Core Property
Fund Research & Ratings
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Unlisted Property Trust Report

KM Property Community and Social Services Property Fund

March 2022

Open ended property fund investing in community-based properties, targeting 5.0% - 5.5%+ p.a. distributions

KM Property Community and Social Services Property 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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KM Property Community and Social Services Property Fund

March 2022

The KM Property Community and Social Services Property Fund ("the Fund") is an unlisted open-ended multi-asset fund that aims to provide investors with stable monthly income with the potential for capital growth through investing in a range of commercial property that provides basic goods and services to the community. The Fund's Responsible Entity KM Property Funds ("the Responsible Entity", "the RE") and Manager KordaMentha Real Estate Pty Ltd ("the Manager") are part of KordaMentha a leading investment and advisory firm within Australia. The Fund is open-ended, and units may be acquired based on the daily Current Unit Value, which is $1.00 per unit (21 February 2022). The Fund is open to investors with a minimum investment of $10,000.

The Fund's primary focus is to invest in a diversified portfolio of properties that provide community and social services. These include, but are not limited to, childcare centres, medical practices, affordable or community housing and neighbourhood retail properties. The Fund seeks to invest in these properties as they are integral to the social infrastructure of the community, offering a level of resilience for investors.

The Fund's initial portfolio highlights the key features the Manager is targeting. The initial portfolio consists of four assets valued at $32.8M, which includes three recently developed childcare centres leased to experienced operators in VIC, SA and WA, as well as a multi-tenanted childcare/healthcare property in ACT. The initial portfolio is 98.8% occupied and has a Weighted Average Lease Expiry (WALE) of 14.6 years (by income), providing a long-term lease profile for investors.

The Fund has an Initial Term of 3 years to 20 February 2025 during which time the Manager intends to increase the portfolio to improve scale and diversification. Over time the Manager expects to hold a portfolio that is 90% invested in direct properties. The remaining 10% is expected to be held in listed A-REITs and cash/cash-like products to provide liquidity. The Manager intends to offer a Limited Withdrawal Facility to allow investors to redeem their units. The Limited Withdrawal Facility will be offered twice per year, from March 2025 and September 2025 onwards, providing liquidity for up to 5% of NAV each time.

The Fund is targeting distributions between 5.0% - 5.5% p.a. for the first three years of the Fund ("Initial Term"). Core Property notes the Initial Portfolio provides strong support for this distribution target.

The Fund has a target gearing of 35% - 49%. The Fund was established with Acquisition Units held by KordaMentha. The Manager expects the Offer to issue Ordinary Units which will be used to pay down debt to reduce the LVR to 40% and replace the Acquisition Units with Ordinary Units. The debt facility will likely need to be expanded as additional properties are acquired by the Fund.

Fees charged by the Fund are at the low end of what Core Property has seen in the market (see *Fees in Perspective*).

Based on the initial portfolio and the Manager's assumptions, Core Property estimates the Fund to deliver an Internal Rate of Return (IRR) of between 5.8% - 8.3% p.a. (midpoint 7.1% p.a.) based on a +/- 25 bps sensitivity to terminal capitalisation rates and interest rates over an assumed five-year term (see *Expected Future Performance (IRR Sensitivities)*). The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions. Core Property is unable to assess the impact of any additional acquisitions or disposals that may impact the fund over its term.

Investor Suitability

Core Property considers the Fund will appeal to investors seeking to invest in an unlisted property fund with a focus on providing a sustainable yield. Distributions are expected to be underpinned by a portfolio of properties that are part of the social and community infrastructure of an area. Investors should expect the portfolio metrics to change as additional properties are acquired. Capital gains are likely to be driven by long term valuation gains in line with the Manager's recommended investment period of at least 5 years. This report should be read in conjunction with the Target Market Determination provided by the Manager, as required by s994B of the Corporations Act 2001.

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:	Open Ended
Min. Investment:	$10,000
Unit Entry Price:	$1.00[1] per unit
Buy / Sell Spread:	Nil / Nil (21 February 2022)
Net Tangible Asset per unit:	$0.90[1] per unit
Liquidity:	Biannually from March 2025 onwards
Forecast Distributions:	5.0% – 5.5% p.a.
Distribution Frequency:	Monthly
Initial Investment Period:	Minimum of 5 years (recommended)

Note 1: As at 21 February 2022, based on the Initial Portfolio of 4 assets, issue of 23.8M ordinary Units and debt reduction of $4.0M.

Fund Contact Details

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Fund - Website

https://kmpropertyfunds.com/funds/Communityfund

Note: This report is based on the KM Property Funds Community and Social Services Property Fund Product Disclosure Statement dated 21 February 2022, together with other information provided by KM Property Funds.

Key Considerations

Management Experience: KM Property Funds was established in 2013 as Placer Property and was acquired by KordaMentha in 2017 as part of KordaMentha's Real Estate Investment Division. KordaMentha is a leading investment and advisory firm, with over 350 staff across Australia, New Zealand and Southeast Asia. The senior management of KM Property are experienced and skilled in property investment with each member having over 20 years' experience in real estate and funds management.

Unit Price: Investors may subscribe for Ordinary Units at the daily Current Unit Value, calculated based on the Net Tangible Assets of the Fund adjusted for the amortisation of acquisition costs over 5 years and a Buy/Sell Spread (current Nil/Nil). The Current Unit Value at 21 February 2022 is $1.00 per unit.

Fund Structure: The Fund was established in 2021 with four properties in the portfolio. In order to fund the acquisition of the properties, the Fund issued Acquisition Units to KordaMentha Investments (PCC) Trust, a related party of the Manager. The Manager will issue Ordinary Units, which will be used to redeem the Acquisition Units at cost ($1.00 per unit), reduce debt and fund future acquisitions for the portfolio.

Fund Term/Liquidity: The Fund is open-ended. Investors may purchase units based on the daily Current Unit Value. The Manager seeks to grow the Fund during the first three years ("the Initial Term"), after which the Manager intends to offer a Limited Withdrawal Facility for investors. The Limited Withdrawal Facility will allow investors to redeem their investment at the prevailing Unit Price every six months from March 2025 and September 2025 onwards. The facility will be capped at each six-month period at 5% of NAV (when the NAV is below $100M) or $5M (when the NAV is above $100M).

Fund Strategy: The Fund aims to provide investors with stable monthly income distributions by investing in a portfolio of community and social services properties. These include assets such as childcare facilities, healthcare properties and neighbourhood shopping centres. The Fund's investment strategy is to acquire assets that meet the important needs of day-to day life with properties that are part of the social infrastructure of communities. Over time the Fund is targeting an allocation of 90% direct property, with the remaining 10% to be held in A-REITs, cash or cash like products for redemptions.

Property Portfolio: The Initial Portfolio consists of four assets which represent the Fund's strategy of investing in community-based properties. The four assets are valued at $32.8M and include three childcare centres in VIC, WA and SA as well as one childcare/healthcare property in the ACT. The portfolio metrics provide a level of resilience for investors, with: 1) 98.8% occupancy, 2) a long WALE of 14.6 years (by income), and 3) average contracted rental increases of approximately 3.0% p.a. Investors should expect the property portfolio metrics to change over time as additional assets are acquired or sold, as the Manager targets greater scale and diversification for the portfolio.

Debt Profile: The Fund has a target gearing of 35% - 49% with a defined process to reduce gearing if it is above 55%. Following the issue of Ordinary Units, the Manager is looking to pay down debt and is targeting a Loan To Value Ratio (LVR) of 40% (from 52.1%). Core Property considers the LVR of 40% to offer a lower level of risk than similar products in the market.

Distributions: Based on the Current Unit Value of $1.00 per unit, the Manager is targeting distributions of 5.0% - 5.5% p.a. during the Fund's Initial term of three years. The Fund has a distribution reinvestment plan whereby investors can elect to reinvest their distributions to acquire additional units in the Fund.

Fee Structure: Core Property considers the Fund's fees to be low when compared to what we have seen in the market.

Total Returns: Core Property estimates the Fund to deliver an Internal Rate of Return (IRR) of 5.6% to 8.4% (midpoint 7.1% p.a.) assuming a five-year term and based on the Funds sensitivities (+/- 25 bps sensitivity to capitalisation and interest rates, see the Financial Analysis section). Investors should be aware the Fund is exposed to a capital gain or loss based on the sale price of the current and any future assets in the portfolio, and overall market conditions, which may deliver an IRR outside this range.

Investment Scorecard

Investment Scorecard	
Management Quality	★★★★☆
Governance	★★★★☆
Portfolio	★★★☆☆
Income Return	★★★☆☆
Total Return	★★★☆☆
Gearing	★★★★☆
Liquidity[1]	★★☆☆☆
Fees	★★★★☆

Note 1: Based on the Fund providing biannual liquidity from March 2025 onwards.

Key Metrics

Fund Structure

A registered managed investment scheme structured as a unit trust. The Fund is open-ended and invests in properties that are part of the community and social services of an area. Properties are acquired in a subtrusts. The Fund may also invest in A-REITs and cash and cash like investments.

Management

KM Property Funds was established in 2013 and forms part of the Real Estate Investment division of KordaMentha – one of Australia's leading investment and advisory firms. KM Property Funds currently manages over $300M of funds under management across office, retail, industrial and alternative real estate sectors.

Property Portfolio	Initial Portfolio
No. of Properties:	4
Acquisition Price:	$32.8M
Property Locations:	• 1-5 Riddell Road, Sunbury VIC • 216-228 Cowlishaw Street, Greenway Act • 2-8 Botany Drive, Golden Grove SA • 56 Carrington Street, Palmyra WA
Property Sector:	Childcare, Childcare/Healthcare
Key Tenant(s):	• Cubs Corner (ACT) • Nido Early School (WA & SA) • Beginners Early Learners (VIC)
Occupancy:	98.8%
WALE:	14.6 years (by income)

Return Profile

Forecast Distribution:	5.0 – 5.5 cents per unit
Distribution Frequency:	Monthly
Tax advantage:	Estimated 60%+ tax deferred, based on current portfolio. Tax deferred component will change as additional properties are acquired.
Estimated Levered IRR (pre-tax, net of fees):	5.8% - 8.3% p.a. (midpoint 7.1% p.a.) Based on the Initial Portfolio and +/- 25bps sensitivity to terminal capitalisation rates and interest rates
Investment Period:	Minimum of 5 years (recommended)

Risk Profile

Property/Market Risk:	Capital at risk will depend on a portfolio of assets, including childcare and office properties as well as additional commercial properties expected to be acquired by the Fund.
Interest Rate Movements:	Any change in the cost of borrowings may impact the distributable income of the Fund's underlying investments.
Property Specific Risks:	Property investments are exposed to a change in vacancy rates, prevailing market rents, and economic supply and demand.

For a more detailed list of the key risks, refer to "Section 7: Investment considerations and risks" of the Product Disclosure Statement.

Fees Paid

Entry Fees:	Nil
Exit Fees:	Nil
Buy / Sell Spread:	Nil / Nil (February 2022)
Acquisition Fee:	2.0% of purchase price
Sale Fee (Disposal Fee):	Up to 1.5% of sale price
Management Fee:	Up to 0.75% p.a. of the Fund's Gross Asset Value (GAV)
Expenses:	0.35% p.a. of the Fund's Gross Asset Value (est.)
Performance Fee:	A 15% Performance Fee over an IRR hurdle rate of CPI + 5.0% p.a.[1]

Note 1: No Performance Fee is assessable until 30th June 2026. Performance Fee calculations will occur annually thereafter. The Constitution allows the Manager to be is entitled to a Performance Fee above a hurdle rate of CPI + 4.0%, however the Manager has elected to increase the hurdle rate to CPI + 5.0%.

Debt Metrics

Expected debt following the issue of $23.8M of units.

Debt Facility / Expected Debt:	$17.1M / $13.1M
Loan Period:	5 years to April 2026
Initial LVR / Max LVR / LVR Covenant:	40% / 40% / 60% Assumes debt is reduced as forecast
ICR / ICR Covenant:	3.0x /2.0x

Note: Debt terms are expected to change as additional properties are acquired.

Legal

Offer Document:	Product Disclosure Statement dated 21 February 2022
Wrapper:	Unlisted Property Fund
Responsible Entity:	KM Property Funds (ACN 164 635 885)
Portfolio Manager:	KordaMentha Real Estate Pty Ltd (ACN 121 326 207)
Cash Manager (intended to be appointed):	Accordius Pty Ltd (ACN 128 900 603, AFSL 321955)
Custodian:	Perpetual Corporate Trust Limited (ACN 000 341 533, AFSL 392673)

Fund Overview

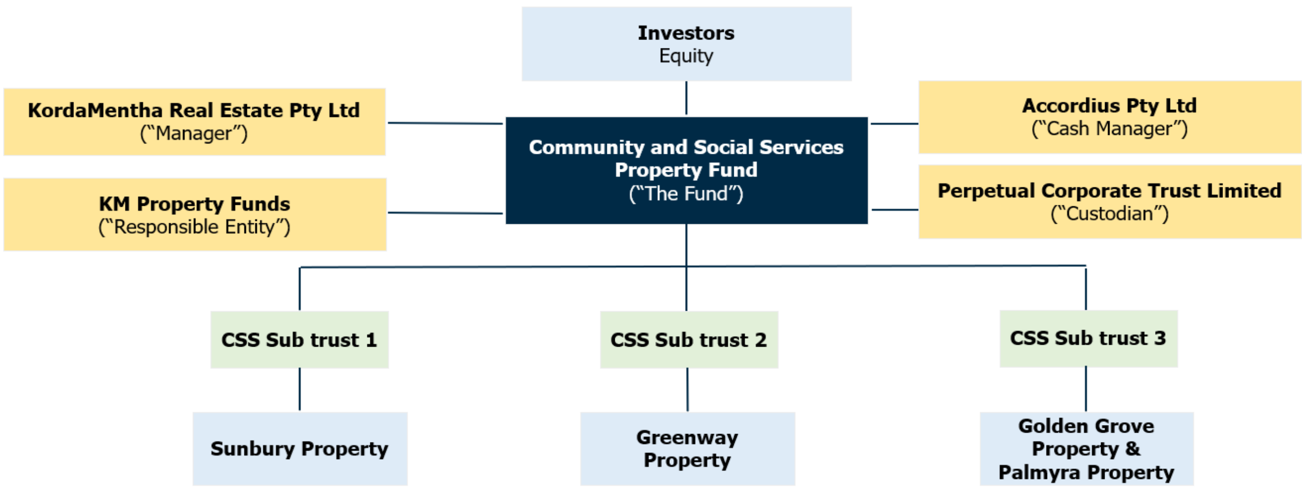
The Fund is an open-ended unlisted multi asset fund that aims to provide investors with stable monthly income payments with the potential for long-term capital growth through investing in community and social services properties.

The Fund was established in late 2021 and became a registered managed investment scheme in December 2021. The Fund was established with an investment in four properties through the issue of Acquisition Units to KordaMentha Investments (PCC) Trust. The Responsible Entity, KM Property Funds ("the Responsible Entity", "RE"), is seeking to open the Fund to investors through the issue of Ordinary units. The Ordinary Units will be used to replace the Acquisition Units, pay down debt and fund the future growth of the Fund. The Issue Price of Ordinary Units is based on the Current Unit Value of the Fund (calculated daily) with the initial price being $1.00 per unit ("the Offer"). The Fund has a minimum investment of $10,000, however the RE may accept lower amount at its discretion.

The fund is open ended and does not have a set termination date. During the first three years to 20 February 2025 ("the Initial Term") the RE will look to growing the Fund to further provide scale and diversification and, as such, will not offer any liquidity for investors. After three years, the RE intends to offer a Limited Withdrawal Facility every six months (in March and September) which will enable investors to redeem up to 5% of the Net Asset Value of the Fund (or 10% p.a.) To facilitate redemptions following the Initial term, the RE plans to have ~10% of its gross asset value invested in liquid investments such as A-REIT's and cash-like products. These investments will be managed by Accordius Pty Ltd ("Cash Manager"), who is a related body corporate of the RE.

The initial portfolio consists of four community and social services properties valued at $32.8M, with three childcare properties and one childcare/medical property. The portfolio is 98.8% occupied with one minor vacancy and has a long WALE of 14.6 years (by income). The RE has a clear acquisition mandate to acquire similar properties that are deemed "essential" to the community, which will support the distributions payable to investors. During the Initial Term of the Fund, the RE is targeting distributions of 5.0% - 5.5% p.a which will be paid on a monthly basis, with a Distribution Reinvestment Plan available for Investors.

Figure 1: Fund structure



Source: Core Property, KM Property Funds

Fund Strategy

The Fund aims to provide investors with stable monthly income payments with the potential for capital growth by investing in a range of community and social services properties. This includes but is not limited to childcare and education, health, wellbeing and fitness, specialist accommodation, social welfare, affordable or community housing, community services and neighbourhood retail. The Fund may also acquire property from sectors such as office or industrial if the RE believes the property meets the requirement of community and social services and the lease has a WALE in excess of five years.

The Fund's acquisition mandate is summarised below:

- Location - Australian mainland capital cities and regional locations with an urban population of at least 25,000 people
- Lease term - minimum WALE of six years
- Asset size - valuation of at least $3.0M with no one asset exceeding 25% after the Initial term; and
- Tenant type – preferably ASX listed, have a national presence or are experienced owner-operators.

The Fund may also acquire greenfield and brownfield development opportunities that have been substantially de-risked, such as when development applications have been approved, agreement for leases are in place, as well as any other development risks which the RE considers necessary. If pursued, it is intended the Fund will limit development exposure to 20% of the portfolio's gross asset value.

As an open-ended fund, the RE plans to invest in cash, cash-like products and A-REITs to facilitate limited withdrawal facilities. By the end of the Initial Term, the Fund intends to hold approximately 10% of its investments in liquid assets. The following asset allocations should be seen as a guide only and the fund may hold an allocation outside the range. The RE may also change the allocation range in future.

Figure 2: Target Asset Allocation

Asset Class	Target Asset Allocation
Direct Property	90%
A-REITs	7%
Cash or cash-like products	3%
Total	**100%**

Source: KM Property Funds

Unit Price

The Fund is open-ended, with units being issued at the Current Unit Value plus any applicable Buy Spread. The Current Unit Value is determined by the prevailing Net Tangible Assets (NTA) of the Fund plus an adjustment for amortised establishment and acquisition costs. Costs will be generally amortised over a five-year period. The Current Unit Value will be calculated on a daily basis and is published on the Fund website. Applications for units are based on the business date on which the RE receives a complete application, with a cut off time of 3.00pm (Melbourne time). Core Property has reviewed the Fund's pricing policy and considers it to be appropriate for the Fund.

The Net Tangible Assets (NTA) per unit of the Fund is calculated based on the Net Tangible Assets of the Fund, divided by the number of units in the Fund. The calculation assumes all acquisition costs are fully expensed by the Fund, resulting in an NTA per unit that is lower than the Current Unit Value.

As at 21 February 2022, the Manager has calculated the Current Unit Value at $1.00 per unit, and the NTA at $0.90 per unit.

The Fund's valuation policy is to have 50% of the portfolio independently valued annually, with the balance internally valued by the RE's Board of Directors every six months. We note that in practice, independent valuations are generally conducted annually for each of KM Property Funds registered managed investment schemes (including the Fund) to ensure properties are more accurately reported.

Acquisition Units: To fund the Initial Portfolio, the RE has issued 17.4M of Acquisition Units to KordaMentha Investments (PCC) Trust, a related party of the RE. Acquisition Units may be redeemed at the greater of $1.00 per unit, or the Current Unit Value. Acquisition Units rank equally with Ordinary Units except that on the winding up of the Fund, holders of Acquisition Units have the right to receive the relevant Current Unit Value in priority to the holders of Ordinary Units. Acquisition Units automatically convert to Ordinary Units after 12 months, if they are not redeemed earlier.

The RE intends to use the funds raised under the Offer to redeem these Acquisition Unit on issue after paying down $4.0M of debt. To facilitate further acquisitions, the RE may arrange for third parties or entities within KordaMentha to acquire Acquisition Units at the Current Unit Value.

The RE intends to offer a Periodic Investment Plan for investors wishing to add to their investment on a monthly or quarterly basis, with a minimum investment of $250 per period. The RE also intends to offer a Distribution Reinvestment Plan (DRP) for investors wishing to receive their distributions by way of additional units in the Fund. Investors who participate in the DRP will be issued units at the Current Unit Value on the distribution calculation date and received on the day in which they would have received their relevant distribution.

Liquidity

The Fund is open ended and does not have an automatic termination date. The Initial Term of the Fund will run from the date of the PDS (21 February 2022) until the period ending the day before the third anniversary of the date of the PDS (20 February 2025) during which time the RE does not intend to provide any liquidity for investors.

Following the Initial Term, the RE intends to provide liquidity to investors on a half-yearly basis, at 31 March and 30 September each year. Liquidity will be provided via a Limited Withdrawal Facility, with the first expected to be offered at 31 March 2025. The RE intends to facilitate the Limited Withdrawal Facility through the realisation of A-REIT investments and cash and cash-like investments. The exit price for investors will be calculated by the Current Unit Value less any applicable sell spread.

Withdrawals will be capped at 5% of the Net Asset Value (NAV) when the Fund's NAV is below $100M, or $5M when the NAV is in excess of $100M. Withdrawals may be scaled back, delayed or suspended in certain circumstances, including where the Fund has insufficient liquidity. If withdrawal requests are regularly higher than the withdrawal cap, the RE may also increase the withdrawal cap, however, is not obliged to do so. To fund this additional liquidity, the RE may raise equity, take on additional debt or undertake a combination of these measures to increase available funds.

The RE intends to satisfy all withdrawal requests within 60 days of each event, however may take longer to do so. Investors should be aware that the Manager may scale back, delay or suspend the withdrawals from the Fund when there is insufficient liquidity or when the Manager believes it is not in the best interest of all investors.

Debt Facility & Metrics

The Fund has a target gearing of 35% - 49% for the portfolio. If gearing exceeds 55%, the RE will implement a strategy to restore gearing to 55% or below.

To facilitate the initial portfolio, the Manager has established the Fund with a debt facility of $17.1M at a Loan to Valuation Ratio (LVR) of 52.1%. The Manager owns all the Acquisition Units in the Fund and will use the initial $4.0M of the Offer to reduce the debt to $13.1M with an LVR of 40.0%, at the bottom end of the target range.

- Based on an LVR of 40.0%, Core Property estimates the value of the portfolio must fall by 33.3% in order to breach the LVR covenant of 60.0%.
- The initial Interest Coverage Ratio (ICR) is estimated to be 3.0x against an ICR covenant of 2.0x. Core Property estimates the net operating income must decline by 43.6% for the ICR covenant to be breached.

The debt facility is for a 5-year term to April 2026 with a floating interest rate. The RE intends to fix or hedge up to 50% of the loan. Core Property estimates the all-in cost of debt over five-years to be 2.96% p.a. Investors should be aware that any change in the terms and cost of debt may impact the risk, distributions and returns. A summary of the debt terms is provided below.

Figure 3: Debt Metrics

Details	Metric
Bank / Financier	Commonwealth Bank of Australia
Security	First ranked mortgage over the initial properties and general security over the assets of the Fund.
Debt Facility Limit/ Drawn Debt / Pro-forma Drawn Debt	$17.1M / $17.1M / $13.1M
Loan Period	5 years to April 2026
% Hedged	Target of 50%
Average cost of debt (Core Property estimate)	2.96% p.a. (5-year average est.)
Pro-forma Gearing	37.4%
Pro-forma LVR / LVR Covenant	40.0% / 60.0%
Initial Interest Coverage Ratio (ICR) / ICR covenant	3.0x / 2.0x
Amount by which valuation will have to fall to breach LVR covenant after the debt reduction occurs.	33.3%
Decrease in income to breach the ICR covenant	43.6%

Source: Core Property, KM Property Funds

Fees Charged by the Fund

Core Property considers the overall fees charged to be in line with what it has seen in the market (see "All-in-fee analysis" below). In particular, we note:

- The various fees range from the high end (Acquisition Fee) to the low end (Management Fee) of what we have typically seen in the market.
- We note that the Performance Fee is lower than we have typically seen at 15% (compared to market levels of 20%).
    - The hurdle for the Performance Fee is CPI + 5% p.a. Core Property estimates this to be around 7% - 9% (based on CPI of 2% - 4%), which is in line with current market expectations (around 8%).
    - The Manager is entitled to a Performance Fee in excess of a hurdle rate of CPI + 4% p.a. under the Fund's Constitution, however has chosen to adopt a higher hurdle rate of CPI + 5%.
    - Core Property notes that the Performance Fee is not payable until the 30 June 2025 period (i.e. the fourth year of the Fund) and is calculated annually thereafter. Any underperformance must be recovered before a Performance Fee can be paid.

A summary of the Fees is provided below:

Figure 4: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Entry Fee	Nil	
Exit Fee	Nil	
Acquisition Fee	Up to 2.0% of the purchase price of the property	The Acquisition Fee of 2% is at the high end of the industry average of around 1.0% - 2.0%.
Property Disposal Fee	Up to 1.5% (excl GST) of the sale price of the property.	The Disposal Fee is at the mid-point of the industry average of around 1.0% - 2.0%
Management Fees and Costs:	Estimated at 1.10% p.a. of the GAV of the Fund, consisting of: • Management Fee: 0.75% p.a. GAV • Costs and Expenses: 0.35% p.a. of GAV (est.)	The Management Fee is at the low end of the range of what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV). Costs and expenses are payable directly form the Fund's assets as they are incurred.
Performance Fee	15% of the Fund's outperformance above the benchmark return of CPI + 5% p.a. Payable from 30 June 2026 onwards. Calculated annually on 30 June each year. Any underperformance needs to be recovered.	Core Property considers the Performance Fee of 15% to be lower than market levels (typically 20%). The hurdle rate is estimated to be 7% - 9% p.a. (based on CPI of 2% - 4% p.a.). Core Property considers this to be in line with what we have seen for similar funds (around 8% p.a.)

Source: KM Property Funds, Core Property

All-in fee analysis

Core Property has analysed the fees that accrue to the RE over the term of the Fund as a percentage of all cash flow generated after deducting interest costs but before management and performance fees. Overall, Core Property estimates the Manager is entitled to 5.8% of the total cash flow. Core Property considers the fees payable to the RE to be at the low end of the range, when compared to similar products, which are typically around 7% - 9%. It should be noted the analysis is based on the current portfolio, which is expected to change over time.

Core Property stresses that these are estimates of how much investors will receive and not guaranteed amounts. For further details, please refer to the *Financial Analysis* section.

Figure 5: Fees in Perspective – over an estimated five-year period

Core Property estimates that for every $1.00 of equity invested the Fund can return:	Amount per $1.00 unit
Principal repayment to investors:	$1.00
Income and capital gains to investors:	$0.38
Total cash to investors:	**$1.38**
Acquisition fee:	$0.03
Base management fee:	$0.06
Disposal fee:	$0.00
Fees for the Manager (excluding disposal/admin):	**$0.09**
Total cash generated by Fund:	**$1.46**
Fees = % of total cash generated (before fees)	5.8%
Up-front fee vs total fees	18.5%

Source: Core Property estimates

The Property Portfolio

The Fund's initial portfolio consists of four properties valued at $32.8M. The portfolio is made up out of three recently developed childcare centres located in VIC, SA and WA, and one multi-tenanted commercial building located in the ACT. The portfolio is 98.8% occupied and has a WALE of 14.6 years (by income). A summary of the current portfolio is provided below:

- **1-5 Riddell Road, Sunbury VIC ("Sunbury Property")** is a two level, 122 place childcare centre that was developed by KM Real Estate in 2019. The centre is located 39 km north-west of the Melbourne CBD, approximately 600 metres from the Sunbury Train station and Sunbury Square Shopping Centre. The property is fully leased to J&M Early Learning (trading as "Beginnings Early Learners") on a 20 year lease (expiry Feb 2039) with 2x10 year options.
- **216-228 Cowlishaw Street, Greenway ACT ("Greenway Property")** is a leasehold commercial property commonly known as 'Flax House'. Originally constructed in 1987, the two-storey building was fully refurbished in 2018 with over $3.0M spent in capital upgrades to reposition the building to provide its configuration, which includes a childcare centre, medical, office and retail tenants. The property is located in the Tuggeranong Town Centre, one of Canberra's six established Town Centres with approximately 85,000 residents. The property was acquired by the Fund in October 2021.
- **2-8 Botany Drive, Golden Grove SA ("Golden Grove Property")** is a single storey purpose-built centre includes six main playrooms, reception/office, kitchen, children's dining room and staff amenities. Located approximately 22km northeast of the Adelaide CBD, the centre was originally a c.1990's place of worship that was extensively refurbished and reconfigured in 2021 to provide a 122-place childcare centre. Situated within an established suburb that is well connected to local main roads with a large residential catchment nearby, the property is within close proximity to a local primary school and a sub-regional shopping centre. The property is leased to Nido Early Learning on a 20-year lease (expiry Sept 2041) with 3x10 year options. The property was acquired by the Fund in October 2021.
- **56 Carrington Street, Palmyra WA ("Palmyra Property")** is a newly constructed 92 place childcare centre located approximately 14 km southwest of the Perth CBD. The property comprises six main playrooms, reception/office, kitchen, children's dining room and staff amenities. The property is located in an established residential area with close proximity to schools, neighbourhood shopping facilities, sporting clubs and public transport. The property is solely leased to Nido Early Learning on a 20-year lease (expiry Dec 2041) with 2x10 year options and was acquired by the Fund in December 2021.

Investors should be aware that the portfolio metrics of the Fund are expected to change over time as new properties are acquired.

Figure 6: Property Portfolio Metrics

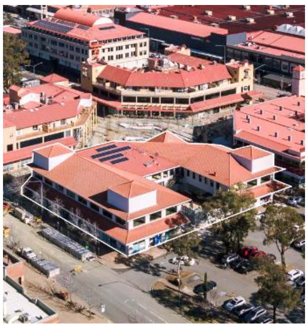
Property	Property Sector	Acqn Date	Key Tenant	Valn	Portfolio Weight	Cap Rate	Occ %	WALE by income
Sunbury Property, VIC	Childcare	22 Jun 2018[1]	Beginnings Early Learners	$7.0M	29.6%	5.25%	100%	17.3 yrs
Greenway Property, ACT	Childcare & Medical	22 Apr 2021	Cubs Corner	$9.8M	29.7%	7.10%	97.2%	9.1 yrs
Golden Grove North Property, SA	Childcare	13 Oct 2021	Nido Early School	$9.0M	27.4%	5.00%	100%	19.9 yrs
Palmyra Property, WA	Childcare	13 Dec 2021	Nido Early School	$7.0M	21.3%	5.45%	100%	20.0 yrs
Total Portfolio				**$32.8M**	**100%**	**5.77%**	**98.8%**	**14.6 yrs**

Note 1: Sunbury Property was a development project undertaken by KM Property Funds for the Fund. Acquisition date reflects date of practical completion

Figure 7: Properties

1-5 Riddell Road, Sunbury VIC

216-228 Cowlishaw St, Greenway ACT



2-8 Botany Drive, Golden Grove SA

56 Carrington Street, Palmyra WA

Source: KM Property, Nido Early School website, Commercial Real Estate

Property Valuations

The Fund's valuation policy is to have 50% of the portfolio independently valued annually, with the balance internally valued by the RE Board of Directors every six months. Independent valuations were undertaken on the properties, which are summarised below.

Figure 8: Valuation Metrics

Property Portfolio	1-5 Riddell Road, Sunbury VIC	216-228 Cowlishaw Street, Greenway ACT	2-8 Botany Drive, Golden Grove SA	56 Carrington Street, Palmyra WA
Valuation Date	Oct 2021	Dec 2020	Sep 2021	Sep 2021
Acquisition Date	June 2018[1]	Apr 2021	October 2021	Dec 2021
Title	Freehold	Leasehold	Freehold	Freehold
Property Use	Childcare	Childcare/commercial	Childcare	Childcare
Constructed	June 2018	1987[2]	Circa 2020	Oct 2021
Ownership	100%	100%	100%	100%
Site Area	2,640 sqm	1,718 sqm	4,496 sqm	2,094 sqm
Lettable Area	1,007 sqm (GLA)	1,897 sqm (NLA)	843 sqm (GLA)	769 sqm (GLA)
Long Day Care (LDC) Places	122 places	120 places	122 places	92 places
Major Tenant (% of Income)	Beginners Early Learners (100%)	Cubs Corner (58.0%) Ochre Health (21.5%)	Nido Early Learning (100%)	Nido Early Learning (100%)
Weighted Average Lease Expiry	17.5 years	9.1 years	20.0 years	20.0 years
Occupancy	100%	97.2%	100%	100%
Initial Net Passing Income	$0.4M	$0.6M	$0.5M	$0.4M
Net Market Income (fully leased)	$0.4M	$0.6M	$0.5M	$0.4M
Valuation	$7.0M	$9.8M	$9.0M	$7.0M
Acquisition Price	$7.0M	$9.8M	$9.0M	$7.0M
Initial Passing Yield	5.24%	7.11%	5.00%	5.45%
Capitalisation Rate	5.25%	7.10%	5.00%	5.45%
Valuer	Knight Frank	Walsh + Monaghan	CBRE	Property Valuation & Advisory (WA)
Passing Income per place	$3,301	$3,573	$4,098	$4,150
Capital value per place	$57,786	NA	$73,770	$76,087

Note 1: Sunbury Property was a development project undertaken by KM Property Funds for the Fund prior to this Offer. The acquisition date reflects the date of practical completion. Note 2: Extensive refurbishment carried out in 2018/2019.
Source: Knight Frank, Walsh + Monaghan, CBRE and Property Valuation & Advisory (WA)

Leases, tenants and income

1-5 Riddell Road, Sunbury VIC (18.8% of portfolio income) is fully occupied by J&M Early Learning Pty Ltd, trading as "Beginnings Early Learners" since the property's completion in 2019. J&M Early Learning is an independent childcare operator established in late 2018, with two centres located in regional Victoria. One being a 130-place childcare centre in Alfredton Vic (~106 km west of Sunbury), and the other being the 122-place childcare centre at 1-5 Riddell Road. J&M holds an initial 20-year lease term expiring in February 2039, subject to annual rental increases of 3% and market review upon commencement of 11th, with 2x10 year option periods available upon expiry.

216-228 Cowlishaw Street, Greenway ACT (37.1% of portfolio income) is a multi-tenanted commercial leasehold building that is 97% occupied. As a leasehold building, the property has multiple sub-leases. These include:

- **Cubs Corner Early Learning** (21.5% of portfolio income) is an independent childcare facility that began operating in 2018 following the repositioning of the building. The centre is licensed for 120 places and provides a range of facilities including a commercial kitchen, indoor and outdoor play spaces and usual amenities. Cubs Corner holds a 15-year lease term expiring in Oct 2033 with 2 x 5-year option periods. The sublease is subject to annual rental increases of 3.75% with market review if the options are exercised.
- **Ochre Health** (8.5% of portfolio income) is a leading provider of healthcare to rural, regional and urban communities around Australia. Ochre health trades as Lakeview Medical & Respiratory Clinic and has two sub-leases, both with an initial term of 10 years. The first sublease is for units 1 and 2 (290 sqm) of the ground floor, expiring in August 2029, while the second sublease is for Unit 3 (137 sqm) expiring in December 2028. Both sub-leases are subject to annual rental increases of 3% with 1 x 5-year option period upon expiry.
- **Octec Limited** (4.8% of portfolio income) is a government service that provides early pathways to employment, helping individuals adjust to changing employment conditions. Octec holds two subleases. The first sublease is a 6-year term for ground floor unit 4 (82 sqm), expiring in March 2024. The second sublease is for a 5-year term occupying unit 5 and 6 (206 sqm), expiring in June 2024. Both leases are subject to annual rental increases of 3.5% p.a., with no option period for lease one and a 1-year option period available for lease 2.
- **Jindebah Hills Coffee** (2.3% of portfolio income) is a locally owned BYO restaurant and café with an initial lease term of five years expiring in June 2023. The lease is subject to rent reviews by CPI and holds a 1 x3 year option period.

2-8 Botany Drive, Golden Grove SA (23.9% of portfolio income) is fully occupied by Nido Early Learning School, a leading operator of childcare and education services across Australia. The tenant has an initial 20-year lease term over the property, subject to annual rental increases of CPI +1.0% (minimum of 2.75% and maximum of 3.25%), with 3 x 10-year option periods available upon expiry in September 2041.

56 Carrington Street, Palmyra WA (20.2% of portfolio income) is fully occupied by Palmyra Early Learning Centre Pty Ltd trading as Nido Early Learning School. The tenant holds an initial 20-year lease term expiring in December 2041. The lease is subject to annual rental increases by CPI, with 2 x10 year option periods upon expiry.

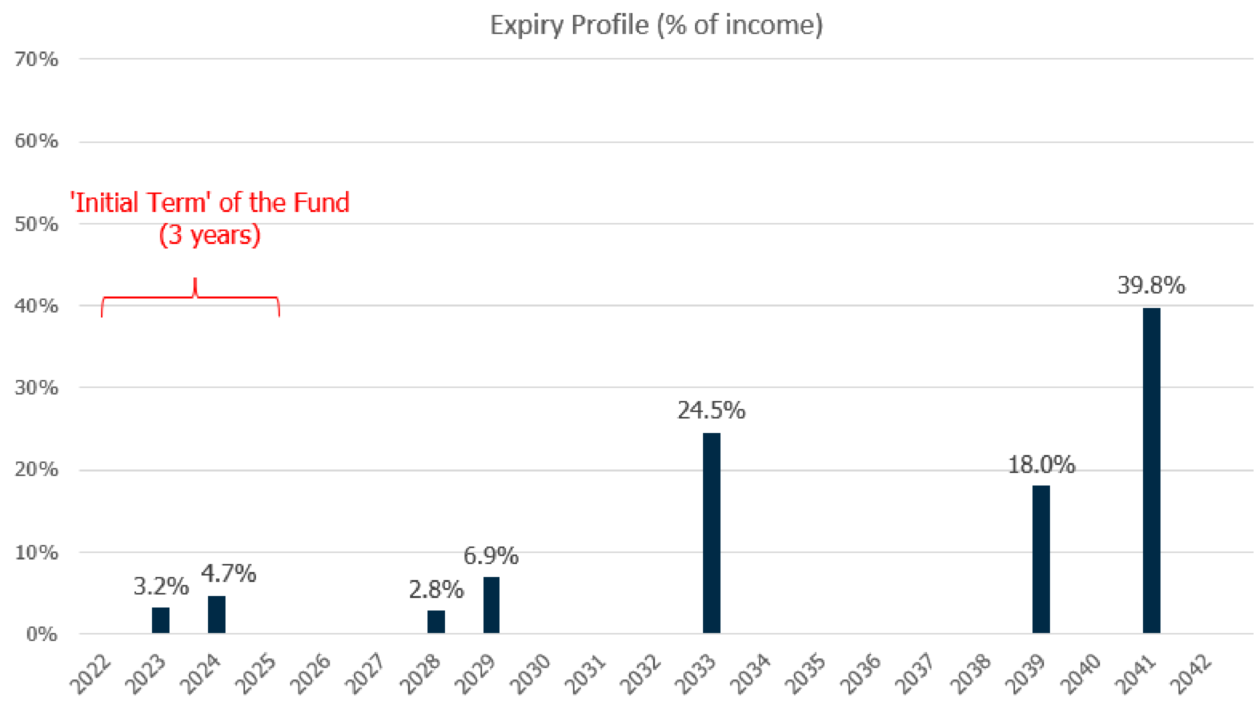
Figure 9: Key Tenant Metrics

Tenant	Property	Lease Term	Lease Expiry	Options	Rent Review	% of Portfolio Income
Cubs Corner[1]	Greenway, ACT	15 years	Oct 2033	2 x 5 yrs	3.75% p.a.	24.5%
Nido Early School	Golden Grove North, SA	20 years	Sep 2041	3 x 10 yrs	CPI + 1.0% (min 2.75% - max 3.25%)	21.5%
Nido Early School	Palmyra, WA	20 years	Dec 2041	2 x 10 yrs	CPI + 1.0% (min 2.75% - max 3.25%)	19.3%
Beginnings Early Learners	Sunbury, VIC	20 years	Feb 2039	2 x 10 yrs	3.0% p.a.	18.0%
Ochre Health[1]	Greenway, ACT	10 years / 10 years	Dec 2028 /Aug 2029	1 x 5 yrs / 1 x 5 yrs	3.0% p.a. / 3.0% p.a.	9.7%
Total						**94.0%**

Note 1: Two separate leases. Source: KM Property Funds.

With the majority of the Fund's income currently sourced by childcare operators on long lease terms, the Fund is not exposed to high levels of income expiry. During the Initial Term of the Fund, only ~7% of the portfolio's income is forecasted to expire. These expiries are derived from two commercial tenancies at the Greenway Property ACT - Jindebah Hills Coffee (2.3% 2023) & Octec Pty Ltd (4.8% 2024).

Figure 10: Portfolio lease expiry



Source: KM Property Funds, Core Property

Market Sales Evidence

The table below shows the comparable sales transactions for similar assets that were used by the independent valuers for each of the respective property.

- The Sunbury, Golden Grove and Palmyra properties were all acquired towards the mid-upper end of the comparable rate per place range.
- The independent valuer for the Greenway property did not provide comparable sales for the property due to its unique configuration. Instead, the independent valuer analysed comparable sales of nearby childcare facilities as well as medical practices. The Greenway property appears to be acquired on a higher yield than comparable childcare facilities, while in the mid-range of comparable medical practices.

Figure 11: Comparable Sales Transactions

Property	Sale Price	No. of places	Equivalent Market Yield	Rate per place
6 properties: Mar 2021 – Aug 2021	$1.2M - $6.0M	50 - 115	4.40% - 7.00%	$24,000 - $85,247
1-5 Riddell Street, Sunbury VIC	**$7.0M**	**122**	**5.25%**	**$57,787**
5 properties: Sep 2019 – July 2021	$4.0M - $6.7M	84 - 136	5.58% - 6.29%	$34,783 - $65,217
2-8 Botany Drive, Golden Grove SA	**$9.0M**	**122**	**4.99%**	**$73,770**
12 properties: Dec 2019 – Mar 2021	$1.0M - $5.7M	48 - 110	4.99% - 7.03%	$20,000 - $71,844
56 Carrington Street, Palmyra WA	**$7.0M**	**92**	**5.45%**	**$76,087**
8 properties: Oct 2019 – Nov 2020	$2.3M - $7.8M	36 - 110	4.19% - 6.46%	$24,500 - $71,000
216-228 Cowlishaw Street, Greenway ACT (Childcare Centres)	**$9.0M**	**120**	**7.10%**	**NA**

Property	Sale Price	NLA (sqm)	Indicated Yield
8 properties:	$1.1M - $15.0M	223 – 4,873	3.6% - 8.50%
216-228 Cowlishaw Street, Greenway ACT (Medical Practices)	**$9.8M**	**1,897**	**7.00%**

Source: Knight Frank, CBRE, Walsh + Monaghan, Property Valuation & Advisory (WA)

Market Rental Evidence

The following table summarises relevant comparable lease deals as provided by the independent valuations.

- The table shows the childcare centres at Sunbury, Greenway and Palmyra are being leased at the mid to upper range of comparable rate per place.
- The childcare centre at Golden Grove appears to be leased above the comparable rate per place range.
- No comparable lease deals were provided by the independent valuer for the Greenway property; however, the valuer commented that all tenants have leases within market parameters.

Figure 12: Comparable Rental Evidence

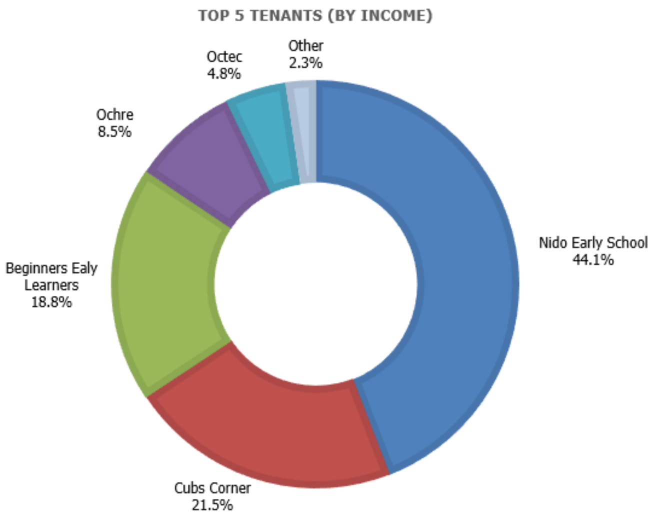
Property Address	Commence Date	Places	Rent per place
4 leases	Jun 2021 – Nov 2020	88 – 120	$2,812 - $4,355
1-5 Riddell Street, Sunbury VIC	**Mar 2021**	**122**	**$3,031**
8 leases	NA	36 – 112	$1,569 - $4,410
216-228 Cowlishaw Street, Greenway ACT	**Oct 2028**	**120**	**$3,673**
4 leases	Jun 2019 – Sep 2020	84 – 140	$2,976 - $3,804
2-8 Botany Drive, Golden Grove SA	**Sep 2021**	**122**	**$4,098**
10 leases	Jun 2020 – Aug 2021	45 – 122	$2,805 - $4,637
56 Carrington Street, Palmyra WA	**December 2021**	**92**	**$4,150**

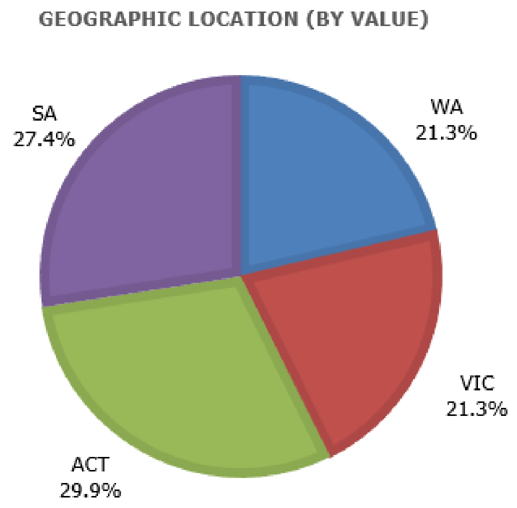
Source: Knight Frank, CBRE, Walsh + Monaghan, Property Valuation & Advisory (WA)

Diversification

The portfolio's income is 82% derived from childcare tenants, providing the initial portfolio with a secure underlying earnings base. The portfolio is well diversified geographically, with all four assets located in different states. The portfolio metrics are expected to change as new assets are acquired, with the RE targeting no single asset to exceed 25% after the Initial term. The following is a summary of the portfolio tenants and geographic diversification.

Figure 13: Portfolio tenants and geographic diversification





Source: Core Property

Capex

The Manager has forecasted approximately $0.3M of capital expenditure by the end of FY25, in line with the minimal amounts identified by the independent valuers given the recent construction of the majority of the portfolio's assets. Investors should expect that as additional properties are acquired, the Fund will likely incur additional capital expenditure to maintain and enhance the value of properties in the portfolio.

Financial Analysis

Core Property has reviewed the financial forecasts of the Fund, based on the Manager's assumptions for the initial portfolio. The key assumptions in the forecasts are:

- Our forecast is based on the issue of 23.8M in Ordinary Units by 30 June 2022 which are used redeem Acquisition Units ($17.4M), pay down debt ($4.0M) and transaction costs ($2.4M). The forecast assumes no further issue of units.
- Assumes an initial portfolio of four properties in the Fund.
- Assumes debt facility of $13.1M with an all-in cost of debt of 2.96% p.a.
- Based on the Manager's assumptions, Core Property estimates the initial portfolio can support a distribution of 5.2% p.a. for the first 12 months. This is at the midpoint of the Fund's target distribution of 5.0% - 5.5% p.a.

The forecasts should be seen as indicative only as the Fund is open ended and the financial position is likely to change as new properties are acquired and new equity and debt is raised. In particular, investors should note that:

- Distributions are likely to increase if the Fund acquires properties on higher yields, or if increased leverage is utilised.
- Distributions are likely to reduce if the fund acquires properties on lower yields, or if less leverage is used, or the Fund accepts new equity subscriptions and is unable to deploy the capital to acquire properties with sufficient returns.

A summary of Core Property's forecasts based on these assumptions is presented below.

Figure 14: Profit & Loss Forecast and Pro Forma Balance Sheet

Profit & Loss - Forecast $M	**12 months to June 2023**
Net Property Income	1.9
Other Income	0.1
Expenses	-0.1
Management Fees	-0.3
Earnings Before Interest & Tax	**1.7**
Net Interest Expense	-0.4
Total Available for Distribution	**1.3**
Retained Earnings	-0.0
Cash Distribution - $M	**1.2**
Units on issue	23.8
Cash Distribution per unit (cents)	5.2 cpu
Annualised distribution yield (based on $1.00 per unit Current Unit Value)	**5.2%**
Balance Sheet – $M	**Pro-Forma assuming the issue of $23.8M Ordinary Units**
Cash	2.0
Investment Property	32.8
Total Assets	**34.8**
Borrowings	13.1
Total Liabilities	**13.1**
Net Assets	**21.7**
Units on Issue	23.8
NTA per Unit	$0.90 per unit
Loan To Valuation Ratio (LVR)	40.0%
Gearing (Debt to Assets)	37.6%

Source: KM Property, Core Property

Initial NTA

The Net Tangible Assets (NTA) 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 NTA based on the four assets in the Fund. The NTA with these assets is calculated at $0.90 per unit, with majority of dilution coming from acquisition costs. The NTA calculations assume acquisition costs are fully expensed, whilst the Current Unit Value takes into account the amortisation of purchase costs.

Investors should expect the NTA of the Fund to change as additional assets are acquired and Acquisition Fees are charged.

Figure 15: Expected NTA

Amount per unit	$ per unit
Current Unit Value	$1.00
Less:	
Stamp duty	-$0.04
Property Acquisition Fee	-$0.03
Debt & Fund Establishment costs	-$0.03
Initial NTA per unit	**$0.90**

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).

For comparison purposes, Core Property has estimated the total return from the Fund based on the current portfolio and assumptions provided by the Manager. **Based on an assessment of the Manager's forecasts, Core Property expects the Fund to deliver a 5-year Internal Rate of Return (IRR) in the range of 5.8% - 8.3% p.a. (midpoint 7.1%).** The calculation is based on the Manager's forecasts and assumes a +/-25bps movements in the terminal capitalisation rate and forecasted interest rates.

The forecasts should be seen as indicative only as it is based on the initial portfolio being held for five years. As the Fund is open-ended, the portfolio is expected to grow as additional properties are acquired and new units are issued. Core Property is unable to assess the impact of future acquisitions.

Investors should be aware the sensitivities include the potential for the valuation of the assets to increase or decrease (depending on market conditions) which will result in either a capital gain or loss for investors. Investors should consider the calculations to be indicative only as the Fund is open-ended and the portfolio metrics are expected to change over time.

Figure 16: Pre-tax, 5-year IRR (after fees) sensitivity analysis – Manager's assumptions

			Cost of debt		
Terminal cap rate	2.46%	2.71%	2.96%	3.21%	3.46%
5.28%	9.4%	9.3%	9.2%	9.1%	9.0%
5.53%	8.4%	8.3%	8.2%	8.1%	8.0%
5.78%	7.3%	7.2%	**7.1%**	6.9%	6.8%
6.03%	6.2%	6.1%	5.9%	5.8%	5.6%
6.28%	5.1%	5.0%	4.9%	4.7%	4.5%

Source: Core Property

Management & Corporate Governance

KM Property Funds was established in July 2013 as Placer Property Limited with a primary objective to facilitate quality commercial property investment opportunities for investors seeking regular and reliable income. In August 2017 Placer Property was acquired by KordaMentha and now forms part of the Investment Division of KordaMentha Real Estate. It was later renamed to KM Property Funds ("The Manager"). KordaMentha is a leading investment and advisory firm, with over 350 staff across Australia, New Zealand and South East Asia. Since 2007, KordaMentha Real Estate has advised or transacted on over $17.5B of property and has over 35 real estate staff.

Core Property has reviewed the composition of the senior management team and consider it has the relevant skills and experience to operate the Fund successfully.

Figure 17: Board & Management

Name & Role	Experience
James Walsh Non-Executive Chairman	James has over 30 years' experience as a company director with considerable expertise across industrial and service businesses in the areas of strategy, M&A, risk management, financing and the management of growth. James was appointed to the Board in March 2018 and is a member of the Audit, Risk Management and Compliance Committee. James is currently the Chairman of GMHBA Limited and is a Non-Executive Director of Secos Group Limited. James holds a Bachelor of Commerce from Deakin University, a Master of Business Administration from Melbourne Business School, is a graduate from the Australian Institute of Company Directors and is a Fellow member of the Institute of Chartered Accountants ANZ.
Janette Kendall Non-Executive Director	Janette has more than 23 years' board experience across public, private and not-for-profit organisations. Janette has significant expertise in strategic planning, digital innovation, marketing, operations and leadership across industry sectors including digital and technology, marketing and communications, media, retail, fast-moving consumer goods, hospitality, gaming, property and manufacturing. Janette was appointed to the Board in March 2018. Janette is currently a Non-Executive Director of Vicinity Centres, Costa Group, Australian Venue Co and Melbourne Theatre Company. Janette holds a Bachelor of Business – Marketing and is also a Fellow of the Australian Institute of Company Directors.
Tom Davis Chief Executive Officer and Managing Director	Tom has been an Executive Director since August 2017, and became Chief Executive Office in July 2021. Tom is a Partner with the KordaMentha Real Estate division and has been at KordaMentha since 2005 where he has worked on strategic property portfolio reviews, asset divestment, investment analysis and management. Tom is responsible for real estate investment advisory, principal investment and structured finance investment, transaction and asset management. Tom holds a Bachelor of Business (Property) with Distinction from RMIT University and a Graduate Diploma of Applied Finance and Investment from the Financial Services Institute of Australasia. Tom is also a Licensed Real Estate Agent.
David Omond Chief Operating Officer and Executive Director	David has more than 25 years' experience in commercial property management, development, funds management and corporate finance. David has held numerous senior management positions at Heine Management, MCS Property and Centro Properties Group. David is a co-founder of KM Property Funds and was appointed Executive Director in September 2013, and Chief Operating Officer in July 2021. David holds a Bachelor of Business (Property) from the University of South Australia.
Mario Papaleo Chief Investment Officer and Executive Director	Mario has more than 22 years' experience in direct real estate, listed and unlisted property investment and funds management, including working as a fund manager of Centro Retail Trust, as an Analyst and Syndicate Fund Manager for Heine Management Limited, as a consultant for Jebb Holland Dimasi as well as direct property and asset management experience for McDonald's Australia Limited Store Development Group. Mario is a co-founder of KM Property Funds and as appointed Joint Managing Director in September 2013. He holds a Bachelor of Business (Property) from RMIT University and a Graduate Diploma of Applied Finance and Investment from the Securities Institute of Australia.
Bernadette Spiteri Director, Investment Services	Bernadette has over 25 years' experience in financial services and has held senior executive management roles in distribution, marketing, product development and investor relations. She has worked with Bankers Trust Australia, MCS Property, Centro Properties Group, Portfolio Partners Limited and Orchard Funds Limited before joining KM Property Funds in January 2015. Bernadette is a Senior Associate of the Financial Services Institute of Australasia (FINSIA).
Jennifer Bolger Chief Financial Officer	Jennifer is a chartered accountant with more than 25 year's experience in investment appraisal, modelling, budgets, tax and financial reporting. Jennifer joined KordaMentha in 2010 as a Senior Investment and Tax Manager. Before then, Jennifer was the global financial controller for a listed company in New York and London for ten years. Jennifer started her career with PwC working in Australia, Indonesia, and Russia. Jennifer holds a Bachelor of Business (Accountancy) and a Bachelor of Laws from the Queensland University of Technology.

Source: KM Property Funds

Compliance and Governance

ASIC Regulatory Guide 46 "Unlisted property schemes: Improving disclosure for retail investors" describe ASIC's preferred disclosure principles and benchmarks.

Core Property has reviewed the PDS in reference to the six benchmarks and eight disclosure principles recommended by RG46. The PDS adheres to and meets the relevant benchmarks and disclosure principles as required by ASIC guidelines.

The Fund's compliance committee comprises three independent members, with Chairperson Nick Stretch (who is a partner of Denton's law firm), and independent directors Peter Flynn (Director at Intercommercial Property Group) and James Walsh.

Related Party Transactions

The Manager has a "Related Party and Conflict of Interest Policy" which addresses disclosure of conflicts of interests to unitholders and, if required, steps to manage the conflict in an appropriate manner.

- The Manager has advised in the PDS that a related party transaction has been arranged to fund the initial acquisition of the Property by the Fund. This involves KordaMentha Investments Trust (an associated entity of the Manager) acquiring the "Acquisition Units" in the Fund. The Acquisition Units are to be redeemed using funds raised under the Offer in the PDS. The Trustee of KordaMentha Investments has indicated it may hold up to 5% of Units after the Offer closing date.
- The Responsible Entity has appointed a related body corporate, KordaMentha Real Estate, as investment manager of the Portfolio to provide fund and asset administration. The appointment is consistent with the Related Party and Conflicts of Interests Policy.
- The Responsible Entity intends to appoint a related body corporate, Accordius, to provide investment management for the A-REIT investments, cash and cash-like investments of the Fund. The Fees are an expense for the Fund and are paid out of the assets of the Fund and consist of: A-REIT Fees (up to 0.75% p.a. of gross value of the A-REIT portfolio), Cash Equivalent Fees (up to 0.375% p.a. of the gross value of the cash equivalent portfolio) and Cash Fees (Nil).

Past Performance

Since July 2013 KM Property Funds has established seven unlisted commercial property funds, with assets under management of over $300M.

- Five funds were established under syndicates for investors with two funds undertaken in partnership with corporate clients.
- KM Property Funds has sold one asset and is currently in the process of winding up the Fund (Laverton North Property Fund). The Fund is expected to be wound up in mid 2022 with an estimated Internal Rate of over 100% for investors.

A summary of the funds is provided below.

Investors should note that past performance is not a reliable indicator of future performance as each fund, and its respective underlying property, has its own specific risks and attributes.

Figure 18: Commercial Property Funds

	Sector	Inception	Acqn Price	Current Valn	Current Distribution (June 2021)	Current Unit Price (June 2021)
New Acton East Property Fund	Office	2014	$47.25M	$48.4M	6.00%	$0.95
The Stables Property Fund	Retail	2016	$28.0M	$32.5M	7.75%	$1.21
333 Exhibition Street Property Fund	Office	2018	$38.5M	$44.5M	6.80%	$1.05
Cambridge Bedford Property Fund (2 properties)	Office	2019	$48.5M	$48.5M	8.70%	$0.94
Laverton North Property Fund	Industrial	2019	$21.0M	$42.75M	sold Nov 2021	$2.13 est. on windup mid-2022
Thynne Street Property Fund	Office	2020	$33.9M	$43.0M	7.10%	$1.03
Terrace Office Park Property Fund (Partnership)	Office	2020	$34.0M	not disclosed	not disclosed	not disclosed
Thebarton Square Property Fund (Partnership)	Office/Industrial	2020	$17.25M	$19.0M	6.00%	$1.13

Source: KM Property Funds

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.
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