

601 Coronation Drive Fund

Investor Update

For the Quarter Ending 31 March 2022

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 March 2022 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 31 March 2022 were paid on 26 April 2022. Approximately 1.97 cents per unit, equating to 8.00% per annum annualised, was paid to unitholders;
- The Fund's gearing was 49.3% and the Loan to Valuation Ratio was 50.6% as at 31 March 2022;
- Occupancy was 100% as at 31 March 2022;
- The WALE by income was 2.6 years as at 31 March 2022;
- The independent valuation of the Property as at 30 June 2021 was \$51,250,000;
- Net Tangible Assets (NTA) per unit was \$1.03 as at 31 March 2022; and
- The contract for the ACP remediation work has now been awarded to A Dart & Co.

As previously advised in the September 2021 Update to Investors, the Fund Manager will soon provide Investors with the opportunity to consider a restructure proposal involving additional Fund liquidity opportunities and allowing the Fund to acquire other property assets to provide location, property and tenant diversification benefits.



FINANCIAL POSITION

The following table summarises the key information for the Fund's financial position as at 31 March 2022.

TOTAL ASSETS	\$'000	52,602
NET ASSETS	\$'000	25,858
DEBT - PROPERTY LOAN	\$'000	25,941
PROPERTY LOAN TO VALUATION (LVR)	%	50.6
LVR COVENANT	%	55.0
FUND GEARING	%	49.3
UNITS ON ISSUE	'000	25,064
NTA PER UNIT	\$	1.03
DISTRIBUTIONS PAID FOR MARCH 2022 QUARTER	cents	1.97
DISTRIBUTION YIELD (ANNUALISED)	%	8.00



MANAGEMENT UPDATE

Insurance

With the severe rainfall and flooding events experienced in Queensland over February and March 2022, water ingress occurred in the lower basement level of the carpark to the property due to a burst stormwater pipe. This caused damage to various electrical components and affected the operation of the lifts and access to the carpark by the tenants. Consequently, an insurance claim has been lodged.

LEASING UPDATE

Leasing

The Telstra Corporation lease over the basement area and rooftop telecommunication facility expires on 31 May 2022. The lease terms for a new lease have been negotiated for a 10 year term from 1 June 2022 to 31 May 2032. The lease has been issued to Telstra and is in the process of being finalised.

Indue Pty Ltd has surrendered the Signage Right over the property which will be leased to M & S Warner Pty Ltd (trading as Home Instead) to run concurrently with Home Instead's lease. The transfer will be effected when the ACP remediation works are undertaken involving removal of Indue's signage and installation of Home Instead's signage at the same time at the cost of the tenants.

Occupancy

As at 31 March 2022, 601 Coronation Drive's occupancy was 100%.

Weighted Average Lease Expiry

The weighted average lease expiry (WALE) by income as at 31 March 2022 was 2.6 years.

Tenant Diversity

Tenant diversity in the building as at 31 March 2022 was as follows:

Top 4 Tenants by Income

INDUE	28.0%
JUMBO INTERACTIVE	26.1%
QUEENSLAND COLLEGE OF TEACHERS	16.6%
HOME INSTEAD TENANCIES	11.9%

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 UPDATE

The Fund Manager has appointed a project manager to provide an ACP remediation scope of work and tender package in preparation for undertaking the remediation works along with a panel of consultants required to undertake the project.

The tender packages were sent out to suitably qualified groups and the tender closed. The tenders were reviewed and the contract awarded to A Dart & Co. The building contract has been signed and the contract price is \$2,269,480.00 which is significantly lower than the \$3,000,000 budget and ING ACP Remediation Tranche 2 Facility.

The indicative ACP remediation timetable has been updated below:

Award Contract	22 April 2022
Mobilise to Site	23 May 2022
Works Complete	16 November 2022

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	6.68%

Valuation and ACP Remediation

The valuation undertaken by Colliers as at 30 June 2021 of \$51,250,000 and incorporated an ACP remediation budget of \$3,000,000.

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.

DEBT

The Fund Manager has finalised with the current lender, ING Bank, the refinancing of the debt facility which expired on 16 September 2021.

The following table provides a summary of the Fund's borrowings as at 31 March 2022.

Facility Limit \$m	Drawn Amount \$m	Undrawn Amount \$m	Expiry Date	Interest Rate p.a.
Tranche 1 - \$25.93m	\$25.93m	\$0.00m	30 September 2024	Approx. 2.21% ¹
Tranche 2 - \$3.00m	\$0.00m	\$2.99m	30 September 2024	1.00% (Line Fee) ²
Tranche 3 - \$1.00m	\$0.00m	\$1.00m	30 September 2024	1.00% (Line Fee) ²
Total	\$25.93m	\$3.99m		

¹ Floating rate of BBSY Bid Rate + 1.95% margin.

² 1% line fee capitalises and increases to BBSY Bid Rate + 1.95% once drawn, undrawn amount is less than the facility amount by the capitalised interest on the previous Tranche B facility of \$430,000.

Tranche 2 is an undrawn tranche to be used for any ACP remediation capital expenditure.

Tranche 3 is an undrawn tranche to be used for working capital.

The weighted average cost of the drawn debt for the Fund is approximately 2.23% per annum while Tranches 2 & 3 are undrawn.

The Fund's gearing level was 49.3% as at 31 March 2022 which is just below its long-term target of 50-55%.



DISTRIBUTIONS

The distribution for the quarter to 31 March 2022 was paid on 26 April 2022.

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%
September 2021 Quarter	2.02	8.00%
December 2021 Quarter	2.02	8.00%
March 2022 Quarter	1.97	8.00%
Total to Date	45.08	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 1.97 cents per unit for the March 2022 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:

$$\begin{array}{l} \text{NTA} = \frac{(\text{Net assets} - \text{intangible assets} +/- \text{other adjustments})}{(\text{Number of Units on issue})} \end{array} \qquad \begin{array}{l} \text{NTA per Unit} = \frac{\$25,858,109}{25,063,915} \\ = \$1.03 \text{ per unit} \end{array}$$



Contacts

Contact the Fund Manager for:

- Management of 601 Coronation Drive Fund
- New investment opportunities

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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