

Unlisted Property Fund Report

Stronghold Precincts Property Fund

November 2021

Open-ended property fund investing in commercial properties in well located metropolitan business parks

Stronghold Precincts Property Fund

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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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Stronghold Precincts Property Fund

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The Stronghold Precincts Property Fund ("the Fund") is an open-ended property fund that invests in commercial office assets in metropolitan business parks. The Fund is managed by Stronghold Commercial Investments ("the Manager"). Stronghold, a specialist fund manager with over \$225M of assets under management and is majority owned by the Graystone Group - a recognised property developer and manager of business park assets in southeast Queensland.

The Fund's objective is to deliver monthly income distributions from a portfolio of office assets located in metropolitan business precincts of Australians major capital cities. The Fund was established in 2019 and currently has \$48.1M of assets, with the Manager targeting to grow the Fund to \$400M over the medium to long term. This growth is expected to be delivered via the Graystone relationship which develops and manages properties in the Brisbane Technology Park, assets sourced from other business parks, and the potential to acquire other Stronghold investment trusts as they reach maturity.

The current portfolio includes three assets (\$33.3M) located in the Brisbane Technology Park, Eight Mile Plains QLD, the largest commercial business park precinct in Queensland covering 33 hectares. Graystone manages ~35% of the assets in the park. The Fund's fourth asset (\$14.0M) is located in the Westlink Green BTP, Darra QLD, a new business park located next to the Darra train station. All the properties are fully occupied, with a portfolio Weighted Average Lease Expiry (WALE) of 3.3 years. Investors should expect the portfolio metrics to change over time as the Fund acquires further properties to increase diversification.

The Fund has a Loan to Valuation Ratio (LVR) of 45.6%, which provides a modest buffer to the LVR covenant of 50%. After adjusting for cash, gearing is 43.9% and at the top end of the Fund's target range of 35%- 45%.

Core Property considers the fees charged by the Fund to be in line with industry averages. (see Fees in Perspective). A key feature of the Fund is that the management fees are charged based on the Gross Assets Value of the Fund as well as the Distributable Income of the Fund, providing an incentive for the Manager to target income and capital growth for investors. The Fund does not charge additional fees where Stronghold has already earned the same fee in an underlying investment.

Based on the Manager's forecast for the existing portfolio, distributions are forecast to deliver a 6.9% yield in FY22 and 7.1% yield in FY23, based on the current Issue Price. Distributions are paid monthly.

Core Property estimates the existing portfolio to deliver an Internal Rate of Return (IRR) of between 8.0% - 9.5% p.a. (midpoint 8.8% p.a.) over a five-year period. Our calculations are based on the existing portfolio and a +/- 25bps movement in interest rates and capitalisation rates. The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions.

The Fund offers a limited quarterly withdrawal facility for investors, capped at 5.0% of the Gross Asset Value per annum, or 1.25% per quarter.

The Manager and RE maintains and complies with a written policy on related party transactions to manage conflicts of interest and satisfies ASIC's continuous disclosure requirements.

Investor Suitability

Core Property considers the Fund will appeal to investors seeking monthly income distributions that is backed by contracted rents from a portfolio of office properties in Queensland's business park precincts. Investors should be comfortable with the Manager's relationship and alignment with Graystone as a key developer and manager of business park assets. Capital returns will be dependent on the Manager's ability to maintain the strong tenancy profile through this relationship as well as overall market conditions.

As an open-ended fund, investors should expect the investment profile to change as new properties are acquired or sold. Investors should also expect valuation movements to impact the unit price and the ongoing yield of the Fund.

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:	\$25,000, multiplies of \$1,000 thereafter
Unit Entry Price:	\$1.139 per unit (31 October 2021)
Net Tangible Asset per unit:	\$1.06 per unit
Liquidity:	Limited Quarterly
FY22 Forecast Distribution:	5.26 cpu (8 mths) Or 6.9% yield (annualised) ¹
FY23 Forecast Distribution:	8.10 cpu (or 7.1% yield) ¹
Distribution Frequency:	Monthly
Recommended Investment Period:	5 years

Note 1: Based on the existing portfolio and Issue Price of \$1.139 per unit.

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Note: This report is based on the Stronghold Precincts Property Fund Information Memorandum dated 15 September 2021, together with other information provided by Stronghold.

Key Considerations

Management: The Fund is managed by Stronghold Commercial Investments, a specialist commercial property fund manager. Stronghold was established in 2013 and currently manages over \$225M of assets across 11 unlisted property trusts in QLD and VIC. Stronghold is majority owned by the Graystone Group, a recognised developer and manager of business park precincts in SE QLD. The directors of Graystone Group currently own 5.2M units (or 21%) of the Fund providing an alignment of interests with investors.

Fund strategy and structure: The Fund aims to provide monthly income distributions through a portfolio of direct and indirectly owned commercial office properties located in business technology precincts in the metropolitan areas of capital cities. The Manager will also invest in listed assets to manage any periodic redemption requests from investors. The current portfolio consists of \$48.1M of assets with the Manager targeting to reach \$400M over the medium to long term through acquisitions and further developments. The Fund is open-ended and investors may purchase units on a monthly basis.

Unit Pricing: The Fund calculates its unit price on a monthly basis, based on the prevailing Net Tangible Asset (NTA) plus transaction costs which are amortised over a five-year period. The current Issue Price is \$1.139 per unit (NTA of \$1.06 plus \$0.079 of transaction costs per unit).

Property Portfolio: The current portfolio consists of \$48.1M of assets, with \$47.3M invested in four properties and \$0.8M in cash. Three properties (\$33.3M) are located in the Brisbane Technology Park (BTP), Eight Mile Plains QLD, where Graystone is the development manager, as well as one property (\$14.0M) in the Westlink Green Technology Park, Darra QLD. The BTP is the largest Commercial Business Precinct in Queensland covering 33 hectares and is leased to over 200 companies. The Westlink Green BTP is a new business park being developed near the Darra train station, which is expected to grow with a further four properties that are yet to be developed. All properties are 100% occupied, with a portfolio WALE of 3.3 years. Strong occupancy levels are expected to be maintained within the portfolio, based on the Manager's relationship with Graystone across the parks. Core Property's review is based on the current portfolio; however, investors should expect the metrics to change as additional properties are acquired by the Fund over time.

Debt Profile: The Fund has a target LVR of 35% - 45% with a maximum of 50%. The current LVR across the portfolio is 45.6%, providing a modest 8.7% buffer against the 50% LVR covenant. The Fund also has ~\$0.8M in cash, which provides some flexibility and reduces gearing to 43.9%. The Interest Coverage Ratio (ICR) of 7.8x is well above the ICR covenant of 2.0x.

Distributions: Based on the Manager's forecasts for the existing properties, the Fund is expecting to deliver 5.26 cpu in distributions for the 8 months to June 2022 (FY22), equivalent to a 6.9% yield on the current Issue Price. The FY23 distributions are forecast at 8.10 cpu, or a 7.1% yield on the Issue Price. Distributions are paid monthly.

Fees: Overall, Core Property considers the management fees to be in line with industry peers.

Total Returns: Core Property estimates the current portfolio to deliver an IRR of 8.0% - 9.5% p.a. (midpoint 8.8% p.a.) over a five-year period. The estimate is based on the Trust's sensitivities (+/- 25bps sensitivity to the cost of debt and capitalisation rates, see the Financial Analysis section). The calculations should be seen as indicative, as the Manager intends to acquire further properties during this period, which may impact expected returns.

Related Party Transactions: The Fund may also invest in closed-ended property trusts managed by Stronghold, as well as use the services of other related entities including Milestone Property Management and the Graystone Group. The RE has clearly defined policies and a compliance committee with a majority of independent members to manage any conflicts of interest that arise.

Liquidity: The Fund intends to provide a limited quarterly withdrawal facility, capped at 5.0% of Gross Asset Value (GAV) per annum or 1.25% of GAV per quarter. That said, investors need to be mindful that investing in unlisted property funds should be seen largely as illiquid funds with a medium to long term investment period.

Investment Scorecard

Management Quality
★★★★☆
Governance
★★★★☆
Asset Quality / Portfolio
★★★★☆
Income Return
★★★★☆
Total Return
★★★★☆
Gearing
★★★★☆
Liquidity
★★★★☆
Fees
★★★★☆

Key Metrics

Fund Structure		Fees Paid	
A multi-asset open-ended wholesale fund which invests in direct property, unlisted property trusts and liquid investments (ASX listed A-REITs and cash deposits). The Fund's strategy is to acquire commercial properties located in metropolitan business parks of Australian capital cities.		Entry Fees:	Nil
		Exit Fees:	Nil
		Acquisition & Due Diligence Fee:	1.5% of the purchase price of the property.
		Sale Fee (Property Disposal Fee):	2.5% of the sale price of the property.
		Management Fees:	Estimated at 0.88% of GAV: - 0.25% of GAV: Fund Management Fee - 8.5% of Distributable Income: Ongoing Management Fee (estimated to be ~0.33% of GAV) - 0.35% of GAV: estimated expenses
		Performance Fee:	A Fee of 20% of the outperformance of the Weighted Average Benchmark return
Management		Debt Metrics	
Stronghold was established by the Graystone Group, a vertically integrated project manager, property developer and property manager with over 35 years' experience in delivering business park precincts. The directors of Graystone currently hold around 5.2M units (21%) of the Fund, providing an alignment of interests with investors.		Current Debt / Facility Limit:	\$21.5M / \$23.2M
Property Portfolio		Loan Period:	Two years expiring September 2023
No of Properties:	4	Current LVR / LVR Covenant:	45.6% / 50.0%
Valuation:	\$47.3M	ICR / ICR Covenant:	7.8x / 2.0x
Property Location:	Brisbane Technology Park, Westlink Green Technology Park	Legal	
Property Sector:	Office	Offer Document:	Information Memorandum dated 15 September 2021
Key Tenant % of income:	Micreo Limited (32%), Johnson & Johnson (25%) and BTP Services (19%).	Wrapper:	Unlisted Property Trust
Occupancy	100%	Manager:	Stronghold Commercial Investments Pty Ltd (ACN 641 471 570)
WALE:	3.3 years as of 1 Sep 2021	Responsible Entity:	Foundation Funds Management Limited, AFSL 508424
Note 1: Target asset allocation will change over time		Custodian:	Equity Trustees Limited (ABN 46 004 031 298)
Return Profile			
Forecast Distribution:	FY22: 7.9 cents per unit per annum FY23: 8.1 cents per unit per annum		
Distribution Frequency:	Monthly, in arrears		
Tax advantage:	15.0% (FY21)		
Estimated Levered IRR (pre-tax, net of fees):	8.0% - 9.5% p.a. (midpoint 8.8% p.a.) based on the existing portfolio over 5 years.		
Recommended Investment Period:	Minimum 5 years		
Risk Profile			
Property/Market Risk:	Capital at risk will depend on the performance of commercial office properties in South Brisbane Business Technology Precincts, which may change via acquisitions. Investors will be exposed to a potential capital gain or loss, based on market conditions.		
Interest Rate Movements:	Any change in the cost of borrowings may impact the distributable income of the Funds 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 the "General Property & Fund Risks" section of the Information Memorandum.			

Fund Overview

The Stronghold Precincts Property Fund ("the Fund") is an open-ended fund that invests in commercial properties located in metropolitan business precincts in major Australian cities.

The Fund was established in 2019 by Stronghold, a specialist fund manager focussed on business park assets with around \$225M of funds under management across 11 unlisted property trusts in QLD and VIC. The Fund's Responsible Entity, Foundation Funds Management Limited ("the RE") and Manager, Stronghold Commercial Investments ("the Manager") are wholly owned entities of the Graystone Group.

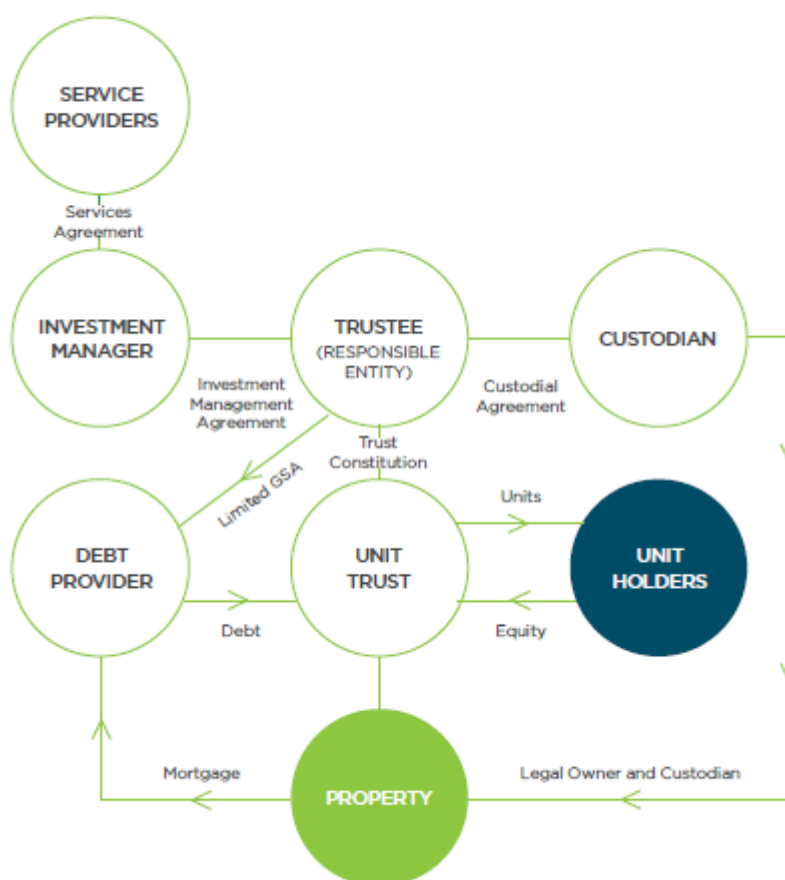
The directors of Graystone Group currently own 5.2M units in the Fund, representing approximately 21% of units currently on issue, which provides an alignment of interests with investors. The directors have advised an intention to maintain this investment, based on the number of units, over the long term.

Stronghold was established in 2013 in conjunction with Graystone Group, a fully integrated development, construction and property management group with a 30-year track record of developing integrated business precincts across southeast Queensland. Graystone Group maintains a majority ownership in Stronghold, in conjunction with management. The relationship with Graystone is a key feature for Stronghold, providing an alignment with a recognised development manager within the southeast Queensland business park sector.

The Fund is at the beginning of its investment lifecycle with \$47.3M of assets invested in four properties in the Brisbane Technology Park (three properties) and the Westlink Green Technology Park (one property) in southeast Queensland, originally developed by Graystone. The assets are 100% occupied, with a Weighted Average Lease Expiry (WALE) of 3.3 years (by income). The Manager is targeting the Fund to increase to \$400M of assets in five years to provide further diversification and growth.

The Fund is open-ended with a current Issue Price of \$1.139 per unit. A quarterly withdrawal facility is provided, capped at 5.0% per annum of the Gross Asset Value of the Fund (or 1.25% of GAV per quarter).

Figure 1: Fund structure



Source: Stronghold, Core Property

Relationship with the Graystone Group

Stronghold was established in 2013 and is currently 67% owned by Graystone Group with the 33% balance owned by Stronghold management (Steve de Nys). Stronghold's relationship with Graystone is integral to the success of the Fund, providing a strong alignment of interests to a recognised development manager within the business park sector of southeast Queensland.

Graystone Group is led by Peter Robbie, Bruce Anderson, Bruce Loxton and Kirsty Heymink, and is an experienced developer and operator of business parks. Graystone is a vertically integrated property business, with capabilities in

- **Development and Construction** – including the delivery of over 85,000 sqm of commercial buildings in south-east Queensland in the past 15 years.
- **Property Management and Leasing** – with over \$400M of properties under management through its wholly owned business Milestone Property Management.
- **Investment Management** – with over \$225M of assets under management through Stronghold.
- **Serviced Offices** – providing flexible office spaces across 3,875 sqm of space with three business technology precincts.

Graystone has a long history of involvement in the Brisbane Technology Park (BTP) including an initial development in 2000 before being appointed as the Development Manager for the park by the Queensland Government in 2001. Currently around 35% of the assets are managed by Graystone, including assets managed through the Milestone business. This provides opportunities for Stronghold investors to benefit from Graystone's strong property positioning within BTP. The Fund's initial three assets (3 Hi Tech Court, 7 Hi-Tech Court and 33 Brandl St) were all developed by Graystone, sold to third parties and managed by Milestone before being acquired by the Fund in 2019. The Fund's fourth asset, 1 Westlink Court, Darra QLD was Stronghold's first property trust established in 2013 before it was acquired by the Fund in 2021 through unanimous approval by investors.

Fund Strategy

The Fund's objective is to provide investors with sustainable monthly income with the potential for capital growth through investing in a diversified portfolio of high-quality commercial properties within metropolitan and suburban business precincts in Australia.

The Fund's strategy is to continue to acquire assets within business park precincts, while also increasing its exposure to unlisted property trusts and liquid assets. The Fund will also seek to acquire units within several unlisted closed-ended trusts managed by Stronghold should they become available.

The Fund is targeting the current portfolio of \$47.3M to increase to around \$100M of properties in 2-3 years and ultimately reach \$400M in 5+ years. The Fund's portfolio is expected to grow through various opportunities, including the acquisition of properties within the Graystone network of properties, further developments (including up to four new developments at Westlink Green BTP) as well as Stronghold's existing portfolio of \$93M of properties in unlisted funds, which are expected to reach the end of their initial fund term during this time. Where a property is acquired from an existing Stronghold fund, the Manager undertakes a transparent pricing process, which includes two independent valuations, as part of its conflicts of interest policy.

Figure 2: Target portfolio allocation

Stage	Direct Property	Indirect (Unlisted Property)	Liquid (Cash, Cash Equivalents, ASX Listed A-REITs)
Stage 1 - \$47M (Current)	~90% Target	~5% Target	~5% Target
Stage 2 - \$100M (2 – 3 years)	~75% Target	~17% Target	~8% Target
Stage 3 - \$400M (5+ years)	~60% Target	~25% Target	~15% Target

Source: Stronghold

Issue Price / Unit Price

The Fund has a Unit Pricing Policy which values units at the end of each month. The Unit Price is calculated by taking the Net Asset Value of the Fund and dividing it by the number of Units on Offer in the Fund. The Unit Price calculated at October 2021 is \$1.06 per unit.

The Fund will issue new units based on the prevailing Issue Price. The Issue Price is calculated based on the Unit Price plus an adjustment for unamortised transaction costs for properties. Transaction costs are amortised over five years. The current Issue Price is \$1.139 per unit. Core Property notes that the unit pricing policy and Issue price of units is to ensure that all unitholders bear the transactions costs proportionately.

The Trust currently operates a distribution reinvestment plan that allows unitholders to reinvest all or part of their distributions in the Trust through the issue of new units.

Liquidity

The Fund provides a limited withdrawal facility to investors on a quarterly basis, capped at 5.0% of Gross Assets Value per annum (maximum 1.25% of GAV per quarter).

The Redemption Price for investors will be calculated by the prevailing Net Tangible Asset (NTA), adjusted for transaction costs, divided by the number of units on issue. Should the total redemption requests exceed 1.25% of GAV per quarter, each redemption request will be equally pro rata scaled back, while unredeemed units for that quarter will be rolled into the following quarter redemptions. Redemption proceeds are expected to be returned by the 15th Business Day following the quarter. Investors should be aware that the RE may scale back, delay or suspend the withdrawals from the Fund when there is insufficient liquidity or when the RE believes it is not in the best interest of all investors.

Debt Facility & Metrics

The Fund has a target Loan-To-Valuation Ratio (LVR) range of 35% - 45%, with a maximum LVR of 50%.

The Fund will only borrow against directly owned properties and will not borrow to invest in any listed investments. Debt is managed on a look-through basis to include the sub trust.

The Fund currently has total drawn debt of \$21.5M with \$14.7M held in the main Fund and \$6.8M held in the Westlink sub trust.

- The portfolio Loan To Valuation Ratio (LVR) is 45.6%, against an LVR bank covenant of 50%. Core Property estimates the portfolio can withstand an 8.7% reduction in valuation before it reaches the bank covenant.
- The Fund also has \$0.8M of cash available which, if used to reduce debt, would reduce the LVR to 43.9%.
- The portfolio Interest Loan Coverage (ICR) is 7.8x, with an ICR Covenant of 2.00x. Core Property estimates the income will need to decline by 74.4% before the ICR Covenant is reached.

The debt facilities have a term of two years with an all-in cost of debt of 2.08% p.a. The debt facility will need to be renewed or extended at the end of two years. The Manager expects the debt facility will also be expanded as further properties are acquired.

Figure 3: Debt Metrics

Details	Metric
Bank	St George Bank
Security	First ranked mortgage secured against the directly owned properties, with general security agreement over all assets in the Fund.
Current Drawn Debt / Facility Limit	\$21.5M / \$23.2M
Loan Period	Two years
Hedging Intention	Ability to fix up to 75% of the loan for the term (or greater)
Estimated all-in cost of Debt	2.08% p.a.
Current LVR (look through basis) / LVR Covenant	45.6% / 50%
Initial interest covered ratio / ICR covenant	7.8x / 2.0x
Amount by which valuation will have to fall to breach LVR covenant	8.7%
Decrease in rent income to breach ICR covenant	74.4%

Source: Stronghold, Core Property

Fees Charged by the Trust

Overall, Core Property considers the fees to be appropriate for the structure of the Fund.

- The Fund charges an Acquisition Fee of 1.5% of the purchase price, which is at the mid-point of what we have seen in the market (1.0% - 2.0% of purchase price).
- The Management Fee consists of three components:
 - A base Management Fee of 0.25% p.a. of the Gross Asset Value (GAV) of the Fund. This fee is payable to the RE.
 - Fund Expenses are charged at cost and is estimated to be 0.35% p.a. of GAV.
 - The Fund also charges an Ongoing Management Fee of 8.5% of the Distributable Income. This Fee is payable to the Manager and is estimated to be around 0.33% p.a. of GAV (assuming 55% equity and a 7% yield). Core Property considers this Fee to be a key feature of the Fund as it incentivizes the Manager to preserve or grow distributions for investors.
 - The Total Management Expense Ratio (MER) is estimated at 0.93% p.a. of GAV, which is at the midpoint of what Core Property has seen in the industry (0.7% - 1.1% p.a. of GAV).
- The Property Sale Fee of 2.5% of the gross sale price of a property is higher than the industry average, which is typically between 1.0% - 2.0% of the sale price.
- The Fund has a Look-Through Policy that ensures no additional fees will be charged to the Fund when investing in any other Stronghold closed-ended unlisted property trusts. Should the existing arrangement equal or exceed the fees in any underlying investment, no additional fees will be charged to ensure there is no double counting of fees.

A summary of the fees is provided in the following table.

Figure 4: Summary of Fees charged by the Trust

Fee Type	Fee Charged	Core Property Comment
Entry/Establishment Fee:	Nil	
Exit/Withdrawal Fee:	Nil	
Acquisition Fee (incl Due Diligence Fee):	1.50% of the purchase price of the property, payable to the RE. (1.00% Acquisition Fee + 0.50% Due Diligence Fee)	Core Property considers in line with what we have typically seen in the industry (1.0% - 2.0%)
Management Fee & Fund Expenses:	<u>Fund Management Fee:</u> 0.25% p.a. of the Gross Asset Value of the Fund. Payable to the RE. <u>Fund Expenses:</u> At cost, estimated to be 0.35% p.a. of GAV of the Fund. <u>Ongoing Management Fee:</u> 8.5% of the distributable income. Estimated to be ~0.33% of GAV. Payable to the Manager.	Core Property estimated the total management fee and expenses to be around 0.93% p.a. of GAV, which is at the mid-point of what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV).
Leasing Fee:	10% of the Face Rent of the first year of the new lease	Only paid if the Manager is responsible for securing any new tenants for the property where there is no commission paid to a real estate agent. Core Property considers this to be at the low end of what we have seen in the market (7% - 15% of first year rent)
Property Sale Fee (Disposal Fee):	2.5% of the gross sale price of the Property.	The Fee covers all costs relating to a sale and includes agent commissions. The Fee is at the high end of what Core Property has typically seen in the industry (1.0% - 2.0% of the sale price of the property).
Performance Fee:	20% of the outperformance above the Weighted Average Benchmark. The Benchmark is based on: <ul style="list-style-type: none"> • Direct & Indirect Property: PCA/MSCI Unlisted Property Fund Index • Listed Investments: ASX S&P 300 A-REIT Accumulation index • Cash & Cash Deposits: RBA Official Cash Rate (adjusted to quarterly) The Fee is calculated quarterly and subject to a highwater mark requirement.	Core Property considers the Performance Fee to be suitable for the Fund. Core Property notes the highwater mark requirement ensures that any underperformance is required to be earned back before any outperformance is paid.

Source: Stronghold

Performance Fee: The RE is entitled to a performance of 20% of the out-performance of the Weighted Average Benchmark calculated and charged on a high watermark basis, paid quarterly in arrears. The Performance Fee Weighted Average benchmark is calculated by taking the closing value of each Applicable Benchmark on the last Business Day of the quarter and subtracting the value on the last Business Day of the three months prior to the value used. Each applicable benchmark will then be weighted in line with the average actual allocation of the Fund's Net Asset Value.

The applicable benchmarks used for the calculation of the Performance Fee are:

- Direct and Indirect Property = The Property Council/ MSCI Australia Unlisted Property Fund Index (or equivalent)
- Listed Investments = ASX S&P 300 A-REIT Accumulation Index
- Cash and Cash Deposits = Reserve Bank of Australia Official Cash rate (adjusted to quarterly).

All-in fee analysis

Core Property has analysed the fees that accrue to the Manager and RE over a five-year term as a percentage of all cash flow generated after deducting interest costs but before management fees. This analysis is based on the portfolio as provided by the RE.

Core Property estimates that Stronghold is entitled to 7.6% of the total cash flow. Core Property considers the fees paid to the Manager to be low in comparison to similar products, which are typically around 7% - 9%.

In terms of the fees paid to the Manager, Core Property estimates that 40.6% of the estimated fee is paid upfront and the remainder relates to ongoing management fees.

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 \$1.139 of equity invested the Fund can return:	Amount per \$1.139 unit
Principal repayment to investors:	\$1.139
Income and capital gains to investors:	\$0.516
Total cash to investors:	\$1.655
Acquisition fee:	\$0.048
Base management fee:	\$0.036
Disposal fee:	\$0.042
Fees for the RE (excluding disposal/admin):	\$0.125
Total cash generated by Fund:	\$1.780
Fees = % of total cash generated (before fees)	7.0%
Up-front fee vs total fees	38.2%

Source: Core Property estimates

The Investment Portfolio

The Fund currently invests in four office properties valued at \$47.3M, with three properties located in the Brisbane Technology Business Park, in Eight Mile Plains, South Brisbane QLD and one in the Westlink Green Business Park, Darra, South Brisbane, QLD. The three properties in Eight Mile Plains were acquired when the Fund was established in 2019, while the Darra property was acquired in July 2021 from a related Stronghold Fund which reached the end of its fund term. The majority of tenants are large national or international businesses, diversified across the two business parks. Combined, the portfolio holds a mix of accommodation types, including office, technical space, and dispatch areas. The Fund maintains a policy to undertake an independent valuation of its properties at least once every two years, with a short form of valuation for every year in between. The table below provides a summary of the current portfolio.

Figure 6: Portfolio Summary

Portfolio	Sector	NLA	Cap Rate %	Value	Portfolio	Occupancy	WALE
33 Brandl Street, Eight Mile Plains QLD	Office	2,519 sqm	6.75%	\$15.0M	31.7%	100%	3.2 yrs
3 Hi-Tech Court, Eight Mile Plains QLD	Office	2,507 sqm	7.25%	\$10.7M	22.6%	100%	3.4 yrs
7 Hi-Tech Court, Eight Mile Plains QLD	Office	1,549 sqm	7.25%	\$7.6M	16.1%	100%	2.4 yrs
1 Westlink Court, Darra (Westlink Green) QLD	Office	2,404 sqm	7.00%	\$14.0M	29.6%	100%	3.7 yrs
Total Investment Portfolio		8,979 sqm	7.02%	\$47.3M	100%	100%	3.3 yrs

Source: Stronghold

Brisbane Technology Park (BTP) - Eight Mile Plains, QLD - BTP is Queensland's largest Commercial Business Precinct covering approximately 33 hectares with over 200 companies and over 10,000 employees. The Park is well located near three of Southeast Queensland's major motorways, being the Pacific, Logan, and Gateway Motorways. The precinct's location, combined with a range of commercial accommodation caters to a range of tenants that can be easily accessed from the Brisbane CBD, Gold Coast, Ipswich and Brisbane Airport. The precinct is likely to benefit from the proposed Brisbane Metro public transport system, with a Metro Station identified which is expected to boost the attractiveness of the business park. The Manager has a high level of involvement and understanding within the precinct, currently managing five closed end trusts within the precinct.

Westlink Green BTP – Darra, QLD - The Westlink Green Business Technology Park is a master-planned commercial real estate precinct located 13 kms southwest of the Brisbane CBD in the suburb of Darra. The business park is adjacent to the Darra Train Station and benefits from the proximity to major arterial roads, including the Centenary, Ipswich and Logan Motorway. Westlink Green is located within the industrial focused area of Darra and is expected to benefit from the current and planned future industrial and commercial developments within Darra and the surrounding suburbs. The asset purchased by the Fund, 1 Westlink Court is one of two commercial office buildings currently within the business park, with plans for four additional office buildings to be developed in the near future. The developer, Graystone Property is a related party of the Manager. The Manager believes the population growth of Brisbane's southwest corridor, strategic location and improving infrastructure presents an attractive opportunity for businesses to relocate to the Westlink Green BTP.

Figure 7: Brisbane Technology Park



Source: Stronghold

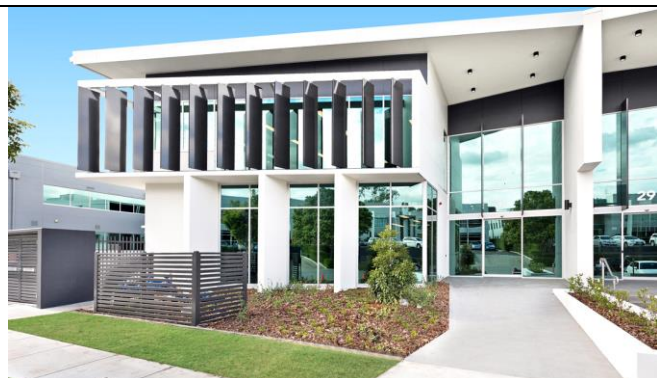
Figure 8: Westlink Green Business Technology Park



Source: Stronghold

Properties

33 Brandl Street, Eight Mile Plains QLD – 31.7% of the portfolio



As at October 2021

Book Value	\$15.0M
Last Valued	September 2021
Capitalisation Rate	6.75%
Lettable Area (sqm)	2,519 sqm
Occupancy-by NLA	100%
WALE	3.2 years

Major Tenants (by income): Johnson and Johnson, Axial Training, Debt Cutters Group

33 Brandl Street is a two level, modern A-grade commercial office building located in the Brisbane Technology Park. Constructed around 2017 the building provides 2,519 sqm of NLA, which is predominantly leased to Johnson & Johnson (78% of net income), an international healthcare company, with the balance leased to Axial Training Group, (15% of net income) and Debt Cutters Group (7% of net income).

The building offers flexible accommodation, with the ground floor currently being leased as a dispatch centre by Johnson & Johnson, with a rear loading dock area. Floor plates are approximately 1,260 sqm around a central core, with a single lift well. The property has 80 car parking bays with 59 secure basement bays and 21 open bays.

3 Hi-Tech Court, Eight Mile Plains QLD– 22.6% of the portfolio



As at October 2021

Book Value	\$10.7M
Last valued	March 2021
Capitalisation Rate	7.25%
Lettable Area (sqm)	2,507 sqm
Occupancy-by NLA	100%
WALE	3.4 years

Major Tenants (by income): Mazda Australia, Micreo Limited

3 Hi-Tech Court is a semi-modern two-level building that provides office, warehouse and laboratory space within the Brisbane Technology Park, Eight Mile Plains QLD. The building provides 2,507 sqm of NLA and is fully leased to two tenants - Micreo Limited (60%, office space) and Mazda Australia (40%, warehouse space). The building holds 71 open air car parking bays.

Micreo (71% of net income) holds a 6.4-year lease term beginning in June 2017, with an additional five-year option period. The lease has annual increases by CPI, with a market review at commencement of any option period, protected by a ratchet clause. Mazda represents approximately 29% of the property's net income and has an initial lease term of 12 years expiring in April 2028. The property has a low site coverage and adjoins 7 Hi-Tech Court, which is 100% leased to Micreo Limited and provides a long-term opportunity to redevelop the adjoining buildings.

7 Hi-Tech Court, Eight Mile Plains QLD – 16.1% of the portfolio



As at October 2021

Book Value	\$7.6M
Last Valued	March 2021
Capitalisation Rate	7.25%
Lettable Area (sqm)	1,549 sqm
Occupancy-by NLA	100%
WALE	2.1 years
Major Tenants (by income): Micreo (L3 Harris)	

7 Hi-Tech Court is a semi-modern commercial style office warehouse, which has been retrofitted to provide 1,549 sqm of NLA spread across two levels of office and laboratory accommodation. Constructed in circa 1990, the property is located within the Brisbane Technology Park, and benefits from street frontage to Logan Road. The property has 60 open air, on-site car spaces, and is fully leased to L3 Harris (Micreo), a leading multinational technology company. Micreo holds a 10-year lease term with annual CPI reviews, expiring in Oct 2023.

1 Westlink Court, Darra (Westlink Green) QLD – 29.6% of the portfolio



As at October 2021

Book Value	\$14.0M
Last Valued	September 2021
Capitalisation Rate	7.00%
Lettable Area (sqm)	2,404 sqm
Occupancy-by NLA	100%
WALE	3.7 years
Major Tenants (by income): Cement Australia, The Suites, Centacare	

1 Westlink Court is a three-level office building located in the developing Westlink Green Business Technology Park in the southern Brisbane suburb of Darra. Constructed in 2014 the building provides 2,404 sqm of office accommodation with 105 parking bays (with a basement car park, on grade bays and a parking station situated within the estate). The building is 100% occupied, leased to BTP Services (65% of net income), Centacare (23% of net income) and Cement Australia (12% of net income). The property is positioned near the intersection of the Centenary and Ipswich Highways, with close proximity to the Darra Train Station.

Leases, tenants and income

The portfolio provides a moderately secure tenancy profile comprised of several national and international businesses. The majority of the Fund's income is derived from five major tenants, representing 88% of the Funds passing gross income. The remaining 12% is diversified across three smaller tenants at two different properties. A summary of the major tenants of the portfolio is provided below:

- **Johnson & Johnson Medical (24.7% of portfolio income):** An international healthcare company with leading consumer health brands, a medical devices business and pharmaceutical company. The medical devices business of Johnson & Johnson is the major tenant of 33 Brandl Street, Eight Mile Plains QLD. Johnson and Johnson hold two initial five-year leases for ground floor and first floor accommodation expiring in March 2022, which will activate the five-year extensions for both leases. Both lease extensions are subject to 3.0% fixed annual rent reviews with 2x5 year option periods. Both leases hold an early termination clause to be exercised in Feb 2025, subject to a six-month notice period.
- **Micreo/ L3 Harris (31.8% of portfolio income):** Micreo Limited is a Brisbane based company that designs and manufactures electronics for defence technologies. The company was acquired by L3 Harris which is a global defence technology company that is listed on the New York Stock Exchange. Micreo occupies 100% of the lettable area at 7 Hi Tech Road, Eight Mile Plains QLD, and 59% of lettable space in the adjoining building at 3 Hi Tech Road. Both leases expire in October 2023, with only a 1 x 5-year option period available at 3 Hi Tech Road.

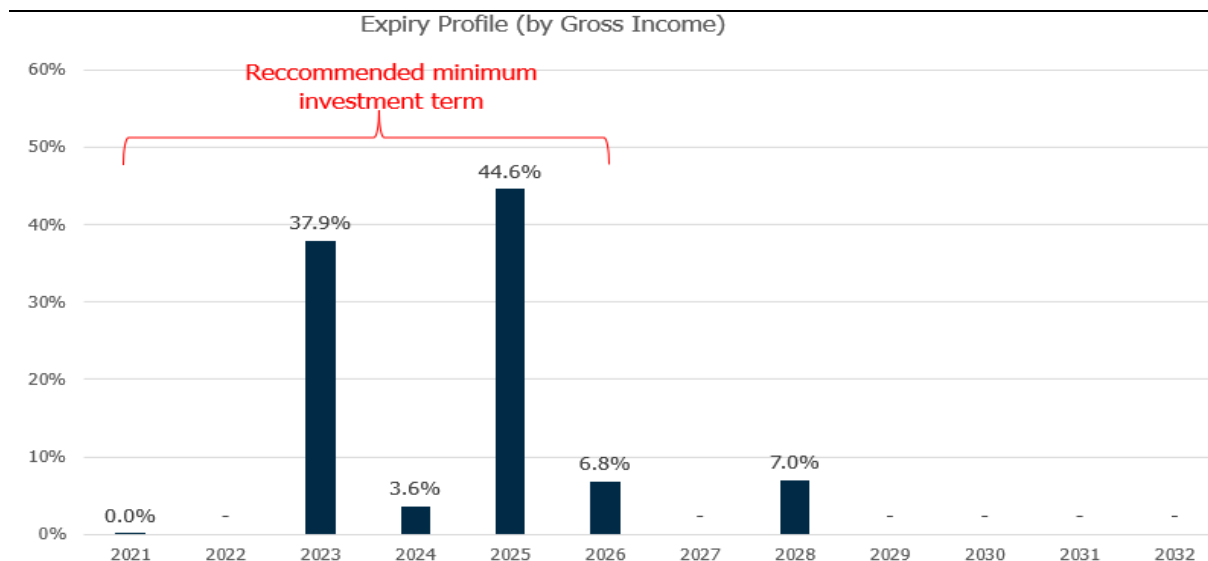
- **BTP Services (BTP, 19.2% of portfolio income):** BTP Services provides commercial services and shared and virtual office space across three South Brisbane business parks. BTP is an entity of Graystone Property, a related party of the Manager.
- **Mazda Australia (6.7% of portfolio income):** Mazda is an international car manufacture. Mazda's head office is located within the Brisbane Technology Park at 3 Hi Tech Court, Eight Mile Plains QLD. Mazda holds an initial 12-year lease term, expiring in April 2028 with 2 x 5-year option periods thereafter. Mazda is subject to fixed annual rental increases of 3.0%, with a market review at commencement of an option period protected by a ratchet clause.
- **Centacare (5.5% of portfolio income):** Centacare is a not-for-profit organization operated by the Corporation of the Trustees of Roman Catholic Archdiocese of Brisbane. Centacare began its initial 5-year lease term at 1 Westlink Court Darra, QLD in September 2021, occupying 525 sqm of NLA that was surrendered by Cement Australia in July 2021. A Surrender Fee by Cement Australia has been paid to Centacare as an incentive contribution. Cement Australia represents 4% of the Fund's gross income and is likely to vacate from the premises upon expiry in June 2024.

The Fund faces a high level of lease expiries over the next five years, with approximately 86% of the Funds' gross income forecasted to expire. The majority (38% of income) expires in 2023, with Micro representing 31%. The leases held by Micro have a 1 x 5-year option period available.

The other significant portion of income expiry over the next five years is the 45% forecasted in 2025. Approximately 24.7% of income is sourced from Johnson & Johnson Medical at 33 Brandl Street. The tenant has recently entered into a five-year lease extension at the property, however, holds lease termination clauses within their contracts which the RE has forecasted to occur in Feb 2025. The remaining 18% of the Fund's gross income forecasted to expire in 2025 is sourced from BTP Services, the major tenant of 1 Westlink Court, Darra QLD. BTP is a related party of the RE and holds a 1 x 6-year option period.

As the Fund is open-ended, the level of capital expenditure is subject to change as additional properties are acquired. The Manager has allocated a capital expenditure allowance of \$1.9M across the direct property portfolio till September 2026. The allocated capex will be used to fund leasing fees and fit out incentives. It is expected to be funded through the existing cash flow of the Fund. A further \$1.4M of capital expenditure is budgeted for Westlink Green over five years, which is expected to be funded through existing cashflows.

Figure 9: Lease expiry profile



Source: Stronghold, Core Property

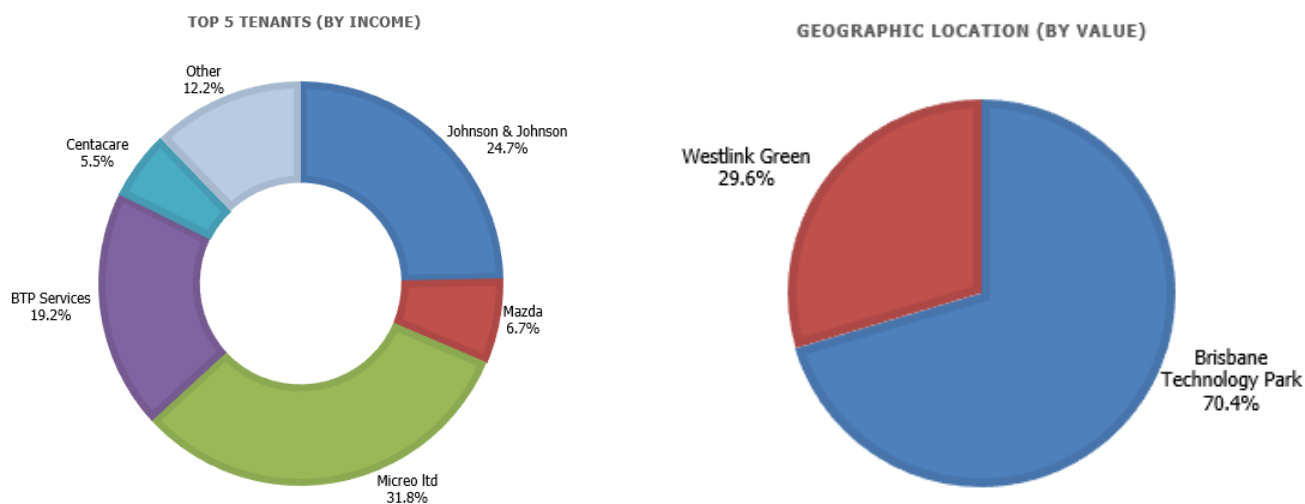
Diversification

The Fund's properties are predominantly leased by national and multinational businesses. The Fund holds three assets within the Brisbane Technology Park, representing \$33.3M of portfolio value (or 70.4%), with the other asset located in the Westlink Green Business Park, representing \$14.0M of portfolio value (or 29.6%).

The Fund's rental income is predominantly sourced from the assets within the Brisbane Technology Park, representing 70% of portfolio income. The top five tenants by net lettable area are Micreo Limited (34%), Johnson & Johnson (22%), BTP Services (19%), Mazda Australia (12%) and Centacare (6%).

The following is a summary of the portfolio tenants and geographic diversification.

Figure 10: Diversification metrics – as at October 2021



Source: Stronghold, Core Property

Other Investments

The Fund may also make investments into other unlisted property trusts managed by Stronghold, as well as listed property investments on the ASX.

Where a property or investment is transacted with a related Stronghold investment entity, the Manager will ensure the transaction is undertaken on an arms-length commercial basis and in accordance with the Fund's Related Party Policy. The Fund also calculates fees on a "look-through" basis to ensure that there is no double charging of fees.

Financial Analysis

Core Property has reviewed the Manager's forecasts for the Fund. The forecasts are based on the following assumptions for the existing portfolio:

- Forecasts are based on a consolidated basis for the four properties.
- The balance sheet is based on the Westlink property being held in a wholly owned sub-trust, with a net investment value of \$7.2M (being \$14.0M of property and \$6.8M of debt).
- Total assets under management by the Fund is \$48.1M, being \$47.3M of property and \$0.8M in cash.
- Forecasts assume debt is maintained at current levels, with an all-in cost of debt of 2.08% p.a.
- Based on the current number of units on issue of 24.7M.

A summary of the forecasts is presented below.

Figure 11: Profit & Loss Forecast & Balance Sheet

Profit & Loss - Forecast \$M	FY22	FY23
	8 mths to 30 June 2022	12 mths to 30 June 2023
Net Property Income	2.0	3.0
Management Fees	-0.1	-0.2
Operating Expenses	-0.1	-0.2
Finance Costs	-0.2	-0.3
Funds From Operations	1.6	2.3
Cash Available for Distribution	1.6	2.3
Distributions to Unitholders	1.3	2.0
Distributions per unit	5.26 cpu	8.10 cpu
% Cash Distribution Yield (annualised) – on \$1.139 issue price	6.93%	7.10%
Balance Sheet – \$M		Estimated 31 October 2021 (unaudited)
Cash		0.8
Investment Properties		33.3
Other Investments – Westlink Sub Trust		7.2
Other Assets		0.2
Total Assets		41.5
Bank Borrowings		14.7
Other liabilities		0.5
Total Liabilities		15.2
Net Assets		26.3
LVR (look through basis)		45.6%
NTA per unit		\$1.06 per unit

Source: Stronghold, 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 assumptions provided by the Manager.

Core Property expects the Fund to deliver a 5-year Internal Rate of Return (IRR) in the range of 8.0% - 9.5% p.a. (8.8% p.a. midpoint), assuming a +/- 25bps movement in the portfolio's terminal capitalisation rate and interest rates.

The calculation assumes a Performance Fee hurdle rate of 8% p.a.

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 consider the calculations to be indicative, as the Manager is looking to acquire additional assets in the next five years, which may impact the expected returns.

Figure 12: Pre-tax, 5-year IRR (after fees) sensitivity analysis

Terminal cap rate	Cost of debt				
	1.58%	1.83%	2.08%	2.33%	2.58%
6.52%	10.3%	10.2%	10.2%	10.1%	10.0%
6.77%	9.6%	9.5%	9.5%	9.4%	9.3%
7.02% (base)	9.0%	8.9%	8.8%	8.7%	8.6%
7.27%	8.3%	8.2%	8.1%	8.0%	7.9%
7.52%	7.6%	7.5%	7.4%	7.3%	7.2%

Source: Core Property

Management & Corporate Governance

Stronghold

Stronghold Investment Management was established in 2013 and is majority owned by Graystone Group, a vertically integrated development, project management and property management group with a 35-year track record of delivering business precincts. The investment management business was created to strengthen Graystone's strategic viewpoint of taking a long-term interest in buildings and tenant relationships to continue the success of the business and technology precinct model. Beginning with a single fund specialising in business park assets, Stronghold has grown to become a business park and hospitality fund manager with approximately \$225M of commercial property assets via ten unlisted property trusts across Brisbane, Melbourne and regional Queensland.

References to "Stronghold" in this report is a reference to any or all of Foundation Funds Management Limited ("Responsible Entity" or "RE") Stronghold Commercial Investments Pty Ltd ("Manager"), Stronghold Investment Services Pty Ltd, Stronghold Alternative Investments Pty Ltd and Stronghold Investment Management Pty Ltd.

Background of the RE and Board

Foundation Funds Management Limited was established in 2019 as the Responsible Entity ("RE") of the Fund. The RE has appointed Stronghold Commercial Investments Pty Ltd as the Manager of the Fund. Both Foundation and Stronghold share common ownership structures but have separate responsibilities in relation to the establishment and, management, operation and compliance of the Fund.

The RE's main responsibility is to operate and manage the Trust in accordance with the Constitution and the Corporations Act. The RE has an Australian Financial Services License (AFSL 508424) to act as a RE for managed investment schemes.

The Manager's role is to focus on the funds management and strategic asset management of the Fund. This includes the property management, debt management and asset allocation of the Fund.

Core Property has reviewed the composition of the RE and Management team and believes that it has the relevant skills and experience to operate the Fund successfully. The team holds a range of experience across property development, property investment and funds management.

Figure 13: Management Team

Name & Role	Experience
Bruce Anderson Head of Funds Management	Bruce is an experienced Certified Practising Accountant and brings over 28 years' commercial finance experience to Stronghold. He has spent the last 21 years in the property and funds management industry holding senior roles as Responsible Officer, Compliance Officer and Conflict Officer. Bruce is currently the CFO for the Graystone Group, and as Director and Company Secretary is responsible for financial reporting and company compliance for Stronghold. Bruce has gained a wealth of experience in financing and accounting for projects throughout the property lifecycle, from due diligence, feasibility assessment, construction and development of assets, through to long term ownership structures and property management. Bruce holds a Bachelor of Business (Accountancy) through Queensland University of Technology, and a Graduate Diploma in Applied Finance and Investment from Finsia.
Kirsty Heymink Head of Asset Management	Kirsty has over 15 years' experience across the property industry specialising in asset management, development and leasing. Most recently, Kirsty has enhanced this experience as the director of Milestone Property Management, an entity established under her management which has now expanded to over 45 properties and 190 tenants. In this role Kirsty has negotiated in excess of \$750M in lease contracts, re-positioned commercial properties to deliver value improvements and prides herself on the relationships she maintains with owners and tenants alike. Kirsty understands the value drivers within a property portfolio and is focused on providing property and asset management solutions to maximise cash flow and ultimately asset value. Kirsty is a Licensed Real Estate Agent and holds a Bachelor of Applied Science (Property Economics) from Queensland University of Technology.
Lorenzo Parenti Compliance Officer / Financial Controller	Lorenzo is an experienced CPA and has over 15 years' experience in property having worked in both ASX listed and private property organisations. Lorenzo leads the finance team which is responsible for board reporting, financial and management accounting, budgeting and forecasting, taxation, property accounting and compliance. Demonstrating more than 25 years of financial management, Lorenzo has broad experience across a diverse range of industries including property investment, funds management, construction, property development, infrastructure, manufacturing and marina operations. Lorenzo is a member of the compliance committee. Lorenzo also holds the position of Group Financial Controller with the Graystone Group. During his career Lorenzo has held roles within various asset classes with exposure to acquisition, feasibilities, financing, development, construction and marketing throughout the entire property cycle from acquisition through to fund ownership. Lorenzo is CPA qualified and holds a Bachelor of Commerce from James Cook University and a Masters in Property Studies from the University of Queensland (Deans Honour).

Tim Dunsdon Fund Manager	Tim has over a decade's experience in the property industry, establishing his career in property and business valuations which evolved into transactional advisory, fund and investment management expertise throughout the eastern Australian property markets. Currently acting as the group's funds, investment and transactional manager, Tim's responsibilities include funds management, monitoring and reporting, market monitoring and investigations, viability and feasibility analysis, due diligence and acquisition management of transactions. His objective is to strategically acquire and sustainably manage assets on behalf of investors with a core focus on adding value over the long-term investment horizon. Tim holds a Bachelor of Business Management (Real Estate and Development), Graduate Certificate in Applied Finance, and is a Graduate of the Australian Institute of Company Directors.
Stuart Small BDM/ Investor Relations	Stuart has over 20 years of professional experience in the banking and finance sectors. During his time at the National Australia Bank, he has held management positions within NAB Corporate Property and NAB Business. Stuart is experienced in assessing and delivering both investment and development finance to a range of clients and asset classes, including Multi-Storey Office Buildings, Suburban and Technology Office Parks and Multi- Tenanted Industrial Projects. Stuart has built long-term quality relationships with clients and stakeholders throughout his banking and finance career. Stuart holds a Bachelor of Business (Accountancy) from the Queensland University of Technology and is a CPA qualified accountant. In 2020, Stuart commenced a Graduate Diploma in Applied Finance and has been appointed as a responsible manager for an AFS licensee.

Source: Stronghold

Investment Committee

The Investment Committee consists of the Head of Funds Management of Stronghold plus two external, independent Committee Members, which provide over 100 years combined across the property and funds management industries. The Committee provides in-depth oversight for all acquisitions of the Fund and ensure alignment with the investment strategy to maximise the effectiveness of the Fund's objectives for investors.

Figure 14: Investment Committee

Name & Role	Experience
Bruce Anderson Head of Funds Management	See above.
Steven Leigh Committee Member	Steven Leigh has more than 35 years' experience in the real estate investment management and development industry. He joined QIC Global Real Estate in 1991 and was a key member of the senior executive team that acquired and created through developing a portfolio of high-quality retail and commercial assets in Australia, the USA and the UK. Steven has had significant experience in the wholesale funds management business through various market cycles and conditions and has a strong background in retail, commercial and industrial property with a particular focus on shopping centre acquisitions and redevelopments. After time as the Managing Director of Trinity Limited, and later Head of Australia for LaSalle Investment Management, Steven re-joined QIC as Managing Director QIC Global Real Estate in 2012 and was responsible for the group's \$20B plus property portfolio. Steven is a non-executive director of ASX-listed companies, Scentre Group Limited and National Storage Limited and is a founding member of Male Champions of Change established by the Property Council of Australia. He has qualifications in real estate valuation and project management and is a member of the Australian Property Institute.
Philip Willington Committee Member	Philip has over 45 years of experience in the valuation and property consulting profession and is a former Director of Knight Frank Valuations Queensland and a former Associate National Director of Jones Lang Wootton (now Jones Lang LaSalle) Australia. Philip's valuation experience covers a broad range of non-residential real estate with a particular emphasis on major retail centres and central business district and suburban office buildings. During his working career, Philip was also responsible for the coordination and administration of all property research activities carried out by Knight Frank Valuations Queensland and maintained an excellent relationship with Australia's leading institutional and corporate property organisations. Philip has since provided ongoing property consulting advice to Private and Public sector clients and actively participated in professional roles on property Industry Boards and Committees.

Source: Stronghold

Compliance and Governance

The Fund has a Compliance Plan which has been lodged with ASIC, as required by the Corporations Act. The Compliance Plan outlines the policies and procedures to ensure compliance with both the Corporations Act and the Fund's Constitution. The Compliance Committee consists of three members, including two external members, with a majority of external members.

The role of the Compliance Committee is to monitor compliance with the Compliance Plan, it must also regularly assess the adequacy of the Compliance Plan and report any breaches of the Corporations Act or Funds Constitution to the RE. If the RE does not act, the Compliance Committee must report the breach to ASIC.

Related Party Transactions

The Fund has a Related Party Transaction and Conflicts of Interest Policy in place in which all conflicts of interest are managed. This includes identification, disclosure, quantification, and management processes which are overseen by the Compliance Officer and the Compliance Committee outlined within the IM.

The Fund may engage with and is likely to use the services of related parties of Stronghold and its directors. Such arrangements are to be undertaken on arm's length commercial terms and will be overseen by the Compliance Officer and Compliance Committee outlined.

The IM notes the following related party services that are currently in place:

- Milestone Property Management (a related party to the Manager and RE) will undertake the direct property management services of the Fund. Milestone Property Management/and or a reputable and experienced real estate agency will undertake leasing services for the Fund. If the Manager provides these services instead, then a Leasing fee of 10% of the face rent of the new lease may apply.
- Graystone Pty Ltd (a related party to the Manager and RE) will undertake accounting services for the Fund. The Manager is responsible for the appointment and maintenance of proper books of account and the accounting function of the Fund.
- Stonehold Property Group Pty Ltd has an interest in the Manager and RE, Graystone Pty Ltd, and the property manager, Milestone Property Management.

The Manager has advised that all related party transactions require the unanimous approval of the Compliance Committee, which includes a majority of independent members.

The Manager has also advised that the Fund also issues underwriting units to investors in the Fund. The underwriting units are typically issued to assist in the acquisition of properties in the Fund. The underwriting units rank equally with ordinary units in the Fund. Any additional rights provided to underwriting units are undertaken via a separate arrangement with Graystone Group and, as such, do not impact on the assets in the Fund.

Past Performance

Since 2013, Stronghold has established 11 property syndicates for investors. The Manager has advised that it has completed two syndicates, delivering an IRR to investors of 12.8% - 15.0% p.a. Currently open syndicates have delivered an average IRR of 12.9% p.a. (range 5.3% - 23.3%) to date.

Investors 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.

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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