



Capital Property Funds

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601 Coronation Drive Fund

Investor Update

For the Quarter Ending 30 June 2021

Fund Manager

Capital Property Funds Pty Limited

ACN 162 323 506

Responsible Entity
One Managed Investment Funds Limited
ACN 117 400 987 | AFS licence no. 297042

601 CORONATION DRIVE FUND (ARSN 610 941 654 APIC CODE OMF0020AU)

601 CORONATION DRIVE FUND UPDATE

Capital Property Funds Pty Limited (the Fund Manager) is pleased to provide the June 2021 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 June 2021 were paid on 22 July 2021. Approximately 1.99 cents per unit, equating to 8.00% per annum annualised, was paid to unitholders;
- The Fund's gearing was 49.7% and the Loan to Valuation Ratio was 50.6% as at 30 June 2021;
- The Fund Manager is pleased to report that occupancy is 100%;
- The WALE by income was 3.4 years as at 30 June 2021;
- The independent valuation of the Property increased from \$47,800,000 as at 25 July 2019 to \$51,250,000 as at 30 June 2021; and
- Net Tangible Assets (NTA) per unit increased from \$0.89 as at 31 March 2021 to \$1.01 as at 30 June 2021.
- 601 Coronation Drive Fund – Liquidity Strategy and Restructure Proposal – Investors have received a letter from the Fund Manager, advising that the initial 5 year term of the Fund will conclude on or around 5 August 2021. Existing investors in the Fund are being provided with an opportunity to exit the Fund by submitting a Buy/Sell Form. Depending on the outcome of the Buy/Sell Forms, the property will either be sold or alternatively a proposal will be put to investors to extend the Fund for a 2 year term or to restructure the Fund.



FINANCIAL POSITION

The following table summarises the key information for the Fund's financial position as at 30 June 2021.

TOTAL ASSETS	\$'000	52,200
NET ASSETS	\$'000	25,408
DEBT - PROPERTY LOAN	\$'000	25,938
PROPERTY LOAN TO VALUATION (LVR)	%	50.6
LVR COVENANT	%	55.0
FUND GEARING	%	49.7
UNITS ON ISSUE	'000	25,064
NTA PER UNIT	\$	1.01
DISTRIBUTIONS PAID FOR JUNE 2021 QUARTER	cents	1.99
DISTRIBUTION YIELD (ANNUALISED)	%	8.00



LEASING UPDATE

Leasing

The lease to Defence CRC TAS Limited over 190sqm on the Ground Floor was extended from 1 December 2021 by 2 years and 7 months to 30 June 2024 with 2 x 1 year options.

Occupancy

As at 30 June 2021, 601 Coronation Drive's occupancy was 100%.

Weighted Average Lease Expiry

The weighted average lease expiry (WALE) by income as at 30 June 2021 was 3.4 years.

Tenant Diversity

Tenant diversity in the building as at 30 June 2021 was as follows:

Top 4 Tenants by Income

INDUE	28.0%
JUMBO INTERACTIVE	26.1%
QUEENSLAND COLLEGE OF TEACHERS	16.6%
HOME INSTEAD TENANCIES	11.8%

Top 4 Tenants by Gross Lettable Area

JUMBO INTERACTIVE	26.2%
INDUE	26.0%
QUEENSLAND COLLEGE OF TEACHERS	16.7%
HOME INSTEAD TENANCIES	12.5%

COMBUSTIBLE CLADDING REGULATION

A Fire Engineer was appointed and an initial meeting held with Queensland Fire & Emergency Services (QFES) to discuss the Building Fire Safety Risk Assessment (BFSRA) prepared by the Fire Engineer. This was to review the fire and safety measures in place at the property and to identify any immediate risks that needed to be addressed to be compliant with the legislation and QFES's assessment of occupier risk and risk mitigation.

The Fire Engineer prepared a Fire Engineering Brief (FEB) outlining the strategy for remediation works in relation to the cladding of 601 Coronation Drive which comprises Aluminum Composite Panels (ACP). The FEB was requested by QFES to obtain additional information on the combustion characteristics of the building cladding, including the insulation which sits behind the ACP. This involved a testing laboratory collecting samples of the ACP and insulation from the building and undertaking various tests of the samples which has been completed.

The additional testing has confirmed that the majority of the ACP are fire-retardant panels and the balance of the ACP is combustible, along with the insulation. The combustible ACP and insulation will need to be replaced with solid aluminium panels. Whilst it was initially thought the Fire Engineer and QFES could approve the fire-retardant panels remaining in place, it is likely all ACP will be required to be removed in order to access the insulation which needs to be replaced behind these panels.

The Fund Manager is about to engage a project manager to provide an ACP remediation scope of works and tender package in preparation for undertaking the remediation works.

Valuation and ACP Remediation

The valuation undertaken by Colliers as at 30 June 2021 of \$51,250,000 incorporates an ACP remediation budget of \$3,000,000. At this stage the ACP remediation budget is an estimate and subject to scope of works and tender.

The valuation has also been assessed at \$54,750,000 on the basis that the ACP has been remediated resulting in a valuation uplift of \$3,500,000.

Part 3 – Fire Safety Risk Assessment

The Fund Manager is working within the guidelines and key dates set by Queensland Government to ensure the correct approach is taken.

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 have been completed by 3 May 2021 and the appropriate notice displayed in the Building – a Form 42 Affected Private Building Notice.

ACP Remediation Debt Facility

Given the ACP remediation is now likely to require all ACP to be replaced, the ING Bank ACP remediation facility of \$430,000 will be insufficient. The Fund Manager has commenced discussions with ING Bank to extend the current debt facility and also increase the ACP remediation facility to \$3,000,000 to fund the remediation works.

VALUATION

The following provides a summary of the independent valuation, undertaken for financial reporting purposes and as part of the debt refinancing on 16 September 2021:

VALUATION	\$51.25m
VALUATION DATE	30 June 2021
VALUER	Colliers
CAPITALISATION RATE	6.625%



DEBT

The Fund Manager has commenced discussion with the current lender, ING Bank, to refinance the debt facility on expiry as at 16 September 2021.

The following table provides a summary of the Fund's borrowings as at 30 June 2021.

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	\$0.42m	16 September 2021	1.00% (Line Fee) ¹
Total	\$25.93m	\$0.42m		

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 49.7% as at 30 June 2021 which is just below its long-term target of 50-55%.



DISTRIBUTIONS

The distribution for the quarter to 30 June 2021 was paid on 22 July 2021.

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%
December 2020 Quarter	2.02	8.00%
March 2021 Quarter	1.97	8.00%
June 2021 Quarter	1.99	8.00%
Total to Date	39.08	8.00%

¹For 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 1.99 cents per unit for the June 2021 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:

$$\begin{aligned}
 \text{NTA} &= \frac{(\text{Net assets} - \text{intangible assets} + / - \text{other adjustments})}{(\text{Number of Units on issue})} & \text{NTA per Unit} &= \frac{\$25,407,698}{25,063,915} \\
 & & &= \$1.01 \text{ per unit}
 \end{aligned}$$

Contacts

Contact the Fund Manager for:

- Management of 601 Coronation Drive Fund
- New investment opportunities

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IMPORTANT INFORMATION

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One Managed Investment Funds Limited (ACN 117 400 987) (AFSL 297042) is the responsible entity of the Fund (OMIFL). The information contained in this document was not prepared by OMIFL but was prepared by other parties. While OMIFL has no reason to believe that the information is inaccurate, the truth or accuracy of the information contained therein cannot be warranted or guaranteed. Anyone reading this report must obtain and rely upon their own independent advice and inquiries. Investors should consider the Product Disclosure Statement dated 14 June 2017 and RG97 website notice update dated 26 September 2017 (together the PDS) issued by OMIFL before making any decision regarding the Fund. The PDS contains important information about investing in the Fund and it is important investors obtain and read a copy of the PDS before making a decision about whether to continue to hold or dispose of units in the Fund. You should also consult a licensed financial adviser before making an investment decision in relation to the Fund.

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