia and is seeking leave to file a defence and cross claim in respect of the acquisition of 63 Pirie Street. Avanti is the largest single unitholder in the Fund. OMIFL is considering this application and will provide more information in due course.

OMIFL will continue to provide updates.

Investor Update - 28 March 2024

One Managed Investment Funds Ltd (OMIFL) as responsible entity for the CPF Diversified Property Fund has recently received advice and while it is continuing to consider that advice it notes it may require changes to its previously communicated strategy regarding 63 Pirie Street. In the meantime, OMIFL continues to seek to resolve the dispute with Raptis Property.

OMIFL will continue to provide updates.

Status of Judicial Advice application - 14 March 2024

Further to the update dated 7 March 2024 in respect of the application for judicial advice, One Managed Investment Funds Limited (OMIFL) as responsible entity of the CPF Diversified Property Fund advises that some of the matters referred to in that update as causing delays to filing the amended application, remain unresolved. Consequently, the court has extended the time for OMIFL to file its amended application and supporting material until 27 March 2024. The matter is scheduled for a directions hearing on 8 April 2024.

OMIFL accepts this is a disappointing outcome but considers these issues should be resolved prior to filing the amended application for judicial advice with the Court.

OMIFL will continue to provide updates.

Status of Judicial Advice application - 7 March 2024

One Managed Investment Funds Limited ("OMIFL") as responsible entity for the CPF Diversified Property Fund (ARSN 610 941 654) (the "Fund") provides an important update with respect to the Fund.

OMIFL previously advised unitholders that the documents supporting the judicial advice application were expected to be lodged with the Court on 7 March 2024. Due to unforeseen delays and the complexity of the application we now expect these documents to be lodged by 14 March 2024.

OMIFL will continue to provide updates.