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Fund Research & Ratings
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Unlisted Property Trust Report

APIL Essential Retail Income Fund

March 2021

Non-discretionary focussed retail property fund targeting 6.0% - 6.5% p.a. distributions

APIL Essential Retail Income 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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APIL Essential Retail Income Fund

March 2021

The APIL Essential Retail Income Fund ("the Fund") is an unlisted property fund that invests in a portfolio of retail properties with a focus on stable and secure income streams. The Fund Manager, Australasian Property Investments Limited ("APIL", or "the Manager"), has an established track record with $1.0B of syndicated properties since 2001.

The Manager is seeking to raise $11.6M through the offer of 11.6M units at $1.00 per unit ("the Offer"). Funds raised will be used in conjunction with debt to acquire the Fund's initial asset for $20.5M. The Manager is targeting the Fund to acquire additional properties, up to a total $100M, by 30 June 2022 and will hold and manage the assets for the Fund's initial term of eight years to May 2029. As additional assets are acquired, the Manager will issue further equity based on a unit price that equitably takes into account updated valuations and expenses.

The Fund's strategy is to build a portfolio of strong performing retail assets with a stable profile and secure income stream. Properties are expected to be situated in convenient consumer precincts with proximity to major traffic routes. The properties will have a high tenant appeal, with a focus on non-discretionary retail categories that are "essential" in nature.

The Fund will acquire the Coolbellup Village Shopping Centre, Coolbellup WA ("the Property") to establish the portfolio. The Property is a Woolworths anchored neighbourhood shopping centre, with 6 specialty stores and 180 car spaces. Completed in November 2018, the centre is fully occupied with a Weighted Average Lease Expiry (WALE) of 11.3 years. The Property provides a strong weighting to non-discretionary retail, with the Woolworths supermarket (on a 15-year lease) and pharmacy (Optimal Pharmacy Plus, on a 10-year lease) making up for 89% of the rental income. The Property is located in a catchment with income and spending patterns that are in line with the state average, with spending on Food having grown by 0.8% p.a. on average for the past 5 years. The Woolworths supermarket has enjoyed strong trading since opening, with sales growth of ~30% in 2020, and turnover that is around 10% - 20% above national benchmarks.

The Fund is targeting distributions of 6.0% - 6.5% p.a. once the portfolio has been fully acquired. The Manager is forecasting initial distributions of 6.0% p.a. following the acquisition of the Property. As additional properties are acquired, the Manager is expected to progressively revise the forecast distributions for the Fund.

The Fund has an initial term of eight years to May 2029.

The Fund has an estimated NTA of $0.85 per unit following the acquisition. Fees charged by the Fund are at the low end of what Core Property has seen in the market.

The Fund has a target gearing ratio of 45% - 60%, with the initial Loan to Valuation Ratio (LVR) of 52.5% being below the bank LVR covenant of 60%.

Core Property estimates the portfolio to deliver an Internal Rate of Return (IRR) of between 5.0% - 7.5% p.a. (midpoint 6.2%) based on the Manager's assumptions and assuming a +/- 25 bps movement in capitalisation rates (see *Expected Future Performance (IRR Sensitivity)*). The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions.

As additional properties are acquired, investors should expect the property portfolio will provide greater diversification, with portfolio metrics and potential returns likely to be revised.

Investor Suitability

Core Property considers the Fund will appeal to investors seeking a highly stable and secure income distribution, supported by well-located retail properties.

Capital gains are expected to be low to moderate and delivered over the long term. Investors should also expect the portfolio to grow as the Fund is targeting a $100M portfolio to provide diversification.

The Fund should be considered as part of a Core investment strategy. The Fund is illiquid, and investors should expect to remain invested for a minimum 8-years until May 2029.

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:	30 March 2021
Offer Close:	30 April 2021[1]
Min. Investment:	$50,000[2]
Unit Entry Price:	$1.00
Net Tangible Asset per unit:	$0.85[3] per unit
Liquidity:	Illiquid
Forecast Distributions:	FY21: 6.0% p.a. FY22: 6.0% p.a.
Distribution Frequency:	Monthly
Initial Investment Period:	8.0 years to May 2029

1. The Manager may close the Offer at any time when sufficient commitments have been received.
2. Minimum of $50,000, multiples of $5,000 thereafter
3. NTA of $0.85 per unit is based on the initial portfolio.

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Note: This report is based on the APIL Essential Retail Income Fund Product Disclosure Statement dated 30 March 2021, together with other information provided by APIL Group.

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Key Considerations

Management: Australasian Property Investments Limited (APIL) is a leading manager of direct property investments. Commencing in 2001, APIL has established 28 syndicated funds with $1.0B of properties.

Fund Structure: The Manager is seeking to raise $11.6M in equity with units offered at $1.00 per unit, to fund the acquisition of Coolbellup Village Shopping Centre, Coolbellup, WA. The property, and any future properties, will be held in a separate Sub-Trust, to provide flexibility.

Fund Strategy: The Fund primarily offers a Core investment strategy to invest in retail properties which have a secure income stream. Properties will be located in convenient consumer precincts with proximity to major traffic routes, community centres and retail bases. Target properties will have high tenant appeal. The Fund is targeting to acquire a total of $100M properties by June 2022, geographically diversified across major Australian cities. The Fund is targeting retail properties that have a secure income flow, which are likely to be classified as non-discretionary, or "essential", in nature. As such, the cashflow of key tenants is expected to have a low volatility of earnings.

Property Portfolio: The Fund is being established with its first asset, the Coolbellup Village Shopping Centre, 1 Waverley Road, Coolbellup WA being acquired for $20.5M. The neighbourhood shopping centre was completed in November 2018 and is anchored by a Woolworths supermarket (85% of GLA, on a 15-year lease), pharmacy and 5 specialty stores, with 180 car parking spaces. The property has a Weighted Average Lease Expiry (WALE) of 11.3 years (by income) and 100% occupancy.

Retail Metrics: Coolbellup is located in the Cockburn LGA, which has a higher median income than WA and Australian levels, fuelled by employment in the Healthcare and Construction sectors. The area has reported lower average household expenditure over the past 5-years, which is in line with WA levels. Despite this, spending on Food has grown at an average +0.8% p.a. over the same period, highlighting the resilience of non-discretionary spending. The Woolworths supermarket delivered ~30% growth in sales during its second year of trading in 2020. Turnover at the supermarket is around 10% - 20% above the Australian average for a major supermarket, measured on a sales per square metre basis.

Debt Profile: The Fund has a target gearing ratio of 45% - 60% and will only acquire properties on an initial Loan to Valuation Ratio (LVR) of less than 55%. The Fund has indicative terms for a three-year, $11.6M debt facility to acquire the Coolbellup WA property, with an initial LVR of 52.5%, against a bank LVR covenant of 60%. The initial Interest Coverage ratio (ICR) of 7.3x is well above the bank ICR covenant of 2.25x. The Manager will need to extend or replace the debt to cover the initial eight-year term of the Fund as well as to fund additional properties.

NTA: The Fund's initial NTA is estimated at $0.85 per unit following the acquisition.

Distributions: The Fund is targeting properties that can support a distribution of 6.0% - 6.5% p.a., paid monthly. The Manager is currently targeting FY21 and FY22 distributions to be 6.0% p.a. based on the Coolbellup WA property, however investors should expect that this may change as additional properties are acquired.

Fees: Core Property considers the management fees to be at the low end of what has been seen in the market (*see Figure 5: Fees in Perspective*). Management Fees are 0.55% of GAV, at the low end of market ranges. Property acquisition fees are at the high end of the market. Performance Fees are 20% over an 8.0% IRR hurdle, which is Core Property considers appropriate in the current market.

Total Returns: Core Property estimates the Fund to deliver an IRR of 5.0% - 7.5% p.a. (midpoint 6.2% p.a.) based on the Manager's assumptions and assuming a +/- 25 bps sensitivity to capitalisation rates (see the *Financial Analysis section*). Investors should be aware that returns may be affected by the purchase of additional properties and any capital gain or loss will be based on the sale price of the assets and overall market conditions, which may deliver an IRR outside this range.

Illiquid investment: The Fund has an initial term of eight years from May 2021 to May 2029. The Fund may be extended beyond this period if it receives approval from 80% of units. Investors must accept that by their very nature, unlisted property funds are illiquid and should expect to remain fully invested for the minimum period to May 2029.

Investment Scorecard

Management Quality

★★★★☆

Governance

★★★★☆

Property / Portfolio

★★★☆☆

Income Return

★★★☆☆

Total Return

★★★☆☆

Gearing

★★★☆☆

Liquidity

★☆☆☆☆

Fees

★★★☆☆

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Key Metrics

Trust Structure

A registered managed investment scheme consisting of a property fund investing in retail properties in Australia which are well located and supported by strong underlying fundamentals. Each property is held in a separate Sub-Trust that is fully owned by the Trust.

Management

Australasian Property Investments Limited ("APIL") is a leading Australian property investment group which specialises in the syndication and management of commercial property. Established in 2001, APIL has syndicated $1.0B of property across 28 funds.

Property Portfolio

No. of Properties:	1
Property Location:	1 Waverley Road, Coolbellup WA
Acquisition Price:	$20.5M
Property Valuation:	$20.5M
Property Sector:	Retail
Key Tenants:	Woolworths
Occupancy:	100.0%
WALE:	11.3 years (by income)

Return Profile

Forecast Distribution:	FY21: 6.0% (annualised) FY22: 6.0% p.a.
Distribution Frequency:	Monthly
Tax advantage:	FY21: est. 100% tax deferred FY22: est. 100% tax deferred Based on the initial property in the Fund
Estimated Levered IRR (pre-tax, net of fees):	5.0% - 7.5% p.a. (midpoint 6.2%) (net of fees)
Investment Period:	8 years to May 2029

Risk Profile

Property/Market Risk:	Investors will be exposed to a potential capital gain or loss, based on market conditions.
Trust Investment Risk:	Illiquid nature of the Trust, gearing and interest rate risk.
Regulatory Risk:	Changes to taxation affecting the tax effectiveness of income and capital distributions.
Diversification Risk:	The Fund is being established with a concentration in one retail property and plans to improve diversification through the acquisition of additional properties. This may change the risk profile of the Fund.
Tenant Risk:	The initial property is reliant on a dominant single tenant which exposes it to substantial reliance on tenancy performance.

For a more detailed list of the key risks, refer to "Section 9: Risks" of the Product Disclosure Statement.

Fees Paid

Entry Fees:	Nil
Exit Fees:	Nil
Establishment Fee (Property Acquisition Fee):	2.5% of purchase price, paid out of the assets of the Fund.
Divestment Fee (Property Disposal Fee):	Nil. The Fund may however be charged an Agents Fee if an external agent is used.
Management Fees:	- Management Fee: 0.55% p.a. of GAV. - Trust Expenses: est. 0.20% p.a. of GAV - Consulting Fee and Project Management Fees: up to 5% of a project cost equal to or greater than $50,000
Transfer Fee:	$500 (up to a maximum of 1% of the transfer amount)
Trust Extension Fee:	0.5% of GAV, capped at $150,000. The Fee is not payable if the Manager is entitled to a Performance Fee.
Performance Fee:	20% of the outperformance over an IRR of 8.0% per annum.

Debt Metrics - indicative

Drawn Debt / Facility Limit:	$10.8M / $10.8M
Loan Period:	3 years to May 2024
Initial LVR / LVR Covenant:	52.5% / 60%
ICR / ICR Covenant:	7.3x / 2.25x

Legal

Offer Document:	APIL Essential Retail Income Fund Product Disclosure Statement, dated 30 March 2021.
Wrapper:	Unlisted Property Trust
Custodian:	Australasian Property Investments Limited (ACN 097 936 760)
Responsible Entity, Trustee & Manager:	Australasian Property Investments Limited (ACN 097 936 760, AFSL No.238795)

Fund Overview

The Fund is an unlisted property fund that invests in well located retail properties in Australian capital cities with high tenant demand. The Fund has an initial term of eight-years from May 2021 – May 2029.

The Fund seeks to provide a stable and secure income stream for investors. To provide this, the Manager is targeting the Fund to acquire a diversified portfolio of up to $100M of retail properties by 30 June 2022. The properties will be well located, with strong underlying fundamentals and have strong tenant appeal with a focus on non-discretionary retail categories. Once the portfolio has been acquired, the properties will be managed through to the end of the initial fund term.

The properties will be held in separate Sub-Trusts which are fully owned by the Fund, which provides flexibility to acquire and dispose of properties over time. Debt will be held in each individual Sub-Trust.

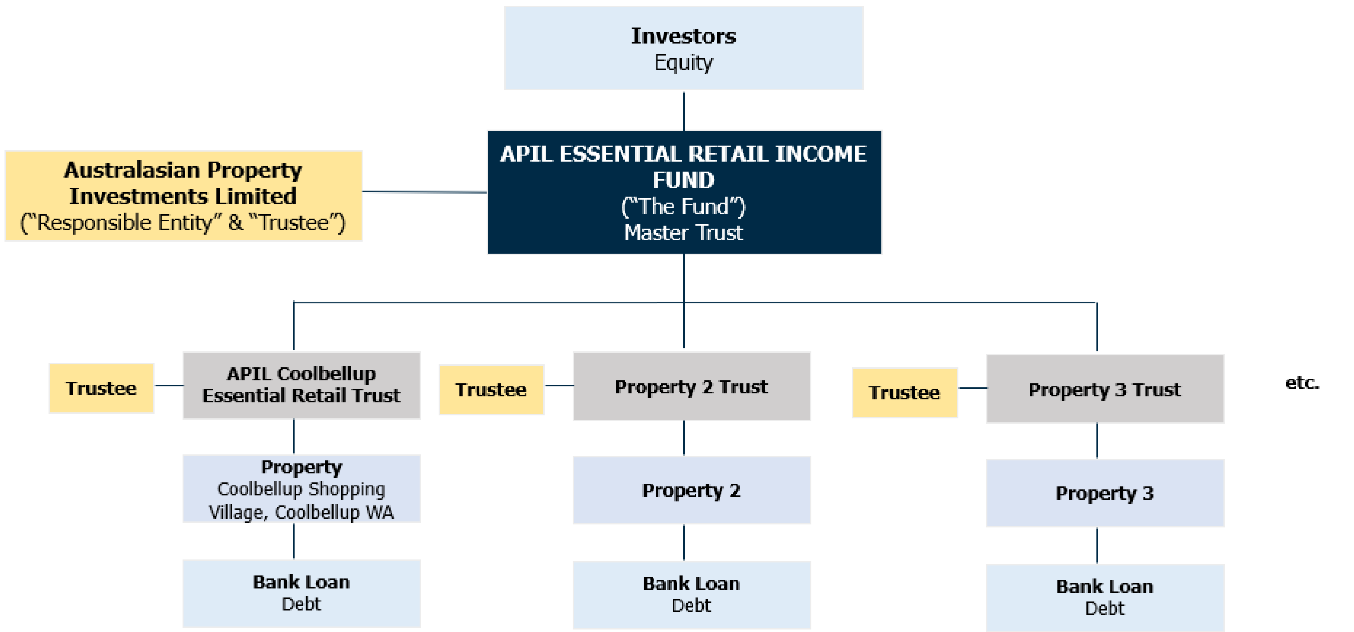
The Manager is looking to acquire the Fund's seed asset, the Coolbellup Village Shopping Centre, for $20.5M. The Manager is seeking to raise $10.8M in equity through the issue of 10.8M units at $1.00 per unit, which will be used in conjunction with debt to acquire the property. As additional properties are acquired, the Manager intends to offer additional equity based on an issue price that adjusts for the updated valuation of the Fund and provides a fair and equity allocation of the costs to investors.

The Fund has a minimum investment of $50,000, and in multiples of $5,000 thereafter.

The Fund is targeting a distribution yield of 6.0% - 6.5% p.a., paid monthly. The Manager is targeting a yield of 6.0% for FY21 and FY22, based on the initial property, and is expected to update the distribution as more properties are acquired.

A summary of the Fund structure is provided below.

Figure 1: Fund structure



Source: APIL, Core Property

Fund strategy

The Fund has a Core investment strategy and is targeting to acquire a total of $100M in properties by 30 June 2022. The Fund will close for investment thereafter and the properties will be managed through to the end of the Fund term, estimated to be May 2029. The Fund's strategy includes the following Investment Criteria:

- The Fund will acquire retail properties in Australia which are well located and supported by strong underlying fundamentals.
- The Fund endeavours to secure properties with high tenant appeal and provide for an initial distribution of between 6.0 – 6.5 cents per annum.
- Additional properties will be located in Australian major cities to provide diversification by geographic location and exposure to different property markets.

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- Additional properties will be real property that is used for retail, mixed use, medical or large format retail purposes, or any combination of these uses.
- The Fund will target retail properties in Australia with a high tenant appeal, where in the event of vacancy, it is likely to be re-tenanted within a normal market period.
- Further acquisitions will have a target lease term of 2 years or greater.
- No properties will be under a leasehold arrangement of the land.
- The acquisition price must be supported by a written valuation from an independent valuer from a national real estate company.
- The total borrowings of all additional acquisitions will not exceed 55.0% of the Loan To Valuation Ratio (LVR).
- The cash reserve is expected to be constant across all property acquisitions, being approximately 1.5% of the purchase price.

Liquidity / exit strategy

The Fund has an initial investment term of eight years, from May 2021 to May 2029. Investors should view the Fund as illiquid in nature and expect to remain invested for the initial term of the Fund, being 8.0 years to May 2029.

The Fund also has a number of additional features which Core Property considers to beneficial to investors:

- At the end of the initial term, the Fund may be extended if there is an agreement by at least 80% of all unitholders as per the Constitution. If the Fund continues, the RE will assist in the sale of units for those unitholders who do not wish to continue. If an 80% agreement is not approved, the portfolio will be sold, the Fund wound up and the net proceeds will be distributed to all unitholders.
- The RE may consider the sale of a property prior to the end of the initial term if it considers it to be in the best interests of unitholders and the RE receives approval from 65% or more of the total units on issue.

The Fund does not provide any other form of liquidity. Investors may also transfer their units to another investor and the RE will use its best endeavours to find a replacement investor however there is no guarantee that the RE will be able to do so. In such a situation, a transfer fee of $500 (up to a maximum 1% of the transfer amount) is payable by the investor that is selling.

Sources & Application of funds

The PDS sets out the sources and application of funds under the terms of the Offer.

Figure 2: Sources and Application of Funds

	Portfolio $M	% of portfolio purchase price	% of total funds
Sources of funds			
Equity subscriptions	$11.6M	56.5%	51.8%
Bank debt	$10.8M	52.5%	48.2%
Total sources of funds	**$22.4M**	**109.0%**	**100.0%**
Application of funds			
Purchase price	$20.5M	100.0%	91.7%
Acquisition Costs	$1.1M	5.4%	5.0%
Debt & Fund Establishment Costs	$0.1M	0.6%	0.5%
Managers Fee	$0.5M	2.5%	2.3%
Working Capital & Capital Expenditure Reserves	$0.1M	0.5%	0.5%
Total application of funds	**$22.4M**	**109.0%**	**100.0%**

Source: APIL, Core Property

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Debt Facility & Metrics

The fund has a target gearing ratio of between 45% and 60% and will only enter into a new loan where the initial Loan to Valuation Ratio is less than or equal to 55%.

The Fund has indicative terms for a debt facility to fund the acquisition of the Coolbellup WA property. The debt facility is expected to be drawn to the limit of $10.8M, with an assumed all-in-cost of debt of 1.70%.

- The Fund is expected to have an initial Loan to Valuation Ratio (LVR) of 52.5% against a bank LVR covenant of 60%. Core Property calculates that the value of the properties must fall by 12.5% for the bank LVR covenant to be breached.
- The Fund is expected to have an initial Interest Coverage Ratio (ICR) of 7.3x with a bank ICR covenant of 2.25x. Core Property calculates the net income must fall by 69.0% for this covenant to be breached.
- The loan for the Coolbellup WA property is expected to be cross-collateralised with loans on additional properties as the additional properties are acquired.

Investors should be aware that the debt profile of the Fund is expected to change as additional properties are acquired by the Fund.

Figure 3: Debt Metrics – indicative

Details	Metric
Bank	Bankwest (indicative)
Security	First ranking mortgage over the Property held in the Sub-Trust.
Drawn Debt / Debt Facility Limit	$10.8M / $10.8M
Loan Type	Interest only
Loan Period	3 Years to May 2024
% Hedged	Not hedged. The RE intends to hedge a portion of the debt once the portfolio is finalised, subject to market conditions.
Average cost of debt	1.70% expected
Initial LVR / Peak LVR / LVR Covenant	52.5% / 52.5% / 60% expected
Initial interest covered ratio (Lowest ICR) / ICR covenant	7.3x / 2.25x
Amount by which valuation will have to fall to breach LVR covenant	12.5%
Decrease in net income to breach ICR covenant	69.0%

Source: Core Property, APIL

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Fees Charged by the Fund

Core Property notes the Manager's Fees of 0.55% p.a. of GAV, are on the lower end of the industry average.

Core Property also considers the higher Acquisition Fees and lower hurdle rate to be offset by the lack of Disposal Fees.

Core Property notes that the Performance Fee on the Fund is calculated at 20% of the Fund's performance above an IRR of 8.0% p.a. The Performance Fee is payable at the total fund level at the end of the initial term of the Fund, or if the Fund is terminated earlier or the RE is removed or replaced before the initial term.

Figure 4: Summary of Fees charged by the Fund

Fee Type	Fee Charged	Core Property Comment
Entry Fee:	Nil	
Exit Fee:	Nil	
Establishment Fee (Acquisition Fee):	2.5% of the Purchase price payable upon settlement and issuance of the units.	Core Property considers the Fee to be above the high end of the industry average of 1.0% - 2.0%.
Disposal Fee:	Nil	There is no disposal fee for selling the property. The industry average of around 1.0% - 2.0%. Core Property notes the sale of a property may incur an agent fee which will be treated as a separate expense to the Fund.
Fees & Expenses – Management Fee, Property and Facilities, Expenses, Custody Fees	- Management Fees of 0.55% p.a. of the Gross Asset Value (GAV). - Other costs and expenses are estimated at 0.20% p.a. of the GAV.	Core Property considers the Fees to be at the low end of what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV).
Performance Fee:	20% of the Fund's outperformance over an 8.0% IRR hurdle rate.	Core Property considers the Fee of 20% to be in line with industry practice. The threshold of 8.0% p.a. is lower than what has historically been seen in the market (10%).
Transfer Fee:	A fee of $500 (up to a maximum of 1% of the transfer amount) when selling units to a third party.	
Consulting & Project Management Fee:	Up to 5% of the total capital works expenditure for each project, for projects equal to or in excess of $50,000.	
Trust Extension Fee:	0.5% of GAV, capped at $150,000. If APIL earns a Performance Fee, then a Trust Extension Fee will not apply.	

Source: APIL, Core Property

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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 fees and performance fees.

Core Property estimates the Manager is entitled to 7.5% of the total cash flow. Core Property considers the fees paid to the Manager to be at the low end of the range when compared to similar products, which are typically around 7% - 9%. In terms of fees paid to the Manager, Core Property estimates that 36.6% of the estimate fee is paid upfront and the remainder relates to ongoing management fees. Core Property stresses that these estimates of how much investors will receive are not guaranteed amounts. For further details, please refer to the *Financial Analysis* section.

Figure 5: Fees in Perspective – based on initial property for an 8-year period to May 2029

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:	$1.49
Total cash to investors:	**$1.49**
Acquisition fee:	$0.04
Base management fee:	$0.08
Disposal fee:	-
Debt Arrangement fee:	-
Performance fee:	$0.00
Fees for the RE (excluding disposal/admin):	**$0.12**
Total cash generated by Fund:	**$1.61**
Fees = % of total cash generated (before fees)	7.5%
Up-front fee as a % of total fees	36.6%

Source: Core Property estimates

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The Property Portfolio

The Fund has been established with the Coolbellup Village Shopping Centre ("the Property") as the seed asset for the portfolio. The Property is being acquired for $20.5M and the Manager intends to acquire additional retail properties that meet the Fund strategy to build a total portfolio value of $100M by 30 June 2022.

Coolbellup Village Shopping Centre - 1 Waverley Road, Coolbellup WA is a Woolworths anchored neighbourhood shopping centre which opened in November 2018. Situated on an 8,923 sqm parcel of land, the Property provides Gross Lettable Area (GLA) of 3,768 sqm and is anchored by a full-line Woolworths supermarket, a pharmacy and 5 specialties with 180 onsite car parking bays.

The Property is located in Coolbellup WA, which is 15 kms south of the Perth CBD, Coolbellup is a rapidly growing community currently undergoing a revitalisation strategy. The centre has good streetscape exposure, situated in dense residential area within close proximity to neighbouring parks, schools and bus services.

The Property sits adjacent to, and interconnects with the Coolbellup Shopping Centre, which includes a freestanding BWS store, Mini-mart, Australia Post, newsagency, childcare centre and medical centre.

Figure 6: Property Portfolio Metrics – as at March 2021

Property	Acqn Date	Site Area (sqm)	GLA (sqm)	Key Tenant	Valn	Portfolio Weight	Cap Rate	Occ %	WALE by income
1 Waverley Road, Coolbellup, WA	est. May 2021	8,925 sqm	3,768 sqm	Woolworths	$20.5M	100%	5.50%	100%	11.3 years

Source: APIL

Figure 7: Coolbellup Village Shopping Centre, 1 Waverley Road, Coolbellup, WA

Source: APIL

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Property Valuation

The Fund's valuation policy requires each property to be valued by an independent valuation at least every three years or within two months of when the RE believes there to be a material change in the value. The properties also require a short form valuation every 12 months (which is usually done by way of a Director's valuation). An independent valuer cannot value the same property consecutively for more than three consecutive years. An independent valuation was undertaken on the property prior to acquisition. The independent valuation made several assumptions regarding market rent, tenant incentives, re-letting and other factors based on available market evidence. The main assumptions adopted in the valuations are provided below.

Figure 8: Valuation Metrics

Metric	Coolbellup Village Shopping Centre - 1 Waverley Road, Coolbellup WA
Title	Freehold
Acquisition date:	Expected May 2021
Ownership	100%
Site Area	8,925 sqm
Gross Lettable Area	3,768 sqm
Major Tenant (% GLA)	Woolworths (84.5%)
Weighted Average Lease Expiry	11.3 years (by income)
Occupancy	100%
Initial net passing income	$1.1M
Net Market income (fully leased)	$1.1M
Purchase price	$20.5M
Valuation	$20.5M
Passing initial yield	5.59%
Capitalisation rate	5.50%
Valuer	CBRE
Valuation Date	March 2021
Valuer's Terminal Yield	5.75%
Value/sqm	$5,441 per sqm
Valuer's unleveraged 10-year IRR	5.50%

Source: CBRE

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Retail Metrics

Location: Coolbellup is located roughly 15km south of the Perth CBD and 6km south east of Fremantle WA. Coolbellup has an estimated population of 5,323 people (2016 Census) and sits within the Local Government Area (LGA) of Cockburn WA which has an estimated population of 104,473 people (2016 Census). The largest employment sectors are Health Care and Social Assistance (12.7% of employed persons), Construction (10.6%), Retail Trade (10.0%) and Education & Training (8.9%).

Retail Spending: Core Property has reviewed the Cockburn LGA in comparison to the Perth CBD, Western Australia and Australian statistics. Some of the key findings are summarised below.

- The Cockburn LGA has a lower median weekly income than Perth, however is higher than the average for Western Australia and Australia.
- Average Disposable Income and Total Household Expenditure for the Cockburn LGA are in line with the totals for Western Australia.
- In the 5-years to 2019/2020, the Total Disposable Income for Cockburn LGA has fallen by 2.4% p.a., with Total Household Expenditure falling 1.2% p.a. on average. In contrast, spending on Food items has increased by an average 0.8% p.a. during the same period.

Figure 9: Trade area analysis of the Fund's asset

2016 Census	Cockburn LGA	Perth WA	Western Australia	Australia
People	**104,473**	11,425	2,474,410	23,401,892
Median Weekly Income	**$1,756**	$1,827	$1,595	$1,438
Average Household size (persons)	**2.7**	1.9	2.6	2.6

Source: ABS

Household Expenditure & Disposable Income	2014/2015	2019/2020	Avg. growth
Household expenditure ($ p.a.) Cockburn LGA			
- Food	$11,646	$12,105	+0.8% p.a.
- Transport	$13,655	$10,419	-4.7% p.a.
- Miscellaneous Goods & Services	$17,863	$17,169	-0.8% p.a.
- Housing	$23,336	$23,127	-0.2% p.a.
- Other Categories (Alcoholic Beverages, Tobacco, Clothing & Footwear, Furnishings & Equipment, Health, Transport, Communications, Recreation & Culture, Education, Hotels Cafes & Restaurants, Utilities)	$52,061	$48,604	-1.3% p.a.
Total Household Expenditure – Cockburn LGA	**$118,561**	**$111,424**	**-1.2% p.a.**
Total Household Expenditure – Western Australia	**$117,256**	**$111,040**	**-1.1% p.a.**
Total Disposable Income per household – Cockburn LGA	**$162,965**	**$143,722**	**-2.4% p.a.**
Total Disposable Income per household – Western Australia	**$164,461**	**$146,607**	**-2.2% p.a.**

Source: Economy.id, based on data from the National Institute of Economic and Industry Research (NEIR).

Competition: The Woolworths at Coolbellup is the only full-line supermarket in the suburb of Coolbellup WA. A number of other supermarkets are located within a 3km radius, with each servicing their individual catchment areas. These include:

- Woolworths Phoenix Park, located in Spearwood WA
- IGA Hamilton Hill
- Coles Kardinya
- Aldi Kardinya
- Coles at the Lakes Shopping Centre, South Lake

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Leases, tenants and income

The Property is anchored by a Woolworths supermarket, a pharmacy and 5 specialties stores. The Woolworths supermarket and Optimal Pharmacy Plus pharmacy account for 92.3% of Gross Lettable Area (GLA), and 89.1% of gross income from the Property.

The Woolworths supermarket provides 3,184 sqm (or 84.5%) of GLA and provides for around 76.1% of gross income. Woolworths (ASX: WOW) is a leading Australian supermarket chain with over 950 stores across Australia. Established in 1924, Woolworths has grown to become one of the most recognisable businesses within Australia. The Woolworths supermarket at Coolbellup was the 100th store in WA and has a convenient Drive-Up option for pickup of online orders. The Woolworths lease commenced in November 2018, upon completion of the Property, for an initial term of 15 years to 2033, with 4 x 10-year options to extend thereafter.

The lease includes an option for Woolworths to expand the premises, and Woolworths has a first right of refusal to purchase the Property before it can be sold to another party. The Woolworths supermarket is a full line supermarket, with GLA of 3,184 sqm, below the average for modern full-line supermarkets of 3,500 sqm in size. The supermarket has delivered strong sales growth of around 30% in 2020, with current sales being 10% - 20% above the Australian average for major supermarkets, on a sales per sqm basis.

Optimal Pharmacy Plus occupies 295 sqm (or 7.8% of GLA) and provides around 12.9% of gross income. The Pharmacy is a well-established franchise with 29 locations across WA, NSW, ACT and QLD. The Pharmacy commenced a 10-year lease term in December 2018, with fixed 3.5% annual increases.

Specialty Tenants include:

Café – 60sqm on a new 7.6-year lease commencing May 2021 until December 2028, with a 5-year option.
Burger Shop – 51 sqm on a new 7.6-year lease commencing May 2021 until December 2028, with a 5-year option.
Pizza Shop – 67 sqm on a new 7.6-year lease commencing May 2021 until December 2028, with a 5-year option.
The Café, Burger Shop and Pizza Shop are being leased to the same operator, who has recently expanded their operations with a new 7.8-year lease, which includes new alfresco dining areas. All new fitouts, including a new alfresco area for the café, will be paid for by the vendor prior to the Fund acquiring the Property.
Barber Shop – 54 sqm on a 5-year lease from April 2020 – April 2025.
Nail Bar – 57 sqm on a 7- year lease from December 2019 – December 2026.

Figure 10: Portfolio Tenant Summary (Coolbellup Village Shopping Centre)

Tenant	GLA (sqm)	Lease Start	Lease End	Lease Period	Options	Rent Review
Woolworths	3,184	Nov-18	Nov-33	15.0	4x10	Turnover rent of 2.25% in excess of $50M, 2.0% in excess of $55M
Optimal Pharmacy Plus	295	Dec-18	Dec-28	10.0	-	Fixed 3.5% p.a.
Café	60	May-21	Nov-28	7.6	1x5	Nil, CPI from Year 4
Burger Shop	51	May-21	Nov-28	7.6	1x5	Nil, CPI from Year 4
Pizza Shop	67	May-21	Nov-28	7.6	1x5	Nil, CPI from Year 4
Barber Shop	54	Apr-20	Apr-25	5.0	-	Fixed 4.0% p.a.
Nail Bar	57	Dec-19	Dec-26	7.0	-	Fixed 3.0% p.a.
Total	**3,768**					

Source: APIL, CBRE

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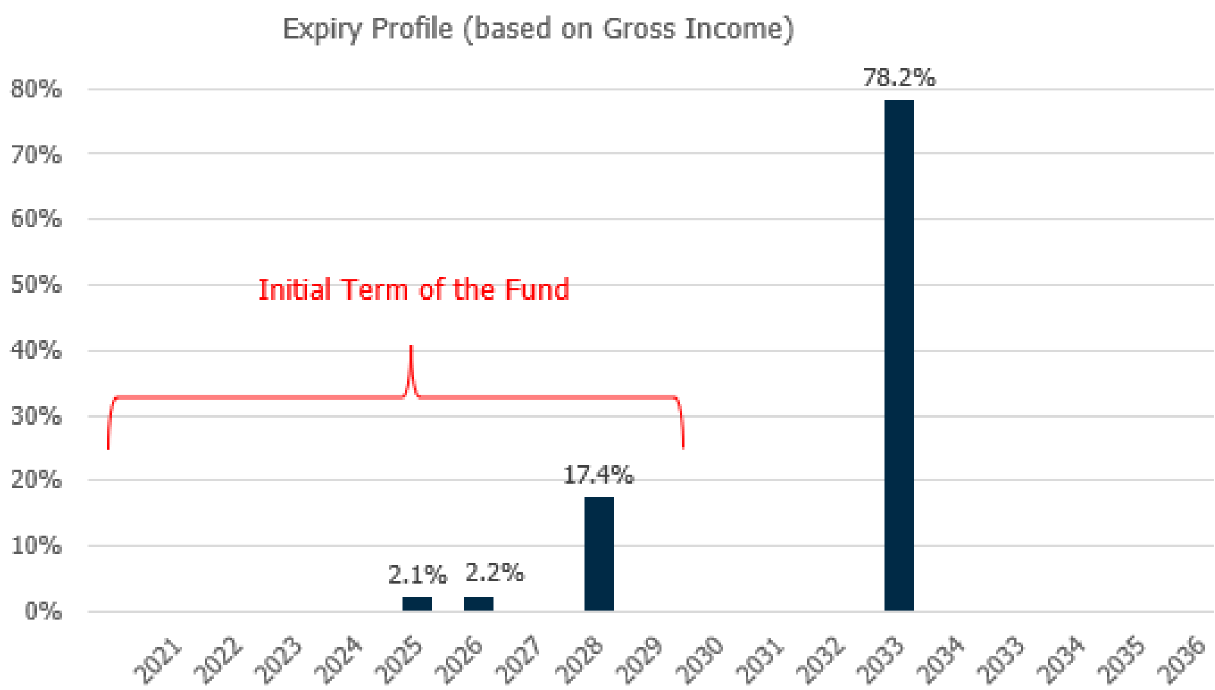
Figure 11: Coolbellup Village Shopping Centre - Site Plan

Source: APIL

Figure 12: Property lease expiry (by income)



Source: Core Property

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Market Sales Evidence

The table below is a summary of comparable sales transactions for Coolbellup Village Shopping Centre WA, as provided in the independent valuation report.

Based on the comparable transactions, the Property is being acquired at the low end of the range on a price per sqm basis, and on an initial yield that is around the mid-point for the past 12 months.

Figure 13: Comparable sales transactions

Location	Sale Date	Sale Price	GLA	Initial Yield	Equivalent Yield	IRR	Price per sqm
Woolworths Wadalba NSW	Apr-20	$26.15M	3,905	5.70%	5.56%	5.02%	$6,697
Keysborough South Shopping Centre VIC	Apr-20	$33.13M	5,436	5.38%	5.39%	4.84%	$6,094
Carramar Village WA	Aug-20	$33.50M	5,324	6.11%	6.01%	6.00%	$6,292
Woolworths Torquay VIC	Dec-20	$23.10M	2,980	3.94%	3.94%	2.59%	$7,752
Woolworths Coffs Harbour NSW	Jan-21	$19.50M	4,243	5.25%	5.24%	6.19%	$4,596
Coolbellup Village WA	**May-21**	**$20.50M**	**3,768**	**5.59%**	**5.54%**	**5.50%**	**$5,441**

Source: CBRE

Market Rental Evidence

The independent valuer has assessed the rental income at the Property as being in line with market rents.

The Woolworths lease is at a gross rate of $353 per sqm, while the specialties are within the range of $550 - $650 per sqm (gross)

Capex

The Coolbellup WA property was constructed in November 2018 and has little capital expenditure requirements in the short term. The Manager has budgeted around $0.1M over 5-years, which is in line with the independent valuation assumptions. The capex is expected to be funded by the excess cash reserves of the Fund.

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Financial Analysis

Core Property has reviewed the financial forecasts by the Manager as provided in the PDS. The key observations are:

- The forecasts are based on the Coolbellup WA property being acquired by the Fund by 1 June 2021.
- The forecasts assume the Woolworths tenancy continues to pay base rent and does not factor in any turnover rent being paid.
- The Manager is forecasting distributions of 6.0% p.a. for the investment term.
- The Manager is targeting a cash reserve of 0.5% of the purchase price, or $0.1M, following the acquisition to provide a cash reserve for the Fund. The cash reserve is expected to increase in size to around $1.0M over the initial 9-year term of the Fund.
- Investors should expect the forecasts to change, as additional properties are acquired by the Fund over time.

A summary of the forecasts is presented below.

Figure 14: Profit & Loss Forecast & Balance Sheet

Profit & Loss - Forecast $M	**FY21 1 month (1 June 21 – 30 Jun 21)**	**FY22**
Gross Rental Income & Recoverables	0.1	1.5
Outgoings	-0.0	-0.3
Net Operating Income	**0.1**	**1.1**
Interest	0.0	-0.2
Management Fee	0.0	-0.1
Trust Management Expenses	0.0	0.0
Cash Available for Distribution	**0.1**	**0.8**
Retained Income	-0.0	-0.1
Distributions	**0.1**	**0.7**
Units on Issue	**11.6**	**11.6**
Cash Reserve in Fund	0.1	0.1
Distribution per Unit	**6.0% (annualised)**	**6.0%**

Balance Sheet – $M – Pro forma on acquisition of Coolbellup WA property	**June 2021 Pro forma**
Cash	0.1
Property Value	20.5
Other Assets	-
Total Assets	**20.6**
Borrowings	10.8
Total Liabilities	**10.8**
Net Assets	**9.8**
Units on Issue	**11.6**
Net Tangible Assets per Unit	**$0.85**
Gearing Ratio (Debt/ Total assets)	**52.2%**
Loan to Valuation Ratio (LVR)	**52.5%**

Note: The forecast Balance Sheet is based on the expected Net Tangible Assets of the Fund following the acquisition of the Coolbellup WA property. The forecast provided in the PDS is based on the expected Net Asset Value of the Fund. Source: Core Property.

Initial NTA

The starting 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 initial property in the Fund. The NTA is calculated at $0.85 per unit, with most of the dilution coming from acquisition costs (mainly stamp duty).

Figure 15: Initial NTA

Amount per unit	$ per unit
Issue Price	$1.00
Less:	
Acquisition Costs	-$0.10
Acquisition Fee	-$0.04
Debt & Fund Establishment Costs	-$0.01
NTA per unit	**$0.85**

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).

Core Property has estimated the total return from the Fund based on the acquisition of the Coolbellup WA property and the assumptions provided by the Manager.

Using these assumptions Core Property expects the Fund to deliver an Internal Rate of Return (IRR) in the range of 5.0% - 7.5% (midpoint 6.2%). The calculation is based on the Manager's forecasts and assumes a +/- 25bps movement in the terminal capitalisation rate and +/- 25bps movement in interest rates.

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 also be aware that the Fund intends to acquire additional assets, which may also impact investment returns.

Figure 16: Pre-tax, 7.0-year IRR (after fees) sensitivity analysis – Manager's assumptions

	IRR based on Cost of debt				
Terminal cap rate	**0.70%**	**1.20%**	**1.70%**	**2.20%**	**2.70%**
5.00%	8.5%	8.3%	8.0%	7.6%	7.3%
5.25%	7.8%	7.5%	7.1%	6.7%	6.3%
5.50% (base)	7.0%	6.6%	**6.2%**	5.8%	5.4%
5.75%	6.2%	5.8%	5.4%	5.0%	4.5%
6.00%	5.4%	5.0%	4.6%	4.1%	3.6%

Source: Core Property

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Management & Corporate Governance

APIL is a leading Australian property syndicator and manager specialising in commercial property investment with a proven track record of delivering strong income returns and capital growth. Established in 2001, APIL has established 28 commercial funds with a combined total of almost $1.0B. Their strategic focus is on quality assets delivering strong yields with potential growth over the medium to long term horizon.

Core Property has reviewed the composition of the RE board and believes that it has the relevant skills and experience to operate the Fund successfully. Each Director has demonstrable property and investment management skills. We summarise the background of the directors and key managers, as provided in the PDS.

Figure 17: The Board of the Responsible Entity

Name & Role	Experience
Peter Hughes Managing Director FAPI, CPV	Peter has over 40 years' experience in the property industry and is one of WA's most respected property professionals. His vast experience includes a valuer, consultant and project manager for investment acquisitions, and the sale of commercial and industrial properties. Previously Peter was a Director of Burgess Rawson (WA) Pty Ltd from 1994 to 2002. Peter's principal responsibility is assessing property that meet with APIL's core investment strategy. Peter is a Fellow of the Australian Property Institute as a certified practicing valuer, holds a Real Estate Agents License and a current triennial real estate agents certificate. Peter acts as an ASIC Certified Responsible Manager of APIL.
Helen Lassam Executive Director	Helen has over 25 years' experience in the commercial property sector. Prior to joining APIL in February 2016 Helen was a Senior Director and Perth Executive Board Member at CBRE. Helen has also been the Director of Retail Asset Services a position which she held for 15 of her 18 years with CBRE where she was responsible for business development, client relationship management and staff mentoring. Helen sits on the APIL Board and is responsible for the operation of the Fund and the operations of the business and manages and mentors Fund Managers and administrative staff within the firm.
Sol Majteles Non-Executive Director LLB, FAICD	Sol has more than 40 years' experience in property and commercial law, focusing on all aspects of property acquisition, syndication, development, leasing and sales. Sol was one of the founding directors of APIL in 2001. His role is to ensure that the legal aspects of property acquisitions and syndicate arrangements are properly completed. He is currently a partner at Lavan, one of Western Australia's largest independent law firms.
Joe Evangelista Non-Executive Director BCom, CA, FAIT	Joe has over 25 years' experience as a chartered accountant and his experience in the property industry focusing on taxation planning, business administration and compliance, investment analysis and strategic and financial planning. Joe is currently a senior partner in the Perth office of a national accounting firm, BDO. He is a qualified Chartered Accountant and is responsible for the accounting and taxation issues relating to APIL's property acquisitions. He is also a responsible manager of APIL.

Source: APIL

Figure 18: Management Team

Name & Role	Experience
Peter Hughes Managing Director FAPI, CPV	Peter has over 40 years' experience in the property industry and is one of WA's most respected property professionals. His vast experience includes a valuer, consultant and project manager for investment acquisitions, and the sale of commercial and industrial properties. Previously Peter was a Director of Burgess Rawson (WA) Pty Ltd from 1994 to 2002. Peter's principal responsibility is assessing property that meet with APIL's core investment strategy. Peter is a Fellow of the Australian Property Institute as a certified practicing valuer, holds a Real Estate Agents License and a current triennial real estate agents certificate. Peter acts as an ASIC Certified Responsible Manager of APIL.
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Gary Wrightson Fund Manager	Gary has over 30 years' experience in commercial property. Before joining APIL in May 2016, Gary was the Property Investments Manager for the Insurance Commission of Western Australia. Gary has extensive knowledge and experience in the asset management and development of office, retail and industrial properties within large property portfolios. As Fund Manager, Gary is responsible for the management of the office and industrial properties including asset management and leasing.

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Nic Hughes Acquisitions Manager BCom (Eco/Fin)	After completing his Bachelor Degree in Commerce (Economics and Finance) at the University of Western Australia, Nic commenced his property career at Jones Lang Lasalle as the Analyst in the Sales & Investments team. In this role, Nic undertook property feasibility and analysis, preparing marketing information, assisting with sales campaigns and general property market commentary. Nic is now responsible for identifying property acquisitions by assessing a property's suitability to APIL's core investment strategy and providing recommended property to the Finance Committee for possible acquisition.
Adrian Di Carlo Company Secretary BBus (Acc), MBA, GradDip ACG, CPA, AGIA	Adrian is responsible for overseeing the APIL group's finance, accounting, corporate governance and statutory compliance functions. Adrian is a CPA and Chartered Secretary with 24 years' corporate experience in the capacity as an employee and consultant working across various international jurisdictions and industries in accounting and finance, company secretarial and commercial roles within private and listed ASX 200 companies, large multi-national companies and junior listed companies.
David Couzens Facilities Manager	David Couzens oversees the maintenance and capital works of all the properties within APIL's property portfolio. Drawing on his engineering degree and previous experience in the construction industry David is able to ensure the APIL portfolio of properties is maintained to the highest standard and facilities are upgraded to add both practical and financial value.
Cristhian Lopez Cardona Asset Manager BCom (Acc)	After completing his Bachelor Degree in Accounting Cristhian commenced his property related experience with a graduate role at the Insurance Commission of WA/Investments Division, supporting the team in the management and accounting of the $800 million property portfolio Divestment Project. Cristhian manages the everyday operations of APIL funds including leasing, construction, finance and asset management responsibilities.

Source: APIL

Compliance and Governance

The RE has a Compliance Plan which has been lodged with ASIC, as required by the Corporations Act. The Compliance Plan outlines the policies and procedures for the RE to administer the Trust's assets, engagement of external service providers, valuation practices, borrowings and reporting to unitholders.

The Fund's compliance committee comprises of the three members, the majority of which are external independent directors.

ASIC Regulatory Guide 46 "Unlisted property schemes: Improving disclosure for retail investors" and Regulatory Guide 198 "Unlisted disclosing entities: continuous disclosure obligations" describe ASIC's preferred benchmarks and principles.

Core Property has reviewed the PDS in reference to the six benchmarks and eight disclosure principles recommended by RG46. The PDS adheres to all of the ASIC guidelines.

Conflicts of Interests and Related Party Transactions

All conflicts of interests are to be handled in accordance with the RE's Related Party Transactions policy which is assessed by the Compliance Committee and, if necessary, referred to the RE's Board.

The PDS also sets out a number of related party transactions that are currently expected by the Fund:

- Peter Hughes is the Managing Director of APIL and also a Director of Hughes Advisory Pty Ltd which provides asset management services to the Trust and a related entity of Peter Hughes may be a participant in the Fund.
- Solomon Majteles is a Director of APIL and is a partner in the law firm Lavan which provides legal services to APIL and a related entity of Mr Majteles may be a participant in the Fund.
- Joseph Evangelista is a Director of APIL and is a partner in the accounting firm BDO which provides accounting services and other corporate services from time to time to APIL.
- Helen Lassam is a Director of APIL. A related party of Helen Lassam, BFI Building Services, may provide property maintenance and building services to the Fund.

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Past Performance

The Manager has advised that, since 2001, APIL has established 28 commercial property syndicates with a combined total of almost $1.0B. APIL has completed 8 investment syndicates (sold or wound up) with the average capital returned to investors, including the return of the investors initial equity invested, of 232.6% and an average distribution of 11.8% per annum.

Readers should note that 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.

The following is a table of completed syndicates as provided by APIL.

Figure 19: Past Performance of APIL Completed Funds

Property	Start Date	Purchase Price	Sale Date	Sale Price (net)	Investment Period	Average Distributions Paid	Exit Price
405 Scarborough Beach Road Syndicate	September 1999	$9.9M	June 2007	$19.6M	7.8 years	15.0%	$2.83
Marlows Midland	December 2001	$2.3M	May 2014	$2.85M	12.5 years	11.5%	$1.44
10 Kings Park Rd	June 2002	$7.7M	March 2012	$19.7M	9.8 years	12.9%	$3.44
79 McCoy Street Syndicate	March 2003	$4.8M	June 2010	$9.35M	7.3 years	11.2%	$2.26
888 Nicholson Road Syndicate	August 2003	$8.5M	February 2008	$13.8M	4.5 years	9.7%	$1.96
2 Kings Park Rd Syndicate	October 2004	$10.65M	March 2011	$23.2M	6.4 years	12.0%	$2.39
Sheffield House Syndicate	July 2005	$9.86M	August 2016	$31.2M	11.2 years	13.1%	$2.50
APIL Wingate St Leonards Office Trust	July 2014	$96.4M	March 2018	$162.1M	3.6 years	8.8%	$1.79

Source: APIL

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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.
Recommended	Indicates that the product has an above average grade profile across a number of Core Property's parameters and has the potential to deliver above average risk adjusted total returns.
Approved	Indicates that the product has met the aggregate requirements of Core Property's criteria. The product has an acceptable risk/return trade-off and is potentially able to generate risk-adjusted returns in line with stated investment objectives.
Speculative	Core Property believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Core Property does not rule out investing in this product, investors should be very aware of, and be comfortable with the specific risks. The product may provide unique diversification opportunities, although concerns over one or more features mean that it may not be suitable for most investors.
Not Approved	Indicates that the product has failed to meet the minimum aggregate requirements of Core Property's criteria. While the product may have some positive attributes, Trusts in this category are considered high risk.

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