Virgin Australia Head Office, Brisbane, Queensland

4 December 2017

Charter Hall Long WALE REIT

Acquisition and Entitlement Offer Presentation

Disclaimer

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Certain terms used in this presentation are defined in the Glossary

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Fund Manager
Charter Hall Long WALE REIT

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Head of Long WALE REIT Finance

Transaction overview

Acquisition and Entitlement Offer

Acquisition	• **Charter Hall WALE Limited ("Responsible Entity"), as responsible entity of Charter Hall Long WALE REIT (the "REIT") has entered into an agreement to acquire a 100% interest in Virgin Australia's head office at 56 Edmondstone Road, Brisbane (the "Virgin Australia Head Office") for $90.8 million[1] ("Acquisition")** – the asset serves as Virgin Australia's head office and is 100% occupied with a WALE of 8.4 years[2] – the leases with Virgin Australia provides for 3.5% fixed annual rent reviews over 12,427 sqm of NLA[3] – the acquisition price reflects a 6.9% initial passing yield and 6.8% capitalisation rate
Entitlement offer	• **The REIT will undertake a fully underwritten accelerated non-renounceable entitlement offer to raise approximately $94.1 million ("Entitlement Offer") to fully fund the Acquisition and associated transaction costs** – eligible securityholders will be offered 1 new security in the REIT for 9.25 existing securities at a fixed issue price of $4.15 per security ("Issue Price") • All Directors of the Responsible Entity have committed to take up their full entitlements under the Entitlement Offer • Charter Hall Group is the REIT's largest securityholder with approximately 20.4% of securities on issue and has committed to take up its full entitlements under the Entitlement Offer – Charter Hall Group may sub-underwrite a portion of the retail component of the Entitlement Offer[4]
Financial Impact	• **The REIT confirms, that barring any unforeseen events and no material change in current market conditions, CLW's guidance for FY18 Operating EPS remains unchanged at 26.4 cents per security, representing:** – 3.9% growth over FY17 annualised Operating EPS – 3.1% ahead of PDS target FY18 annualised Operating EPS of 25.6 cents • Following the Acquisition, Entitlement Offer and including the impact of the REIT's December 2017 revaluations, the REIT's pro-forma Jun-17[5]: – balance sheet gearing will reduce from 29.9% to 29.1%; – look through gearing will reduce from 37.7% to 36.3%; and – NTA is expected to increase from $3.93 to $4.02

1. Excluding transaction costs.
2. As at 31 December 2017 by gross passing income (REIT ownership interest).
3. Virgin Australia Head Office comprises 3 buildings with a separate lease covering each building. The three leases share the same lease expiry date, lease review structure, passing rent rate and options.
4. On completion of the Entitlement Offer, Charter Hall Group's holding in the REIT will not exceed 21.5%.
5. Including post balance date acquisitions of Bunnings South Mackay as well as acquisition of Bridge Inn Hotel and divestment of Preston Hotel which are both under contract.

Transaction rationale

Improves portfolio diversification, eastern seaboard exposure and increases office exposure

1 Long WALE asset fully leased to a high quality ASX-listed tenant

- 12,427sqm of NLA, 100% occupied by Virgin Australia with an 8.4 year WALE[1]
- Virgin Australia is an ASX listed entity with a A$2.5 billion market capitalisation and A$3.5 billion enterprise value[2]
- Virgin Australia has major global shareholders including Etihad Airways (22%), Singapore Airlines (20%), HNA Group (20%), Nanshan Capital (20%) and Virgin Group (10%)[2]

2 Located in the fast growing Brisbane Fringe – Urban Renewal Precinct

- Significant 8,982sqm site area, located within the Brisbane Fringe – Urban Renewal Precinct with strong fundamentals including:
  - 2.8% average annual population growth for the 10 year period ending 30 June 2016 (vs. 1.7% for broader Australia)
  - 5.0% population growth for the 12 month period ending 30 June 2016
  - over 200,000sqm of positive net absorption of office space over the 10 year period ending 30 June 2017

3 Improves the sector, geographic and tenant diversification of the REIT's portfolio

- office sector exposure increases from 26% to 31%
- eastern seaboard exposure increases from 52% to 55%

4 3.5% annual fixed rent reviews

- improves the earnings growth profile of the REIT
- increases the proportion of fixed rent reviews from 61% to 64% of the portfolio's gross passing income[1]

Source: ABS, PCA 2017 Office Market Report – Brisbane Fringe (Urban Renewal)
1. As at 31 December 2017 by gross passing income (REIT ownership interest).
2. As at 1 December 2017.

Market update – December valuations

December 2017 property valuations increasing by $19.6 million or 1.4% over June 2017 values

46 of the REIT's 80 properties (c.39% of the portfolio by value) were independently valued at December 2017

		June 2017		December 2017		Change		
		Valuation ($m)	Cap rate (%)	Valuation ($m)	Cap rate (%)	Valuation ($m)	Valuation (%)	Cap rate (%)
Office (no revaluations)		$371.9	5.8%	$371.9	5.8%	-	-	-
Industrial (14 assets independently valued)		$669.6	6.5%	$677.1	6.5%	$7.5	1.1%	(7bps)
Retail (32 assets independently valued)		$356.0[1]	6.0%	$368.1	5.9%	$12.1	3.4%	(12bps)
Like-for-like[2]		**$1,397.5**	**6.2%**	**$1,417.2**	**6.1%**	**$19.6**	**1.4%**	**(7bps)**
Subsequent transactions (under contract)	**Acquisitions** Bridge Inn Hotel (Retail)			$9.5	6.0%			
	Divestments Prestons Hotel (Retail)			($4.1)	5.5%			
Portfolio				**$1,422.6**	**6.1%**			

1. Includes uplift from purchase price on ALH portfolio acquired on 22 June 2017 to reflect external valuations subsequent to 30 June 2017 balance date.
2. Includes the acquisition of Bunnings South Mackay and excludes acquisition of Bridge Inn Hotel and divestment of Preston Hotel which are both under contract.

Virgin Australia Head Office

A three building, high quality A-Grade asset underpinned by a long WALE and strong tenant covenant

Property overview

Virgin Australia Head Office is expected to settle in early January 2018

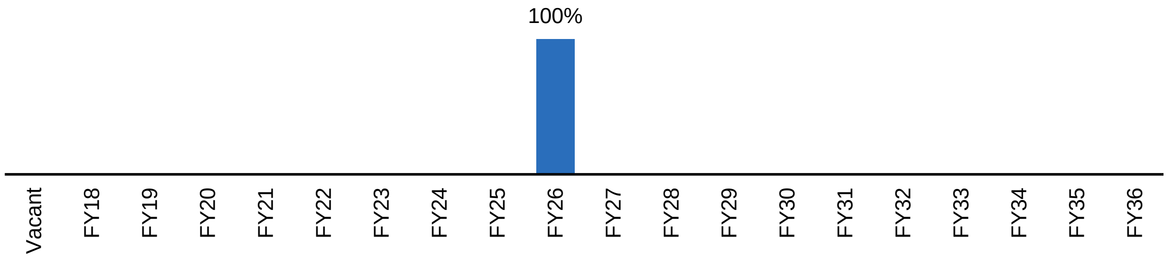
The property is fully leased to Virgin Australia Holdings Ltd, an ASX listed entity with a A$2.5 billion market capitalisation and A$3.5 billion enterprise value

The significant 8,982 sqm site is located within the Brisbane Fringe – Urban Renewal Precinct:

- 2.8% average annual population growth for the 10 year period ending 30 June 2016 (vs. 1.7% for broader Australia)
- 5.0% population growth for the 12 month period ending 30 June 2016
- over 200,000sqm of positive net absorption of office space over the 10 year period ending 30 June 2017

Property and valuation details	
Ownership interest[1]	100%
Valuation	$90.8m
Capitalisation rate	6.75%
Passing yield	6.88%
Title	Freehold
Grade	A
WALE[2]	8.4 years
Occupancy	100%
NLA	12,427 sqm
Car spaces	149
Completion	2008

Lease expiry profile[3]



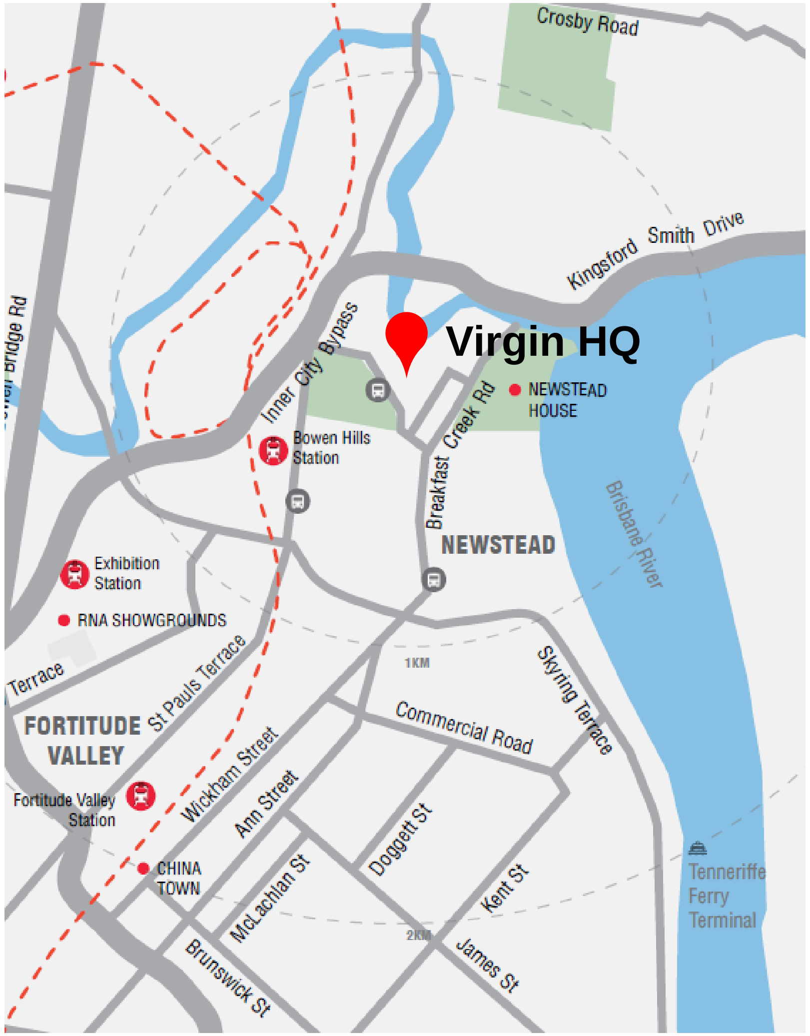
Key tenants

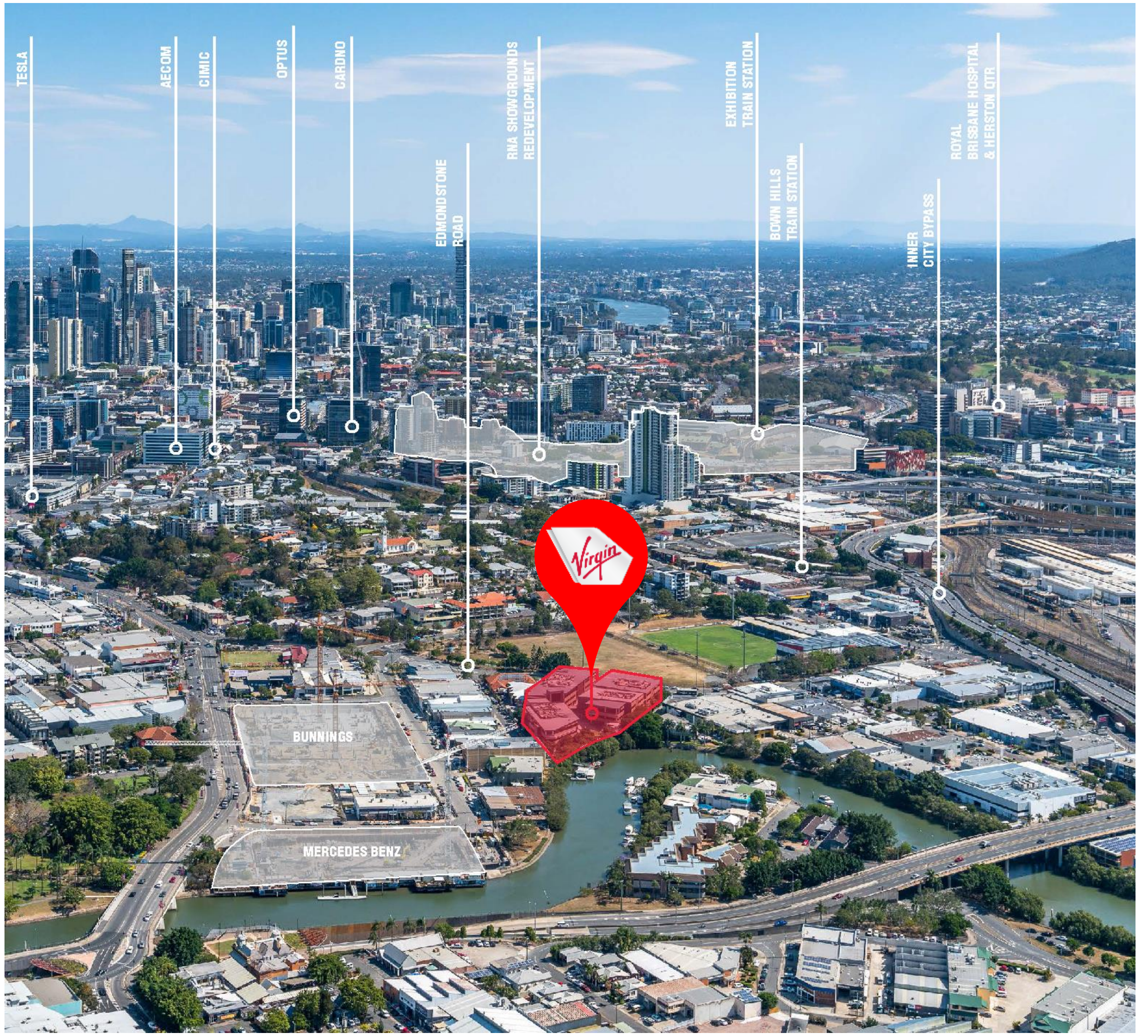
Tenant	NLA (sqm)	NLA %	Expiry date	Gross passing income	Review
Virgin Australia Holdings Ltd[4]	12,427	100%	May-26[5]	$7.4m	3.5%[6]

Source: ABS, PCA 2017 Office Market Report – Brisbane Fringe (Urban Renewal)
1. The acquisition will occur by the REIT acquiring 100% of the units in Charter Hall Direct VA Trust, the sole asset of which is the Virgin Australia Head Office. The Acquisition terms imply an acquisition price for the Virgin Australia Head Office of $90.8 million.
2. As at 31 December 2017 by gross passing income (REIT ownership interest).
3. By gross passing income (REIT ownership interest).
4. Virgin Australia Head Office comprises 3 buildings with a separate lease covering each building. The three leases share the same lease expiry date, lease review structure, passing rent rate and options.
5. 12 year leases to Virgin Australia Holdings Ltd commenced 9 May 2014 with 2 x 5 year options.
6. Ratcheted effective market rent reviews apply at commencement of the options.

Virgin Australia Head Office (continued)

A three building, high quality A-Grade asset underpinned by a long WALE and strong tenant covenant





Virgin Australia Head Office (continued)

A three building, high quality A-Grade asset underpinned by a long WALE and strong tenant covenant

Building Alpha	
L2	1,621 sqm
L1	2,020 sqm
G	2,002 sqm
Total	**5,643 sqm**

Building Bravo	
L2	1,040 sqm
L1	1,445 sqm
G	1,436 sqm
Total	**3,920 sqm**

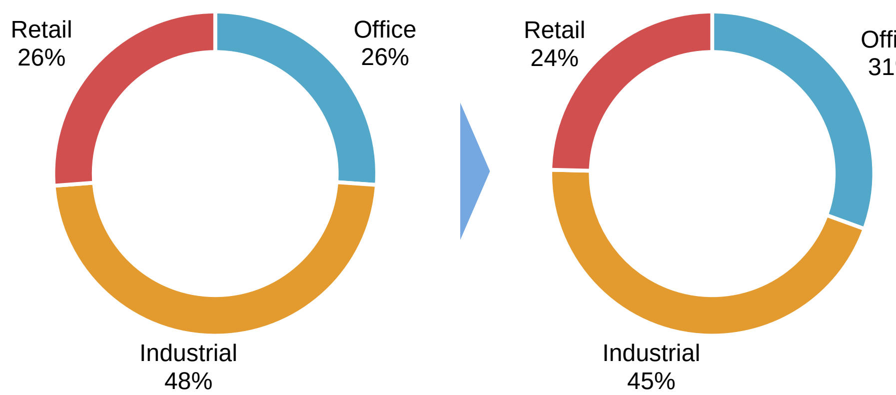
Building Charlie	
L2	902 sqm
L1	1,039 sqm
G	923 sqm
Total	**2,864 sqm**

Portfolio impact

Virgin Australia Head Office increases the REIT's office exposure and further weights the portfolio to eastern states

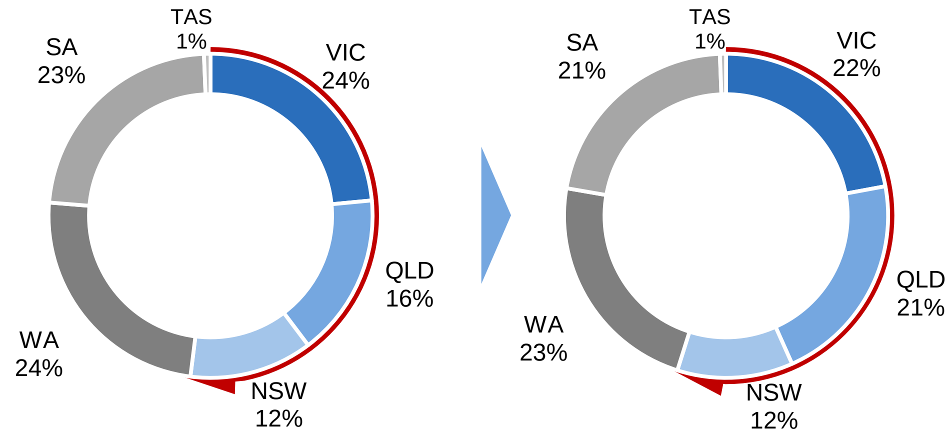
	Dec-17[1]	Virgin Australia Head Office	Dec-17 (pro forma)
Number of properties	80	1	81
Property valuation (A$m)	1,422.6	90.8	1,513.4
Weighted Average Capitalisation Rate (“WACR”)	6.1%	6.8%	6.2%
Occupancy	100%	100%	100%
Weighted Average Lease Expiry (“WALE”)	11.4 years	8.4 years	11.2 years
Proportion of income subject to fixed rental increases	61%	100%	64%

Portfolio by sector[2]



Virgin Australia Head Office increases CLW's
office sector exposure from 26% to 31%

Portfolio by geography[2]

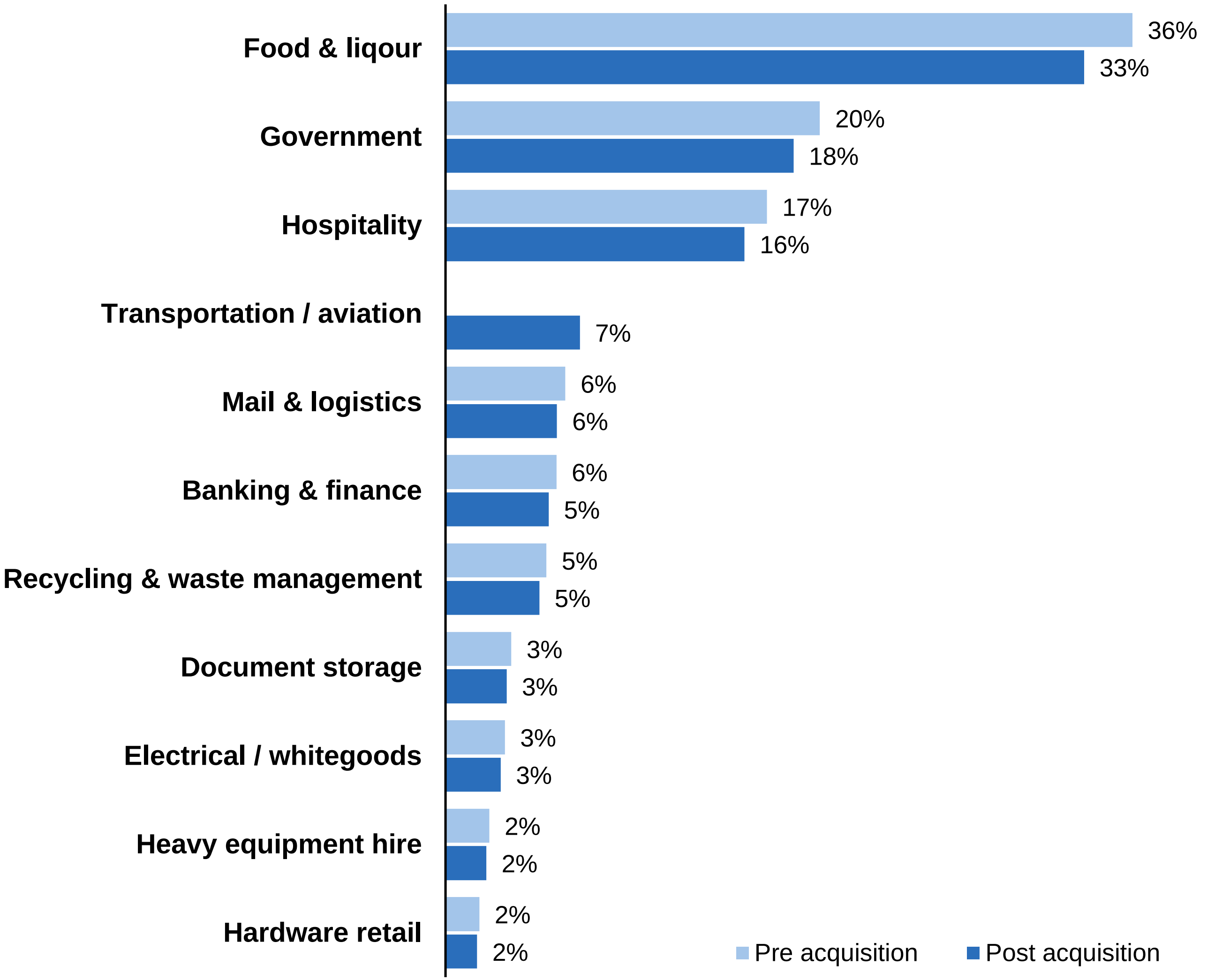


Virgin Australia Head Office increases CLW's
eastern seaboard exposure from 52% to 55%

1. Reflects December 2017 valuations (REIT ownership interest). Includes the acquisition of Bridge Inn Hotel and divestment of Preston Hotel which are both under contract.
2. As at 31 December 2017 by property valuation (REIT ownership interest).

Portfolio impact (continued)

The Acquisition further improves CLW's tenant sector diversification[1]



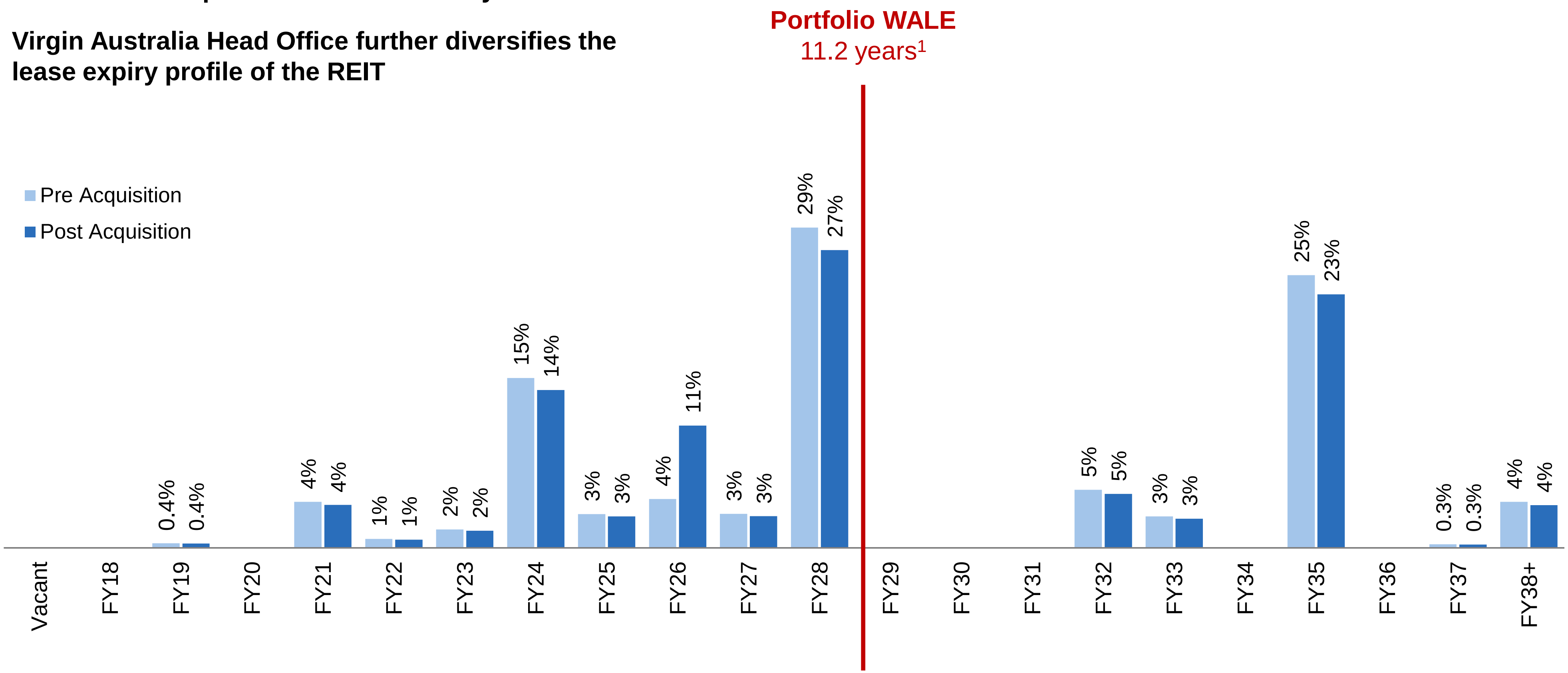
Major tenants

1. Includes the acquisition of Bridge Inn Hotel and divestment of Preston Hotel which are both under contract and Virgin Australia Head Office. Weighted by gross passing income as at 31 December 2017 (REIT ownership interest).

Portfolio impact (continued)

No major lease expiries until FY21

- **The REIT has a portfolio WALE of 11.2 years[1]**
- **Virgin Australia Head Office further diversifies the lease expiry profile of the REIT**



1. Includes the acquisition of Bridge Inn Hotel and divestment of Preston Hotel which are both under contract and Virgin Australia Head Office. Weighted by gross passing income as at 31 December 2017 (REIT ownership interest).

Entitlement Offer

Overview

The REIT will undertake a fully underwritten Entitlement Offer of approximately $94.1 million to fully fund the Acquisition including transaction costs

- Eligible securityholders will be offered 1 new security in the REIT for 9.25 existing securities at a fixed Issue Price of $4.15 per security
- Securities issued under the Entitlement Offer will rank equally with existing CLW Securities and will be entitled to the distribution for the three months to 31 December 2017

Sources of Funds	$m
Proceeds from the Entitlement Offer	94.1
Total sources	**94.1**

Uses of Funds	$m
Acquisition of Virgin Australia Head Office	90.8
Acquisition and Entitlement Offer transaction costs	3.3
Total uses	**94.1**

Key Entitlement Offer metrics	
Issue Price under the Entitlement Offer	$4.15
Discount to CLW 5 day VWAP	1.6%
Pro forma market capitalisation post offer[1]	$999m
FY18 OEPS yield (at Issue Price)[2]	6.4%
FY18 DPS yield (at Issue Price)[2]	6.4%
Pro forma balance sheet gearing (post Acquisition and Entitlement Offer)	29.1%
Pro forma look through gearing (post Acquisition and Entitlement Offer)	36.3%

1. Based on CLW close price as at 1 December 2017.
2. Based on CLW's guidance for FY18 Operating EPS of 26.4 cents per security (barring any unforeseen events and no material change in current market conditions) and a 100% payout ratio.

Entitlement Offer (continued)

Structure	• 1 for 9.25 accelerated non-renounceable entitlement offer to raise approximately $94.1 million – Record date is 6 December 2017 at 7:00pm (AEDT) – Entitlement Offer will comprise an accelerated Institutional Entitlement Offer and a Retail Entitlement Offer – Retail Entitlement Offer will open at 9:00am on 8 December 2017 and close at 5:00pm on 19 December 2017 – Early Retail Acceptance Due Date 5:00pm, Thursday, 14 December
Pricing	• Fixed Issue Price of $4.15 per security represents a: – 1.6% discount to the 5 day VWAP of $4.22 on 1 December 2017 – 3.2% discount to the theoretical ex-rights price (TERP) of $4.29[1]
Ranking	• Securities issued under the Entitlement Offer will rank equally with existing CLW Securities and will be entitled to the distribution for the three months to 31 December 2017
Underwriting	• The Entitlement Offer is fully underwritten by UBS AG, Australia Branch
Intentions of Directors and Charter Hall Group	• All Directors of the Responsible Entity have committed to take up their full entitlements under the Entitlement Offer. • Charter Hall Group is the REIT's largest securityholder with approximately 20.4% of securities on issue and has committed to take up its full entitlements under the Entitlement Offer – Charter Hall Group may sub-underwrite a portion of the retail component of the Entitlement Offer[2]

1. The theoretical ex-rights price (TERP) is the theoretical price at which securities should trade after the ex-date for the Entitlement Offer.
2. On completion of the Entitlement Offer, Charter Hall Group's holding in the REIT will not exceed 21.5%.

Entitlement Offer (continued)

Timetable

Event	Date 2017
Trading halt and announcement of the Transaction	Monday, 4 December
Institutional Entitlement Offer Bookbuild	Monday, 4 December
Trading of securities recommences on the ASX on an 'ex-entitlement' basis	Tuesday, 5 December
Entitlement Offer Record Date	7:00pm, Wednesday, 6 December
Retail Entitlement Offer Booklet despatched and Retail Entitlement Offer opens	9:00am, Friday, 8 December
Early Retail Acceptance Due Date	5:00pm, Thursday, 14 December
Settlement of securities issued under the Institutional Entitlement Offer (and Retail Entitlement Offer for applications received by the Early Retail Acceptance Due Date)	Friday, 15 December
Allotment and normal trading of securities issued under the Institutional Entitlement Offer (and Retail Entitlement Offer for applications received by the Early Retail Acceptance Due Date)	Monday, 18 December
Retail Entitlement Offer closes	5:00pm, Tuesday, 19 December
Allotment of remaining securities issued under the Retail Entitlement Offer	Wednesday, 27 December
Normal trading of remaining securities issued under the Retail Entitlement Offer	Thursday, 28 December

All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to AEDT.

Conclusion

- ✓ **Long WALE asset fully leased to a high quality ASX-listed tenant**
- ✓ **Improves the sector, geographic and tenant diversification of the REIT's portfolio**
- ✓ **Stable 3.5% annual fixed rent reviews**
- ✓ **The REIT maintains its FY18 OEPS guidance of 26.4 cents per security[1]**

1. Barring any unforeseen events and no material change in current market conditions

Appendix

A

Virgin Australia Head Office, Brisbane, Queensland

Pro forma balance sheet

$m	Jun-17[1]	Dec-17 revaluations[2]	Entitlement Offer	Acquisition[3]	Jun-17 (pro forma)
Cash	2.9		92.1	(92.1)	2.9
Investment properties	788.9	8.0		90.8	887.7
Equity accounted investments	407.7	11.7			419.4
Other assets	24.2				24.2
Total assets	**1,223.7**	**19.6**	**92.1**	**(1.2)**	**1,334.2**
Provision for distribution	13.3				13.3
Debt	390.8				390.8
Unamortised borrowing costs	(2.3)				(2.3)
Other liabilities	5.3				5.3
Total liabilities	**407.0**	**-**	**-**	**-**	**407.0**
Net tangible assets	**816.7**	**19.6**	**92.1**	**(1.2)**	**927.2**
Securities on issue (m)	207.8		22.7		230.5
NTA per security ($)	**3.93**	**4.02**	**4.02**	**4.02**	**4.02**
Balance sheet gearing	**31.8%**				**29.1%**
Look through gearing	**39.2%**				**36.3%**

1. Including post balance date acquisitions of Bunnings South Mackay as well as acquisition of Bridge Inn Hotel and divestment of Preston Hotel which are both under contract.
2. The REIT's interim financial report, including $19.6m of valuation gains, for the period ending 31 December 2017 is subject to review by the auditors.
3. Includes ($0.1m) of net working capital within the Charter Hall Direct VA Trust. Excludes Charter Hall Direct VA Trust debt, derivative positions and other transaction costs adjusted for in the acquisition price and settled with equity proceeds immediately post settlement.

Summary of key risks

Rental Income

Distributions made by the REIT are largely dependent on the rents received from tenants across the portfolio and expenses incurred during operations, which may be affected by a number of factors, including:

- overall economic conditions;
- the financial circumstances of tenants (on the date the units are allotted under the Institutional Entitlement Offer or the Retail Entitlement Offer in accordance with the Timetable, and in the future);
- the ability to negotiate lease extensions or replace outgoing tenants with new tenants;
- the occurrence of rental arrears or any vacancy periods;
- reliance on a tenant which leases a material portion of the REIT's portfolio;
- an increase in unrecoverable outgoings; and
- supply and demand in the property market.

Any negative impact on rental income (including as a result of a failure of existing tenants to perform existing leases in accordance with their terms) has the potential to decrease the value of the REIT and have an adverse impact on distributions or the value of securities or both.

Re-leasing and vacancy risk

Although the REIT's portfolio is currently fully leased and has no major forecast lease expiries prior to FY21, in the longer term, the REIT's portfolio's leases will come up for renewal on a periodic basis. There is a risk that the REIT may not be able to negotiate suitable lease renewals with existing tenants, maintain existing lease terms, or replace outgoing tenants with new tenants. This may result in a reduction in the REIT's Operating Earnings and distributions and a reduction in the value of the assets of the REIT.

Property valuation risk

The value of each property held by the REIT, and those it may hold in the future, may fluctuate due to a number of factors affecting both the property market generally or the REIT's properties in particular. These factors include, but are not limited to:

- changes in market rental rates;
- changes in property yields;
- fluctuating occupancy levels;
- tenants defaulting;
- supply and demand in the relevant property market;
- increased competition from new or existing properties;
- a downturn in the property market generally;
- pricing or competition policies of any competing properties or tenants; and
- general economic conditions, such as interest rates.

These factors may change for a variety of reasons including those set out above in respect of these particular risks. A reduction in the value of any property may adversely affect the value of securities in the REIT. It may also impact the REIT's financing arrangements (refer to Funding risk).

Property valuation risk (cont.)

Property values may fall if the underlying assumptions on which the property valuations outlined in this Presentation are based, change in the future. As changes in valuations of investment properties are recorded in the statutory income statement, any decreases in value will have a negative impact on the statutory income of the REIT.

As property values fluctuate, so too may returns from property assets. Rental and occupancy levels may change as a result of changes in the property market and this may affect the distributions paid by the REIT and the market price of securities.

The REIT will have its properties independently revalued regularly in accordance with its valuation policy. The independent valuations of the properties are the best estimates of the independent valuers at the time of undertaking the valuation and may not reflect the actual price a property would realise if sold. The independent valuations are subject to a number of assumptions which may prove to be inaccurate.

Property liquidity

By their nature, investments in real property assets are illiquid investments, and there is a risk that should the REIT be required to realise property assets, it may not be able to do so in a short period of time, or may not be able to realise a property asset for the amount at which it has been valued. This may adversely affect the REIT's net tangible assets and the value of securities in the REIT.

Tenant concentration

The majority of the properties comprising the REIT's portfolio are single tenanted. This exposes the value and performance of each property to the ability of those tenants to continue to meet their obligations under the respective lease agreements. There is a risk that if one or more of the major tenants cease to be a tenant, the REIT may not be able to find replacement tenants on lease terms that are at least as favourable as the current terms. Should replacement tenants lease the property on less favourable terms this will adversely impact the returns and the overall performance of the REIT and value of the properties. The Responsible Entity of the REIT actively manages the tenant selection process to manage this risk. Currently, the majority of income of the REIT is derived from entities related to Wesfarmers[1], Woolworths[2] and The Commonwealth of Australia[3].

Development risk

The REIT will focus on sustainable income returns and minimising development risk. The REIT will not undertake speculative development. Any development risk will be substantially mitigated through fixed price construction contracts, and undertaking pre-leasing activities relating to the development, both prior to and during, construction. The REIT will endeavour to achieve a level of pre-commitment appropriate to the project prior to commencing development activities.

No guarantee of distribution or capital return

No guarantee can be given as to the amount of any income or capital return from the securities or the performance of the REIT, nor can the repayment of capital from the REIT be guaranteed.

1. Assets leased to Coles Group Limited, a wholly owned subsidiary of Wesfarmers Limited.
2. Assets leased to ALH Group and Woolworths Limited (including as guarantor to Shellbelt Pty Ltd).
3. Assets leased to Commonwealth of Australia (Australian Taxation Office) and Australian Postal Corporation.

Summary of key risks

Management performance

The REIT will be reliant on the expertise, experience, and strategies of its executive directors and management of Charter Hall Group. As a result, the loss or unavailability of key personnel at Charter Hall Group could have an adverse impact on the management and financial performance of the REIT and therefore returns to securityholders.

Capital expenditure

The REIT will be responsible for capital expenditure that may arise.

There is a risk that the actual required capital expenditure may exceed currently expected expenditure which could lead to increased funding costs and impact distributions. Additionally, any requirement for unforeseen material capital expenditure on the properties could impact the performance of the REIT.

Acquisition risk

Whilst the REIT expects the Acquisition to proceed as advised in this Presentation, if the Acquisition in fact fails to complete or completion is delayed, the expected financial performance of the Fund could be adversely affected. If the Acquisition does not complete and the REIT has raised funds under this Offer, the REIT will need to consider alternative uses for, or ways to return, those funds.

Acquisitions

In addition to acquiring the assets in connection with the REIT's Portfolio, the REIT will continue to identify new investment opportunities for potential acquisition. The REIT will endeavour to conduct all reasonable and appropriate due diligence on potential investment opportunities.

There is a risk that the REIT will be unable to identify suitable investment opportunities that meet the REIT's investment objectives. Even if such opportunities are identified, they may not be able to be secured on appropriate terms. These factors may restrict the REIT's ability to add investments to its portfolio and this may adversely impact growth and returns to securityholders.

Reliance on third parties

The Responsible Entity may engage third party service providers in respect of a part or the whole of the REIT's portfolio, being Charter Hall Group Limited or third parties outside the Charter Hall Group. These services will be subject to contractual arrangements between the Responsible Entity and the relevant third parties.

A failure of third parties to discharge their agreed responsibilities may adversely affect the management and financial performance of the REIT and therefore also adversely impact returns to investors.

Conflicts

The REIT may engage Charter Hall Holdings Pty Limited, a wholly owned subsidiary of Charter Hall Group Limited, to provide property management and facilities management services in respect of various properties in the REIT. The Responsible Entity and Charter Hall Holdings Pty Limited also have two common Executive Directors.

Conflicts (cont.)

This may create a conflict of interest. Related party transactions also carry a risk that they could be assessed and monitored less rigorously than transactions with unrelated third parties. The REIT will mitigate these risks through the conflicts of interest and related party policy that governs the way the REIT manages such conflicts or transactions.

Funding

The Responsible Entity may fund future refinancing, capital expenditure and acquisitions from either debt or equity markets. The REIT's ability to raise funds from either market on favourable terms is dependent on a number of factors including:

- the general economic and political climate;
- the state of debt and equity capital markets;
- the performance, reputation and financial strength of the REIT; and
- the value of the properties.

Changes to any of these or other factors could lead to an increased cost of funding, limited access to capital, increased refinancing risk for the REIT and / or an inability to expand operations or purchase assets in a manner that may benefit the REIT and its securityholders.

Extension and refinancing

The REIT's ability to refinance or repay its debts as they fall due will be impacted by market conditions, the financial status of the REIT, the value of the REIT's properties, and prevailing economic conditions, including interest rates, at the time of maturity or refinancing. There is a risk that the REIT may not be able to extend or refinance its debts before maturity. Possible increases in the interest rate, the cost of interest rate hedges and the level of financial covenants required by lenders may also adversely impact the operating and financial performance of the REIT, the distributions of the REIT and the REIT's ability to raise equity and / or enter into new debt facilities.

In these circumstances, the REIT may need to raise further equity, dispose of assets for a lower market value than could otherwise have been realised, or enter into new debt facilities on less favourable terms.

There is also a risk that the REIT may be unable to hedge future borrowings to mitigate future interest rate risk, or that the terms of such hedging are less favourable than the existing terms.

Debt facility undertakings and covenants

The REIT is subject to a number of undertakings and covenants under existing debt facilities, including in relation to gearing ratio and interest cover ratios. An event of default would occur if the REIT fails to maintain these financial covenants. This may be caused by amongst other factors, unfavourable movements in interest rates (to that extent interest rates are not hedged) or deterioration in the income or the value of the REIT's portfolio. In the event that an event of default occurs, the lender may require immediate repayment of a debt facility. The REIT may need to dispose of some or all of its properties for less than their book value, raise additional equity, or reduce or suspend distributions in order to repay a debt facility.

Summary of key risks

Gearing

The level of gearing exposes the REIT to any changes in interest rates and increases the REIT's exposure to movements in the value of the REIT's portfolio or performance measures. Higher gearing will increase the effect. If the level of gearing increases over the term of the REIT's debt financing, this may create refinancing risk on the REIT's debts as it approaches expiry.

Interest rates

To the extent that interest rates are not hedged, unfavourable movements in interest rates relating to existing debt facilities could lead to increased interest expense. This could impact the level of distributions available to securityholders.

Derivatives

The REIT will use derivative instruments to hedge the REIT's exposure to interest rates. The mark-to-market valuation of derivative instruments could change quickly and significantly. Such movements may have an adverse effect on the financial performance and financial position of the REIT.

In entering into derivative contracts, the REIT will be exposed to the risk that a party to the contract become insolvent or otherwise default on its contractual obligations. The Responsible Entity will seek to manage this risk by only entering into hedging arrangements with reputable counterparties.

Insurance

Insurance coverage is maintained in respect of each property (including insurance for destruction or damage to the property and public risk liability) where that coverage is available on commercial terms. Insurance coverage will include differing levels of cover for material loss or damage items such as accidental damage, flood and demolition and removal of debris. Some risks are not able to be insured at acceptable premiums. Examples of losses that are generally not insured against include war or acts of terrorism and natural phenomena such as earthquakes or hurricanes.

Any losses incurred due to uninsured risks, or loss in excess of the insured amounts, may adversely affect the performance of the REIT, and could lead to a loss of some of the capital invested by the REIT. Increases in insurance premiums may affect the performance of the REIT to the extent they are not recoverable from the tenant under their leases. Any failure by the company or companies providing insurance (or any reinsurance) may adversely affect the REIT’s right of recovery under its insurance.

Insolvency

In the event of any liquidation or winding up of the REIT, the claims of the REIT's creditors, including any counterparty under any hedging or other derivative arrangements, will rank ahead of those of its securityholders. Under such circumstances the REIT will first repay or discharge all claims of its creditors. Any surplus assets will then be distributed to the REIT's securityholders. All securityholders will rank equally in their claim and will be entitled to an equal share per security.

Compliance

The REIT is a managed investment scheme which means that the Responsible Entity is subject to strict regulatory and compliance arrangements under the Corporations Act 2001 (Cth) and its Australian Financial Services Licence. If the Responsible Entity fails to comply with the conditions of its Australian Financial Services Licence, then ASIC may take action to suspend or revoke the licence, which in turn could adversely impact the REIT.

Forecast Financial Information

The forward looking statements, opinions and estimates provided in the Presentation, including any forecast financial information provided, rely on various contingencies and assumptions. Various factors and risks, both known and unknown, many of which are outside the control of the REIT, may impact upon the performance of the REIT and cause actual performance to vary significantly from expected results. There can be no guarantee that the REIT will achieve its stated objectives or that forward looking statements or forecasts will eventuate.

Disposal of assets and capital gains tax implications

Inherent capital gains exist in the REIT’s existing portfolio. The REIT will acquire an interest in an existing trust, Charter Hall Direct VA Trust. Through the Transaction the REIT will inherit the CGT cost base of the property asset held by this trust which is below the purchase price of the units in Charter Hall Direct VA Trust under the Proposed Transaction. That is, an inherent capital gain exist on the acquired asset which may adversely impact the after-tax returns of Securityholders. The cost base of the property held by Charter Hall Direct VA Trust will be approximately $63.0 million, compared to the purchase price under the Proposed Transaction of $90.8 million. If the REIT disposes of this property asset that is currently held by Charter Hall Direct VA Trust, the taxable gain or loss will be calculated with reference to the difference between the sale price of that property asset and the relevant vendor’s CGT cost base in that property asset as adjusted for additions and reductions to cost base from Completion.

Underwriting

The REIT has entered into an underwriting agreement under which the underwriter of the Offer has agreed to fully underwrite the Offer, subject to the terms and conditions of the underwriting agreement between the REIT and the underwriter (‘Underwriting Agreement’). The underwriter’s obligation to underwrite the Offer is conditional on certain customary matters. Further, if certain events occur, the underwriter may terminate the Underwriting Agreement. Termination of the Underwriting Agreement is likely to have an adverse impact on the amount of proceeds raised under the Offer, and the REITs ability to complete the Acquisition as currently planned and fund transaction costs, and could materially adversely affect the REIT's business, cash flow, financial performance, financial conditions and share price.

Summary of key risks

Environmental

As with any property, there is a risk that one or more of the properties in the REIT's portfolio may be contaminated now or in the future. Government environmental authorities may require such contamination be remediated. There is always a residual risk that the REIT may be required to undertake any such remediation at its own cost. Such an event would adversely impact the REIT's financial performance. Environmental laws impose penalties for environmental damage and contamination which can be material in size.

In addition, if any remediation required to be undertaken on a property is not completed properly, this may adversely affect the REIT's ability to sell the relevant property or to use it as collateral for future borrowings. Should new or more stringent environmental laws or regulations be introduced in the future, any remediation costs required to be incurred by the REIT may increase materially in order to comply with the new laws or regulations.

Exposure to hazardous substance at a property within the REIT's portfolio could result in personal injury claims. Such a claim could prove greater than the value of the contaminated property. An environmental issue may also result in interruptions to the operations of a property, including the closure or re-lease of the property.

Occupational health and safety

There is a risk that liability arising from occupational health and safety matters at a property may be attributable to the REIT as the landlord instead of, or as well as, the tenant. To the extent that any liabilities may be borne by the REIT, this may impact the financial performance of the REIT (to the extent not covered by insurance). In addition, penalties may be imposed upon the REIT which may have an adverse impact on the REIT.

Disputes and litigation

The REIT may in the ordinary course of business be involved in possible litigation and disputes (for example, tenancy disputes, occupational health and safety claims or third party claims). Whilst the extent of any disputes and litigation cannot be ascertained at this time, any dispute or litigation may be costly and may adversely affect the operational and financial results of the REIT.

Pre-emptive rights and other risks associated with joint-ownership agreements

The joint-ownership agreements to which the REIT (or a sub-trust of the REIT) is a party, contain pre-emptive rights which restrict the REIT's dealings in respect of its interest in the co-owned trust or the co-owned property. In particular, where the REIT wishes to deal with its interests in a co-owned trust or property, each other co-owner will have a pre-emptive right over the REIT's interests, other than in limited circumstances (for example, by way of a permitted transfer to a member of the REIT's unitholder or owner group).

Pre-emptive rights and other risks associated with joint-ownership agreements (cont.)

A number of joint-ownership agreements also contain:

- tag-along options, pursuant to which the REIT may be required to take reasonable steps, if it wishes to sell its interest in a co-owned trust or co-owned property, to cause one or more of the other co-owners' interests to be acquired on substantively the same terms;
- drag along rights, pursuant to which a co-owner may require the REIT to sell its interests in a co-owned trust if the co-owner wishes to sell its interest and the REIT has not exercised its pre-emptive; and
- provisions under which a default sale process may be triggered on a change of control event, including where the Responsible Entity is replaced with an entity that is not a related body corporate of the Responsible Entity, with the default sale process giving the other co-owners a right to acquire the REIT's interests at the relevant default interest value.
- Additionally, disputes may arise between co-owners and where a dispute cannot be resolved, a number of joint-ownership agreements provide for the sale of the relevant property in circumstances where a co-owner does not acquire the other co-owners' interests.

Operator risk

While the REIT is not an operator of any retail assets, the valuation and yield of the REIT's retail assets could be materially adversely affected by a number of operational risks of the tenants of those properties. In particular, the REIT may be affected by:

- Competition – increased competition in the pub, gaming, retail liquor markets and other speciality stores in the regions of Australia in which its tenants operate. The REIT's tenants compete for customers with a wide variety of other retail assets, hotel operator companies, retail liquor outlets, gaming companies and other speciality stores, some of which could be, or could become, better equipped and could have access to greater financial resources than the REIT's tenants. Competitor actions could be difficult to predict and may adversely impact on the profitability of the tenants;
- Regulation of operators – changes in legislation and government policies that regulate liquor and gaming venues or gaming laws may adversely impact the profitability of the tenants. By way of example, reductions in the number of gaming machines, restrictions on trading hours, increases in taxes and levies imposed on gaming machines, smoking restrictions and advertising restrictions may negatively impact the profitability of venues. Conversely, the reduction or removal of regulatory barriers to entry into the industry may also negatively impact the profitability of the pubs through increased competition. As the retail assets in the REIT's portfolio are used as pubs and gaming venues, changes in liquor and gaming laws or their interpretation may affect the trading and performance of the operators and thereby the value of the hotel assets, the ability of such tenants to perform their obligations and therefore the value of, and returns from, an investment in securities.

Summary of key risks

There are risks associated with any stock market investment. These include, but are not limited to:

- Dilution risk – as the REIT issues securities to new investors, existing securityholders' proportional beneficial ownership in the underlying assets of the REIT may be reduced. For example, if you do not participate in a future entitlement offer or choose not to reinvest your distributions pursuant to any future distribution reinvestment plan, then your beneficial ownership in the REIT may be diluted. The Responsible Entity will only raise equity if it believes that the benefit of acquiring the relevant assets or reducing gearing is in the interests of the securityholders
- Pricing risk – securities may trade on the ASX at, above or below the offer price or net tangible asset amount per security. The price of the securities can fall as well as rise and, as the securities have not previously been listed, there is no trading history for the securities and therefore no indication of how the securities will perform on the ASX. The price at which securities trade on the ASX may be affected by a range of factors including: movements and volatility in international and local share markets; general economic conditions in Australia and offshore including inflation, interest rates and exchange rates; recommendations by brokers; changes in government, fiscal, monetary and regulatory policies; changes to laws (particularly taxation laws); inclusion or removal from market indices; and changes in the supply and demand of listed property securities. Changes in the stock market rating of securities relative to other listed securities, especially other listed property trusts, may also affect prices at which securities trade
- Liquidity risk – there can be no assurance that an active trading market will develop for the securities. Liquidity of the securities will be dependent on the relative volume of the buyers and sellers in the market at any given time. Changes in liquidity may affect the price at which securityholders are able to sell their securities. Significant blocks of securities held by individual investors may reduce liquidity in the trading of securities.

Risks associated with not taking up new securities under the Offer

Investors who do not participate in the Offer, or who do not take up all of their entitlement under the Offer, will have their investment in the REIT diluted and receive no value for their entitlement. Before deciding whether to take up new securities under the Offer, you should seek independent tax advice.

Macro-economic

Changes in the general economic outlook both in Australia and globally may impact the performance of the REIT and its portfolio.

Examples include (whether individually or in combination):

- changes in economic conditions and outlook in Australia and internationally;
- changes in Australian government, industrial, fiscal, monetary. regulatory policies or changes to laws (e.g. taxation laws);
- changes in interest rates, exchange rates or rates of inflation;
- investor sentiment for particular sectors and real estate sectors over the economic cycle;
- the impact of international conflicts or acts of terrorism;
- performance of comparable listed entities and projects;

Macro-economic (cont.)

Examples include (whether individually or in combination):

- changes in the general level of prices in local and international share markets and general investor sentiment in these markets; and
- significant industrial, contractual or political disturbances impacting the REIT or the continuity of its business.

Consequently the trading price of securities may be influenced by factors non-specific to the REIT and out of the REIT's ability to control.

No assurances can be made that the performance of the securities will not be adversely affected by such market fluctuations or factors. Neither the REIT or the Directors or any other person guarantees the performance of the securities.

Changes in laws, regulation and policy

Changes in laws, regulations and government policy may affect the REIT or the tenants and the attractiveness of an investment in the REIT. Further, the impact of actions by governments may affect the REIT's activities including such matters as compliance with environmental regulations and taxation.

Tax

The REIT's Operating Earnings may be affected by changes in taxation law, including changes in income tax, GST or stamp duty legislation, particularly if they relate to property investment. Taxation law may change as a result of legislation, case law in Australia, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of tax authorities. The tax treatment of distributions in the hands of the REIT's securityholders may also be affected by changes to the tax regime applicable to the REIT, or the REIT's ability to make tax deferred distributions. Tax considerations may differ between investors, therefore prospective investors are encouraged to seek professional tax advice in connection with any investment in securities.

Offshore investors in managed investment trusts are governed by particular taxation rules. An offshore investor should obtain their own taxation advice in relation to those rules.

Accounting standards

The Australian Accounting Standards to which the REIT adheres are set by the Australian Accounting Standards Board ("AASB") and are consequently out of the control of the REIT and the Directors. Changes to accounting standards issued by AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in the REIT's financial statements.

Foreign selling restrictions

This document does not constitute an offer of Securities in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Securities may not be offered or sold, in any country outside Australia except to the extent permitted below.

New Zealand

The Entitlement Offer is being made in New Zealand in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016. The offer documentation, and any advertising or promotional material relating to the Entitlement Offer, has been prepared in accordance with Australian law. No disclosure document has been or will registered, filed with or approved by the New Zealand Financial Markets Authority or any other regulatory authority in New Zealand. The offer documentation is not required to, and may not, contain all the information that a disclosure document is required to contain under New Zealand law. If you have any questions about the offer, you should seek advice from a financial adviser to help you make an investment decision.

Hong Kong

WARNING: This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the securities have not been and will not be offered or sold in Hong Kong other than to “professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the securities which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the SFO and any rules made under that ordinance.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

If you (or any person for whom you are acquiring the securities) are in Hong Kong, you (and any such person) are a "professional investor" as defined under the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the Laws of Hong Kong.

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore ("MAS") and, accordingly, statutory liability under the Securities and Futures Act, Chapter 289 (the "SFA") in relation to the content of prospectuses does not apply, and you should consider carefully whether the investment is suitable for you. The issuer is not authorised or recognised by the MAS and the securities are not allowed to be offered to the retail public. This document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except to "institutional investors" (as defined in the SFA), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an "institutional investor" (as defined under the SFA). In the event that you are not an institutional investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the securities being subsequently offered for sale to any other party. You are advised to acquaint yourself with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

If you (or any person for whom you are acquiring the securities) are in Singapore, you (and any such person):

- are an "institutional investor" (as such term is defined in the Securities and Futures Act of Singapore ("SFA"));
- will acquire the securities in accordance with applicable provisions of the SFA; and
- acknowledge that the offer of the securities is subject to the restrictions (including selling restrictions) set out in the SFA.

Glossary

Defined term	Meaning
Balance Sheet Gearing	Calculated as the ratio of net drawn debt (excluding unamortised debt establishment costs) to total tangible assets less cash.
Capitalisation Rate	The return of a property or portfolio of properties calculated by dividing the market level of Net Operating Income of that property or portfolio by the assessed Independent Valuation of that property or portfolio.
Look Through Gearing	Calculated as the ratio of net debt to total tangible assets less cash, which adjusts for the REIT's share of the debt, assets and cash held in equity accounted investments.
Occupancy	The proportion of total premises area that is subject to a tenancy agreement for a property or portfolio as at 30 June 2017. The proportion of total premises area that is subject to a tenancy agreement for a property or portfolio as at 30 June 2017. In this context, total premises area refers to net lettable area in respect of the office properties in the Portfolio, gross lettable area in respect of the industrial properties in the Portfolio and the site in respect of the retail properties in the Portfolio.
Operating Earnings (OEPS)	Operating Earnings is a financial measure which represents the profit / (loss) under Australian Accounting Standards adjusted for net fair value movements non-cash accounting adjustments such as straight-lining of rental income, amortisation and other unrealised or one-off items.
Operating Earnings (OEPS) Yield	The percentage rate of return calculated by dividing the Operating Earnings per Security by the Offer Price.
NLA or Net Lettable Area	Total lettable floor area less common areas, in square metres.
Responsible Entity	Charter Hall WALE Limited (ABN 20 610 772 202, Australian Financial Services Licence Number 486721).
WACR	The average capitalisation rate across the Portfolio or group of Properties, weighted by Independent Valuation.
Weighted Average Lease Expiry or WALE	The average lease term remaining to expiry across the Portfolio or a property or group of properties, weighted by gross passing income or as noted.
Weighted Average Rent Review or WARR	The average rent review across the Portfolio or a property or group of properties, weighted by gross passing income.

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