

601 Coronation Drive Fund

Investor Update

For the Quarter Ending 30 September 2020

Fund Manager
Capital Property Funds Pty Limited
ACN 162 323 506

601 CORONATION DRIVE FUND UPDATE

Capital Property Funds Pty Limited (the Fund Manager) is pleased to provide the September 2020 Quarter Investor Update for the 601 Coronation Drive Fund ARSN 610 941 654 (the Fund).

This and future updates on the Fund will be placed on our website: www.capitalpropertyfunds.com.au

FUND HIGHLIGHTS

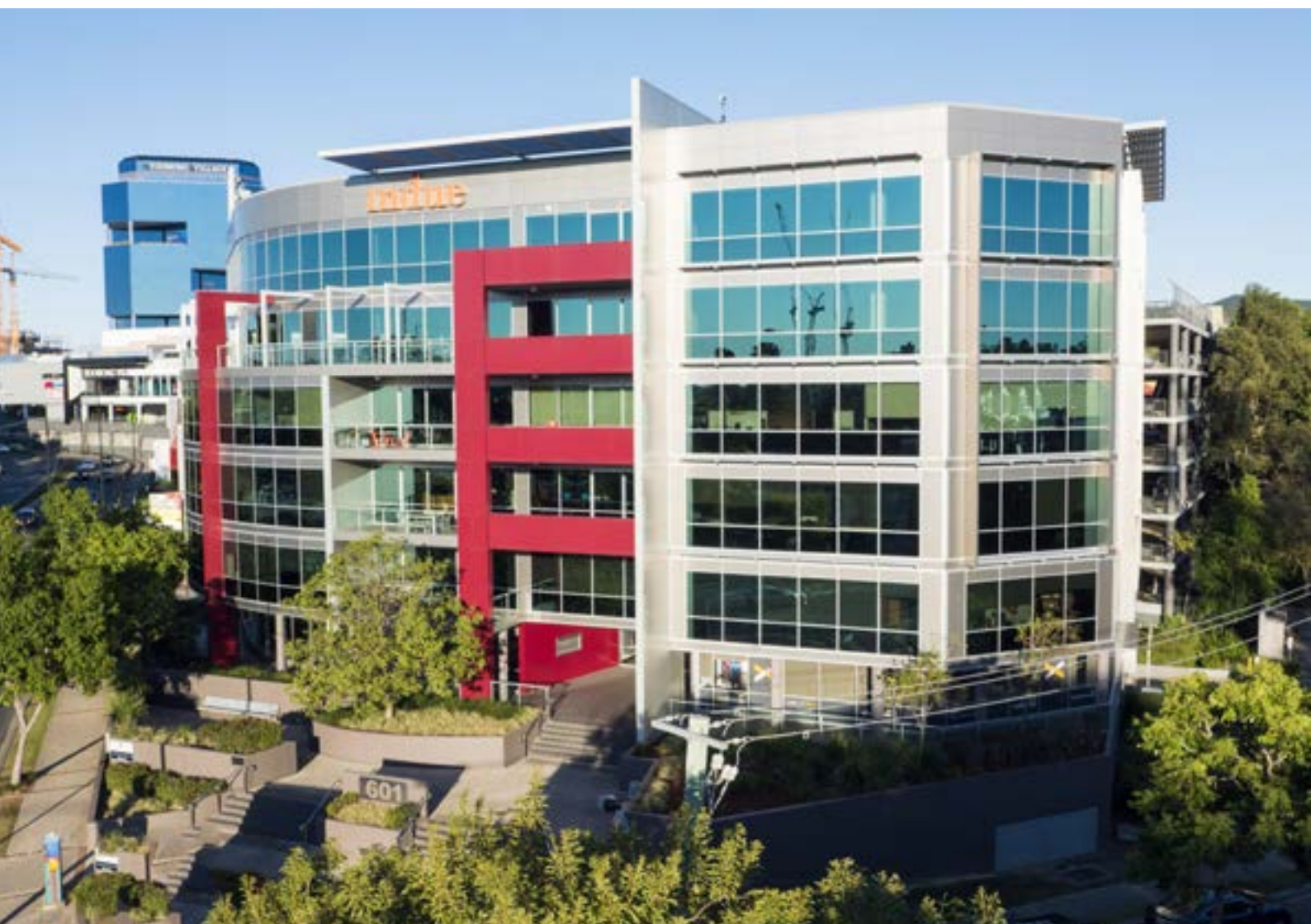
- Quarterly distributions to 30 September 2020 were paid on 23 October 2020. Approximately 2.02 cents per unit, equating to 8.00% per annum annualised, was paid to unitholders;
- The Fund's gearing was 53.0% and the Loan to Valuation Ratio was 54.3% as at 30 September 2020;
- Getfu Holdings has executed a 2 year lease with a 3 year option over part level 4 commencing 1 December 2020. The tenant has been granted early access and is in occupation;
- Occupancy has increased from 92% to 96% incorporating the new lease to Getfu Holdings;
- The WALE by income was 4.0 years incorporating the new lease to Getfu Holdings;
- The independent valuation of the Property by CBRE was \$47,800,000 as at 25 July 2019;
- Net Tangible Assets (NTA) per unit was \$0.88 as at 30 September 2020; and
- COVID-19 - see page 5 for an update of the Queensland Regulations in relation to tenants and rental relief.



FINANCIAL POSITION

The following table summarises the key information for the Fund's financial position as at 30 September 2020.

TOTAL ASSETS	\$'000	48,929
NET ASSETS	\$'000	22,136
DEBT - PROPERTY LOAN	\$'000	25,934
PROPERTY LOAN TO VALUATION (LVR)	%	54.3
LVR COVENANT	%	55.0
FUND GEARING	%	53.0
UNITS ON ISSUE	'000	25,064
NTA PER UNIT	\$	0.88
DISTRIBUTIONS PAID FOR SEPTEMBER 2020 QUARTER	cents	2.02
DISTRIBUTION YIELD (ANNUALISED)	%	8.00



LEASING UPDATE

Leasing Agents

A lease has been executed for a 2 year term with a 3 year option, commencing 1 December 2020 to Getfu Holdings Pty Ltd over the vacant suite on Level 4 (305sqm). The tenant has been granted early access and is in occupation.

JLL and Tewksbury Commercial are focusing on the one vacant suite on the ground floor (311sqm), which contains a high quality fitout.

Occupancy

As at 30 September 2020, 601 Coronation Drive's occupancy increased from 92% to 96% incorporating the new lease to Getfu Holdings.

Weighted Average Lease Expiry

The weighted average lease expiry (WALE) by income as at 30 September 2020 was 4.0 years incorporating the new lease to Getfu Holdings.

Tenant Diversity

Tenant diversity in the building as at 30 September 2020 was as follows:

Top 4 Tenants by Income

JUMBO INTERACTIVE	29.4%
INDUE	28.8%
QUEENSLAND COLLEGE OF TEACHERS	17.0%
HOME INSTEAD TENANCIES	12.1%

Top 4 Tenants by Gross Lettable Area

JUMBO INTERACTIVE	27.8%
INDUE	26.0%
QUEENSLAND COLLEGE OF TEACHERS	16.7%
HOME INSTEAD TENANCIES	12.5%

COMBUSTIBLE CLADDING REGULATION

A Fire Engineer has been appointed and a meeting with Queensland Fire & Emergency Services (QFES) has been held. In preparation for this meeting, the Fire Engineer prepared a Building Fire Safety Risk Assessment (BFSRA) to review the fire and safety measures in place at the property and to identify any immediate risks that need to be addressed to be compliant with the legislation and QFES's assessment of occupier risk and risk mitigation.

Following this meeting, QFES has requested the Fire Engineer now prepare a Fire Engineering Brief (FEB) outlining the strategy for remediation works. A further meeting will then be held with QFES to review the FEB to gain agreement to the strategy. The Fund Manager expects recommendations will ensue, the additional consultants will be appointed and costings obtained. This has been a slow process but the Fund Manager is working within the guidelines and key dates set by Queensland Government to ensure the correct approach is taken.

Part 3 – Fire Safety Risk Assessment

The final stage of the combustible cladding regulations involves:

1. Completing and registering a building fire safety risk assessment prepared by a fire engineer;
2. A fire engineer's statement; and
3. The final combustible cladding checklist which are to be completed by 3 May 2021.

Capex Debt Facility

As part of the debt refinancing in September 2019, the Fund Manager established a Tranche B capex debt facility of \$430,000. This Tranche is currently undrawn and can only be drawn exclusively towards potential ACP remediation capital works.

For further details in regards to Queensland ACP registration, please refer to <https://www.saferbuildings.qld.gov.au/index.html>

VALUATION

The following provides a summary of the independent valuation, undertaken as part of the debt refinancing:

VALUATION	\$47.8m
VALUATION DATE	25 July 2019
VALUER	CBRE
CAPITALISATION RATE	7.25%

CORONAVIRUS (COVID-19) PANDEMIC

Following the outbreak of COVID-19, property management measures were put in place and are reviewed on an ongoing basis to ensure a diligent cleaning regime; hand sanitisers and appropriate signage have been installed.

Further amendments to the Retail Leases & Other Commercial Leases (COVID-19 Emergency Response) Regulation 2020 (Qld) (Regulations) have now been published. The Regulations continue to apply until 31 December 2020 with some slight variations.

The previous provisions of the Regulations applied during the Response Period (29 March 2020 to 30 September 2020), however, a new concept named “Extension Period” has been introduced for the period from 1 October 2020 to 31 December 2020. A lessee under an affected lease will continue to be able to seek rent relief (among other things) during the Extension Period.

As noted in the report for June 2020, a rental relief request was received from one tenant comprising less than 4% of the building’s net lettable area and the Fund Manager determined and granted the proportionate and appropriate relief. This has been documented through a Concession Deed. The Fund Manager is in the process of determining whether the Extension Period will be applicable to the current rental relief granted to the tenant.



DEBT

The 2 year debt facility with ING was negotiated to extend debt financing to the end of the initial 5 year term of the Fund. This facility has resulted in a significantly lower interest rate for Tranche A of 2.84% compared to the previous facility of 4.365%.

The following table provides a summary of the Fund's borrowings as at 30 September 2020.

Facility Limit \$m	Drawn Amount \$m	Undrawn Amount \$m	Expiry Date	Interest Rate p.a.
Tranche A - \$25.93m	\$25.93m	\$0.00m	16 September 2021	2.84% (Fixed)
Tranche B - \$0.43m	\$0.00m	\$0.43m	16 September 2021	1.00% (Line Fee) ¹
Total	\$25.93m	\$0.43m		

¹ 1% line fee capitalises and increases to BBSY Bid Rate + 1.91% once drawn.

Tranche B is an undrawn tranche to be used for any ACP remediation capital expenditure.

The weighted average cost of the debt for the Fund is approximately 2.81% per annum while Tranche B is undrawn. The Fund's gearing level was 53.0% as at 30 September 2020 which is within its long-term target of 50-55%.



DISTRIBUTIONS

The distribution for the quarter to 30 September 2020 was paid on 23 October 2020.

The distributions paid to date are as follows:

Period	Distribution Paid (cents per unit) ¹	Distribution Paid (annualised yield)
12 August - 30 September 2016	1.10	8.00%
December 2016 Quarter	2.02	8.00%
March 2017 Quarter	1.97	8.00%
June 2017 Quarter	1.99	8.00%
September 2017 Quarter	2.02	8.00%
December 2017 Quarter	2.02	8.00%
March 2018 Quarter	1.97	8.00%
June 2018 Quarter	1.99	8.00%
September 2018 Quarter	2.02	8.00%
December 2018 Quarter	2.02	8.00%
March 2019 Quarter	1.97	8.00%
June 2019 Quarter	1.99	8.00%
September 2019 Quarter	2.01	8.00%
December 2019 Quarter	2.01	8.00%
March 2020 Quarter	1.99	8.00%
June 2020 Quarter	1.99	8.00%
September 2020 Quarter	2.02	8.00%
Total to Date	33.10	8.00%

¹ For applications received before the start of the Period. Applications received after the start of the Period are entitled to a pro-rata distribution from the allotment date.

Investors received approximately 2.02 cents per unit for the September 2020 quarter which equates to an annualised income yield of 8.00% p.a.

This yield is the targeted income distribution outlined in the 601 Coronation Drive Fund Product Disclosure Statement dated 14 June 2017 and RG97 website notice dated 26 September 2017 (together the PDS).

NET TANGIBLE ASSETS

The Fund's net tangible assets (NTA) show the value of the Fund's NTA on a per Unit basis. This amount can be used as an approximate measure of what an Investor could expect to receive per Unit held (before selling costs).

The NTA (including the benefit of the vendor's rental guarantee) is calculated as follows:

$$\begin{aligned}
 \text{NTA} &= \frac{(\text{Net assets} - \text{intangible assets} + / - \text{other adjustments})}{(\text{Number of Units on issue})} & \text{NTA per Unit} &= \frac{\$22,136,116}{25,063,915} \\
 & & &= \$0.88 \text{ per unit}
 \end{aligned}$$

Contacts

Contact the Fund Manager for:

- Management of 601 Coronation Drive Fund
- New investment opportunities

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- Distributions
- Changing contact details

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IMPORTANT INFORMATION

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A copy of the PDS as well as continuous disclosures may be obtained from <https://oneinvestment.com.au/601-coronation-drive-fund/> or http://www.capitalpropertyfunds.com.au/601_coronation_drive_fund.html