

Unlisted Property Trust Report

AMP Capital

Wholesale Australian Property Fund

October 2020

Diversified property fund with stable income profile
targeting long-term growth

AMP Capital Wholesale Australian Property Fund

Contents

1.	AMP Capital Wholesale Australian Property Fund	2
2.	Key Considerations	3
3.	Key Metrics	4
4.	Overview	5
5.	The Investment Portfolio	11
6.	Financial Analysis	19
7.	Management & Corporate Governance	21
8.	Past Performance	24
9.	Appendix – Ratings Process	25
10.	Disclaimer & Disclosure	26

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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AMP Capital Wholesale Australian Property Fund

October 2020

The AMP Capital Wholesale Australian Property Fund ("the Fund or WAPF") is an open-ended property fund that invests in a diversified portfolio of direct commercial properties and investments in ASX listed property securities. The Fund was established in 1985 and has been managed by AMP Capital ("the Manager") since January 2012 following the merger of AXA Asia Pacific with AMP. Both the Manager and the Responsible Entity ("RE") are part of AMP Limited, a top 100 ASX listed company.

The Fund's objective is to provide investors with income and long-term capital growth. The portfolio metrics are robust: (1) 26 properties in the office, retail and industrial sectors; (2) Weighted Average Lease Expiry (WALE) of 4.3 years; (3) 96.3% occupancy; (4) good tenant diversification with no one tenant representing more than 5% of rent income. WAPF is also the largest diversified unlisted fund available to retail investors with \$2.1B of assets.

The Fund invests in direct properties (50% - 100% of assets, target >75%), cash (0% - 50% of assets, typically <5%) and ASX listed securities (0% - 50% of assets, typically 0% - 15%). Currently the Fund has \$2.1B of assets with \$1.9B (92.8%) in Direct Properties, \$0.1B (5.8%) in listed securities, as well as cash and other assets.

Since 2012, the Fund has been managed by AMP Capital and has delivered an average total return of 7.9% p.a. The total return over the 5-years to June 2020 has been 6.00% p.a., below the PCA/IPD benchmark index return of 9.3% p.a. However, the total returns delivered must be seen in the context of the Fund having the lowest gearing in the unlisted fund sector (max gearing of 25% v/s sector average of over 35%). As such, the Fund's risk/return trade-off presages a conservative management strategy albeit still delivering healthy total returns.

We note the Fund is currently paying 7.24cpu (or 1.81 cpu per quarter) for the calendar year 2020 which includes a return of capital (equivalent to 0.96 cpu). In circumstances where the income or distribution per unit would otherwise be temporarily reduced, the Fund's distribution policy is to include a component of capital as part of the distribution. The impact of adverse events such as the pandemic has led to lower rent collections. While rent collections normalise over the next several months, the Manager aims to maintain a level of quarterly cash payments that were paid pre COVID-19. The resulting effect of this capital management initiative is to provide a more stable distribution profile but that comes at the expense of lower potential capital gains.

Core Property estimates the pre-tax equity IRR to be between 5.1% - 9.0% p.a. (midpoint 7.0% p.a.) over an estimated five-year period (see Financial Analysis section). The analysis includes the potential that investors may receive a capital gain or loss, based on market conditions, and does not include any upside from potential development opportunities.

The Fund provides monthly withdrawals. It is however important for investors to recognise that investment in property funds generally needs to be over a medium to long duration to benefit from forecast returns and for the Manager to execute on stated strategies.

Fees currently charged by the Fund are competitive and at the low end of the market.

The Fund reduces interest rate risk through a conservative gearing policy to maintain gearing below 25% (currently 18.7%), with a target to remain in the 0% - 15% range. The Loan to Valuation Ratio (LVR) of 18.3% is well below the bank LVR covenant of 50% and the Interest Coverage Ratio (ICR) is 18.7x. Both metrics provide a substantial cushion against market headwinds.

Investor Suitability

In Core Property's opinion, the Fund is suited for investors seeking a stable income distribution yield backed by a well-diversified portfolio with robust metrics and conservative balance sheet metrics. As such, the Fund presents a low risk/return trade-off in current market conditions and should generate total returns in line with stated objectives.

Recommended

See the Appendix for a description of our ratings. The above rating must be viewed in the context of comparable Funds and not across all products

Fund Details

Offer Open:	Open Ended
Min. Investment:	\$10,000
Unit Entry /Exit Price:	\$1.2278 / \$1.2278 (30 September 2020)
Liquidity:	Monthly
Forecast Cash Payment:	7.24 cpu (FY21) ² 7.24 cpu (FY22) ²
Cash Payment Frequency:	Quarterly
Recommended Investment Period:	5 years

Note 1: The fund provides a Monthly Withdrawal Facility, which may be capped at 5% of the Net Asset Value of the Fund, each calendar quarter. Redemptions are subject to the Manager's discretion and the financial position of the Fund.

Note 2: Core Property assumes the Fund will maintain the current level of cash payment (distribution plus a return of capital) on a quarterly basis until the Fund's cashflow normalizes in a post COVID19 environment.

Fund Contact Details

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Fund – Website

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Note: This report is based on the AMP Capital Wholesale Australian Property Fund Product Disclosure Statement dated 12 August 2020, together with other information provided by AMP Capital.

Key Considerations

Management: The Fund is managed by AMP Capital, which has been managing real estate funds for over 50 years. AMP Capital has over \$175B in funds under management and \$24B in commercial real estate. Core Property considers the Fund to be strongly positioned to access the extensive resources and depth of experience within AMP Capital, which is part of AMP Limited, a top 100 ASX listed company.

Compliance and Governance: The Fund has a strong track record of compliance and governance, which is undertaken by the Risk and Compliance department of AMP Capital and independent of operations. The Compliance Plan is audited annually in accordance with the Corporations Act. The Fund's auditors are Ernst & Young. The Fund has a defined related party transactions policy and is compliant with 5 of the 6 ASIC Benchmarks under RG46.

Open ended unlisted Fund with a diversified portfolio: The Fund is open ended and currently has a portfolio of 26 direct property assets valued at \$1.9B with a portion of investments held in ASX listed property securities and cash to provide liquidity. The portfolio is subject to change as assets are acquired and sold, which may impact investor returns.

Diversified Property Portfolio: The Fund's strategy is to invest primarily in direct properties (50% - 100%, target >75%), supplemented by listed property securities (0% - 50%, typically <15%) and cash (0% - 50%, typically <5%). The Fund currently invests 92.8% of assets in 26 properties valued at \$1.9B, with a portfolio occupancy of 96.3% and WALE of 4.3 years. The properties are diversified across the retail, office and industrial sectors with the largest property accounting for 11.4% of the direct property portfolio. The Fund also invests 5.8% of its portfolio in the ASX listed property securities and 0.9% in cash to provide liquidity.

Strategy: The Fund aims to provide a stable income with long term capital growth by investing in a diversified portfolio of properties with high occupancies, stable income streams and long-term secure leases. A portion of the portfolio is invested in Australian property securities and cash to support returns and liquidity.

Distributions: Based on discussion with the Manager, Core Property estimates the Fund to pay cash payments of 7.24 cents per unit (or 1.81 cents per quarter) in FY21 and FY22. The cash payments are expected to include a capital return of around 0.96 cents per unit, which is expected to reduce the capital growth of the Fund.

Fees: Core Property considers the fees charged by the Fund to be low, compared to its peers in the industry (see Figure 6: Fees in Perspective).

Total Returns: Core Property estimates the pre-tax equity IRR to be between 5.1% - 9.0% p.a. (midpoint 7.0% p.a.) over an estimated five-year period, based on the Fund's sensitivities to debt and capitalisation rates (see the Financial Analysis section). Investors should be aware the Fund is exposed to a capital gain or loss based on market conditions and lease outcomes, which may deliver an IRR outside this range.

Debt: The Fund targets a low level of debt with target gearing of 0% - 15% and a maximum of 25%. At 30 June 2020 gearing was 17.3%. The current Loan to Valuation Ratio (LVR) is 18.7% with a bank LVR covenant of 50%. The current Interest Cover Ratio (ICR) of 18.7x is well above the ICR bank covenant of 1.8x.

Partial Liquidity: The Fund offers a monthly withdrawal facility which is subject to the Manager's discretion and the financial position of the Fund. As such, investors should consider the Fund as offering limited liquidity as there is a risk that investors may not be able to access the withdrawal offer during the investment timeframe.

ASIC action on AMP Limited: Following the Royal Commission into misconduct in the banking, superannuation, and financial services industry, AMP Limited and its subsidiaries have been the subject of several class actions and ongoing investigation by ASIC. This has resulted in significant reputational and brand damage for AMP. Core Property acknowledges the consequential negative sentiment on AMP's funds. That said, the Fund appears to meet all its compliance and governance protocols and is not the subject of any action by ASIC at the time of writing this report.

Investment Scorecard

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

Key Metrics

Fund Structure					Fees Paid	
An open-ended unlisted property fund investing in a diversified portfolio of direct properties, listed property funds and cash. The Fund has a daily unit pricing and currently offers a monthly withdrawal facility.					Fees charged by the Fund are at the low end of what Core Property has seen in the market (see Figure 6: Fees in Perspective).	
Management					Entry Fees: Nil	
Experienced fund manager, AMP Capital is one of Australia’s largest investment managers with over \$175B in funds under management.					Exit Fees: Nil	
Investment Portfolio – as at 30 June 2020					Property Acquisition Fee: 0.4% of the purchase price.	
	Direct Property	Listed A-REITs	Cash	Total Portfolio	Property Disposal Fee: 0.5% of the gross sale proceeds.	
Allocation Range:	50% -100%	0% - 50%	0%-50%	100%		
Actual Allocation:	92.8%	5.8%	0.9%	100% ¹		
Holdings:	26 properties	15	NA	NA		
Valuation:	\$1,927.4M	\$120.7M	\$18.3M	\$2,076.7M ¹		
Property Location:	NSW, VIC, QLD, ACT, SA	NA	NA	NSW, VIC, QLD, ACT, SA	Management Fees: Estimated at 0.94% of Gross Asset Value (GAV) for FY21. <ul style="list-style-type: none">• Management Fee of 0.42% of the GAV, plus 4.2% of the Gross Income of the Fund.• Indirect Costs and Expenses.	
Property Sector:	Office, Retail, Industrial	NA	NA	Office, Retail, Industrial	Performance Fee: Nil	
Key Tenant:	Dentsu Aegis <5% of income	NA	NA	Dentsu Aegis <5% of income		
Occupancy	96.3%	NA	NA	NA		
WALE:	4.3 years	NA	NA	NA		
Note 1: Includes approx. \$10.3M (or 0.5% of assets) held as Receivables (Rent and Distributions).						
Return Profile					Debt Metrics – as at 30 September 2020	
Forecast Cash Payments:	FY21: 7.24 cents per unit FY22: 7.24 cents per unit Cash payments expected to include around 0.96 cents per unit of capital returns. (Core Property estimates, based on Valuation assumptions)				Drawn Debt / Facility Limit:	\$360M / \$500M
Distribution Frequency:	Quarterly, in arrears				Loan Period:	\$200M expiring Feb 2021 \$125M expiring July 2021 \$175M expiring May 2024
Distribution Reinvestment Plan:	Available, with an additional 2% of units being offered (funded by AMP Capital)				Gearing (Debt/ Total Assets) / Max Gearing	17.3%
Tax advantage:	FY20: 37%				LVR / Loan Covenant:	18.7% / 50%
Estimated Levered IRR (pre-tax, net of fees):	5.1% - 9.0% p.a. (midpoint 7.0% p.a.)				ICR / ICR Covenant:	18.7x / 1.8x
Investment Period:	The Fund is open ended. The Manager advises a minimum investment period of 5 years.					
Risk Profile					Legal	
Property/Market Risk:	Capital at risk will depend on a portfolio of twenty-six office, retail and industrial properties in NSW, QLD, VIC, ACT and SA, as well as investments in Australian listed property securities. Investors will be exposed to a potential capital gain or loss, based on market conditions.				Offer Document:	Product Disclosure Statement, 12 August 2020
Interest Rate Movements:	Interest rates are not currently hedged. Any change in the cost of borrowings may impact the distributable income in the remaining term of the Fund.				Wrapper:	Unlisted Property Fund
Property Specific Risks:	Property investments are exposed to a change in vacancy rates, prevailing market rents, and economic supply and demand.				Investment Manager	AMP Capital Investors Limited (AFSL 232497)
For a more detailed list of the key risks, refer to the “Risks of Investing” section of the Product Disclosure Statement					Manager & Responsible Entity:	National Mutual Funds Management Ltd (AFSL 234652)
					Significant Investor Visa (SIV):	The Manager has advised the Fund is a complying investment for investors seeking an Australian Significant Investor Visa (SIV).

Overview

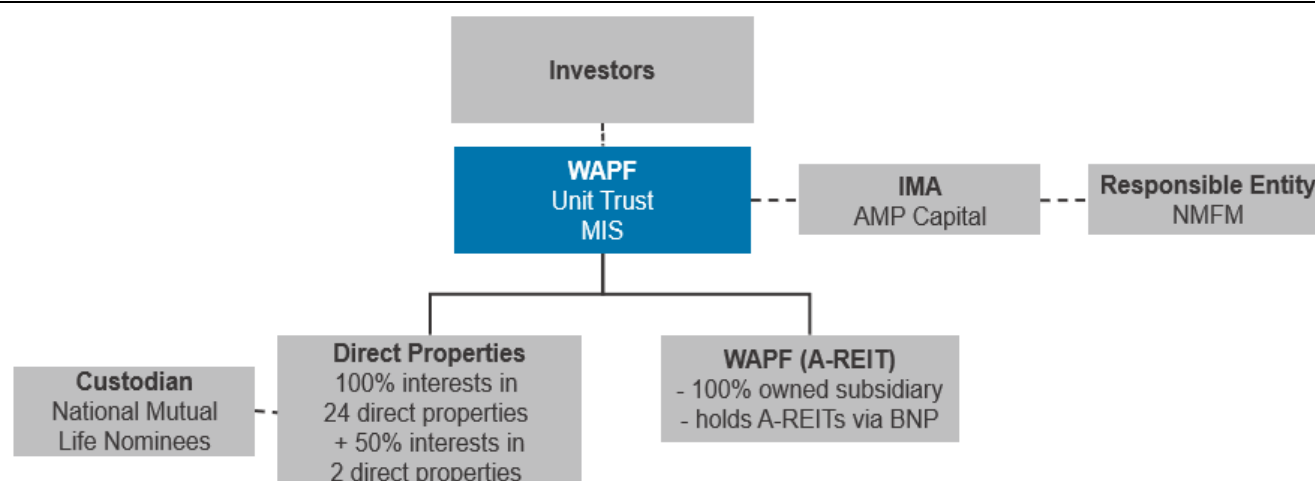
The AMP Wholesale Australian Property Fund ("the Fund") is an open-ended diversified property fund originally established in 1985 by National Mutual. Since 31 January 2012, the Fund has been managed by AMP Capital as the investment manager ("the Manager") following AMP's takeover of AXA Asia Pacific Holdings (formerly National Mutual). The Responsible Entity ("the RE") is National Mutual Funds Management Limited. Both the RE and the Manager are subsidiary entities within AMP Limited (ASX: AMP) a top 100 ASX listed financial services group.

The Fund is open ended and investors may purchase units at the prevailing entry price, which is calculated from the net assets of the fund. The current entry and exit price of \$1.2278 per unit, with no Buy/Sell spread charged. The Manager is currently targeting cash distributions of 1.81 cents per quarter in 2020, equivalent to a cash return of around 5.9% p.a. on the current entry price.

The Fund has consistently paid all quarterly distributions to unitholders for the past 35 years. Since inception in 1985, the Fund has delivered a Total Return of 8.7% p.a., including a Distribution Return of 8.2% p.a. During AMP Capital's tenure as Manager, the Fund has delivered total distributions of \$0.6553, equivalent to a 6.7% p.a. yield on a straight line basis, with an increase in the Entry Price of 7.1% (from \$1.146506 in March 2012 to \$1.2278 in June 2020), and an IRR of 7.9% p.a.

A monthly withdrawal facility is provided by the Fund. Redemptions are subject to the Manager's discretion and the Fund's financial position. Investors should note that the Fund is not a fixed term property fund and there is no current intention to wind up the Fund. As such, investors who wish to redeem their investments can do so by way of the withdrawal facility.

Figure 1: Fund structure



Source: AMP Capital

Fund Strategy

The Fund aims to provide investors with income and long-term capital growth. This is achieved primarily through the investment in direct properties with the Manager targeting a diversified portfolio of assets with high occupancy rates and stable income streams underpinned by leases to long term secure commercial and government tenants. The Fund also allocates a portion of its investments to Australian listed property securities and cash to assist in managing the Fund's return profile and liquidity. The Fund's target asset allocation levels are provided below.

Figure 2: Fund Asset Allocation

Asset Class	Target Asset Allocation	Asset Allocation Range	Actual Allocation (as at 30 June 2020)
Direct Property	>75%	50 – 100%	90.0%
A-REITs	<25%	0 – 50%	5.8%
Cash		0 – 50%	2.2%
Total	100%		

Source: AMP Capital

Background of the Fund

The Fund was established in 1985 to provide investors with a stable income and long-term capital growth. The Responsible Entity of the Fund, National Mutual Funds Management Limited was part of the National Mutual group, which demutualised in 1996 with French firm AXA taking a 51% stake. In 1999 National Mutual was renamed AXA Asia Pacific Holdings.

In November 2008, during the GFC, the Fund was declared illiquid under the Corporations Act, primarily due to a lack of market liquidity in the assets and the Fund closed applications and withdrawals of units from new and existing investors. In March 2011 AXA Asia Pacific was acquired by AMP Limited and on 31 January 2012 the Fund was declared liquid and the RE appointed AMP Capital as the investment manager. Both the RE and investment manager are subsidiary entities within the AMP group.

AMP Capital was appointed investment manager on 31 January 2012. Since 31 March 2012, under AMP Capital, the Fund has delivered:

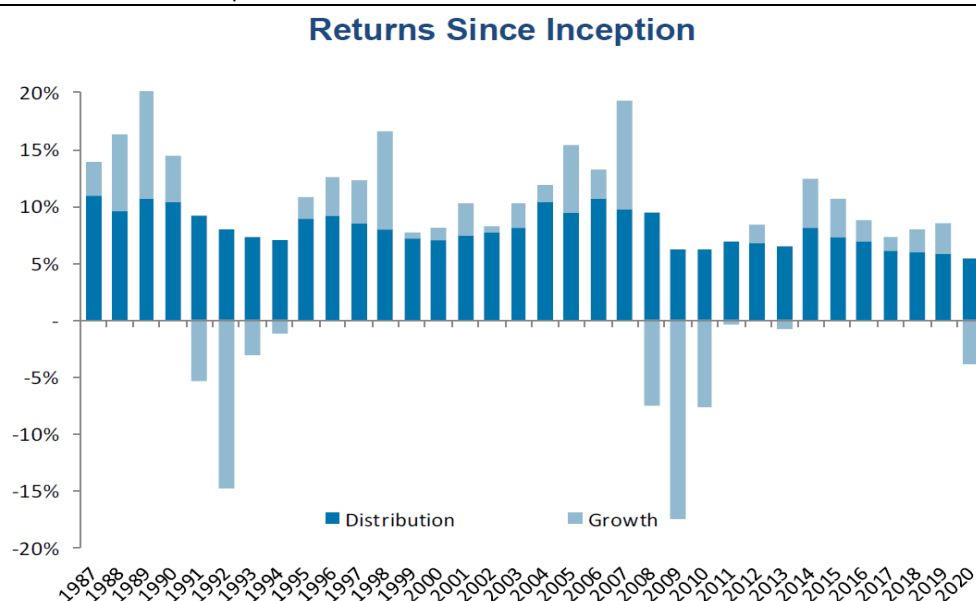
- Improved diversification with a roughly even allocation to retail, office and industrial properties and diversity of tenants.
- An average increase in unit price of 0.9% p.a. over the 8.25 years to June 2020.
- A total IRR of 7.9% p.a. under AMP Capital for the 8.25-year period from March 2012 to June 2020.
- For the 5-year period to 30 June 2020, the Fund has delivered an IRR of 6.0%, compared to the PCA/IPD Australian Property Index return of 9.3% over the same period.
- Maintained quarterly distributions with an average yield of 6.7% p.a.
- Regular quarterly property valuations.
- During the peak COVID-19 period of March – June 2020 the Fund undertook monthly valuations on the property portfolio with an average valuation movement of -3.5% over this period.
- Monthly withdrawal requests have been met in full. During the period 17 March 2020 – 15 June 2020 withdrawal requests were temporarily deferred, with full payment of withdrawal requests being made on 6 August 2020. The fund has since reinstated monthly withdrawals on the 15th of each month with full payment expected within five business days.

Since inception in 1985 the Fund has delivered:

- Consistent quarterly distributions with an average distribution yield of 8.2% p.a. (range 4.3% - 11.6% p.a.)
- Total returns of 8.7% p.a. since inception.
- Unit prices have increased during 25 out of the 35 years, with declines in 10 years (1991-1994, 2008-2011, 2013 and 2020).
- The Unit price has ranged between \$1.00 and \$1.595 per unit over the past 35 years.

Core Property notes that past performance is not a reliable indicator of future performance as each syndicate, and its respective underlying asset, has its own specific risks and unique attributes.

Figure 3: Returns since inception



Source: AMP Capital

Capital Management: Sources and Application of funds

The Fund is open-ended and investors are able to apply for units at any time at the prevailing entry price. As an open-ended diversified fund, the capital requirements are more fluid than a close-ended fund in order to provide liquidity for investors. Core Property considers the main considerations on the capital of the Fund include:

- New equity subscriptions for investors purchasing units in the Fund
- Equity redemptions for investors selling units
- Distribution payments from the Fund
- Capital expenditure requirements for the properties in the Fund
- Investment returns (including distributions) from ASX listed securities owned by the Fund

The Manager undertakes a number of initiatives to manage the capital requirements of the Fund. Core Property notes the initiatives may require reallocation of capital within the Fund's investment mandate based on the requirements. In all cases the capital is deployed within the Fund for the benefit of unitholders, however investors may be impacted by timing differences. For example:

- Where the Fund has excess capital, this will generally be used to pay down debt in the short term, which can be drawn down at a later stage when required.
- During the peak COVID-19 period of 17 March 2020 – 15 June 2020 the Fund temporarily deferred withdrawal requests. The withdrawal requests were subsequently paid on 6 August 2020.
- Withdrawal requests have recently been funded through the additional draw down of debt. The Fund's low gearing levels has provided sufficient headroom for this to be undertaken.
- The Fund may, at times, pay a distribution in excess of the net cashflows with the capital being funded from either additional equity flows, additional debt, or excess cash within the Fund.

Unit Pricing

Unit prices are normally calculated each business day using the market prices and unit prices of the assets, subtracting the liabilities of the Fund and dividing by the total number of units.

The Fund's valuation policy is to have all properties independently valued at least once every year, however in practice the Manager has undertaken independent valuations every quarter since being appointed in January 2012. Core Property considers the quarterly valuation of properties allows the unit price to more accurately reflect the value of the underlying assets in a more timely manner.

The Fund does not currently charge a buy/sell spread and the current Entry/Exit Price is identical. AMP Capital has advised that it has not charged a Buy/Sell spread during its period as Manager of the Fund. The PDS states that the Fund may in future charge a Buy spread to cover any transactional and operational costs however if this is undertaken the amount will be retained in the Fund, as assets of the Fund.

The Fund's Constitution does not allow for Sell spreads to be applied to withdrawal payments.

The Fund currently offers a Distribution Reinvestment Plan (DRP) for investors wishing to receive their distributions by way of units in the Fund. Currently the Fund offers the DRP with additional units to the value of 2% of the amount reinvested, with the funding for the issue of those units being provided by AMP Capital.

Liquidity / exit strategy

The Fund should be considered partially liquid. Withdrawal requests can be made at any time, with requests processed on a monthly basis, around the 15th of each month (or next business day) and expected to be paid within five business days. Withdrawals are subject to the financial position of the Fund and the Manager may limit withdrawals.

The Fund's Constitution allows withdrawal request to be paid up to 12 months after the withdrawal date or even longer in circumstances where the RE is unable to realise sufficient assets due to circumstances beyond its control. Where the amount of funds available is not sufficient to fully meet the withdrawal request, the withdrawal amount may be paid in part with the balance paid once sufficient cash is available to meet the full request.

Investors should be aware the Withdrawal Request is at the discretion of the Responsible Entity and is subject to the financial capacity of the Fund. There is no obligation to make the withdrawal offer. As a result, there is a risk that investors may not be able to access the withdraw offer during the investment timeframe.

Debt Facility & Metrics

Core Property considers the Fund's debt structure to be very conservative and prudent.

As at 30 September 2020 the Fund's debt facility has a limit of \$500M. The debt facility is drawn to \$360M, or 17.3% of gross assets, above the Fund's target gearing of 0 – 15%, but below the maximum gearing of 25% of gross assets. Core Property notes the Fund's relatively low gearing prior to COVID-19 has provided the Fund with the ability to draw additional debt for support during COVID-19. In particular we note the Fund has drawn an additional ~\$200M in debt since 30 June 2020, which includes around \$115M of redemption requests where were deferred during the peak COVID-19 period of 17 March 2020 – 15 June 2020. The Manager is also currently in the process of renegotiating the debt facilities and is considering an increase in the total facility limit to provide additional flexibility.

The drawn debt equates to a Loan to Valuation Ratio (LVR) on the Direct Properties of 18.7%, which is well below the LVR covenant of 50% and below average industry levels. Core Property calculates the Direct Property Portfolio can withstand a 62.6% fall in valuation before it will reach the LVR covenant. The terms of the debt facility provide for a step up in interest rates where the LVR is in excess of 25%.

The forecast Interest Cover Ratio (ICR) for FY21 is 18.7x. Based on the Manager's forecasts the ICR is expected to reduce to 18.7x over the next five years, well above the bank covenant of 1.8x.

It should be noted that in a low interest rate environment, high debt levels typically enhance return whilst also increasing risk. The Fund's low level of debt provides a lower level of risk for investors with returns driven more by the underlying asset metrics of the portfolio.

Figure 4: Debt Metrics

Details	Metric – as at 30 September 2020
Bank	NAB, ANZ and Westpac
Security	First ranked mortgage secured against the directly owned properties.
Debt Facility Limit	\$500M
Drawn Amount	\$360M
Loan Period	\$200M for 3 years, expiring February 2021 (NAB) \$125M for 5 years, expiring July 2021 (Westpac) \$175M for 5 years, expiring May 2024 (ANZ)
% Hedged	Nil
All-in cost of Debt	1.4% approx. (on drawn debt) 0.5% approx. line fee on undrawn debt
Gearing (Debt/Total Assets)	17.3%
Target Gearing	0% - 15%
Maximum Gearing	25%
LVR / Peak LVR	18.7% / 23.9% (FY21)
LVR Covenant	50%
Interest Coverage Ratio (ICR) / Lowest ICR	18.7x / 16.3x (5 year low)
ICR Covenant	1.8x
Amount by which valuation will have to fall to breach LVR covenant	62.6%
Amount by which income will have to fall to breach ICR covenant	95.1%

Source: AMP Capital, Core Property

Fees Charged by the Fund

Overall, Core Property considers the fees charged by the Fund to be at the low end of what has been seen in the market.

- Core Property notes that Management Fees are charged on a variety of measures, based on the Gross Assets of the Fund (GAV), Net Assets of the Fund (NAV) and Gross Income of the Fund. We have consolidated the amounts and estimate the Total Management Fee for FY21 to be equivalent to 0.94% of the Gross Assets of the Fund. This is at the mid-point of what we have typically seen in the industry (0.7% - 1.1% of GAV).
- Whilst the Management Fees are at the mid-point of what we have seen in the market, the overall fees are at the low end of the market after taking into account the Fund's low Acquisition and Disposal Fees as well as the Buy/Sell spread of Nil for investors.

A summary of the fees charged by the Fund is presented below.

Figure 5: Summary of Fees charged

Fee Type	Fee Charged	Core Property Comment
Entry Fee:	Nil	
Exit Fee:	Nil	
Acquisition Fee:	0.4% of the purchase price.	Industry average is to charge 1.5% - 2.0% of the purchase price of the property.
Sale Fee (Disposal Fee)	0.5% of the gross sale proceeds.	Industry average is to charge 1.0% - 2.0% of the sale price of the property.
Management Fee	<p>Total Management Fees are charged on the GAV, NAV and Gross Income of the Fund as follows:</p> <ul style="list-style-type: none"> • Management Fee of 0.42% p.a. of Gross Assets of the Fund, plus 4.2% of Gross Income of the Fund; plus <p>Indirect Costs: paid for out of the assets of the Fund</p>	<p>Total Management Fees are estimated at 0.94% of GAV for FY21, based on the Manager's forecasts.</p> <p>We consider the Fees to be at the mid-point of what we have typically seen in the industry (0.7% - 1.1% p.a. of GAV).</p>
Performance Fee:	Nil	The Fund does not currently charge a performance fee.

Note 1: The Fund may also incur transaction and Operational Costs which will vary depending on the level of transactional activity within the Fund. The returns delivered by the Fund are net of these costs.

Source: AMP Capital, Core Property

All-in fee analysis

Core Property has estimated the fees that will accrue to the Manager over an estimated five-year period as a percentage of all cash flow generated after deducting interest costs but before management fees are payable. The calculation is based on the current portfolio, with no acquisitions or disposal of assets.

- Calculations assume a five-year investment period.
- Assumes a Buy/Sell spread of Nil.
- A Performance Fee has not been included, in line with the current fee structure.
- Core Property assumes there is no change in the forecast portfolio terminal cap rate at the end of the initial term, which effectively assumes no cap rate compression. A lower terminal cap rate would lead to a higher sale price and performance fees may become payable.

Overall, Core Property estimates the Manager will receive approximately 2.9% of the total cash flow from the current portfolio, which leaves investors with approximately 97.1% of the total. Core Property believes the fees paid to the Manager to be lower than the market when compared to similar products, which are typically around 7% - 9%.

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

Core Property estimates that for every \$1.00 of equity invested the Fund can return:	Amount per \$1.00 unit
Principal repayment to investors:	\$1.00
Income and capital gains to investors:	\$0.31
Total cash to investors:	\$1.31
Acquisition fee:	\$0.00
Base management fee:	\$0.04
Disposal fee:	\$0.00
Fees for the RE (excluding disposal/admin):	\$0.04
Total cash generated by Fund:	\$1.35
Fees = % of total cash generated (before fees)	2.9%
Fees= % of gains (before fees)	11.3%
Up-front fee vs total fees	0%
Source: Core Property estimates	

The Investment Portfolio

The Fund primarily invests in direct property within Australia, supported by investments in cash and listed property securities.

- **Direct Properties:** The Fund has an asset allocation to invest 50% - 100% (target 75%) in direct properties and currently holds 92.5% of its assets in 26 property sites with a book value of \$1,926.2M. The properties are estimated to generate a net operating income of \$111.4M through FY21, with an average occupancy of 96.3% and WALE of 4.3 years. The assets are diversified across both sectors and geography, with retail, office and industrial sites located in NSW, VICT, ACT, QLD and SA. The Fund has a policy to undertake an independent valuation at least once every financial year, however in practice the Fund has undertaken valuations on a quarterly basis to ensure asset values and unit prices remain up to date.
- **Listed Property Investments:** The Fund has an asset allocation to hold 0% - 50% in listed property investments (A-REITs) and currently holds \$122.3M, or 5.4% of its total assets in ASX listed securities.
- **Cash:** The Fund has an asset allocation to hold 0% - 50% in Cash and currently hold around 1.6% in Cash to provide liquidity for investors.

The following table is a summary of the Fund's metrics as at 30 June 2020, based on unaudited accounts.

Figure 7: Portfolio Summary as at 30 June 2020

Details	Amount	% of Assets
Direct Properties – 26 assets	\$1,926.9M	92.5%
Listed Property Investments (A-REITs)	\$122.3M	5.9%
Cash	\$33.4M	1.6%
Total Portfolio	\$2,082.6M	
Direct Properties		
WALE – by income	4.3 years	
Weighted Average Capitalisation Rate	5.79%	
Occupancy	96.3%	
Forecast Max LVR (5 years) / Covenant	26.3% / 50.0%	
Gearing Ratio FY21 / Max Gearing (5 years)	18.7% / 27.2%	
Forecast Low ICR (5 years) / Covenant	6.0x / 1.8x	
Unit Price – Entry / Exit Price (30 September 2020)	\$1.2278 / \$1.2278	
Forecast Distribution – FY21 (Core Property forecast)	6.28 cents per unit	
Distribution Yield – on latest entry price	5.1%	

Source: Core Property based on AMP Capital assumptions

Direct Properties

The Fund primarily invests in Direct Properties, which currently comprise 92.5% of the Fund's gross assets, and has strong property metrics, including:

- An extensive portfolio of 26 properties valued at \$1,926.9M, with 406,163 sqm of net lettable area (NLA)
- Average portfolio occupancy of 96.3% and a WALE of 4.3 years.
- Average portfolio capitalisation rate of 5.79% (range 5.00% - 7.50%).
- Well diversified portfolio in the Retail (30.0%), Office (36.2%) and Industrial (33.9%) sectors.
- Properties are primarily located on the eastern seaboard with 43.9% in NSW, 29.1% in Queensland and 22.8% in Victoria.
- The largest property, Casula Mall, accounts for 11.4% of the portfolio and the largest tenant represents 4.8% of revenue.
- It should be noted the Hillrose Business Park, Rosehill NSW (last valuation \$16.8M) is currently being considered for compulsory acquisition by the NSW State government as part of plans for the new metro network. The property is expected to be sold during the first quarter of 2021.

The following table provides an overview of the Fund's direct property portfolio as at 30 June 2020.

Figure 8: Direct Properties as at 30 June 2020

Address	Sector	Lettable Area (sqm)	Book Value (\$M)	Valn Date	Cap Rate	Occ	WALE
Casula Mall, Casula NSW	Retail	20,033	197.0	Jun 2020	5.75%	99.7%	4.6 yrs
Stud Park Shopping Centre VIC	Retail	25,605	143.6	Jun 2020	5.75%	98.5%	2.5 yrs
Gasworks Plaza QLD	Retail	9,846	122.0	Jun 2020	5.50%	93.0%	5.6 yrs
Brickworks Centre QLD	Retail	15,687	124.8	Jun 2020	5.50%	98.4%	4.0 yrs
124 Walker St, North Sydney NSW	Office	11,096	127.2	Jun 2020	5.38%	100.0%	2.7 yrs
Bond One, Walsh Bay NSW	Office	9,149	135.8	Jun 2020	5.50%	100.0%	6.3 yrs
12 Moore St, Canberra ACT	Office	11,975	44.5	Jun 2020	6.75%	92.2%	1.3 yrs
636 St Kilda Rd, Melbourne VIC	Office	17,050	117.2	Jun 2020	5.25%	93.5%	2.3 yrs
425 Collins St, Melbourne VIC	Office	5,293	39.7	Jun 2020	5.00%	89.1%	2.6 yrs
199 Grey St, Brisbane QLD	Office	11,603	93.5	Jun 2020	6.00%	91.1%	2.5 yrs
Gasworks Workspace, Brisbane QLD	Office	8,994	77.5	Jun 2020	6.25%	100.0%	3.6 yrs
33 Park Rd, Brisbane QLD	Office	7,288	43.7	Jun 2020	7.25%	86.2%	1.8 yrs
Stanley House, South Brisbane QLD	Office	2,338	30.6	Jun 2020	5.50%	100.0%	3.6 yrs
Connect Corporate Centre 1, Mascot NSW	Industrial	5,642	47.5	Jun 2020	5.75%	100.0%	4.4 yrs
Connect Corporate Centre 2, Mascot NSW	Industrial	11,745	107.5	Jun 2020	5.50%	93.0%	8.8 yrs
Connect Corporate Centre 3, Mascot NSW	Industrial	19,003	177.5	Jun 2020	5.50%	99.3%	5.6 yrs
Hillrose Business Park ¹ , Rosehill NSW	Industrial	11,679	16.8	Jun 2020	6.50%	100.0%	2.9 yrs
Holbeche Industrial Estate NSW ¹	Industrial	12,676	17.5	Jun 2020	6.00%	100.0%	2.2 yrs
Central West DC, Laverton North VIC	Industrial	56,112	56.8	Jun 2020	6.50%	100.0%	2.3 yrs
730 Lorimer St, Port Melbourne VIC	Industrial	25,697	41.3	Jun 2020	5.75%	53.6%	1.9 yrs
2 Pound Rd West, Dandenong VIC	Industrial	16,696	21.0	Jun 2020	6.00%	100.0%	2.7 yrs
200 Greens Rd, Dandenong VIC	Industrial	22,586	28.4	Jun 2020	6.00%	100.0%	6.3 yrs
121 Evans Rd, Salisbury QLD	Industrial	28,961	35.1	Jun 2020	7.50%	100.0%	3.8 yrs
Acacia Gate Industrial Est, Acacia Ridge QLD	Industrial	18,484	20.5	Jun 2020	7.50%	97.8%	2.6 yrs
7-9 French Ave, Brendale QLD	Industrial	12,282	23.7	Jun 2020	6.00%	100.0%	9.6 yrs
2 Second Ave, Mawson Lakes SA	Industrial	8,642	36.3	Jun 2020	7.00%	100.0%	10.5 yrs
Total – Direct Portfolio		406,163	1,926.9		5.79%	96.3%	4.3 yrs

Note 1: 50% interest as at 30 June 2020.

Source: AMP Capital

Main Properties

The following eight properties account for 66.2% of the Direct Property portfolio.

Casula Mall: 1 Ingham Drive, Casula NSW – 11.4% of the Direct Property portfolio



As at 30 June 2020

Book Value \$197.0M

Capitalisation Rate 5.75%

Lettable Area (sqm) 20,033 sqm

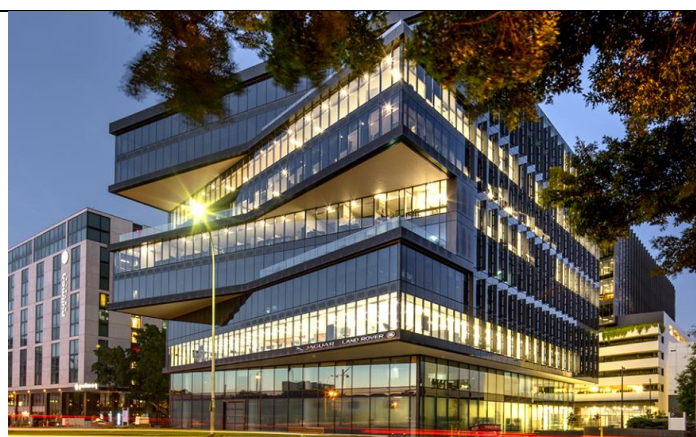
Occupancy-by NLA 99.7%

WALE 4.6 years

Major Tenants (by income): Coles (Expiry Sep-22), Kmart (Expiry Sep-22), Aldi (Expiry Sep-31)

Casula Mall is a fully enclosed single level sub-regional shopping centre located in Casula, approximately 30 kms south west of the Sydney CBD. The centre is anchored by Coles (26% of NLA), Kmart (39% of NLA), Aldi (8% of NLA) with 2 mini-majors, 46 specialty tenants, 7 kiosks, 7 ATMs and 1 freestanding tenancy. The total site area of 52,220 sqm includes net lettable area of 20,041 sqm and space for 830 vehicles. The centre commenced trading 1986 and was expanded in 1998. A major refurbishment was undertaken in 2008 including external facade works and a reconfiguration of the layout to create an additional entrance point. Additional works were undertaken in 2016 which included the introduction of an Aldi supermarket, additional car spaces and outdoor dining areas.

Connect Corporate Centre 3, Mascot NSW – 10.3% of the Direct Property portfolio



As at 30 June 2020

Book Value \$177.5M

Capitalisation Rate 5.50%

Lettable Area (sqm) 19,003 sqm

Occupancy-by NLA 99.3%

WALE 5.6 years

Major Tenants (by income): Jaguar (Expiry Aug-2030), Fashion Factory Outlets (Aug-2030)

Connect Corporate Centre Building 3 is a modern office tower that includes ground floor showroom and retail space, above ground car parking and nine levels of office accommodation. The property was constructed in 2018, and is situated in Mascot, approximately 8km south of the Sydney CBD. Notably, the property forms part of a stratum plan which includes a hotel, commercial components and community land, and is therefore required to pay a proportion of community costs including land tax and council rates. Major tenants include Jaguar Land Rover (20.9% of NLA) and Fashion Factory Outlets (21.5% of NLA).

Stud Park Shopping Centre: Stud Road, Rowville VIC – 8.8% of the Direct Property portfolio



As at 30 June 2020

Book Value \$143.6M

Capitalisation Rate 5.75%

Lettable Area (sqm) 25,605 sqm

Occupancy-by NLA 98.5%

WALE 2.5 years

Major Tenants (by income): Kmart (Expiry Sep-2025), Coles (Expiry Sep-2032), Woolworths (Expiry Nov-30)

Stud Park Shopping Centre, an enclosed sub-regional retail property located in Rowville, approximately 32 kms south east of Melbourne's CBD – a well-established trade area providing a diverse commercial and residential mix.. Anchor tenants include Woolworths (19% of NLA), Coles (17% of NLA) and Kmart (28% of NLA), and 61 specialty tenancies. The total site area of 109,220 sqm includes net lettable area of 25,605 sqm and 1,530 car spaces. The centre commenced trading in 1989 and has been extended and refurbished over the years, first in 1997, again in 2004 and most recently in 2015.

Bond One, 20 Windmill Street, Sydney NSW – 7.9% of the Direct Property Portfolio



As at 30 June 2020

Book Value \$135.8M

Capitalisation Rate 5.50%

Lettable Area (sqm) 9,149 sqm

Occupancy-by NLA 100.0%

WALE 6.3 years

Major Tenants: Dentsu Aegis (Expiry May-2027), Newcastle Port Corporation (Expiry Jun-2024)

Bond One consists of an eight level A-grade office building located on the fringe of the Sydney CBD, close to the Barangaroo reserve. The building was completed in 2009 and includes 8-levels of office accommodation (including the ground floor), four levels of basement parking and one retail (café) tenancy. Major tenants within the building include Dentsu Aegis (ANZ) Network (80.3% of NLA) and Newcastle Port Corporation (19.1% of NLA).

Gasworks Plaza: 76 Skyring Terrace Newstead QLD – 8.3% of the Direct Property Portfolio

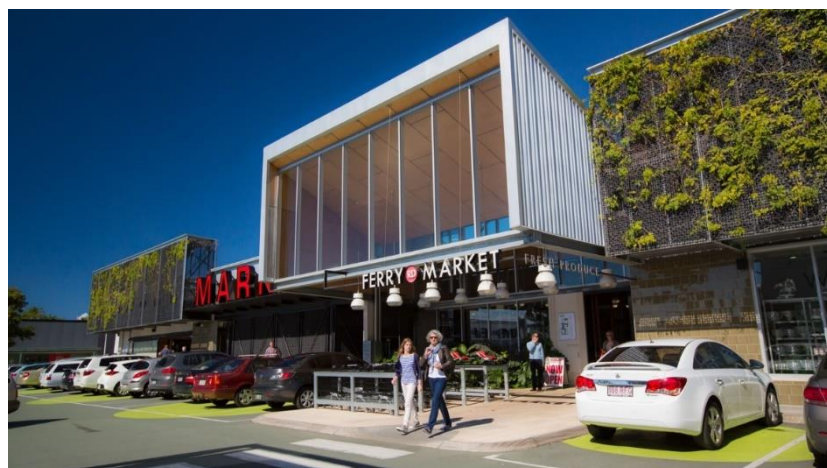


As at 30 June 2020

Book Value	\$122.0M
Capitalisation Rate	5.50%
Lettable Area (sqm)	9,846 sqm
Occupancy-by NLA	93.0%
WALE	5.6 years
Major Tenants:	Woolworths Supermarket (Expiry Aug-33)

Gasworks Plaza consists of a mixed-use retail and commercial asset located in Newstead, approximately 2.5 km north of the Brisbane CBD. The site comprises 3 properties on 5 separate titles (designated as Gasworks 1, 2 and 3) with an open space parkland located adjacent. Gasworks 1, the core centre, was built in 2013 and consists of two detached buildings separated by an intersecting internal thoroughfare, a small secondary mall line to connect Skyring Terrace and Gasworks 2 tenancies, and a common basement carpark for 348 vehicles. Gasworks 2 was built in 2016 and consists of ground floor retail which predominantly consists of food tenancies. Gasworks 3 was completed in 2018 and includes 4 tenancies with widely accessible frontages. The retail (Plaza) component is anchored by a Woolworth supermarket (40.4% of NLA) and supported by a mini-major and 39 retail specialty tenants. The Fund does not own any of the residential component of the complex.

Brickworks Centre: 107 Ferry Road, Southport QLD – 7.7% of the Direct Property Portfolio



As at 30 June 2020

Book Value	\$124.8M
Capitalisation Rate	5.50%
Lettable Area (sqm)	15,687
Occupancy-by NLA	98.4%
WALE	4.0 years
Major Tenants:	Freedom (Expiry Nov-24), TK Maxx (Expiry Mar-27)

Brickworks Centre is a large format retail property on a total site area of 35,427 sqm with 15,101 sqm of NLA. The retail centre commenced trading in 1986 and comprises a merger of 11 contiguous allotments. The centre is supported by two major tenants Freedom Furniture (16.0% of NLA) and TK Maxx (13.0% of NLA), which are complemented by 6 mini majors, 47 specialties and 1 ATM. The centre also includes four street frontages and provides open air car parking for 386 vehicles.

124 Walker Street, North Sydney NSW – 7.4% of the Direct Property Portfolio



As at 30 June 2020

Book Value \$127.2M

Capitalisation Rate 5.38%

Lettable Area (sqm) 11,096 sqm

Occupancy-by NLA 100.0%

WALE 4.0 years

Major Tenants: Professional Advantage (Expiry Jan-21), 3P Learning (Expiry Mar-23)

A B-grade commercial office tower located in North Sydney NSW, approximately 4km north of the Sydney CBD. The property comprises of 18 upper levels of office accommodation, ground level foyer, four ground level retail shops as well as three levels of basement car parking. The property was constructed in 1974 and has been refurbished at varying intervals, including an extension of floors and façade re-cladding in 2003. The property's major tenants include Professional Advantage (16.7% of NLA) and 3P Learning (11.0% of NLA).

636 St Kilda Rd, Melbourne VIC – 6.8% of the Direct Property Portfolio



As at 30 June 2020

Book Value \$117.2M

Capitalisation Rate 5.25%

Lettable Area (sqm) 17,050 sqm

Occupancy-by NLA 100.0%

WALE 2.3 years

Major Tenants: Hertz (Expiry Dec-22), Diversified Exhibitions (Expiry Aug-22)

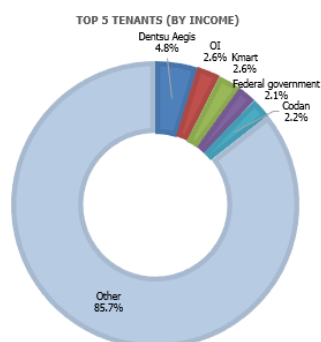
The property consists of an 18-storey office tower located prominently in St Kilda, nearby the Melbourne CBD. The building is freestanding and has undergone substantial refurbishments in recent years. Major tenancies include Hertz (13.9% of NLA) and Diversified Exhibitions Australia (11.2% of NLA).

Lease, tenant and income

The direct portfolio has a WALE of 4.3 years (at 30 June 2020). The top five tenants represent 14.3% of total revenue and include corporate and government entities, including;

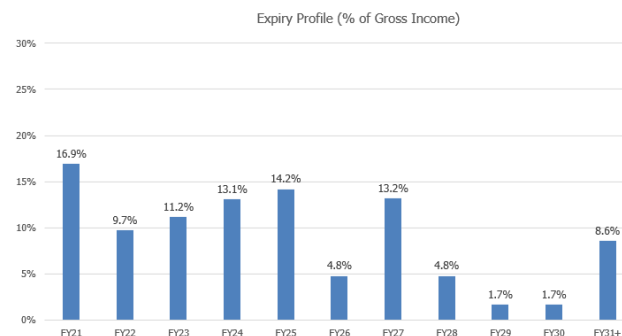
- Dentsu Aegis (Office) – 20 Windmill Street, Sydney NSW – 4.8% of revenue
- OI (Industrial) – 13-19 William Angliss Drive, Laverton North VIC – 2.6% of revenue
- Kmart – Casula (Retail) – 1 Ingham Drive, Casula NSW – 2.6% of revenue
- Codan (Industrial) – 2 Second Ave, Adelaide – 2.2% of revenue
- Federal Government (Office) – Connect Corporate Centre, Sydney – 2.1% of revenue

Figure 9: Top 5 tenants by income – 30 June 2020



Source: AMP Capital

Figure 10: Lease expiry profile – as at 30 June 2020



Source: AMP Capital

Impact of COVID-19

During the COVID-19 period in 2020, the Fund was impacted across a number of areas:

- Redemption of units were deferred during the height of the pandemic, for the period 17 March 2020 – 15 June 2020. The redemptions were subsequently paid on 6 August 2020 when the monthly redemption facility was reinstated.
- Portfolio Occupancy was maintained at 96% throughout the crisis.
- The Fund switched from quarterly to monthly valuations in March 2020, with independent valuations undertaken on all direct properties in March, April, May, June 2020. Overall, between December 2019 and June 2020 the portfolio valuation declined by 4.9%. The Fund has now reverted to quarterly valuations.
- The Fund's Unit Price has reduced from \$1.34 (31 December 2019) to \$1.27 (31 March 2020), \$1.23 (30 June 2020) and is currently \$1.23 (30 September 2020).
- Management has maintained distributions at 1.81 cpu per quarter for the quarters ending December 2019, March 2020, June 2020 and September 2020.

Capex

The Manager is forecasting around \$48.9M in capital expenditure (capex) over the next five years across the portfolio of 26 properties, with the capex assumptions based on the independent valuer assumptions – predominantly to conduct refurbishments and general maintenance.

The capex is entirely funded through debt resulting in the gearing increasing to around 16.9%, above the Fund's target range of 0%-15% and below the Fund's maximum gearing of 25%. We note the current debt facility has \$200M in undrawn debt, and the Manager will need to increase the facility at maturity or initiate other capital measures in order to fund the capex requirements.

Core Property has adopted the Manager's capex assumptions on the basis that they were based on independent technical reports. The inherent assumptions here is that the capital expenditure is likely to improve the value of the building. While this has been the case in recent years, Core Property reminds investors that this may not be the case in adverse market conditions.

Diversification

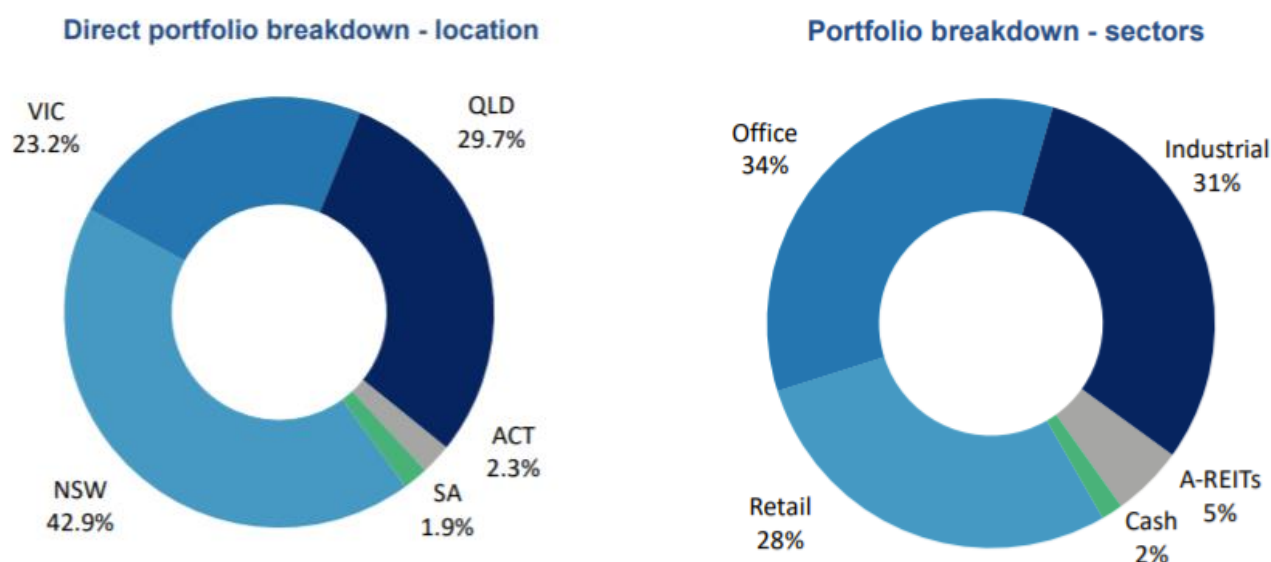
The Fund's direct properties are diversified across the office, retail and industrial sectors with a slight preference to the Office (36.2%) and Industrial (33.9%) sectors. This is, in part, due to devaluations from deflated market demand for retail assets stemming from COVID-19 impacts, as well as no retail acquisitions over the past 2 years. The bulk of the assets are in NSW (43.9% of the portfolio), QLD (29.1% of the portfolio) and Victoria (22.8% of portfolio) with lesser exposure to the ACT (2.3%) and South Australia (1.9%). The Fund primarily targets investments into direct property within Australia, with license to also invest in cash and listed property securities.

Core Property notes the Manager has improved diversification since March 2014. In particular:

- The Fund previously held 9 properties in 2014, with of 5 assets in NSW (74% of portfolio), 1 asset in ACT (10% of portfolio), 2 assets in VIC (9% of portfolio) and 1 asset in QLD (7% of portfolio).
- From September 2014 onwards, the Fund has purchased 18 assets for a total of ~\$1,219M.
- The Fund currently holds 26 assets with diversification across geographical regions, as well as a 5% investment in listed A-REITs.
- The Top 10 tenants in March 2014, accounted for around 60% of Fund revenue. Currently, the Fund has reduced the top 10 tenants to 20% of Fund revenue. Adding to this, the number of tenants has increased from 110 to around 400 tenants across the portfolio.

The following table is a summary of the portfolio mix as at 30 June 2020.

Figure 11: Diversification metrics – as at 30 June 2020



Source: AMP Capital, as at 30 June 2020

Listed Investments – A-REIT Portfolio

The Fund currently invests \$122.3M, or 5.4% of its portfolio, in ASX listed property securities. The securities are managed by AMP Capital's Property Securities Team in accordance with the Fund's objectives to deliver a stable income stream and capital growth over the long term as well as providing liquidity for investors.

The Manager has advised that since December 2014 the Fund has held between 5.4% - 17.5% of its assets in listed securities.

Financial Analysis

Core Property has undertaken a financial forecast of the Fund, based on discussions with the Fund Manager. The forecast below is based on certain assumptions that may change as a result of market conditions, changes in the property portfolio, and the changing performance of the properties. Thus the forecasts should be seen as indicative only. The key assumptions in our forecasts are:

- Based on portfolio capitalisation rates remaining constant at 5.79% on the direct property portfolio.
- Based on the units on issue of 1,521.2M (as at 30 June 2020) remaining flat over the forecast period.
- Assumes all capex expenditure is funded by net fund inflows and increase in debt.
- Assumes debt facility is renewed on similar terms as the existing debt facility and remains in place over the term of the Fund.
- Assumes the A-REIT portfolio provides a yield of 4.5% p.a., with valuation growth of 2.0% p.a.

We note the Fund is currently paying 7.24 cpu (or 1.81 cpu per quarter) for the calendar year 2020 and includes a return of capital (equivalent to 0.96 cpu). The impact of adverse events such as the pandemic a consequence of which has been rent waivers and rent deferrals leading to lower rent collections. While rent collections normalise over a period of time, the Manager aims to maintain a level of quarterly cash payments that were paid pre COVID-19. The resulting effect of this capital management initiative is to provide a more stable distribution profile but that comes at the expense of lower potential capital gains.

A summary of our forecasts is presented below.

Figure 12: Profit & Loss Forecast, Balance Sheet

Profit & Loss - Forecast \$M	12 months to 30 Sept 2021	12 months to 30 Sept 2022
Net Property Income	111.4	118.4
Distributions Received (Listed Securities)	5.5	5.6
Fees	-14.9	-15.5
Expenses	-1.1	-1.1
Finance Costs (net)	-5.4	-6.1
Funds from operations	95.6	101.2
Cash available for distribution	95.6	101.2
Cash available for distribution per unit (cents)	6.28	6.65
Return of capital (cents)	0.96	0.59
Total cash payable (cents)	7.24	7.24
Annualised Cash Payment Yield – based on \$1.2278 unit price	5.9%	5.9%
Balance Sheet – \$M	As at 30 June 2020	
Cash and cash equivalents	18.3	
Receivables	10.3	
Investment property	1,927.4	
Listed equity securities	120.7	
Total Assets	2,076.7	
Interest-bearing liabilities	164.1 ¹	
Other liabilities	45.9	
Total Liabilities	209.9	
Net Assets	1,866.8	
Units on Issue (Millions)	1,521.2	
NTA per unit	1.227	
Debt/ Total assets	7.9%¹	
LVR (Debt/ Property Valuation)	8.6%¹	

Note: As at 30 September 2020, Interest Bearing Liabilities has increased to \$360M, with Debt/Total assets of 17.3% and LVR of 18.7%.

Source: Core Property, based on AMP Capital assumptions

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 5-year forecasts presented in the section above.

Using these assumptions Core Property expects the Fund to deliver a 5-year Internal Rate of Return (IRR) in the range of 5.1% - 9.0% p.a. (midpoint 7.0% 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. The IRRs should be seen as indicative only, as the Fund is open ended and the portfolio metrics are subject to change over time.

The table below summarises our expected IRRs.

Figure 13: Pre-tax, 5-year IRR (after fees) sensitivity analysis

Terminal cap rate	IRR based on cost of debt				
	0.40%	0.90%	1.40%	1.90%	2.40%
5.29%	9.0%	9.0%	8.9%	8.8%	8.7%
5.54%	8.1%	8.0%	7.9%	7.8%	7.7%
5.79% (base)	7.1%	7.0%	7.0%	6.9%	6.8%
6.04%	6.2%	6.1%	6.1%	6.0%	5.9%
6.29%	5.4%	5.3%	5.2%	5.1%	5.0%

Source: Core Property

Management & Corporate Governance

Background of the Responsible Entity & Manager

The Responsible Entity of the Fund is National Mutual Funds Management Limited ("RE"). In February 2012, the RE appointed AMP Capital as the Investment Manager ("Manager"). Both the RE and Manager are subsidiaries within AMP Limited (ASX: AMP), an ASX-listed company with a market capitalisation of over \$4 billion. AMP was formed in 1849 as the Australian Mutual Provident Society, a non-profit life insurance company and mutual society, and was demutualized and listed on the Australian and New Zealand stock exchanges in 1998. On 31 March 2011, AMP acquired the Australian and New Zealand operations of AXA Asia Pacific Holdings, which included the former National mutual business.

The Board of the RE comprises four executive directors from the AMP Group. Core Property notes the Board of the RE does not have any independent directors, as the Fund is structured to make use of the extensive resources within AMP Capital. In addition, there are two non-executive members on the Investment Committee.

Core Property considers the management within AMP Capital to have the relevant skills and experience to manage the Fund successfully.

Figure 14: The Board of the Responsible Entity & Fund Manager

Name & Role	Experience
James Georgeson Director Deputy Group CFO BCom, MCom	James was appointed Chief Financial Officer for AMP in February 2020 after holding the position of Acting CFO from August 2019 and Deputy Group CFO. He is responsible for Group Performance reporting, Strategic Planning & Forecasting, Portfolio & Capital Management and Mergers & Acquisitions. James has been with AMP for more than 19 years primarily across the areas of finance, risk management and strategy. He has held executive roles as Group Finance Director, including responsibility for Investor Relations, Chief Financial Officer and Director of Strategy of AMP's New Zealand business, as well as Corporate Accounting, Management reporting and project activities. James is a Chartered Accountant (Institute of Chartered Accountants of Australia and New Zealand), holds a Master of Commerce (Macquarie University) and has a Bachelor of Accounting (University of Technology, Sydney).
Lakshman Anantakrishnan Executive Director MCom, BCom, CFA, GradDipAppFin	Lakshman was appointed Chief Investment Officer for AMP Australian in July 2019. Prior to joining AMP, he was Head of Portfolio Management at Credit Suisse, and spent close to a decade managing global multi-asset portfolios and implementing bespoke strategies for Credit Suisse's client base. Lakshman also holds experience on the Institutional side, having managed Institutional portfolios at BT Funds Management and Principal Global Investors.
Adrian Urquhart Executive Director BCom, LLB (Hons), MBA	Adrian re-joined AMP in April 2019 as CFO, AWN and was recently appointed the CFO of AMP Australia. This followed his role at SuperConcepts as a CFO and General Manager, where he was responsible for leading the team for all finance functions, risk and compliance, mergers and acquisitions, procurement product management and strategy. Adrian holds over two decades' experience across law, finance and financial services and has also gained experience at Orica, Morgan Stanley and Clayton Utz.
Simon Warner Executive Director BSc, MSc (Economics), Global Executive MBA	In October 2018, Simon Warner was appointed as Global Head of Public Markets. Mr Warner joined AMP Capital in 2007 and has previously held the position of Global Chief Investment Officer for the Fixed Income business from March 2017. Preceding this, Mr. Warner was the Head of Global Fixed Income from 2014. Mr Warner began his career with JP Morgan in London, later moving to Sydney and Singapore as Chief Investment Officer for Australasia. He holds an EMBA from New York University, HEC Paris and the London School of Economics, as well as Master and Bachelor of Science degrees in Economics from the London School of Economics and Political Science.
Fund Manager	
Christopher Davitt Fund Manager BLandEc (Hons, 1 st class), Dip Law	Christopher joined AMP Capital in March 2010 as a Portfolio Manager, with responsibility for investing a \$500M global mandate to invest in unlisted real estate funds. In September 2010 he became the Portfolio Manager of AMP Life's \$1.7 billion property portfolio. Prior to joining AMP Capital, Christopher was a Vice President at MGPA based in London. From 2006 to 2008 he worked on acquisitions and special projects across Europe before being promoted to Assistant Fund Manager and given the responsibility for developing the strategic priorities for MGPA's European funds. Christopher has also held research, transactions and funds management roles at Multiplex and Lendlease. From 2001 to 2005 Christopher served as the Deputy Chairman of the Property Council of Australia's Capital Markets Committee and from 2003-2005 he was an adjunct lecturer at the University of NSW running both undergraduate and postgraduate Real Estate Finance and Investment courses.

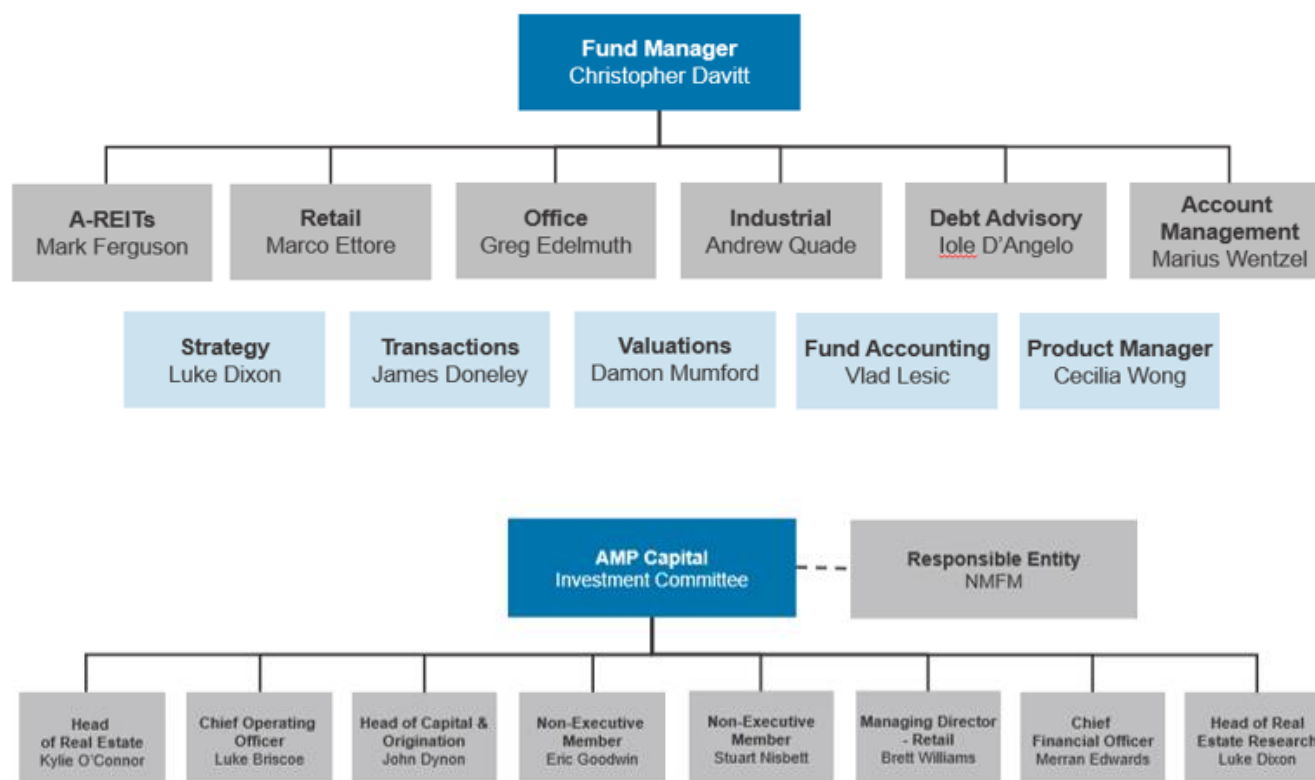
Source: AMP Capital

Executive Team & Senior Management

The Fund draws upon the resources and skills from within AMP Capital and the wider AMP Group.

Core Property has reviewed the current organisation structure below and considers the Fund to have access to a strong pool of skills and experience necessary for the performance of the Fund. In particular we note the Investment Committee has two independent committee members providing oversight from an external viewpoint.

Figure 17: Management of the Fund and Investment Committee



Source: AMP Capital

Compliance and Governance

The Fund's compliance is undertaken by the Risk and Compliance department of AMP Capital and is independent of operations. The Compliance Plan includes processes to deal with complaints handling, applications processing, transfers and distributions, registry systems, record keeping, valuations, conflicts of interest and the monitoring of suspected compliance breaches.

The Compliance Plan is audited annually in accordance with the Corporations Act. The Fund's auditors are Ernst & Young. The Manager has also lodged a copy of the Fund's Constitution and Compliance Plan with ASIC, as required by the Corporations Act.

The Fund does not comply with RG46 Disclosure Principle 6, which requires that distributions be paid out of cash from operations. Instead, the Fund may include a component of capital as part of its distribution where the Fund's income of distribution per unit would otherwise be temporarily reduced.

The following table summarises how the Manager has addressed the RG46 benchmarks as at 30 June 2020.

Figure 17: Summary of ASIC retail disclosure benchmarks

ASIC Benchmark	Meets Reqmt (Y/N)	Comments
1. Gearing Policy	Y	The Fund's gearing as at 30 June 2020 was 7.88% (calculated according to ASIC's method) or 9.1% on a look-through basis. The Fund has a target gearing ratio of 0% - 15% and may borrow up to 25%.
2. Interest Cover Ratio (ICR)	Y	The Fund's ICR as at 30 June 2020 was 20.9x (calculated according to ASIC's method: EBITDA plus unrealised gains less unrealised losses, divided by interest expense), which is above its target of 2.0x.
3. Interest Capitalisation	Y	The Fund meets this benchmark. The interest expense of the Fund is not capitalised.
4. Valuation Policy	Y	The RE maintains and complies with a written valuation policy, including obtaining an independent valuation prior to the purchase of a property, the rotation of valuers, and for valuations to generally be conducted at least once in a financial year.
5. Related Party Transactions	Y	The RE maintains and complies with a written policy on related party transactions, including the assessment and approval of such transactions and arrangements to manage conflicts of interest.
6. Distribution Practices	N	The Fund does not meet this benchmark, which requires the Fund to source distributions from cash from operations. Instead, the Fund's Distribution Policy allows distributions to include a component of capital as part of its distribution where the fund's income or distribution would otherwise be temporarily reduced. This may involve part of the distribution effectively being funded from borrowings.

Source: AMP Capital

Related Party Transactions

The Fund is structured to fully utilise the resources and capabilities within AMP Capital and the AMP Group of companies.

The senior management maintains and complies with a written policy on related party transactions, including the assessment and approval process for such transactions and arrangements to manage conflicts of interest. Decisions made in relation to conflict of interest and related party transactions are documented.

Core Property has reviewed the list of related party transactions as disclosed in the Fund's June 2020 Annual Report and consider the transactions to be appropriate in relation to the management of the Fund. The following is a summary of the related party transactions for the financial year ended 30 June 2020:

- **Related Party Investors in the Fund:** Approximately 11.71% of the units in the Fund are owned by a related party within the AMP Group, the AMP Australian Property Fund (178.1M units).
- **Management, Custodian and Transaction Fees:** In accordance with the PDS, the Fund incurred \$16.9M in related parties expenses for Management Fees to the RE (\$15.3M), Custodian Fees (\$0.8M) and Transaction Fees for acquisitions and disposals (\$0.7M).
- **Property Management Fees:** The Fund paid a total of \$4.5M in Property Management Fees for the property management, leasing and development services to related parties of the RE. This includes fees to AMP Capital Shopping Centres Pty Limited (\$2.1M) and AMP Capital Office & Industrial Pty Limited (\$2.4M). In addition, property management costs of \$3.8M were recharged to the Group. These recharges primarily relate to staff costs. A portion of these costs are recoverable from tenants.

All related party transactions are under normal commercial terms and conditions and at market rates.

Material service engagements and financial benefits that are paid to related parties are updated regularly through the Fund Update and Continuous Disclosure Notice. The dollar amounts of related party payments are also reported annually in the Fund's Annual Report.

Past Performance

Since the Fund was established in 1985, it has delivered a total of \$3.426 per unit in distributions for the 35.5 years to 30 September 2020, equivalent to a distribution yield of 9.6% on a straight-line basis.

AMP Capital was appointed as Investment Manager on 31 January 2012. Since 31 March 2012, under AMP Capital, the Fund has delivered total distributions of \$0.6553 unit, equivalent to an average yield of 6.7% p.a., on a straight-line basis. During this time the unit price has increased by 7.1% over the 8.5-year period.

Core Property notes that past performance is not a reliable indicator of future performance as each fund, and its respective underlying assets, has its own specific risks and unique 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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