13 November 2017

GCM Participation in GDF Entitlement Offer

GARDA Capital Group (GCM) is pleased to announce that GARDA Diversified Property Fund (**Fund** or **GDF**) is launching a 1-for-4.3 entitlement offer to existing Fund investors, raising approximately $30.0 million through the issue of approximately 26.1 million units at $1.15 per unit (**Offer**).

Following completion of the Offer, GDF will have a market capitalisation of approximately $159 million.[1]

The Offer is fully underwritten by Morgans Corporate Limited (**Underwriter**).

The proceeds from the Offer will provide the Fund with further capital for the acquisitions of 70-82 Main Beach Road Pinkenba, Queensland; Lot 2001 Metroplex Westage, Wacol, Queensland; and Botanicca 9, Richmond, Victoria and construction on those properties (**Acquisitions**). Upon completion of the Acquisitions, GDF assets under management are expected to grow to approximately $295 million.

GCM currently has a strategic investment in GDF through its holding of approximately 10 million units. GCM has agreed to take up all of its entitlement under the Offer and in addition, has agreed to support the Offer through a sub-underwriting agreement to acquire up to a further approximately 6.37 million units.

The entitlement and sub-underwriting agreement means GCM may acquire up to approximately 8.7 million units at $1.15 per unit, contributing a total of $10.0 million to the Offer. Following completion of the Offer, GCM may hold 13.5% of GDF, increasing from 8.9% and further aligning itself with GDF unitholders. GCM will receive from the Underwriter a commitment fee of 2.0% in respect of its entitlement under the Offer, and also a sub-underwriting fee of 2.0% of the sub-underwriting contribution (in excess of its entitlement).

GARDA Capital Group Executive Chairman Matthew Madsen said “we are pleased to be supporting the growth of GDF through our participation in this Offer. The Acquisitions will further improve the quality of the property portfolio and provide increased scale for GDF. GCM’s involvement in the Offer is a compelling standalone investment offering a 7.8% distribution yield on Offer price and an opportunity for GARDA as responsible entity of GDF to increase its strategic stake, further aligning its interests with those of all GDF investors”.

In order to finance its potential $10.0 million participation in the Offer, GCM has entered into a finance arrangement where GARDA Capital Trust (**Borrower**) will borrow $10 million from a syndicate of lenders (**Loan**), some of which are related parties or substantial holders in GCM.

[1] Based on the Offer price of $1.15 and new units to be issued under the Offer.

The key terms of the Loan are as follows:

a) Interest rate – 7% per annum;
b) Term – 3 years;
c) Financial covenants – nil;
d) Repayment – interest payable quarterly in arrears, principal repayable at any time and due at the end of the term; and
e) Security – all of the Borrower's present and after-acquired property.

GCM has sought a waiver under ASX Listing Rule 10.1 to provide security to certain members of the lending syndicate, which the ASX has granted in relation to the Loan.

GCM confirms that:

a) the Loan includes a term that if the security is exercised, neither the lenders nor any of their associates can acquire any legal or beneficial interest in an asset of GCM without having first complied with any applicable Listing Rules;
b) a summary of the terms of the Loan will be provided in each annual report of GCM while the security remains in force;
c) any variation to the terms of the Loan or associated security which are not a minor change, or inconsistent with the terms of the waiver must be subject to shareholder approval; and
d) it will seek to discharge the security when the Loan is repaid, or if it is not discharged, seek security holder approval for the continuation of the security.

The board of GCM considers that the Loan is on terms that are significantly more favourable to the Borrower than an equivalent facility from unrelated commercial lenders, and therefore considers the Loan to be on arm's length terms, and both fair and reasonable. GCM expects that repayment of the funds will occur prior to the expiry date of the facility from GCM's cash flows and/or other financial accommodation.

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About GARDA Capital Group

GARDA Capital Group (GCM) is an ASX-listed (ASX: GCM) real estate investment and funds management group. GARDA Capital Group is a stapled structure comprising GARDA Capital Limited and GARDA Capital Trust.

GARDA Capital Limited (AFSL 246714) is the parent entity of the GARDA Capital Group and is also the responsible entity of the ASX-listed property fund, GARDA Diversified Property Fund (GDF).

GARDA Capital Trust is a registered managed investment scheme which is the primary investment vehicle for the GARDA Capital Group.
