

CPF Diversified Property Fund

Investor Update

For the Quarter Ending 30 June 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 June 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 annexure 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 was 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 One Managed Investment Funds Limited (Responsible Entity) and the Fund Manager attempted to negotiate with the Vendor to acquire the Property on deferred settlement terms.

On 22 December 2023, the Responsible Entity filed an application with the Supreme Court of New South Wales seeking judicial advice to approve the entry into documents implementing the deferred settlement transaction.

In April 2024, the Responsible Entity concluded the proposed deferred settlement transaction was unlikely to be in the best interests of members as a whole and communicated this to the Vendor who informed the Responsible Entity it would no longer engage in negotiations in relation to the deferred settlement and has rescinded the contract.

The Vendor 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 hearing of the Responsible Entity's judicial advice application has been scheduled for 31 October 2024 and will be the subject of a separate investor update.

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 but no hearing date is presently scheduled for that application. The South Australian proceedings will next be mentioned before the Court on 8 November 2024.

When possible, the Responsible Entity will seek to negotiate a settlement 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 agreed damages.

FUND HIGHLIGHTS

- The Fund's loan facility expires 30 September 2024. As part of the refinance of the Fund's loan facility secured against 601 Coronation Drive, an independent valuation was obtained that valued the property at \$46.50m down from \$53.00m being a 12.26% decrease in value and resulting in a loan to value ratio of 61.3%. Accordingly, the Fund is no longer in compliance with the financial covenant under this loan facility that requires it to maintain a loan to value ratio of less than 55%. The Fund continues to negotiate with its lender, ING, in respect of refinancing the loan for a further term of 12 months and resolving this covenant breach. While it remains in discussions with the financier, the Responsible Entity at this stage expects a resolution of the covenant breach will involve the Fund paying a sum of money to reduce the loan to value ratio. As investors are aware, the Responsible Entity has previously resolved it was in the best interests of investors to suspend payment of distributions. This means the Fund has cash reserves, some or all of which the Responsible Entity expects will need to be utilised for the payment to the financier.
- The Fund's gearing increased from 48.1% to 56.4% as at 30 June 2024;
- Following completion of the fitout works to Level 3, Home Instead has relocated to Level 3 under a 10 year lease commencing on 1 July 2024;
- The occupancy has increased from 80.5% to 85.6% as at 30 June 2024;
- The WALE by income has increased from 3.5 years to 4.6 years as at 30 June 2024;
- Net Tangible Assets (NTA), incorporating the reduced valuation of \$46.5m was approximately \$0.42 as at 30 June 2024;
- The Fund is no longer contracted to acquire a \$58.6m office asset at 63 Pirie Street, Adelaide as the vendor has terminated the contract; and
- When possible, the Responsible Entity will seek to negotiate a settlement with the Vendor.



FINANCIAL POSITION

The following table summarises the key information for the Fund's financial position as at 30 June 2024.

ASSETS		
CASH	\$'000	4,007
OTHER CURRENT ASSETS	\$'000	17
PROPERTY ASSET	\$'000	46,500
INVESTMENTS	\$'000	-
TOTAL ASSETS	\$'000	50,524
LIABILITIES		
BORROWINGS	\$'000	28,486
OTHER PAYABLES	\$'000	9,810
TOTAL LIABILITIES	\$'000	38,296
NET ASSETS	\$'000	12,228
DEBT - PROPERTY LOAN	\$'000	28,486
PROPERTY LOAN TO VALUATION (LVR)	%	61.3
LVR COVENANT	%	55.0
FUND GEARING	%	56.4
UNITS ON ISSUE	'000	28,965
NTA PER UNIT	\$	0.42
INCOME DISTRIBUTION PER UNIT PAID FOR JUNE 2024 QUARTER	cents	1.60
INCOME DISTRIBUTION YIELD (ANNUALISED AS A % OF NTA)	%	15.2%



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 September 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 fitout works have been completed by the Lessor as part of the lease incentive, and the 10 year lease commenced 1 July 2024.

Occupancy

Occupancy as at 30 June 2024 increased from 80.5% to 85.6%.

Weighted Average Lease Expiry

The weighted average lease expiry (WALE) by income as at 30 June 2024 increased from 3.5 years to 4.6 years.

Tenant Diversity

Tenant diversity in the building as at 30 June 2024 was as follows:

Top 4 Tenants by Income

JUMBO INTERACTIVE	32.8%
HOME INSTEAD	20.3%
QUEENSLAND COLLEGE OF TEACHERS	18.6%
CASH COVERTERS	13.0%

Top 4 Tenants by Gross Lettable Area

JUMBO INTERACTIVE	26.2%
HOME INSTEAD	17.6%
QUEENSLAND COLLEGE OF TEACHERS	16.7%
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 an updated independent market assessment of 601 Coronation Drive prepared by Colliers as at 17 July 2024:

VALUATION	\$53.00m	\$46.50m
VALUATION DATE	27 September 2023	17 July 2024
VALUER	Colliers	Colliers
CAPITALISATION RATE	7.25%	7.77%

As part of the refinance of the Fund's loan facility secured against 601 Coronation Drive which expires 30 September 2024, an independent valuation was obtained that valued the property at \$46.50m down from \$53.00m being a 12.26% decrease in value.

The valuation has fallen as a result of an increase in the capitalisation rate from 7.25% to 7.77%. There have been a number of office asset sales that have recently transacted in Brisbane which the valuer has taken into consideration.

The reduced valuation results in a loan to value ratio of 61.3% and accordingly, the Fund is no longer in compliance with the financial covenant under this loan facility that requires it to maintain a loan to value ratio of less than 55%. The Fund continues to negotiate with its lender, ING, in respect of refinancing the loan for a further term of 12 months and resolving this covenant breach.

DEBT

The following table provides a summary of the Fund's borrowings as at 30 June 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. 6.38% ¹
Tranche 2 - \$2.56m	\$2.56m	\$0.00m	30 September 2024	Approx. 6.38% ¹
Total	\$28.49m	\$0.00m		

¹ Floating rate of BBSY Bid Rate + 1.95% margin.

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

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

The Fund's gearing level was 56.4% as at 30 June 2024 which is slightly above its long-term target of 50-55%.

DISTRIBUTIONS

While the Fund's the general practice has been to pay quarterly distributions, for the period to 30 June 2024 the Responsible Entity has determined that the Fund will pay a distribution at least equal to the taxable income of the Fund in an approximate amount of 1.6 cent per unit.

Payment of the distribution is expected in September 2024.

Quarter Ending

	Jun-23	Sep-23	Dec-23	Mar -24	Jun-24
Distributions - Cents Per Unit	1.99	0.00	0.00	0.00	1.60
NTA - \$	0.92	0.98	0.84	0.79	0.42
Distribution Yield (annualised)	8.72%	8.03%	0.00%	0.00%	15.24%

FUND PERFORMANCE

(Annualised as at 30 June 2024^{1 2})

	1 Year (%)	3 Years (%)	5 Years (%)	Inception (% P.A.)
Income Distribution	1.74%	5.79%	7.63%	7.08%
Capital Growth	- 53.99%	-25.32%	-13.67%	-10.22%
Total Return	-52.25%	-19.53%	-6.04%	-3.13%

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:

$$\begin{aligned}
 \text{NTA} &= \frac{(\text{Net assets} - \text{intangible assets} + / - \text{other adjustments})}{(\text{Number of Units on issue})} \\
 \text{NTA per Unit} &= \frac{\$12,228,493}{28,964,501} \\
 &= \$0.42 \text{ per unit}
 \end{aligned}$$

The NTA as at 30 June 2024 incorporates 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 a potential sale price. 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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IMPORTANT INFORMATION

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ANNEXURE

Continuous Disclosure Notice - 22 August 2024

One Managed Investment Funds Limited (OMIFL) as the responsible entity of the CPF Diversified Property Fund ARSN 610 941 654 (Fund) advises that The Fund's loan facility is due 30 September 2024. As part of the refinance of the Fund's loan facility secured against 601 Coronation Drive, Toowong Queensland (601CD) an independent valuation was obtained that valued 601CD at \$46,500,000 down from \$53,000,000 being a 12.26% decrease in value. Accordingly, the Fund is no longer in compliance with the financial covenant under this loan facility that requires it to maintain a loan to value ratio of less than 55%. The Fund continues to negotiate with its lenders in respect of refinancing the loan and resolving this covenant breach.

OMIFL continues to assess the impacts of this on the Fund and its key stakeholders