HERBERT
SMITH
FREEHILLS

The Manager
Company Announcements Office
ASX Limited

20 November 2018

Dear Sir/Madam

Propertylink Group (ASX: PLG)
Target's Statement

We act for Propertylink (Holdings) Limited ACN 092 684 798 and Propertylink Investment Management Limited ACN 136 865 417 as responsible entity of Propertylink Australian Industrial Partnership ARSN 613 032 812 and Propertylink Trust ARSN 613 032 750 (together, **Propertylink**).

We attach, by way of service pursuant to item 14 of section 633(1) of the *Corporations Act 2001* (Cth), a copy of Propertylink's target's statement in response to the off-market takeover bid by ESR Real Estate (Australia) Pty Ltd ACN 625 761 962 for all the stapled securities in Propertylink.

Yours sincerely

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Propertylink
thinking property

Target's Statement

This Target's Statement has been issued by Propertylink in response to the off market takeover bid made by ESR Real Estate (Australia) Pty Limited (ACN 625 761 962) for all securities in Propertylink.

Your directors recommend that you

ACCEPT

the takeover offer from ESR in the absence of a Superior Proposal.

Goldman Sachs
J.P.Morgan
FINANCIAL ADVISERS

HERBERT SMITH FREEHILLS
LEGAL ADVISER

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

Important notices

NATURE OF THIS DOCUMENT

This document is a Target's Statement issued by Propertylink Group, a stapled entity comprising Propertylink (Holdings) Limited ACN 092 684 798, Propertylink Australian Industrial Partnership ARSN 613 032 812 and Propertylink Trust ARSN 613 032 750 (**Propertylink**) under Part 6.5 Division 3 of the *Corporations Act 2001* (Cth) (**Corporations Act**) in response to the off-market takeover bid made by ESR Real Estate (**Australia**) Pty Ltd ACN 625 761 962 (**ESR**) for all the Propertylink Securities.

A copy of this Target's Statement was lodged with ASIC and given to ASX on 20 November 2018. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the content of this Target's wStatement.

NO ACCOUNT OF PERSONAL CIRCUMSTANCES

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your Directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

RESPONSIBILITY FOR ESR INFORMATION

The information on ESR and ESR Group, and their assets and liabilities, financial position and performance, profits and losses and prospects, contained in this Target's Statement has been prepared by Propertylink using publicly available information. The information in the Target's Statement concerning ESR and ESR Group and their assets and liabilities, financial position and performance, profits and losses and prospects, has not been independently verified by Propertylink. Accordingly, Propertylink does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

RESPONSIBILITY STATEMENT

The information in this Target's Statement has been prepared by Propertylink and is the sole responsibility of Propertylink, except for section 10 of this Target's Statement, which has been prepared by Greenwoods & Herbert Smith Freehills Pty Limited and is the sole responsibility of Greenwoods & Herbert Smith Freehills Pty Limited, and the Independent Expert's Report, which has been prepared by the Independent Expert and is the sole responsibility of the Independent Expert.

None of Propertylink, the other Propertylink Group Members, the officers and employees of Propertylink Group Members, the other persons named in this Target's Statement with their consent and the persons involved in preparation of this Target's Statement (other than Greenwoods & Herbert Smith Freehills Pty Limited in respect of section 10 of this Target's Statement) and the Independent Expert (in respect of the Independent Expert's Report) assumes any responsibility for the accuracy or completeness of section 10 of this Target's Statement or the Independent Expert's Report.

DISCLAIMER AS TO FORWARD LOOKING STATEMENTS

Some of the statements appearing in this Target's Statement (including in the Independent Expert's Report) may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which the Propertylink Group operates as well as general economic conditions and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of Propertylink, the other Propertylink Group Members, the officers and employees of Propertylink Group Members, the other persons named in this Target's Statement with their consent and the persons involved in preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement (including in the Independent Expert's Report) reflect views held only as at the date of this Target's Statement.

RISK FACTORS

Propertylink Securityholders should note that there are a number of risk factors attached to their investment in Propertylink. Section 8 of this Target's Statement sets out further information on those risks.

NON-IFRS FINANCIAL INFORMATION

Propertylink's results are reported under IFRS. However, this Target's Statement includes certain financial information that are non-IFRS financial measures for the purposes of providing a more comprehensive understanding of the performance of Propertylink. These non-IFRS financial measures include distributable earnings and other operating measures which provide useful information for measuring the underlying operating performance of Propertylink. Such non-IFRS information is unaudited, however the numbers have been extracted from audited financial statements.

FOREIGN JURISDICTIONS

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

PRIVACY

Propertylink has collected your information from the Propertylink registers of members for the purpose of providing you with this Target's Statement. The type of information Propertylink has collected about you includes your name, contact details and information on your holding of Propertylink Securities. Without this information, Propertylink would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Propertylink Securityholders to be held in a public register. Your information may be disclosed on a confidential basis to Propertylink's related bodies corporate and external service providers (such as the security registry of Propertylink and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Propertylink, please contact Computershare Investor Services Pty Limited at the address shown in the Corporate Directory. Propertylink's privacy policy is available at https://propertylink.com.au/wp-content/uploads/2018/04/2.8-Privacy-Policy-updated-18-May-2017.pdf . The registered address of Propertylink is Level 29, 20 Bond Street Sydney NSW 2000.

CHARTS, DIAGRAMS AND ROUNDING

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

A number of amounts, percentages, prices, estimates and other figures in this Target's Statement are subject to the effect of rounding. Accordingly, actual numbers may differ from those set out in this Target's Statement.

WEBSITES ARE NOT PART OF THIS TARGET'S STATEMENT

Any website links in this Target's Statement (including www.propertylink.com.au), are for your reference only. Information contained in, or otherwise accessible from, those websites does not form part of this Target's Statement.

DEFINED TERMS

A number of defined terms are used in this Target's Statement. These terms are explained in section 12 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in the Corporations Act have the same meaning and interpretation as in the Corporations Act.

PROPERTYLINK SECURITYHOLDER INFORMATION LINE

Propertylink has established a Securityholder Information Line which Propertylink Securityholders may call between 9.00am and 5.30pm (Sydney time) Monday to Friday if they have any queries in relation to the Offer. The telephone number for the Securityholder Information Line is 1300 889 468 (for calls made from within Australia) or +61 2 8022 7954 (for calls made from outside Australia). Calls to the Securityholder Information Line may be recorded.

Further information relating to the Offer can be obtained from Propertylink's website at https://propertylinkoffer.com.au/.

Key dates

Date of the Offer	21 November 2018
Date of this Target's Statement	20 November 2018
Close of the Offer Period (unless extended or withdrawn)	7:00pm (Sydney Time) on 31 January 2019

Contents

Evaluation of the Offer

The Directors unanimously recommend that you ACCEPT the Offer, in the absence of a Superior Proposal.

The reasons for this recommendation are:

1. The Offer Price represents a significant premium to the trading price of Propertylink Securities prior to the announcement of the Initial Offer and to the 30 June 2018 NTA

2. The Independent Expert has concluded that, in the absence of a Superior Proposal, the Offer by ESR is fair and reasonable to Non-Associated Securityholders

3. The Offer provides certainty of value for your Propertylink Securities through 100% cash consideration

4. No Superior Proposal has emerged as at the date of this Target's Statement

5. The Propertylink Security price may fall if the Offer lapses and no Superior Proposal emerges

6. If ESR acquires a controlling interest and you have not accepted the Offer, there are a number of risks that would be associated with being a minority Propertylink Securityholder

The decision as to whether or not to accept the Offer depends on the circumstances of each individual Propertylink Securityholder, including risk profile, portfolio strategy, tax position, financial circumstances and investment time horizon.

The Directors unanimously recommend that you

ACCEPT

the offer, in the absence of a Superior Proposal

Chairman's letter

DEAR PROPERTYLINK SECURITYHOLDER,

On 12 November 2018, Propertylink entered into a Bid Implementation Agreement with ESR Real Estate (Australia) Pty Ltd (**ESR**) in relation to the proposal by ESR to acquire all the Propertylink Securities it does not already own for cash consideration of $1.20 per Propertylink Security (the **Offer Price**)[1] by way of an off-market takeover offer (the **Offer**). You should have recently received the Bidder's Statement containing information in relation to the Offer from ESR.

Your Directors unanimously recommend that you **ACCEPT** the Offer, in the absence of a Superior Proposal. In addition, each of the Directors intends to **ACCEPT** the Offer in relation to all Propertylink Securities they own or control, in the absence of a Superior Proposal.

The reasons for the Directors' unanimous recommendation are summarised below and set out in more detail in section 2 of this Target's Statement:

- the Offer Price represents a significant premium to the trading price of Propertylink Securities prior to the announcement of the Initial Offer and 30 June 2018 NTA. The Offer Price reflects a premium of:
  - 14.3% to the closing price of Propertylink Securities on 20 September 2018 of $1.05, being the day prior to the announcement of the Initial Offer;
  - 15.2% to the 6 month VWAP of Propertylink Securities to 20 September 2018 of $1.042;
  - 15.4% to Propertylink's NTA per Propertylink Security as at 30 June 2018 of $1.04;
  - 11.7% to Propertylink's pro forma 30 June 2018 NTA of $1.07 per Propertylink Security;[2] and
  - 1.3% to the closing price of Propertylink Securities on 16 November 2018 of $1.185.
- the Independent Expert, KPMG Corporate Finance, has concluded that in the absence of a Superior Proposal, the Offer by ESR is fair and reasonable to Non-Associated Securityholders;
- the Offer provides certainty of value for your Propertylink Securities through 100% cash consideration;
- no Superior Proposal has emerged as at the date of this Target's Statement;
- the Propertylink Security price may fall if the Offer lapses and no Superior Proposal emerges; and
- if ESR acquires a controlling interest and you have not accepted the offer, there are a number of risks that would be associated with being a minority Propertylink Securityholder.

The Offer is subject to a number of conditions, including ESR acquiring a relevant interest in at least 50.1% of all Propertylink Securities (on a fully diluted basis) and other conditions as outlined in the Bidder's Statement. In deciding whether and when to accept the Offer, you should consider the conditions remaining to be satisfied.

1. The Offer Price paid to you by ESR will be reduced by the amount or value of any distributions or benefits that you (or any previous holder of your Propertylink Securities) receive or become entitled to receive on or after 12 November 2018.
2. Post the independent valuation of Propertylink's wholly-owned industrial portfolio and co-investments as announced to the ASX on 30 October 2018, which resulted in an increase in Propertylink's NTA of 6.6 cents per Propertylink Security, post payment of Propertylink's final distribution for FY18 of 3.7 cents per Propertylink Security and adjusted to include Propertylink's share of profit on Propertylink Enhanced Partnership (**PEP**)'s divestment of 80 Mount Street resulting in pro forma 30 June 2018 NTA of $1.07 per Propertylink Security.

NEXT STEPS

The Directors encourage you to read this Target's Statement in its entirety and seek independent advice if you are in any doubt as to what you should do in response to the Offer. You are also strongly encouraged to read the Bidder's Statement.

The Offer is due to close at 7.00pm (Sydney time) on 31 January 2019, unless extended or withdrawn. To accept the Offer, you should follow the instructions outlined in the Bidder's Statement and on the Acceptance Form.

FURTHER INFORMATION

The Directors will keep you informed if there are any material developments in respect of the Offer. If you have questions about the information contained in this Target's Statement, please call the Securityholder Information Line on 1300 889 468 (for callers in Australia) or +61 2 8022 7954 (for callers outside Australia). You can also obtain information relating to the Offer from Propertylink's website at www.propertylinkoffer.com.au.

I would like to take this opportunity to thank you for your support of Propertylink.

Yours sincerely

Peter Lancken
Independent Chairman
Propertylink Group

Section 1
Frequently asked questions

This section of the Target's Statement answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Propertylink Securityholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
What is the Offer for my Propertylink Securities?	ESR is offering $1.20 in cash for each Propertylink Security held by you. If you receive or become entitled to receive (or any previous holder of your Propertylink Securities received or became entitled to receive) distributions or benefits in respect of your Propertylink Securities on or after 12 November 2018, the amount or value of such distributions and benefits will be credited towards your entitlement to receive the Offer Price. The amount that ESR has to pay you is reduced by the amount or value of such distributions and benefits. The Offer is subject to conditions. See section 6.3 of this Target's Statement for further details.
What are the conditions to the Offer?	The conditions to the Offer are: › ESR having a relevant interest in at least 50.1% of all Propertylink Securities; › no material regulatory action; › no material adverse change affecting the Propertylink Group; › no 'prescribed occurrences'; › no material acquisitions, disposals, capital expenditure or changes in the conduct of business; › no material destruction or damage to properties; › no changes to the trustees, management, or constitutions of Propertylink Group Members; › no proposal impacting Wholesale Fund Management Rights; › no material litigation; and › no material changes to or defaults under financing arrangements or financing indebtedness. See section 6.3 of this Target's Statement for further details.
What happens if the conditions of the Offer are not satisfied or waived?	You do not get paid for your Propertylink Securities while the Offer is subject to conditions. If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse. You would then be free to deal your Propertylink Securities even if you had accepted the Offer.

Question	Answer
What choices do I have as a Propertylink Securityholder?	As a Propertylink Securityholder, you have the following choices in respect of your Propertylink Securities: › **accept** the Offer; › **sell** some or all of your Propertylink Securities on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or › **do nothing** and reject the Offer. There are several implications in relation to each of the above choices. A summary of these implications is set out in section 5 of this Target's Statement.
What are the Directors of Propertylink recommending?	The Directors unanimously recommend that you **ACCEPT** the Offer in the absence of a Superior Proposal. The reasons for your Directors' recommendation are set out in sections 2 and 4 of this Target's Statement.
What do the Directors intend to do with their Propertylink Securities?	Each of the Directors intends to accept the Offer for any Propertylink Securities that they own or control, in the absence of a Superior Proposal. The Directors' interests in Propertylink Securities are set out in section 9.1 of this Target's Statement.
What is the Independent Expert's opinion?	The Independent Expert has concluded that the Offer is fair and reasonable to Non-Associated Securityholders. You are encouraged to read the Independent Expert's Report, in Attachment 1 to this Target's Statement in full.
Are there any reasons why I might not accept the Offer?	Possible reasons for not accepting the Offer are set out in section 3 of this Target's Statement.
What are the consequences of accepting the Offer now?	If you accept the Offer, unless withdrawal rights are available (see section 6.8 of this Target's Statement), you will give up your right to sell your Propertylink Securities on the ASX or otherwise deal with your Propertylink Securities even though the Offer may remain conditional.
If I accept the Offer, can I withdraw my acceptance?	You only have limited rights to withdraw your acceptance of the Offer, including if the offer is varied in a way that extends the time for payment by more than one month. See section 6.8 of this Target's Statement for further details.
When does the Offer close?	The Offer is presently scheduled to close at 7:00pm (Sydney time) on 31 January 2019, but the Offer Period can be extended in certain circumstances. See section 6.5 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.

Section 1 – Frequently asked questions

Question	Answer
When will I be updated about the status of the Offer conditions?	If a condition is satisfied or waived, ESR must, as soon as practicable, give the ASX and Propertylink a notice that states that the particular condition has been satisfied or waived. ESR has also stated in its Bidder's Statement that it will give a notice of status of conditions to the ASX and Propertylink on 23 January 2019 (although this date may be deferred if the Offer Period is extended). See section 6.4 of this Target's Statement for further details.
If I accept the Offer, will I still receive the 2019 Interim Distribution?	If you accept the Offer after the Record Date for the 2019 Interim Distribution (expected to be 31 December 2018), or if you accept the Offer prior to the Record Date but the Offer does not become unconditional until after the Record Date, you will receive the 2019 Interim Distribution. The 2019 Interim Distribution is expected to be paid in early March 2019. However, the amount of this distribution will be credited towards your entitlement to receive the Offer Price, and the amount that ESR has to pay you will be reduced by the amount of the distribution.
If I accept the Offer, will I receive any other distributions or benefits?	If you receive or become entitled to receive (or any previous holder of your Propertylink Securities received or became entitled to receive) other distributions or benefits in relation to your Propertylink Securities, the amount or value of such distributions and benefits will be credited towards your entitlement to receive the Offer Price. The amount that ESR has to pay you is reduced by the amount or value of such distributions and benefits.
How do I accept the Offer?	Instructions on how to accept the Offer are set out in section 3 of the Bidder's Statement.
How do I reject the Offer?	To reject the Offer, simply do nothing.
Can I accept the Offer for only some of my Propertylink Securities?	No. You cannot accept the Offer for only some of your Propertylink Securities. You may only accept the Offer for all of your Propertylink Securities. However, if you hold one or more parcels of Propertylink Securities as trustee or nominee, you may accept the Offer as if a separate offer had been made in relation to each of those parcels and any parcel you hold in your own right.
Can I sell my Propertylink Securities on market on the ASX?	You can only sell all or some of your Propertylink Securities on market on the ASX, if you have not accepted the Offer in respect of those Propertylink Securities. However, you will likely incur brokerage charges and, if you sell on market, will not be able to participate in any Superior Proposal for Propertylink Securities if such a proposal is made, or in any increase in the Offer Price that may be made by ESR.

Question	Answer
When will I be paid my consideration if I accept the Offer?	If you accept the Offer, you will have to wait for the Offer to become unconditional before you will be sent your consideration for your Propertylink Securities from ESR. See section 6.9 of this Target's Statement for further details on when you will be sent your consideration.
What are the tax implications of accepting the Offer?	A general outline of the tax implications of accepting the Offer is set out in section 10 of this Target's Statement. As the outline is general in nature only, Propertylink Securityholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.
Can ESR vary the Offer?	Yes. ESR can vary the Offer by extending the Offer Period or increasing the Offer Price in accordance with the Corporations Act. ESR has agreed not to extend the Offer Period beyond 12 May 2019 without Propertylink's consent, except where the Offer is unconditional, in which case ESR may extend the Offer Period to end any time before 12 July 2019. ESR can also waive the conditions to the Offer. However, ESR has no obligation to do so.
Can ESR withdraw the Offer?	ESR can only withdraw the Offer with ASIC's consent.
What happens if ESR increases the Offer Price?	If you accept the Offer and ESR subsequently increases the Offer Price, you will receive the increased consideration for your Propertylink Securities. However, any increase in Offer Price will not be available to Propertylink Securityholders who have already sold their Propertylink Securities on the ASX.
What happens if there is a Superior Proposal from a third party?	If there is a Superior Proposal from a third party, the Directors will reconsider their recommendation in relation to the Offer and advise Propertylink Securityholders accordingly. If you have already accepted the Offer at that time, you may not be able to withdraw your acceptance in which case you will be unable to accept the Superior Proposal if one arises. See section 6.8 of this Target's Statement for further details as to when you may withdraw your acceptance.
Can I be forced to sell my Propertylink Securities?	You cannot be forced to sell your Propertylink Securities unless ESR acquires a relevant interest in at least 90% of all Propertylink Securities, in which case ESR will be entitled, and intends, to compulsorily acquire any Propertylink Securities it does not already own. If your Propertylink Securities are compulsorily acquired, you will receive the same consideration for your Propertylink Securities that you would have received under the Offer. However, you may not receive the consideration for your Propertylink Securities until up to approximately 6 to 8 weeks, or longer, after the end of the Offer Period. See section 6.12 of this Target's Statement for further information.

Section 1 – Frequently asked questions

Question	Answer
How can I get updates on the Propertylink Security price?	The trading price of Propertylink Securities on the ASX is likely to vary during the Offer Period. You can check the market price for all ASX quoted securities by visiting www.asx.com.au. The ticker for Propertylink Securities on the ASX is 'PLG'.
Is there a number that I can call if I have further questions in relation to the Offer?	If you have any further questions in relation to the Offer, you can call the Securityholder Information Line on 1300 889 468 (for callers in Australia) or +61 2 8022 7954 (for callers outside Australia) between 9.00am and 5.30pm (Sydney time), Monday to Friday (excluding national public holidays). Calls to these numbers may be recorded. If, however, you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser.

Section 2
Reasons to accept the Offer

2.1 THE OFFER PRICE REPRESENTS A SIGNIFICANT PREMIUM TO THE TRADING PRICE OF PROPERTYLINK SECURITIES PRIOR TO THE ANNOUNCEMENT OF THE INITIAL OFFER AND 30 JUNE 2018 NTA

The Offer Price of $1.20[1] cash per Propertylink Security represents a significant premium to trading prices of Propertylink Securities across various periods to 20 September 2018, which was the last trading day prior to the announcement of the Initial Offer. The Offer Price also represents a compelling premium to Propertylink's stated and pro forma 30 June 2018 NTA per Propertylink Security.

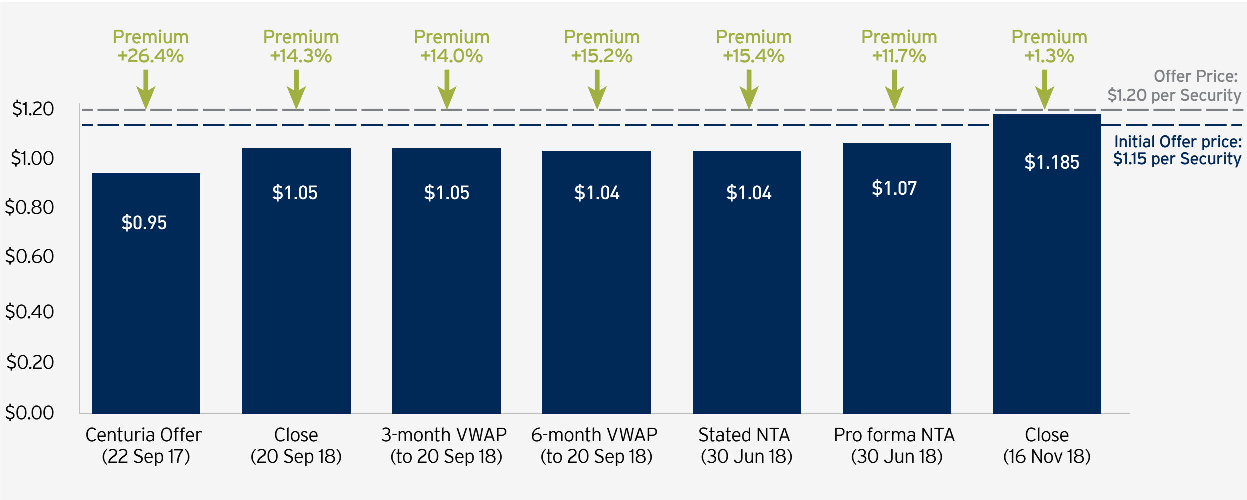
The Offer Price of $1.20 per Propertylink Security represents a:

- 14.3% premium to the closing price of Propertylink Securities on 20 September 2018 of $1.05 per Propertylink Security, being the day prior to the announcement of ESR's Initial Offer to acquire Propertylink;
- 14.0% premium to the 3 month VWAP to 20 September 2018 of $1.05 per Propertylink Security;
- 15.2% premium to the 6 month VWAP to 20 September 2018 of $1.042 per Propertylink Security;
- 15.4% premium to Propertylink's stated 30 June 2018 NTA of $1.04 per Propertylink Security;
- 11.7% premium to Propertylink's pro forma 30 June 2018 NTA of $1.07 per Propertylink Security;[2]
- 4.3% premium to ESR's Initial Offer price of $1.15 per Propertylink Security; and
- 26.4% premium to the indicative, conditional and non-binding proposal received on 22 September 2017 from Centuria Capital Group (**CNI**) and Centuria Industrial REIT (**CIP**) of $0.95[3] per Propertylink Security; and
- 1.3% premium to the closing price of Propertylink Securities on 16 November 2018 of $1.185.

1. The Offer Price that ESR has to pay you will be reduced by the amount or value of any distributions or other benefits that you (or any previous holder of your Propertylink Securities) receive or become entitled to receive on or after 12 November 2018.
2. The pro forma 30 June 2018 NTA is presented post the independent valuation of the Propertylink Group's wholly owned industrial portfolio and its co-investments in External Funds as announced to the ASX on 30 October 2018, which resulted in an increase in Propertylink's NTA of 6.6 cents per Propertylink Security, post payment of Propertylink's final distribution for FY18 of 3.7 cents per Propertylink Security and adjusted to include Propertylink's share of profit on PEP's divestment of 80 Mount Street resulting in pro forma 30 June 2018 NTA of $1.07 per Propertylink Security.
3. Offer value of $0.95 per Propertylink Security comprising $0.055 cash, 0.23 CNI securities and 0.23 CIP units. Based on five day VWAP to 22 September 2017 of $1.33 and $2.56 for CNI and CIP respectively.

Section 2 – Reasons to accept the Offer

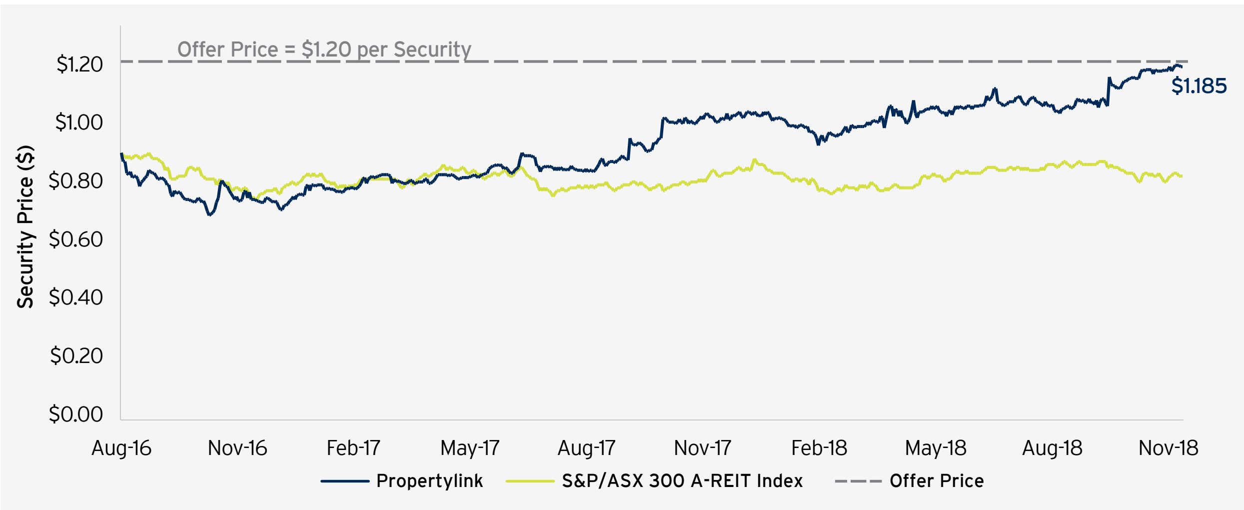
Figure 2.1.1: Offer premium benchmarking[4]



In addition, the Offer Price is at a premium to any historical trading price of Propertylink Securities since its Initial Public Offering (**IPO**) in August 2016. Propertylink Securityholders who acquired their Propertylink Securities in the IPO of Propertylink and who sell their Propertylink Securities under the Offer will recognise a:

- 56.0% total securityholder return;[5]
- 34.8% premium to the IPO price for Propertylink Securities;
- 20.7% per annum internal rate of return;[6] and
- 47.0% outperformance against the S&P / ASX 300 A-REIT index.[7]

Figure 2.1.2: Propertylink Security price performance since IPO[8]



4. Source: IRESS, Propertylink FY18 Results Presentation.
5. Source: Bloomberg. Assumes re-investment of distributions in Propertylink Securities.
6. Internal rate of return calculation includes all distributions paid by Propertylink since IPO up until the date of this Target's Statement. Initial cost based on the IPO price of $0.89 per Propertylink Security and exit price based on the Offer Price of $1.20 per Security.
7. Source: Bloomberg as at 16 November 2018.
8. Source: Bloomberg as at 16 November 2018. S&P / ASX 300 A-REIT index rebased to Propertylink Security price.

2.2 THE INDEPENDENT EXPERT HAS CONCLUDED THAT, IN THE ABSENCE OF A SUPERIOR PROPOSAL, THE OFFER BY ESR IS FAIR AND REASONABLE TO NON-ASSOCIATED SECURITYHOLDERS

The Directors appointed KPMG Corporate Finance as Independent Expert to assess the Offer. The Independent Expert has concluded that the Offer is fair and reasonable to Propertylink Securityholders not Associated with ESR in the absence of a Superior Proposal.

The Offer is fair

The Independent Expert has assessed Propertylink's equity value to be in the range of $1.14 – $1.19 per Propertylink Security on a fully diluted basis.

On the basis that the Offer Price is above the Independent Expert's assessed equity value range per Propertylink Security, the Independent Expert has concluded that the Offer is fair, in the absence of a Superior Proposal.

The Offer is reasonable

The Independent Expert has concluded that the Offer is reasonable on the basis that it is fair, and taking into account the Offer premium and cash certainty provided by the Offer, the consequences of not accepting the Offer and the availability of alternative proposals.

The Independent Expert's Report is attached in Attachment 1 to this Target's Statement.

2.3 THE OFFER PROVIDES CERTAINTY OF VALUE FOR YOUR PROPERTYLINK SECURITIES THROUGH 100% CASH CONSIDERATION

The Offer represents an opportunity for Propertylink Securityholders to receive fair value and certain cash proceeds for their investment, providing certain value and liquidity.

The Offer provides certainty of return to Propertylink Securityholders and must be weighed against the risks associated with remaining a Propertylink Securityholder. These risks include Propertylink Security price volatility caused by general market conditions and Propertylink's operational performance. Some of these risks are summarised in section 8 of this Target's Statement.

Propertylink Securityholders who accept the offer will not incur any brokerage on the sale of your Propertylink Securities.

2.4 NO SUPERIOR PROPOSAL HAS EMERGED AS AT THE DATE OF THIS TARGET'S STATEMENT

As at the date of this Target's Statement, Propertylink has not received any Competing Proposal from a third party, nor have any discussions occurred that the Directors believe are likely to lead to any Superior Proposal being made.

Were Propertylink to receive a Competing Proposal, the Directors would need to consider all aspects of the proposal in determining whether it is superior to the ESR Offer.

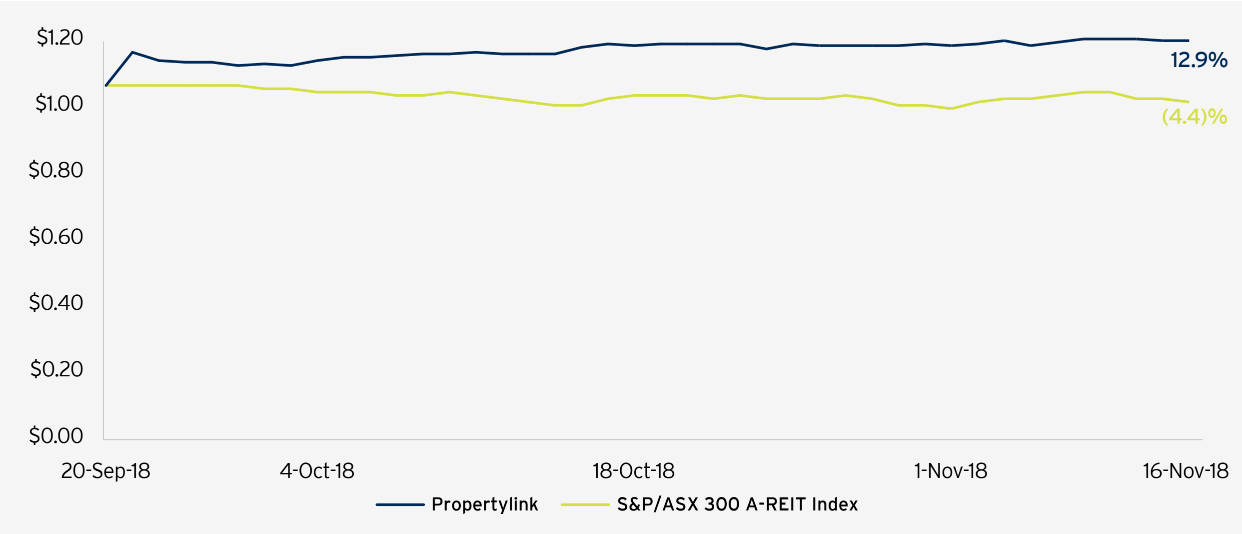
2.5 THE PROPERTYLINK SECURITY PRICE MAY FALL IF THE OFFER LAPSES AND NO SUPERIOR PROPOSAL EMERGES

Propertylink's Security price closed at $1.05 per Propertylink Security on the last trading date prior to announcement of the Initial Offer, being 20 September 2018. Given the premium ESR is offering, Propertylink Securities may trade below current levels if the Offer lapses and no Superior Proposal emerges.

The trading price of Propertylink Securities has outperformed the S&P / ASX A-REIT 300 Index by 17.3% since 20 September 2018, being the last trading date prior to announcement of the Initial Offer. If the Offer lapses and no Superior Proposal emerges, the trading performance of Propertylink Securities may converge with that of the S&P/ASX A-REIT 300 Index.

Section 2 – Reasons to accept the Offer

Figure 2.5.1: Propertylink relative price performance[9]



2.6 IF ESR ACQUIRES A CONTROLLING INTEREST AND YOU HAVE NOT ACCEPTED THE OFFER, THERE ARE A NUMBER OF RISKS THAT WOULD BE ASSOCIATED WITH BEING A MINORITY PROPERTYLINK SECURITYHOLDER

The Offer has a minimum acceptance condition of 50.1%. If ESR acquires between 50.1% and 90% of Propertylink Securities pursuant to the Offer, Propertylink Securityholders will become minority securityholders in a Propertylink controlled by ESR. Without limiting the circumstances in which this might occur, ESR would not be able to acquire 90% of Propertylink Securities if CNI does not accept the Offer, or is restricted from doing so under the ASX Listing Rules: see section 10.3 of the Bidder's Statement.

In these circumstances:

- **Reduced liquidity**: The trading liquidity in Propertylink Securities may be reduced and Propertylink could be fully or partially removed from certain S&P / ASX market indices due to lack of free float and liquidity. This may cause the trading price of Propertylink Securities to fall.
- **Loss of premium for control**: Once ESR has control, it is unlikely that the trading price for Propertylink Securities will carry any potential premium for control, and accordingly, the Propertylink Security price may fall following the end of the Offer Period.
- **ESR control of Propertylink**: ESR will be in a position to cast the majority of votes at a general meeting of Propertylink and pass ordinary resolutions. This will enable it to control the composition of Propertylink's boards and could, among other outcomes, result in a change in the current strategic direction of the Propertylink Group.
- **Reduced distributions**: Once ESR has control, it may alter the financial policies of Propertylink which may affect the amount and frequency of distributions to minority Propertylink Securityholders. ESR has stated in the Bidder's Statement that its current intention is to reduce distributions in the absence of a more favourable capital management initiative that may be available to reduce the leverage of the Propertylink Group: see section 7.5 of the Bidder's Statement.
- **Potential delisting and destapling**: ESR has stated that, should it become entitled to do so, it may apply to the ASX for delisting of Propertylink and may destaple the Propertylink Securities.

  ASX guidance indicates that the usual conditions the ASX would expect to be satisfied to delist Propertylink following a successful takeover bid are:

  - at the end of the Offer Period, ESR owns or controls at least 75% of Propertylink Securities and the Offer Period has remained open for at least two weeks after ESR attained ownership or control of at least 75% of the Propertylink Securities; and
  - fewer than 150 Propertylink Securityholders (other than ESR) have holdings with a value of at least $500.

9. Source: Bloomberg as at 16 November 2018. S&P / ASX 300 A-REIT Index and S&P / ASX 300 Index rebased to Propertylink Security price.

In this situation, the ASX may approve delisting without requiring a Propertylink Securityholder vote.

In addition, the ASX may approve an application for Propertylink to be removed from the official list of the ASX with Propertylink Securityholder approval and, where such removal is sought later than 12 months after the close of the Offer Period, ESR would be entitled to vote on the resolution approving the removal.

This situation may have potential disadvantages for Propertylink Securityholders other than ESR, including:

- loss of the ability for Propertylink Securityholders to sell their Propertylink Securities on the ASX, and limited potential opportunities to realise their Propertylink Securities; and
- various protections for Propertylink Securityholders under the ASX Listing Rules, including continuous disclosure requirements, restrictions on issue of new Propertylink Securities and restrictions on related party transactions and changes to the nature or scale of Propertylink's activities, would no longer apply.

- **Capital losses**: PHL has carried forward net capital losses which are available to be utilised against net capital gains in future income years. To the extent that ESR receives acceptances to take its holding of Propertylink Securities above 50% and below 100%, it is likely that PHL will fail the continuity of ownership test, which means that PHL may not be able to utilise its carried forward net capital losses unless it satisfies the same business test during the relevant period.
- **MIT status**: In certain circumstances, if ESR acquires a sufficiently high percentage of Propertylink Securities, as a consequence of the ownership structure of Propertylink, PT and PAIP may cease to satisfy the requirements to be a 'Managed Investment Trust' (**MIT**) in respect of future income tax years. Consequently, distributions made by PT and PAIP in relation to those future years would be subject to non-resident withholding tax which may be higher than the MIT withholding tax rate (see sections 10.2 and 10.3 of this Target's Statement). This may have an adverse effect on the tax treatment of PT and PAIP, their distributions going forward and the trading price of Propertylink Securities.
- **Change of control provisions**: Acquisition by ESR of a controlling interest in Propertylink, and any delisting of Propertylink, may trigger change of control and similar provisions under certain External Fund co-ownership agreements, financing arrangements and property leases to which the Propertylink Group and External Funds are party. If counterparties to the relevant agreements exercise termination or other rights in respect of the change of control of Propertylink, the Propertylink Group's financial performance and the value of Propertylink Securities could be materially adversely affected (see sections 8.1(c) and 11.1 of this Target's Statement).

It is possible that, even if ESR is not entitled to proceed to compulsory acquisition of any outstanding Propertylink Securities following the Offer, ESR may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6A.2 of the Corporations Act; for example, as a result of acquisitions of Propertylink Securities in reliance on the '3% creep' exception in item 9 of section 611 of the Corporations Act (which, in summary, allows a person to increase their voting power by 3% every 6 months).

Even if ESR does not receive sufficient acceptances to take its holding of Propertylink Securities above 50.1%, ESR may decide that it will hold a sufficiently large stake to effectively control Propertylink and may waive outstanding conditions to the Offer and acquire that stake. This may have some of the same consequences for those Propertylink Securityholders who do not accept ESR's Offer as are outlined above in relation to acquisition by ESR of majority control.

In any case, if you retain your Propertylink Securities you will remain exposed to the ongoing risks associated with an investment in Propertylink. These risks are described in further detail in section 8 of this Target's Statement.

2.7 THE OFFER HAS THE UNANIMOUS SUPPORT OF THE DIRECTORS

Having carefully considered the terms of the Offer against available strategic alternatives, the Directors unanimously recommend that you **ACCEPT** the Offer, in the absence of a Superior Proposal.

Section 3
Reasons for not accepting the Offer

3.1 YOU MAY CONSIDER THERE IS THE POTENTIAL FOR A SUPERIOR PROPOSAL TO EMERGE IN THE FORESEEABLE FUTURE

It is possible that a Superior Proposal for Propertylink could emerge in the future. However, as at the date of this Target's Statement, no alternative proposal has been received.

3.2 YOU MAY BELIEVE THAT ESR'S OFFER PRICE IS INADEQUATE

You may disagree with the Independent Expert's finding that the Offer is both fair and reasonable to Non-Associated Securityholders, and the unanimous recommendation of the Directors to ACCEPT the Offer in the absence of a Superior Proposal.

3.3 YOU MAY WISH TO REMAIN A SECURITYHOLDER IN PROPERTYLINK

If you accept the Offer, you will no longer be entitled to exercise the rights of a Propertylink Securityholder, or participate in the future financial performance of Propertylink.

3.4 YOU MAY WANT TO SELL YOUR PROPERTYLINK SECURITIES ON MARKET

You may wish to realise your investment in Propertylink through sale on the ASX if you expect proceeds may be higher, or that you will be paid sooner. Since the Initial Offer was announced on 21 September 2018, Propertylink Securities have not traded at prices higher than the Offer Price of $1.20.

If you sell your Propertylink Securities on market, you:

- will lose the ability to accept the Offer or any other offer which may eventuate;
- will not be entitled to receive any increased consideration if ESR subsequently increases the Offer Price;
- may incur brokerage; and
- may not obtain sufficient buyers to complete a trade above the Offer Price of $1.20 per Propertylink Security (including because Propertylink Securities may be affected by reduced liquidity).

Section 4
Directors' recommendation

4.1 DIRECTORS OF PROPERTYLINK

As at the date of this Target's Statement, the Directors of Propertylink are as follows. Each Director is appointed to the boards of both PHL and PIML:

Peter Lancken	Independent Chairman
Stuart Dawes	Chief Executive Officer and Managing Director
Stephen Day	Executive Director
Ian Hutchinson	Independent Non-Executive Director
Sarah Kenny	Independent Non-Executive Director
Christopher Ryan	Independent Non-Executive Director
Anthony Ryan	Independent Non-Executive Director

4.2 INDEPENDENT EXPERT'S REPORT

In order to assist with assessment of the Offer, the Directors engaged KPMG Corporate Finance as independent expert to undertake an independent assessment of the Offer.

A copy of the Independent Expert's Report is attached in Attachment 1 to this Target's Statement. The Directors recommend that you read the report in full.

The Independent Expert has concluded that the Offer is fair and reasonable to the Non-Associated Securityholders.

4.3 ALTERNATIVES TO THE OFFER

The Directors also considered alternative options in order to maximise value for Propertylink Securityholders.

Alternatives considered by the Directors included:

- continuing to operate Propertylink as per the status quo;
- proceeding with a proposal to acquire CIP;
- a sale of all of Propertylink's assets and subsequent distribution of the net proceeds of those sales to Propertylink Securityholders.

The Directors concluded that the Offer was preferable to each of these alternatives as Propertylink Securityholders were unlikely to receive a return in excess of the cash payment available under the Offer.

The Directors also considered the potential of a Superior Proposal for Propertylink. No Superior Proposal has emerged as at the date of this Target's Statement.

Decision not to proceed with Propertylink's CIP Proposal

Upon receipt of the Initial Offer from ESR, which was conditional upon Propertylink not proceeding with its proposal to acquire CIP, the Directors assessed the relative merits of the proposals in conjunction with their advisers. Their assessment focused on the standalone value of Propertylink on a going concern basis and the expected value realisable by Propertylink Securityholders under the respective proposals.

On completion of their assessment, the Directors concluded that the Offer presented greater expected value (on a time and risk adjusted basis) for Propertylink Securityholders than proceeding with Propertylink's CIP Proposal at the present time.

Section 4 – Directors' recommendation

This conclusion was based primarily on the following:

- the Offer Price, which represented a significant premium to the trading price of Propertylink Securities before the announcement of the Initial Offer (including following the announcement of the CIP Proposal) and 30 June 2018 NTA;
- the consideration under the Offer being 100% cash, providing certainty of value and liquidity for Propertylink Securityholders;
- the period of time required to realise value for Propertylink Securityholders under the respective proposals, including speed of transaction execution and time required to enhance the performance of CIP's assets; and
- the rejection by the CIP RE, of Propertylink's CIP Proposal, which Propertylink believed to offer full and fair value for CIP units.

Accordingly, the Directors determined not to proceed with Propertylink's CIP Proposal in favour of developing ESR's proposal into an Offer capable of acceptance by Propertylink Securityholders. Propertylink reserves the right to proceed with Propertylink's CIP Proposal if the Offer is unsuccessful.

4.4 DIRECTORS' RECOMMENDATION

The Directors unanimously recommend that Propertylink Securityholders **ACCEPT** the Offer, in the absence of a Superior Proposal.

The Directors have reached this conclusion on balance after weighing up the reasons why Propertylink Securityholders should accept the Offer set out in section 2 of this Target's Statement and the reasons for not accepting the Offer set out in section 3 of this Target's Statement.

The decision as to whether or not to accept the Offer depends on the circumstances for each individual Propertylink Securityholder, including risk profile, portfolio strategy, tax position, financial circumstances and investment time horizon.

In considering whether or not to accept the Offer, your directors encourage you to:

- read the whole of this Target's Statement (including the Independent Expert's Report) and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider the alternative of selling on the ASX as outlined in section 5 of this Target's Statement; and
- obtain financial advice from your broker or financial adviser about the Offer and obtain taxation advice on the effect of accepting the Offer.

4.5 DIRECTORS' INTENTIONS IN RELATION TO THE OFFER

Each Director who owns or controls Propertylink Securities intends to accept the Offer in relation to the Propertylink Securities they own or control, in the absence of a Superior Proposal.

Details of the relevant interests of each Director in Propertylink Securities are set out in section 9.1 of this Target's Statement.

Section 5
Your choices as a Propertylink Securityholder

5.1 YOUR CHOICES

As a Propertylink Securityholder, you have three choices currently available to you:

a. **Accept the Offer**

Propertylink Securityholders may elect to accept the Offer. Details of the consideration that will be received by Propertylink Securityholders who accept the Offer are set out in section 6.2 of this Target's Statement and in the Bidder's Statement.

The Offer is open for acceptance until 7:00pm (Sydney time) on 31 January 2019, unless it is extended or withdrawn (sections 6.5 and 6.6 of this Target's Statement describe the circumstances in which ESR can extend or withdraw the Offer).

Propertylink Securityholders who accept the Offer may be liable for CGT on the disposal of their Propertylink Securities (see section 10 of this Target's Statement). However, you will not incur any brokerage.

The Bidder's Statement contains details of how to accept the Offer in section 3.

b. **Sell your Propertylink Securities on market**

Propertylink Securityholders who have not already accepted the Offer can still sell their Propertylink Securities on market for cash.

On 16 November 2018 the trading price of Propertylink Securities closed at $1.185, a 1.3% discount to the Offer Price of $1.20 per Propertylink Security. The latest price for Propertylink Securities may be obtained from the ASX website www.asx.com.au.

Propertylink Securityholders who sell their Propertylink Securities on market may be liable for CGT on the sale (see section 10 of this Target's Statement) and may incur brokerage.

Propertylink Securityholders who wish to sell their Propertylink Securities on market should contact their broker for information on how to effect that sale.

c. **Do not accept the Offer**

Propertylink Securityholders who do not wish to accept the Offer or sell their Propertylink Securities on market should do nothing.

If ESR and its Associates have a relevant interest in at least 90% of the Propertylink Securities during or at the end of the Offer Period, ESR will be entitled to compulsorily acquire the Propertylink Securities that it does not already own (see section 6.12 of this Target's Statement) and has stated an intention to do so.

5.2 TAXATION CONSEQUENCES

The taxation consequences of accepting the Offer or selling Propertylink Securities on-market depend on a number of factors and will vary depending on your particular circumstances. Outlines of the Australian taxation considerations of accepting the Offer are set out in section 10 of this Target's Statement and section 9 of the Bidder's Statement.

You should carefully read and consider the taxation consequences of accepting the Offer or selling Propertylink Securities on market. The outlines provided in this Target's Statement and the Bidder's Statement are of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

Section 5 – Your choices as a Propertylink Securityholder

5.3 DISTRIBUTION ENTITLEMENTS AND OTHER RIGHTS

By accepting the Offer, Propertylink Securityholders transfer to ESR all the Rights attached to their Propertylink Securities. ESR will be entitled to all Rights, including distributions or entitlements declared, paid, made or issued by Propertylink, or which arise or accrue, on or after 12 November 2018 in respect of the Propertylink Securities that ESR acquires pursuant to the Offer.

If you receive or become entitled to receive distributions (such as the 2019 Interim Distribution) or other Rights because you have not yet accepted the Offer as at the record date for such distribution or Right but subsequently do so, the amount of such distributions or Rights will be credited towards your entitlement to receive the Offer Price. The amount that ESR has to pay you will consequently be reduced by the amount of such distributions or Rights.

Section 6
ESR and the Offer

6.1 ESR

ESR is an Australian proprietary company incorporated in New South Wales on 24 April 2018 as the holding company for ESR Group's Australian operations.

ESR is a Subsidiary of ESR Cayman Limited (the head entity of the ESR Group). ESR Cayman Limited is a company incorporated in the Cayman Islands and headquartered in Hong Kong.

The ESR Group is a leading Asia-Pacific logistics real estate and funds management platform, with an ambition to establish a preeminent position in the Australian market. ESR focuses on developing and managing institutional-quality logistics facilities that cater to third-party logistics providers, e-commerce companies, bricks-and-mortar retailers, cold-chain logistics providers and industrial companies.

The ESR platform represents one of the largest in the Asia-Pacific region, spaning across China, Japan, Singapore, South Korea, India, and Australia. As at 31 July 2018, the company's assets under management amounted to approximately US$12 billion, and the gross floor area of projects owned and under development stood at over 11 million square meters.

In August 2018, ESR completed the acquisition of Australian industrial property development business, Commercial and Industrial Property Pty Ltd (**C&I**). C&I has a portfolio of development projects across Australia's eastern seaboard with a fully developed end value of $1.1 billion over the next five years and gross floor area at completion of 520,000 sqm.

ESR Australia is a Subsidiary of ESR and currently has a relevant interest in approximately 19.89% of the Propertylink Securities.

ESR is also a substantial holder in CNI, an ASX-listed specialist investment manager with $5.5 billion of assets under management. ESR currently holds a 14.9% interest in CNI, which it acquired in October 2017.

The shareholders in ESR Cayman Limited comprise a number of institutional investors from the United States, Asia and Europe. The major shareholders are Warburg Pincus, APG Group, SK Holdings, Jindong Logistics Group Corporation (a subsidiary of JD.com, Inc) and Redwood Investment Company, Ltd. The Chief Executive Officer and other senior executives in the ESR Group also hold interests in certain ESR Group members.

Further information about ESR and its principal activities and ownership is set out in section 5 of the Bidder's Statement.

6.2 BACKGROUND TO THE OFFER

On 21 September 2018, Propertylink announced that it had received the Initial Offer from ESR to acquire all the Propertylink Securities which it does not already own by way of an agreed takeover bid for $1.15 cash per Propertylink Security.[1] At the time of the Initial Offer ESR held a 19.9% interest in Propertylink.[2]

On 16 October 2018, Propertylink announced that ESR had proposed to revise the offer consideration to $1.20[3] cash per Propertylink Security and that Propertylink had entered into a Process Deed with ESR, which set out the terms of, and steps required to finalise, the Offer. Subsequently on 12 November 2018, Propertylink and ESR entered into the Bid Implementation Agreement (**BIA**) and the Directors unanimously recommended the Offer, subject to an Independent Expert opining that the Offer was fair and reasonable to Non-Associated Securityholders and in the absence of a Superior Proposal.

1. To be reduced by the cash amount of any dividends or distributions that Propertylink Securityholders received or became entitled to receive.
2. Based on the substantial holder notice lodged to the ASX by ESR on 19 December 2017.
3. To be reduced by the cash amount of any dividends or distributions that Propertylink Securityholders received or became entitled to receive.

Section 6 – ESR and the Offer

Several other developments preceded the Offer including:

a. **CNI and CIP's acquisition of an interest in Propertylink**

On 8 September 2017, CNI and CIP announced that, on a combined basis, they had acquired a relevant interest in 17.0%[4] of Propertylink Securities, and stated that they would seek to initiate discussions with Propertylink regarding potential strategic initiatives.

b. **Centuria's Acquisition Proposal**

Subsequently, on 22 September 2017, CNI and CIP submitted an unsolicited, non-binding, indicative offer to acquire 100% of the outstanding Propertylink Securities by way of a Scheme of Arrangement (**Centuria's Acquisition Proposal**). The offer consideration per Propertylink Security comprised $0.055 cash, 0.23 CNI securities and 0.23 CIP units, implying an offer value of $0.95[5] per Propertylink Security. On 25 September 2017 the Directors unanimously rejected Centuria's Acquisition Proposal on the basis that, among other matters, it undervalued Propertylink, taking into account the nature and amount of the consideration with regard to the underlying value of Propertylink's wholly-owned industrial portfolio, co-investment stakes and institutional wholesale funds management platform.[6] On 10 August 2018, CIP announced that it had sold its 7.7% interest in Propertylink.

c. **ESR's acquisition of an interest in Propertylink**

On 4 October 2017, ESR announced it had acquired an 18.1% interest in Propertylink by way of an off-market purchase and exposure under a total return swap. ESR stated it would keep open its options in relation to this investment, which included engagement with Propertylink and other major stakeholders regarding strategic initiatives. Following receipt of FIRB approval and physical settlement of the total return swap, ESR announced on 19 December 2017 that its interest in Propertylink had increased to 19.9%.

d. **Propertylink's CIP Proposal**

On 13 September 2018, Propertylink submitted to Centuria Property Funds No. 2 Limited, as responsible entity for CIP (**CIP RE**), a non-binding, indicative offer to acquire all of the outstanding units in CIP for a combination of cash and Propertylink Securities by way of an off-market takeover bid. The offer price of $3.04 per CIP unit comprised 2.5327 Propertylink Securities and $0.33 cash consideration. Propertylink also acquired a 17.7%[7] interest in CIP prior to announcement of Propertylink's CIP Proposal.

e. **Centuria's Board Proposal**

On 20 September 2018, CNI Subsidiary[8] requisitioned an extraordinary general meeting of PHL shareholders to remove all current Directors from PHL's board (other than the Managing Director, Mr Stuart Dawes) and elect replacements nominated by CNI Subsidiary. CNI Subsidiary is a wholly-owned subsidiary of CNI, which held a 8.8% interest in Propertylink prior to announcement of the requisition[9]. The extraordinary general meeting was held on 15 November 2018, and, at the meeting, none of the resolutions proposed by CNI Subsidiary were passed.

f. **Rejection of Propertylink's CIP Proposal**

On 2 October 2018, the Independent Board Committee of CIP RE, rejected Propertylink's CIP Proposal and did not grant Propertylink access to confirmatory due diligence. Following receipt of the revised Offer from ESR, Propertylink announced it would not proceed with the CIP Proposal. Propertylink reserves the right to proceed with Propertylink's CIP Proposal if the Offer is unsuccessful.

4. Based on the substantial holder notices lodged to the ASX by CNI and CIP on 8 September 2017, stating they held a 9.3% and 7.7% interest in Propertylink respectively.
5. Based on the five day VWAP to 22 September 2017 of $1.33 and $2.56 for CNI and CIP respectively.
6. See considerations set out in Propertylink's ASX announcement on 25 September 2017.
7. Based on the substantial holder notice lodged to the ASX by Propertylink on 14 September 2018.
8. Centuria Investment Holdings Pty Limited as trustee of Centuria Capital No. 2 Industrial Fund (**Centuria Subsidiary**).
9. Based on the substantial holder notice lodged by CNI on 13 August 2018. As at the date of this Target's Statement, CNI held a 19.5% interest in Propertylink based on the substantial holder notice lodged to the ASX by CNI on 12 October 2018.

6.3 CONDITIONS TO THE OFFER

The Offer is subject to a number of conditions. Those conditions are set out in full in the Annexure to the Bidder's Statement.

By way of broad overview, the outstanding conditions to the Offer as at the date of this Target's Statement may be summarised as follows:

a. **No regulatory action**

During the Implementation Period there is no decision, investigation, application or similar action by any government agency in connection with the Offer (other than certain actions by ASIC or the Takeovers Panel) which affects the making of the Offers or which requires ESR to divest any Propertylink Securities or the Propertylink Group's material assets.

b. **Minimum acceptance**

At the end of the Offer Period, ESR has a relevant interest in at least 50.1% of all Propertylink Securities (on a fully diluted basis).

c. **No material adverse change**

During the Implementation Period, no change occurs, is announced or becomes known which (when aggregated with other events) has had or would be considered reasonably likely to have:

- a material adverse effect on the Propertylink Group's business, assets, liabilities, financial or trading position, profitability or prospects; or
- the effect of reducing the Propertylink Group's consolidated net assets by at least $47,400,000, reducing consolidated earnings before interest, tax, fair value movements and one-off performance fees by at least $4,400,000 per annum or reducing distributable earnings by at least $4,200,000 per annum or materially adversely affecting any Propertylink Group Australian financial services licence,

subject to certain typical exceptions, including for changes arising as a result of any change in law or government policy, changes in Australian accounting standards, changes in economic or political conditions or changes in business conditions affecting the commercial real estate investment and management sectors.

d. **No Prescribed Occurrences**

During the Implementation Period, without ESR's prior written consent and subject to certain exceptions, none of the following happen in relation to the Propertylink Group:

- conversion of securities in to a larger or smaller number;
- reductions of capital;
- buy-backs;
- issues of securities, options or convertible notes;
- disposals of the whole or a substantial part of the business of the Propertylink Group;
- grant of security over the whole or a substantial part of the business of the Propertylink Group; and
- winding up, liquidation or receivership.

e. **No material acquisitions, disposals, capital expenditure or changes in the conduct of business**

During the Implementation Period, without ESR's prior written consent and subject to certain exceptions, no Propertylink Group Member:

- acquires or disposes of assets or businesses materially changing the manner in which Propertylink conducts its business, or the nature, extent or value of assets or liabilities of the Propertylink Group;
- acquires or disposes of trusts, companies or businesses (other than in connection with the acquisition or disposal of the underlying assets of trusts with a gross value of less than $20,000,000 in aggregate);
- acquires or disposes of assets with an aggregate value exceeding $20,000,000;
- enters into contracts or commitments outside the ordinary course of business (other than in relation to Competing Proposals or to respond to emergencies);
- makes or announces a takeover bid for CIP, or acquires or announces an intention to acquire CIP units or CIP's assets;
- waives any material third party default with a financial impact on the Propertylink Group exceeding $5,000,000 (individually or in aggregate); or

Section 6 – ESR and the Offer

- compromises a matter for less than the full amount where the financial impact on the Propertylink Group exceeds $5,000,000 (individually or in aggregate),

f. **No destruction or damage to any Properties**

During the Implementation Period, none of the properties held by the Propertylink Group itself are destroyed or damaged with the value of destruction or damage exceeding $5,000,000.

g. **Responsible entity and other changes**

During the Implementation Period, without ESR's prior written consent, none of the following occurs:

- externalisation of Propertylink's management, or replacement of responsible entities or trustees of Propertylink Group Members (other than certain internal restructures);
- a change of control in relation to PHL, PAIP, PT or PIML (other than as a result of the Offer); or
- constitutional changes are made, or special or extraordinary resolutions are passed, in relation to Propertylink Group Members.

h. **No proposal impacting Wholesale Fund Management Rights**

During the Implementation Period, without ESR's prior written consent, none of the following occurs:

1. A Propertylink Group Member enters, amends materially or terminates, any agreement under which it provides investment management, property management, administration or related services (other than replacement of expired agreements in the ordinary course, on arm's length and market terms and where gross revenue is not reduced by more than $1,000,000 per annum);
2. a subscription agreement is entered into in relation to certain Wholesale Funds;
3. a "buy/sell" notice is given by an investor in certain Wholesale Funds in connection with certain deadlock resolution procedures;
4. a person exercises (or states an intention to exercise) certain termination rights in relation to Wholesale Funds, or the requisite majority pass (or state an intention to pass) a resolution to exercise such termination rights.

ESR has provided various consents including to allow Propertylink to implement existing plans in relation to certain of its Wholesale Funds, and also so that the giving of "buy/sell" notices or exercise of termination rights in relation to the PALT II or PCII funds does not trigger this condition.

i. **No litigation on foot or pending**

During the Implementation Period:

- no litigation against any Propertylink Group Member is commenced, threatened or announced which may reasonably result in a judgment of more than $10,000,000; and
- ESR does not have to increase the Offer Price, or pay any additional amount as a result of any litigation commenced, threatened or announced or any decision of a public authority

j. **Financing**

During the Implementation Period, without ESR's prior written consent and subject to certain exceptions, none of the following occur:

- the Propertylink Group increases its financial indebtedness (other than indebtedness under existing facilities or similar arrangements) or provides financial accommodation of more than $4,000,000;
- the Propertylink Group incurs or triggers any unremedied default, potential default, review event, acceleration, or reduction of debt under, any external financing arrangements (excluding any change of control provisions triggered by the Offer itself);
- the Propertylink Group and External Funds do not exceed certain loan to value ratios in respect of their facilities, or enter into any agreements to restrict distributions or otherwise materially adversely affect their rights in respect of those facilities(other than certain ordinary course changes);
- the Propertylink Group's aggregate drawings under its existing facilities exceed $475,000,000 or its 'LVR' exceeds 57.5%.

As at the date of this Target's Statement, Propertylink is not aware of any act, omission or event having occurred that would result in any of the conditions to the Offer being triggered.

6.4 NOTICE OF STATUS OF CONDITIONS

Section 11.13 of the Bidder's Statement states that ESR will give a notice of status of conditions to the ASX and Propertylink on 23 January 2019.

ESR is required to set out in its notice of status of conditions:

- whether the Offer is free of any or all of the conditions;
- whether, so far as ESR knows, any of the conditions have been fulfilled; and
- ESR's voting power in Propertylink.

If the Offer Period is extended by a period before the time by which the notice of status of conditions is to be given, the date for giving the notice will be taken to be postponed for the same period. In that case, ESR is required, as soon as practicable after the extension, to give a notice to the ASX and Propertylink that states the new date for the giving of the notice of status of conditions.

If a condition is fulfilled (so that the Offer becomes free of that condition) during the Offer Period but before the date on which the notice of status of conditions is required to be given, ESR must, as soon as practicable, give the ASX and Propertylink a notice that states that the particular condition has been fulfilled.

6.5 OFFER PERIOD AND EXTENDING THE OFFER PERIOD

Unless the Offer is extended or withdrawn, it is open for acceptance from 21 November 2018 until 7:00pm (Sydney time) on 31 January 2019.

ESR may extend the Offer Period at any time before the end of the Offer Period. However, ESR has agreed not to extend the Offer Period beyond 12 May 2019 without Propertylink's consent, except where the Offer is unconditional, in which case ESR may extend the Offer Period to end any time before 12 July 2019.

If ESR extends the Offer Period and the Offer remains subject to conditions, ESR will not be able to extend the Offer after it gives the notice of the status of conditions unless:

- another person announces or makes a takeover bid for Propertylink;
- another person lodges a bidder's statement with ASIC in respect of a takeover bid for Propertylink; or
- the consideration under a competing takeover bid for Propertylink is improved.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- ESR improves the consideration offered under the Offer; or
- ESR's voting power in Propertylink increases to at least 50%.

If either of these 2 events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

6.6 WITHDRAWAL OF THE OFFER

Before you accept the Offer, ESR may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

6.7 EFFECT OF ACCEPTANCE

By way of summary, when you accept the Offer, you will be deemed to have (among other things):

- agreed to transfer your Propertylink Securities to ESR (subject to the offer becoming unconditional and a valid contract in respect of your shares arising);
- authorised and directed Propertylink to account for or pay to ESR all Rights in respect of your Propertylink Securities; and
- from the date on which the offer is declared unconditional, appointed ESR and its directors, secretaries and nominees as your attorney to exercise all of the powers and rights in relation to your Propertylink Securities, including the right to attend and vote at meetings of Propertylink Securityholders.

Further information about the effect of acceptance of the Offer is set out in section 11.6 of the Bidder's Statement. Propertylink Securityholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the rights attaching to their Propertylink Securities and the representations and warranties which they give by accepting of the Offer.

Section 6 – ESR and the Offer

6.8 YOUR ABILITY TO WITHDRAW YOUR ACCEPTANCE

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if ESR varies the Offer in a way that postpones, for more than one month, the time when ESR needs to meet its obligations under the Offer. This will occur if ESR extends the Offer Period by more than one month and the Offer is still subject to conditions.

6.9 WHEN YOU WILL RECEIVE YOUR CONSIDERATION IF YOU ACCEPT THE OFFER

In the usual case, if you accept the Offer and the conditions have all been fulfilled or freed, you will be paid your consideration on or before the earlier of :

- 20 Business Days after the date of your acceptance, or if this Offer is subject to a condition when you accept the Offer, within 20 Business Days after the Offer becomes unconditional; and
- 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the payment of consideration. Full details of when you will be paid your consideration are set out in section 11.7 of the Bidder's Statement.

6.10 EFFECT OF AN IMPROVEMENT IN OFFER PRICE

If ESR improves the Offer Price under the Offer, all Propertylink Securityholders, whether or not they have accepted the Offer before that improvement in the Offer Price, will be entitled to the benefit of that improved Offer Price.

6.11 LAPSE OF OFFER

The Offer will lapse if the Offer conditions are not freed or fulfilled by the end of the Offer Period; in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Propertylink Securities as you see fit.

6.12 COMPULSORY ACQUISITION

ESR has indicated in section 7.4 of its Bidder's Statement that if it satisfies the required thresholds it intends to compulsorily acquire any outstanding Propertylink Securities.

ESR will be entitled to compulsorily acquire any Propertylink Securities in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period:

- ESR and its Associates have a relevant interest in at least 90% (by number) of the Propertylink Securities; and
- ESR and its Associates have acquired at least 75% (by number) of the Propertylink Securities that ESR offered to acquire (excluding Propertylink Securities in which ESR or its Associates had a relevant interest at the date of the Offer and also excluding Propertylink Securities issued to an Associate of ESR during the Offer Period).

If this threshold is met, ESR will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Propertylink Securityholders who have not accepted the Offer. Propertylink Securityholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Securityholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Propertylink Securities. If compulsory acquisition occurs, Propertylink Securityholders who have their Propertylink Securities compulsorily acquired are likely to be paid their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched.

It is also possible that ESR will, at some time after the end of the Offer Period, become the beneficial holder of 90% of the Propertylink Securities. ESR would then have the right to compulsorily acquire Propertylink Securities not owned by it within 6 months of becoming the holder of 90% of the Propertylink Securities. ESR's price for compulsory acquisition under this procedure would have to be considered in a report of an independent expert.

Section 7
Information about Propertylink

7.1 OVERVIEW OF THE PROPERTYLINK GROUP

Propertylink is an ASX-listed internally-managed real estate investment trust, specialising in Australian industrial and office investments. Propertylink is a constituent of the S&P / ASX 300 Index.

Propertylink is a stapled entity comprising PAIP, PHL and PT and their controlled entities. Each Propertylink Security comprises:

- one fully-paid ordinary share in PHL;
- one fully-paid unit in PT; and
- one fully-paid unit in PAIP.

Propertylink Securityholders have an interest in the industrial property portfolio held on Propertylink's balance sheet, in Propertylink's co-investments in External Funds and in the manager of this balance sheet portfolio and the External Fund assets.

7.2 PRINCIPAL ACTIVITIES OF THE PROPERTYLINK GROUP

a. **Wholly owned industrial portfolio**

The Propertylink Group owns and manages an industrial property portfolio comprising a diverse set of assets weighted towards urban infill locations on Australia's east coast, predominantly in Sydney and Melbourne. The portfolio generated net property income of $49.2 million during FY18.

In response to the Offer, the Directors commissioned independent valuations on 29 of the 31 properties[1] in the wholly owned industrial portfolio as at 30 September 2018. Key portfolio metrics are outlined below:[2]

- 31 properties with a total book value of $841 million;
- weighted average capitalisation rate of 6.49%;
- 461,606 square metres of gross lettable area;
- 99.2% occupancy; and
- weighted average lease expiry of 3.8 years.

b. **Investment management business**

The Propertylink Group also manages External Funds which provide leading global institutional investors with a fully integrated investment management platform and strong capabilities in the ownership and active management of office and industrial real estate.

At 30 September 2018, the Propertylink Group managed five well established External Funds comprising 28 properties with a total book value of $1,028 million[3] and a recently established External Fund.[4] Across the investment management platform, 25 of the 28 properties were independently valued as at 30 September 2018.[5] The investment management platform generated management fee income of $9.2 million in FY18. Further, performance fees of $22.3 million were earned in FY18 due to strong returns on External Fund assets divested during the period.

1. Excludes 14-16 Orion Road, Lane Cove NSW, the acquisition of which was settled in September 2018 and 1-5 Lake Drive, Dingley VIC, which is a development asset.
2. Book value and weighted average capitalisation rate as at 30 September 2018. Gross lettable area, weighted average lease expiry and occupancy as at 30 June 2018.
3. Includes 80 Mount Street, North Sydney NSW, which was divested in September 2018, with settlement expected to occur in November 2018.
4. The Propertylink Australian Logistics Trust II (PALT II) was established in September 2018 and at 30 September 2018 had no assets under management.
5. Independent valuations exclude 80 Mount Street, North Sydney NSW, which was divested in September 2018, with settlement expected to occur in November 2018 and two other properties within PEP. 1 Lahrs Road, Ormeau QLD was valued as at 15 November 2018 as required by PCII.

Section 7 – Information about Propertylink

The Propertylink Group also co-invests in the External Funds. At 30 September 2018, Propertylink maintained a $109.8 million investment in the External Funds, representing an average co-investment of 18.7%. During FY18, Propertylink's co-investments generated $6.0 million of income and benefited from a valuation uplift of $13.8 million.

7.3 STRATEGY AND OBJECTIVES

The Propertylink Group's objective is to provide Propertylink Securityholders and investors in External Funds with superior risk-adjusted returns from Australian industrial and office real estate, whilst being a leading owner and manager of Australian industrial real estate. The Propertylink Group delivers this objective through four core strategies:

- **Invest** in a portfolio of industrial properties in the major Australian markets that provide a stable and diversified earnings profile with potential for income and capital growth. Co-invest in External Funds, maintaining a target 5-25% share of equity and providing alignment of interests with global institutional investors along with the ability to share in the returns offered by the funds.
- **Enhance** the portfolio of owned assets and assets held in External Funds through active asset management. Leveraging the Propertylink Group's expertise as a skilled active manager of real estate, this is delivered through acquisitions, asset repositioning, targeted capital expenditure, development and divestments.
- **Grow** the investment management business by expanding existing External Funds, securing new investment mandates, expanding the Propertylink Group's investment network and establishing new external funds while continuing to grow the wholly-owned industrial portfolio to maintain a stable and diverse earnings profile.
- **Maintain** a conservative capital structure across Propertylink's balance sheet and External Funds with a target balance sheet gearing range of 30% to 40%.

7.4 FY18 FINANCIAL INFORMATION AND RECENT ACTIVITY

On 14 August 2018, Propertylink released its annual financial results for FY18 to the ASX.

The FY18 Appendix 4E, Annual Report and Financial Reports can be obtained from Propertylink's website at https://propertylink.com.au/ or by contacting Computershare Investor Services Pty Limited on 1300 850 505 (for calls made from within Australia) or +61 3 9415 4000 (for calls made from outside Australia).

Key financial metrics for FY18 include:

- Distributable Earnings of $55.7 million, up 23% on the previous corresponding period;
- performance fees of $22.3 million ($14.5 million after staff incentives and tax) having achieved outstanding returns on external fund assets divested during the year;
- distributions for FY18 of 7.3 cents per Propertylink Security, up 16% on the previous corresponding period;
- growth in NTA of 19% to $1.04 per Propertylink Security;
- return on equity of 27.4% during the year; and
- balance sheet gearing of 29.6%.

Material announcements relating to Propertylink's financial information made by Propertylink since 30 June 2018 include:

- acquisition of an 18.1% strategic interest in CIP for $134 million;
- divestment of 80 Mount Street, North Sydney for $71 million from the PEP fund in which Propertylink has a 25% co-investment;
- the establishment of PALT II, a new External Fund, with China Merchants Capital; and
- revaluation of the wholly-owned industrial portfolio and investment management platform as at 30 September 2018, resulting in a net increase of $30.9 million on book value of the industrial portfolio and an increase in the carrying value of Propertylink's co-investment in External Funds of $8.6 million.

7.5 PUBLICLY AVAILABLE INFORMATION ABOUT PROPERTYLINK

Propertylink is a listed "disclosing entity" for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed entity, Propertylink is subject to the listing rules of ASX which require continuous disclosure of any information Propertylink has concerning it that a reasonable person would expect to have a material effect on the price or value of Propertylink Securities (subject to some exceptions).

The ASX maintains files containing publicly disclosed information about all listed entities. Propertylink's files are available for inspection on the ASX website (www.asx.com.au). In addition, Propertylink is required to lodge various documents with ASIC. Copies of documents lodged with ASIC in respect of Propertylink may be obtained from, or inspected at, an ASIC office.

A substantial amount of information about Propertylink is available in electronic form on its website https://propertylink.com.au/.

Section 8
Risks

There are risks which are specific to Propertylink and other risks which apply to investments generally, which may materially and adversely affect the future operating and financial performance of Propertylink and the value of Propertylink Securities. Those risks (and other risks) will continue to be relevant to Propertylink Securityholders who do not accept the Offer and retain their current investment in Propertylink. These risks will also continue to be relevant to all Propertylink Securityholders if the Offer lapses. While some of these risks can be mitigated, some are outside the control of Propertylink and cannot be mitigated.

8.1 RISKS OF HOLDING PROPERTYLINK SECURITIES

a. **Income from investment and asset management business may be lower than expected**

The Propertylink Group receives fees from the External Funds, as described in section 7.2 of this Target's Statement. These fees include acquisition fees, base fees, performance fees, property management fees, leasing fees, project management fees and other fees. There is a risk that these fees might be materially different to the fees set out in section 7.2 of this Target's Statement.

There is a risk that the Propertylink Group may not be able to establish new External Funds, raise additional funds in relation to existing External Funds, or raise debt funding for External Funds, due to limited investment opportunities, limited availability of investor capital, or limited availability of debt funding. There is also a risk that investors in External Funds who have provided funding commitments which are not fully drawn, may not honour their funding obligations when called. This in turn would adversely impact fees for the investment and asset management business.

The Propertylink Group's ability to raise new equity for current and future External Funds may be dependent on its performance in managing the External Funds. If the External Funds perform poorly, this may limit the Propertylink Group's ability to raise capital for new External Funds.

In circumstances where the Propertylink Group funds the payment of costs associated with the proposed acquisition of a property by an External Fund, including due diligence costs, adviser costs and opinion fees and the External Fund does not successfully complete the acquisition of the property, there is a risk that the money spent will not be recovered by the Propertylink Group.

All of these factors could adversely affect the financial performance of the Propertylink Group and the value of Propertylink Securities.

b. **Attracting and retaining key personnel**

Propertylink's success will depend on the continued active participation of the Propertylink Group's senior management team. These employees are an important part of the Propertylink Group's business strategy and success as they have extensive industry experience and knowledge of the Propertylink Group's business. If the Propertylink Group were to lose any of senior management team or if it were unable to employ replacement personnel with the requisite level of experience to adequately operate the Propertylink Group's business, its operations could be adversely affected. If any of these events were to occur for a significant period of time, the Propertylink Group's financial performance could be adversely impacted.

Investors in the External Funds are entitled to terminate the Propertylink Group's management arrangements and its co-investment participation in the relevant External Fund if certain 'Key Personnel' are removed or replaced, or cease to be involved in the management of the relevant External Fund, without relevant consent from the trustee, investors, investment management committee or a relevant lender (as the case may be). The 'Key Personnel' generally comprise of one or more of the members of the Executive Key Management Personnel (and approved replacements). If any of the above were to occur, this could adversely affect the financial performance of the Propertylink Group and the value of Propertylink Securities.

c. **Risks associated with the Propertylink Group's agreements**

There are a number of risks associated with the Propertylink Group's existing agreements and arrangements, including agreements relating to External Funds, financing arrangements and property leases. There is a risk that existing material agreements may be terminated, lost or impaired, or renewed on less favourable terms. Some of the Propertylink Group's material agreements can be terminated without cause (for example the management agreements for the Propertylink Australian Industrial Partnership II can be terminated without cause by a 75% majority of unitholders) or on short notice periods (depending on the termination event or circumstances).

A number of material agreements contain change of control conditions: see section 11.1 for a summary of key change of control provisions and relevant third party consents. As well as the provisions referred to above, certain other events may trigger a mandatory transfer of the Propertylink Group's co-investment interests under investor agreements and termination of management agreements in relation to certain External Funds, including a failure to agree on a mechanism for realising the External Fund's assets within a specified period following the establishment of the External Fund, unresolved deadlocks and material breaches of the agreements.

Additionally, the Propertylink Group is subject to a number of ongoing obligations and is subject to various levels of liability (including under indemnity provisions) under a number of its agreements, some of which may contain unusual or otherwise onerous provisions. Such obligations include obligations under certain investor agreements for Propertylink Group co-investors in the relevant External Fund to meet funding calls in emergencies and in certain other circumstances.

There is a risk that Propertylink Group Members will be unable to meet their obligations under existing agreements, or may be subject to termination, mandatory transfer provisions and early repayment obligations, which could materially adversely affect the Propertylink Group's financial performance and the value of Propertylink Securities.

d. **The Propertylink Group may be unable to refinance, repay or renew its debt**

If the Propertylink Group's financial performance deteriorates, including due to a decline in rental income or the value of the Portfolio, the Propertylink Group may be unable to meet the covenants under its facilities. This may require the Propertylink Group to seek amendments, waivers of covenant compliance or alternative borrowing arrangements, to reduce debt or raise additional equity. If a breach of covenant under a facility were to occur, there is no assurance that a debt financier would consent to an amendment or waiver, or that debt financiers would not exercise enforcement rights, including requiring immediate repayment or enforcing its security. If a debt financier enforces its security over the relevant assets of a Propertylink Group Member which has provided security to support the Propertylink Group's debt financing and forces a sale of the secured property, there is a risk that the value received may be less than the amount of the secured obligations and may be less than the optimal sale price. If the Propertylink Group is unable to repay or refinance a facility upon maturity or in the event of a breach of covenant, the Propertylink Group may have to seek further equity, dispose of assets or enter into new debt facilities on less favourable terms. These factors could materially adversely affect the Propertylink Group's ability to operate its business, acquire new properties and to fund capital expenditure and could materially adversely affect the financial performance of the Propertylink Group and distributions, and the Propertylink Group may suffer reputational damage which could result in lenders being unwilling to extend additional finance or potentially raise future borrowing costs.

Under the Propertylink's Group's existing financing arrangements, the maximum permitted loan to value ratio for the Propertylink Group is scheduled to be reduced by 10% from the currently-applicable ratio on the earlier of 30 September 2019 or 9 months after ESR acquires more than 50% of the Propertylink Securities. The maximum permitted loan to value ratio similarly decreases if the Offer lapses or is withdrawn and Propertylink does not take steps to proceed with Propertylink's CIP Proposal within 90 days. The Propertylink Group may need to sell assets, raise additional capital, retain distributions or renegotiate the terms of its financing arrangements in order to ensure that its loan to value ratio is below the maximum permitted under its financing arrangements.

In the future, the Propertylink Group may also need to access additional debt financing to grow its operations, its Portfolio and its External Funds. If the Propertylink Group is unable to refinance, repay or renew its debt facilities or otherwise obtain debt finance on favourable terms, the Propertylink Group may not meet its growth targets, which may adversely affect the Propertylink Group's financial performance and distributions.

Section 8 – Risks

The Propertylink Group's ability to make scheduled payments of its indebtedness and its ability to extend the facilities or to borrow money for refinancing, capital expenditure or acquisitions will depend on a range of factors including general economic conditions, debt and equity market conditions, as well as the financial position, financial performance and the Propertylink Group's reputation. Changes in the above factors may affect the cost or availability of funding, and accordingly the Propertylink Group's financial performance, financial position and distributions. There can be no assurances that future financing will be available on terms acceptable to the Propertylink Group, or at all.

e. **Interest rates may increase**

Interest payable on the Propertylink Group's facilities will depend on the interest rate, which is comprised of a base interest rate plus a variable interest rate margin. An increase in interest rates or an increase in the margins on which financing can be obtained may increase the Propertylink Group's financing costs.

To the extent that the Propertylink Group incurs variable rate indebtedness that is unhedged, increases in interest rates may increase the cost of borrowing and this may adversely affect the Propertylink Group's ability to make timely principal and interest payments. In order to reduce exposure to the impact of moving interest rates, Propertylink Group has entered into interest rate swaps in respect of approximately 50% of the drawn amounts of its existing facilities.

However, where interest-bearing indebtedness is hedged, hedging arrangements themselves involve risk, such as the risk that counterparties may fail to honour their obligations under these arrangements, and that such arrangements may not be effective in reducing exposure to movements in interest rates.

f. **Risks associated with holding CIP units**

Propertylink currently owns 44,696,343 units in CIP and has an interest under a total return swap in a further 230,317 units in CIP, together representing 18.1% of the total number of CIP units on issue. The trading price of CIP units may fluctuate from time to time and is affected by a range of factors: see section 8.4(f) of this Target's Statement.

Given the size of its stake, should Propertylink decide to sell its CIP units in the future, depending on market conditions at the time and how the sale is conducted, Propertylink may not be able to realise its entire stake at the then-prevailing trading price for CIP units.

g. **Minority ownership consequences**

The Offer is subject to a 50.1% minimum acceptance condition. If ESR acquires between 50.1% and 90% of Propertylink Securities under the Offer, Propertylink Securityholders will become minority securityholders in a Propertylink controlled by ESR.

Section 2.6 of this Target's Statement sets out risks associated with being a minority securityholder.

h. **The Propertylink Group may not be able to meet forecasts**

The Independent Expert's Report contains forecast financial information for the Propertylink Group for FY19. The forward-looking statements, opinions and estimates provided in this Target's Statement rely on various factors, many of which are outside the control of Propertylink. There can be no guarantee that the assumptions on which the forward-looking statements, opinions and estimates are based, will ultimately prove to be valid or accurate, including rents, property costs and corporate expenses incurred in operating the Propertylink Group.

Propertylink cannot give assurance that the results of the Propertylink Group will not differ materially from those presented in the forecast financial information. Any material adverse difference may adversely affect the value of Propertylink Securities.

8.2 PROPERTY INVESTMENT AND VALUATION RISK

a. **Risks associated with acquisitions**

A key element of Propertylink's strategy involves the acquisition of properties (including through acquisition of companies and trusts) to add to its property portfolio. The Propertylink Group endeavours to conduct all reasonable and necessary due diligence on potential acquisition properties. However, there is a risk that potential issues are uncovered after acquisition and that these risks cannot be mitigated by the warranties and indemnities in the sale agreements, or related insurance agreements for those acquisitions. These transactions may also include risks such as:

- accurately assessing the value, strengths and weaknesses, contingent and other liabilities and potential profitability of the acquisition property;
- ability to achieve identified and anticipated synergies;
- unanticipated costs and problems or latent liabilities such as the existence of asbestos or other hazardous material or environmental liabilities on the acquired properties;
- diversion of management attention from existing business;
- potential loss of its key employees or the key employees of any business it acquires;
- unanticipated changes in business industry or general economic conditions that affect the assumptions underlying the acquisition; and
- decline in the value of acquired properties, companies or securities.

Any of these risks, to the extent the purchaser is not able to be indemnified, may adversely affect the Propertylink Group's ability to grow and on its financial position and financial performance.

b. **Rental income and portfolio income may decline**

The Propertylink Group's primary source of income is generated through its leasing arrangements in its Portfolio. Fee income in respect of External Funds is also indirectly related to income generated through leasing arrangements on properties comprising fund assets. The Propertylink Group's rental income and expenditure may be affected by a number of factors including:

- overall economic conditions;
- the financial conditions of the tenants;
- the ability to extend leases or replace outgoing tenants with new tenants;
- increase in rental arrears and vacancy periods;
- reliance on a key tenant that leases a material proportion of the portfolio;
- an increase in unrecoverable outgoings; and
- supply and demand in the property market.

Additionally, the forecasts and valuations included in the Independent Expert's Report make a number of assumptions in relation to the level of rental income, including that all existing leases are performed in accordance with their terms. Any decline in 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 Propertylink Group and could also have an adverse effect on the Propertylink Group's financial performance and the value of Propertylink Securities.

c. **Tenant and vacancy risk**

Leases of properties come up for renewal on a periodic basis. There is a risk that the Propertylink Group may not be able to negotiate suitable lease extensions with existing tenants or replace outgoing tenants with new tenants on the same terms or at all or be able to find new tenants to take over space that is currently unoccupied. The ability to secure lease renewals or to obtain replacement tenants may be influenced by any leasing incentives grants to prospective tenants and the supply of properties in the market which in turn, may increase the time required to let vacant space. Should the Propertylink Group be unable to secure a replacement tenant for a period of time or if replacement tenants lease the property on less favourable terms than existing lease terms, this will result in lower rental returns to the Propertylink Group, or lower fees from External Funds (or both), which could materially adversely affect the Propertylink Group's financial performance and the price of Propertylink Securities.

Section 8 – Risks

A number of existing leases may expire without being renewed. There can be no guarantee that the Propertylink Group will be successful in the lease renewal processes with each tenant, or that the Propertylink Group will be able to renew any lease on similar or not less favourable terms and the Propertylink Group could lose key tenants due to a range of events including as a result of failure to renew a lease, the termination of a lease due to change of control, deterioration in the level of service provided to tenants, weakening of tenant relationships or disputes with tenants, consolidation of a tenant's sites or insolvency of tenants. Any of these factors could adversely affect the Propertylink Group's financial performance of the Combined Group and the value of Propertylink Securities.

d. **The value of individual properties may decline**

The value of the Portfolio and External Funds, or individual properties within the Portfolio or the External Funds, may be affected by a number of factors affecting the Australian property market generally, as well as the Propertylink Group in particular, including:

- changes in market rental rates;
- changes in property yields;
- fluctuating occupancy levels;
- tenant defaults;
- increases in supply or falls in demand for property;
- a downturn in local property markets or property markets in general;
- increased competition from new or existing properties;
- pricing of any competing properties; and
- general economic conditions, including prevailing interest rates.

The Propertylink Group has properties independently revalued regularly in accordance with its valuation policy (and with valuation policies for External Funds). Reported valuations will represent only the analysis and opinion of the valuation experts at a certain date, and are not guarantees of present or future values.

Property values may fall if the underlying assumptions on which the valuation reports are based change in the future. As property valuation adjustments are reflected in the Propertylink Group's income statement, any decreases in value would have a corresponding effect on the income statement and the Propertylink Group's financial position and performance, together with the value of Propertylink Securities.

e. **Exposure to the Australian industrial and office property sectors**

The Portfolio and External Funds principally comprise industrial and office properties and are therefore exposed to the industrial and office property sectors. As a result of this exposure, the performance of Propertylink Securities depends, in part, on the performance of the Australian industrial property sector, and the Australian office property sector. In addition, if any of the sub-sectors in Sydney, Brisbane, Melbourne or Perth experience a downturn in activity, the Propertylink Group's financial position and performance, together with the value of Propertylink Securities may be adversely affected.

f. **Capital expenditure requirements may be higher than expected**

There is a risk that unforeseen and unexpected capital expenditure on the properties may be required, including expenditure on remedial works. Any capital expenditure that is required will reduce the cash that is available to the Propertylink Group to service its debt or other obligations and may materially affect the Propertylink Group's earnings and distributions.

g. **There may be environmental compliance costs and liabilities**

Industrial property assets such as those in the Portfolio and the External Funds typically have a higher rate of environmental contamination than other commercial property asset classes. Unforeseen environmental issues may affect any of the properties in the Portfolio or the External Funds.

Some buildings in the Portfolio and External Funds contain asbestos. There is a risk that previously unidentified asbestos may be found in the Propertylink Group's properties. Also, there is a risk that a person may contract an asbestos related illness and bring a personal injury claim against the Propertylink Group.

While Propertylink is not aware of any material environmental contamination at any of its properties, there is a risk that a property may be contaminated now or in the future. The cost of remediating contamination could be substantial and the Propertylink Group's ability to sell the relevant property or to use it as collateral for future borrowings may be adversely affected. Any such event could adversely affect the Propertylink Group's financial performance and the value of Propertylink Securities.

In addition, environmental laws impose penalties for environmental damage and contamination and non-compliance. Such a breach may expose the Propertylink Group to a claim for an amount that is greater than the value of the contaminated property. A material breach of an environmental law could impact the reputation and financial performance of the Propertylink Group and the value of Propertylink Securities.

h. **Properties are illiquid**

Property assets are by their nature illiquid investments. If it were necessary or desirable for Propertylink Group to sell one or more of the properties in the Portfolio or in an External Fund, it may not be able to do so within a short period of time or it may not be able to realise a property for the amount at which the Propertylink Group had previously valued it. Any protracted sale process, inability to sell a property or sale at a price that is less than the Propertylink Group's of the property may adversely affect the Propertylink Group's financial performance and the value of Propertylink Securities.

i. **Development activities may involve higher risks**

In seeking to maximise returns for investors, the Propertylink Group will consider opportunities to enhance the value of the Portfolio and External Funds' properties and may selectively acquire new properties that have development potential. There are typically higher risks associated with development activities than holding developed assets.

The risks faced by the Propertylink Group in relation to existing or future development projects will depend on the terms of the transaction at the time, and any risk mitigation strategies which the Propertylink Group puts in place, such as backing contractor obligations with unconditional bank guarantees. The risks may include specified works not being completed on time or in accordance with contractual obligations, which may result in a loss of rent during the delay in completion, and development costs may be materially greater than expected, which could materially adversely affect the Propertylink Group's financial performance and the value of Propertylink Securities.

Development works have been underway at certain properties in the Portfolio and the External Funds. Following completion of these development works, the Propertylink Group may be exposed to residual defects. Although these are mitigated by certain contractual protections and obligations or third parties to rectify defects, the Propertylink Group remains exposed to potential losses which may not be covered by the provisions of the contract or may exceed the amounts set aside in the bank guarantees (or arise after the bank guarantee is released), or which may be incurred in the event of a counterparty default if a claim were made. This could materially adversely affect the Propertylink Group's financial performance and the value of Propertylink Securities.

j. **Insurance risk**

The Propertylink Group currently maintains insurance cover that is customarily maintained by property owners and managers. The Propertylink Group's insurance provides a degree of protection for the Propertylink Group's assets, liabilities, officers and employees.

No assurance can be given that any insurance that the Propertylink Group currently maintains will:

- be available in the future on a commercially reasonable basis; or
- provide adequate cover against claims made against or by the Propertylink Group, noting that there are some risks that are uninsurable (such as nuclear, chemical and biological incidents) or risks where the insurance coverage is reduced (such as cyclone, earthquake, flood and fire).

Section 8 – Risks

The Propertylink Group will also face risks associated with the financial strength of its insurers to meet indemnity obligations when called upon which could have an adverse effect on the Propertylink Group's financial performance.

If the Propertylink Group incurs uninsured losses or liabilities, this could materially adversely affect the Propertylink Group's financial performance and position and the value of Propertylink Securities.

k. **The Propertylink Group may not be able to raise capital**

Real estate investment is very capital intensive. The Propertylink Group's ability to raise funds in the future on favourable terms depends on a number of factors including general economic conditions, political, capital and credit market conditions and the reputation, performance and financial strength of the Propertylink Group's business. Many of these factors will be outside the control of Propertylink.

If the Propertylink Group is unable to raise funds in the future on commercially acceptable terms, this will affect its strategy of acquiring more properties and the Propertylink Group's ability to grow, and could also adversely affect the Propertylink Group's financial performance and position and the value of Propertylink Securities.

l. **Risk management and internal control failure**

The Propertylink Group has implemented risk management strategies and internal controls involving processes and procedures intended to identify, monitor and mitigate the risks to which it is subject, including risks related to liquidity, interest rates, counterparties, compliance, market conduct, bribery and corruption, anti-money laundering and counter terrorism funding compliance, insurance and operational, all of which are important to the Propertylink Group's reputation and business operations. However, there are inherent limitations with any risk management and internal control framework as there may exist, or emerge in the future, risks that the Propertylink Group has not adequately anticipated or identified. If any of the Propertylink Group's risk management and internal control processes and procedures prove ineffective or inadequate, or are otherwise not appropriately implemented in relation to the Propertylink Group, the Propertylink Group's financial performance and the value of Propertylink Securities could be adversely affected.

8.3 REIT SECTOR RISKS

a. **Counterparty/credit risk**

REITs are exposed to the risk that third parties, such as tenants, developers, service providers and financial counterparties to derivatives (including interest rate hedging instruments) and other contracts may not be willing or able to perform their obligations.

b. **Fixed nature of costs**

Many costs associated with the ownership and management of property assets are fixed in nature. The value of properties (and the value attributed to the Propertylink Group) may be adversely affected if the income from the asset declines and these fixed costs remain unchanged.

c. **Land values**

Events may occur from time to time that affect the value of land which may then impact the financial returns generated from particular property related investment businesses or projects. For example, unanticipated environmental issues may adversely affect the future earnings of the Propertylink Group.

d. **Trust taxation status**

Changes in taxation law (including goods and services taxes and stamp duties), or changes in the way tax laws are interpreted in the various jurisdictions in which the Propertylink Group operates, may affect the tax liabilities of the Propertylink Group, as well as the tax liabilities of Propertylink Securityholders, due to the flow-through tax treatment associated with trusts.

8.4 GENERAL INVESTMENT RISKS

a. **General economic conditions**

The Propertylink Group's operating and financial performance will be influenced by a variety of general economic and business conditions, including the level of inflation, interest rates, ability to access funding, oversupply and demand conditions and government fiscal, monetary and regulatory policies, changes in gross domestic product and economic growth. Prolonged deterioration in these conditions, including an increase in interest rates and an increase in the cost of capital could have a material adverse effect on the Propertylink Group's operating and financial performance and financial position.

b. **Changes in accounting policy**

Propertylink will need to report and prepare financial statements in accordance with prevailing accounting standards and policies. There may be changes in these accounting standards and policies in the future which may have an adverse effect on Propertylink's financial performance and financial position as reported in its financial statements.

c. **Litigation and disputes**

Legal and other disputes (including industrial disputes) may arise from time to time in the ordinary course of operations. There is a risk that material or costly disputes or litigation could affect the Propertylink Group's financial performance and the value of Propertylink Securities.

d. **Regulatory risk**

The Propertylink Group may be affected by government legislation and regulations (including environmental and industrial relations legislation).

Changes in legislation and regulations affecting, but not limited to, stamp duty and taxation laws, environmental laws and industrial relations laws may have a material adverse effect on the forecast capital expenditure of the Propertylink Group or on its financial position or financial performance (such as by directly or indirectly reducing its income from its properties, or increasing its costs in relation to the properties).

e. **Workplace health and safety risk**

The Propertylink Group will be subject to extensive laws and regulations governing health and safety matters, protecting both the public and its employees. Any breach of these obligations could adversely affect the results of the Propertylink Group and its reputation, and expose it to claims for financial compensation or adverse regulatory consequences. There is also risk associated with incidents relating to health and safety that do not result from any breach of obligations (for example, the risk of terrorist activity at a property owned by the Propertylink Group).

f. **Market risks**

The price that Propertylink Securities trade on the ASX may be determined by a range of factors, including:

- changes to local and international stock markets;
- inflation;
- changes in interest rates;
- general economic conditions;
- changes to the relevant indices in which the Propertylink Group may participate, the weighting that the Propertylink Group has in the indices and the implication of those matters for institutional investors that impact their investment holdings in Propertylink Securities;
- global geo-political events, terrorist activities, hostilities and natural disasters;
- continuation of inclusion in key indexes including maintenance of sufficient liquidity, free float and market capitalisation;
- investor perceptions;
- changes in government, fiscal, monetary and regulatory policies; and
- demand and supply of listed property trust securities.

Section 8 – Risks

In the future, one or more of these factors may cause Propertylink Securities to trade below current prices and may affect the revenue and expenses of the Propertylink Group. In addition, the stock market can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of the Propertylink Group.

g. **Inflation**

Higher than expected inflation rates generally or specific to the property sector could be expected to increase operating costs.

h. **Foreign exchange/currency risk**

All information in this Target's Statement is presented in Australian dollars. Propertylink Securityholders who reside outside Australia, or who rely on funding denominated in a currency other than the Australian dollar, should be aware of the impact that fluctuations in exchange rates may have on the value of their investments in, and returns from, Propertylink.

i. **Other factors**

Other factors that may impact on the Propertylink Group's performance including changes or disruptions to political, regulatory, legal or economic conditions or to the national or international financial markets (including as a result of terrorist attacks, war or natural disasters).

Additional risks and uncertainties not currently known to the Propertylink Group may also have a material adverse effect on the Propertylink Group's business and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting the Propertylink Group.

Section 9
Information relating to Propertylink's Directors

9.1 INTERESTS AND DEALINGS IN PROPERTYLINK SECURITIES

a. **Interests in Propertylink Securities**

As at the date of this Target's Statement, the Directors had the following relevant interests in Propertylink Securities and Performance Rights:

Director	Class of security	Number	Nature of relevant interest
Stuart Dawes	Propertylink Securities[1]	500,457 (direct) 2,572,067 (indirect)	Direct Indirect interest held by Stag Pty Ltd as trustee for APSA Investments Trust
	Performance Rights	678,069 (direct)	Direct
Stephen Day	Propertylink Securities[2]	504,884 (direct) 5,038,354 (indirect)	Direct Indirect interest held by Elospin Pty Ltd as trustee for Day Family Super Fund Indirect interest held by Echo Hill Investments Pty Limited as trustee for EHI Trust
	Performance Rights	522,814 (direct)	Direct
Ian Hutchinson	Propertylink Securities	33,708 (direct) 38,483 (indirect)	Direct Indirect interest held by Ian Hutchinson and Jennifer Hutchinson as trustee for Bramasole Super Fund
Sarah Kenny	N/A	N/A	N/A
Peter Lancken	Propertylink Securities	1,881,892 (indirect)	Indirect interest held by Palcort Pty Ltd as trustee for Lancken Retirement Fund Indirect interest held by Palcort Pty Ltd as trustee for Lancken Investment Fund
Anthony Ryan	Propertylink Securities	499,719 (indirect)	Indirect interest held by Ryan Pty Ltd as trustee for Ryan Family Trust
Christopher Ryan	Propertylink Securities	1,006,499 (indirect)	Indirect interest held by Christopher Ryan and Sabine Ryan as trustee for Ryan Retirement Fund Indirect interest held by Nexmead Pty Ltd as trustee for Crow Unit Trust

1. Stuart Dawes is also due to receive 345,309 Restricted Securities as the deferred component of his STI for FY18. The Restricted Securities will be sourced on market and held by Pacific Custodians Pty Limited as trustee of the Propertylink Incentive Plan Trust: see section 9.4 of this Target's Statement.
2. Stephen Day is also due to receive 218,750 Restricted Securities as the deferred component of his STI for FY18, The Restricted Securities will be sourced on market and held by Pacific Custodians Pty Limited as trustee of the Propertylink Incentive Plan Trust: see section 9.4 of this Target's Statement.

Section 9 – Information relating to Propertylink's Directors

b. **Dealings in Propertylink Securities**

No Director acquired or disposed of a relevant interest in any Propertylink Securities in the 4 month period ending on the date immediately before the date of this Target's Statement except for the 35,000 Propertylink Securities allocated to Stuart Dawes and 42,000 Propertylink Securities allocated to Stephen Day to satisfy the vesting of the Performance Rights awarded to them for the financial year ended 30 June 2016.

9.2 INTERESTS AND DEALINGS IN ESR SECURITIES

a. **Interests in ESR securities**

As at the date immediately before the date of this Target's Statement, no Director had a relevant interest in any ESR securities.

b. **Dealings in ESR securities**

No Director acquired or disposed of a relevant interest in any ESR securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

9.3 BENEFITS AND AGREEMENTS

a. **Benefits in connection with retirement from office**

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Propertylink or related body corporate of Propertylink.

b. **Agreements connected with or conditional on the Offer**

There are no agreements made between any Director and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Propertylink Securities, except for Stuart Dawes and Stephen Day.

Stuart Dawes

If ESR acquires 100% of the Propertylink Securities, Stuart Dawes will be employed as Head of Investment Management on the following terms:

- initial 2 year term;
- base salary, and performance-based STI and LTI entitlements, substantially consistent with current incentive arrangements overall;
- entitlement to receive a proportion of a performance fee pool calculated by reference to performance fees generated by the Propertylink Group during the first 3 years of employment, subject to reduction if the Propertylink Group's assets under management decreases. This entitlement is payable after 2 years with a potential additional payment after the third year if additional performance fees are generated;
- on early termination (without cause), an entitlement to outstanding base salary for the initial term, and maximum STI and LTI entitlements, as well as participation in the performance fee pool; and
- a 12 month non-compete and non-solicit will apply from termination.

Stuart Dawes' STI entitlements for FY19 will also vest pro rata as at the date ESR acquires 100% of Propertylink Securities.

On a change of control of Propertylink under the Offer, Performance Rights and Restricted Securities held by Stuart Dawes will vest as set out in section 9.4 of this Target's Statement.

Stuart Dawes will also be entitled to a retention payment of $837,263 payable 2 years after the change of control, subject to satisfaction of certain conditions (including ongoing employment).

Stephen Day

If ESR acquires 100% of the Propertylink Securities, a private company associated with Stephen Day will be engaged as a senior advisor on the following terms:

- initial 18 month term;
- base consultancy, performance fee and performance-based LTI entitlements, substantially consistent with current incentive arrangements overall, adjusted to reflect that the consultancy services will be provided for 2.5 days per week (rather than the current 3 days);
- entitlement to receive a proportion of a performance fee pool calculated by reference to performance fees generated by the Propertylink Group during the first 3 years of employment, subject to reduction if the Propertylink Group's assets under management decreases. This entitlement is payable after 2 years with a potential additional payment after the third year if additional performance fees are generated and certain other conditions satisfied;
- on early termination (without cause), an entitlement to outstanding base consultancy fee for the initial term, and maximum performance fee and LTI entitlements, as well as participation in the performance fee pool; and
- a non-compete and non-solicit will apply from termination for 12 months (or to the third anniversary of entry into the consultancy, whichever occurs later).

Stephen Day's STI entitlements for FY19 will also vest pro rata as at the date ESR acquires 100% of Propertylink Securities.

On a change of control of Propertylink under the Offer, Performance Rights and Restricted Securities held by Stephen Day will vest as set out in section 9.4 of this Target's Statement.

Stephen Day will also be entitled to a retention payment of $499,744 payable 2 years after the change of control, subject to satisfaction of certain conditions (including ongoing employment).

c. **Benefits from ESR**

None of the Directors has agreed to receive, or is entitled to receive, any benefit from ESR which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Propertylink Securities or as set out in 9.3(b) of this Target's Statement.

d. **Interests of Directors in contracts with ESR**

None of the Directors has any interest in any contract entered into by ESR other than as set out in 9.3(b) of this Target's Statement.

9.4 EFFECT OF OFFER ON PROPERTYLINK'S EMPLOYEE INCENTIVE SCHEMES AND SECURITIES ISSUED UNDER THOSE SCHEMES

No Propertylink Securityholder approval is required for vesting of Performance Rights as the original grants were approved by Propertylink Securityholders at the relevant AGMs before they were issued, to the extent approval was required.

On a change of control, the Directors may determine in their absolute discretion that some or all Restricted Securities and Performance Rights will vest, having regard to all relevant considerations. If the Directors do not make a determination, all Restricted Securities will vest and Performance Rights will vest on a pro rata basis based on the proportion of the performance period that has elapsed at the time vesting is triggered by the change of control.

Under the Bid Implementation Agreement, Propertylink and ESR have agreed that:

- all Restricted Securities will vest on a change of control occurring; and
- 50% of all Performance Rights will vest on a change of control occurring, with the remaining Performance Rights lapsing.

On vesting of Performance Rights, Propertylink will acquire Propertylink Securities on-market to satisfy the entitlements of holders of the Performance Rights, or satisfy entitlements by making cash payments.

Section 10
Taxation consequences

10.1 OVERVIEW

The taxation information below provides a broad summary of the Australian income tax, GST and stamp duty consequences relating to the Offer.

The taxation information contained in this section is of a general nature only. It does not constitute tax advice and should not be relied upon as such.

The taxation information below only deals with the tax implications for resident and non-resident Propertylink Securityholders who hold their Propertylink Securities on capital account. It does not address the tax treatment for Propertylink Securityholders who:

- hold their investments on revenue account such as banks and other trading entities;
- are not residents of Australia but hold their investments through a permanent establishment in Australia;
- acquired Propertylink Securities under employee securities plans; or
- hold their investments subject to the taxation of financial arrangement provisions in Division 230 of the *Income Tax Assessment Act 1997*.

All Propertylink Securityholders should seek independent professional advice on the taxation consequences of their participation in the Offer, based on their particular circumstances. Propertylink Securityholders who are not resident in Australia should obtain advice on the taxation implications arising in their local jurisdiction of the proposed transaction.

The information contained in this section is based on the provisions of the income tax and GST law, regulations and ATO rulings and determinations applicable as at the date of this Target's Statement.

10.2 AUSTRALIAN-RESIDENT PROPERTYLINK SECURITYHOLDERS

a. **CGT consequences**

Each Propertylink Security consists of one share in PHL, one unit in PT and one unit in PAIP. Notwithstanding the fact that these assets cannot be traded separately, they are treated as separate assets for CGT purposes.

The disposal of Propertylink Securities pursuant to the Offer will have CGT consequences for Propertylink Securityholders. The disposal of a Propertylink Security by a Propertylink Securityholder will be treated as three separate disposals for CGT purposes and three separate CGT calculations will be required. In undertaking these calculations, Propertylink Securityholders will be required to calculate the cost base (or reduced cost base) and capital proceeds attributable to their share in PHL, unit in PT and unit in PAIP (as explained below).

Broadly, Propertylink Securityholders will, in respect of their share in PHL, unit in PT and unit in PAIP make:

- a capital gain if the capital proceeds received for their share in PHL or unit in PT or unit in PAIP are greater than the cost base of their share in PHL or unit in PT or unit in PAIP respectively; and
- a capital loss if the reduced cost base of their share in PHL or unit in PT or unit in PAIP is greater than the capital proceeds received for their share in PHL or unit in PT or unit un PAIP respectively.

Australian-resident Propertylink Securityholders who are not companies should be entitled to a CGT discount provided that they have held their Propertylink Securities for at least12 months. Australian-resident individuals and trusts are entitled to a 50% discount, resident complying superannuation entities are entitled to a 33 1/3% discount while companies are not entitled to any discount.

1. **Cost base and reduced cost base**

   Broadly, the cost base and reduced cost base of a Propertylink Security will equal the amount paid by the Propertylink Securityholder to acquire their Propertylink Securities, together with certain incidental costs of acquisition and disposal.

   Propertylink Securityholders will be required to apportion the cost of their Propertylink Securities between their share in PHL, unit in PT unit in PAIP. The Commissioner of Taxation will generally accept an apportionment that has been done on a reasonable basis. However, Propertylink Securityholders will need to make their own decision regarding the reasonable basis they will apply in their own circumstances.

   One possible method of apportionment is on the basis of the relative proportion of net assets of the three entities.

   Further information on the relative proportion of net assets of the three entities can be found on the Australian Capital Gains Tax page of the Investor Centre on the Propertylink website (https://propertylink.com.au/investor-centre/taxation/australian-capital-gains-tax-2018/).

   After apportionment of the cost base between PHL shares, PT units and PAIP units, the cost base of PT and PAIP units should be reduced by any "tax deferred distributions" made, or any "AMIT Net Decrease Amounts" attributed, by PT and PAIP to that Propertylink Securityholder while the Propertylink Securityholder held their Propertylink Securities.

2. **Capital proceeds**

   The capital proceeds received by Propertylink Securityholders for their Propertylink Securities should be the consideration of $1.20 cash received per Propertylink Security. Propertylink Securityholders will be required to apportion the capital proceeds received between their share in PHL, unit in PT and unit in PAIP. As noted above, the Commissioner of Taxation will generally accept an apportionment that has been done on a reasonable basis.

   Further information on the relative proportion of net assets of the three entities can be found on the Australian Capital Gains Tax page of the Investor Centre on the Propertylink website (https://propertylink.com.au/investor-centre/taxation/ ustralian-capital-gains-tax-2018/).

b. **Status of defeating conditions**

The Offer is subject to a number of conditions set out in Appendix 2 (Conditions of the Offer) of the Bidder's Statement. ESR will provide updates on any material developments relating to the status of these conditions during the Offer Period. If those conditions are not fulfilled or waived and the Offer does not proceed, then no CGT event will happen for Propertylink Securityholders under the Offer.

c. **2019 Interim Distribution and 2019 Final Distribution**

Propertylink Securityholders will be required to treat the tax components of the 2019 Interim Distribution and 2019 Final Distribution in the same manner that the tax components of Propertylink's regular six monthly income distributions are treated.

The tax profile of those distribution will be advised to Propertylink Securityholders subsequent to payment.

d. **Future distributions**

If the Offer becomes unconditional but ESR does not achieve a relevant interest sufficient to proceed to compulsory acquisition, Australian-resident Securityholders who continue to hold Propertylink Securities will be taxed on future distributions in the same manner that the tax components of Propertylink's regular six-monthly income distributions are currently treated.

Section 10 – Taxation consequences

10.3 NON-RESIDENT PROPERTYLINK SECURITYHOLDERS

a. **CGT consequences**

The taxation consequences discussed in section 10.2(a) and 10.2(b) above will generally apply to Propertylink Securityholders that are non-residents, if their PHL shares, PT units or PAIP units are "taxable Australian property".

As the underlying value of PT units and PAIP units is principally derived from Australian real property, PT units and PAIP units will be "taxable Australian property" for a non-resident Propertylink Securityholder if, just before the CGT event or throughout a 12 month period that began no earlier than 24 months before that time, the non-resident Propertylink Securityholder and its associates held units in PT and PAIP at that time of 10% or more. The CGT event will occur on the date the contract to dispose of the PT and PAIP units is formed. If the Offer is accepted before the conditions precedent are fulfilled, the date the contract to dispose of the PT and PAIP units is formed will be the date that those conditions are fulfilled. If the Offer is accepted after the conditions precedent are fulfilled, the date of disposal for CGT purposes will be the date the Propertylink Securityholder accepts the Offer.

As the underlying value of PHL shares is not principally derived from Australian real property, PHL shares should not be "taxable Australian property" for a non-resident Propertylink Securityholder, unless the following paragraph applies.

PHL shares, PT units and PAIP units will also be "taxable Australian property" for non-resident Propertylink Securityholders who:

- hold the PHL shares, PT units and PAIP units in carrying on a business through a permanent establishment in Australia; or
- are individuals who made an election to treat the PHL shares, PT units and PAIP units as taxable Australian property at the time they ceased to be an Australian-resident (if the Propertylink Securityholder was ever an Australian-resident).

If a PHL share, PT unit or PAIP unit is "taxable Australian property" and a non-resident Propertylink Securityholder makes a capital gain as a result of the disposal of the PHL share, PT unit or PAIP unit, the Propertylink Securityholder will not be entitled to any CGT discount.

Where a PHL share, PT unit or PAIP unit is not "taxable Australian property", the capital gain or loss that is made by a non-resident Propertylink Securityholder on the disposal of the PHL share, PT unit or PAIP unit should be disregarded for Australian tax purposes.

b. **MIT status of PT and PAIP and impact on distributions relating to future income years**

If the Offer becomes unconditional but ESR does not achieve a relevant interest in Propertylink Securities sufficient to proceed to compulsory acquisition, as a consequence of the ownership structure of ESR, PT and PAIP may cease to satisfy the requirements to be a MIT in respect of future income tax years (being income tax years ending after 30 June 2020). Consequently, distributions made by PT and PAIP in relation to those years would be subject to non-resident withholding tax and not MIT withholding tax. Broadly, this means that the distributions represented by Australian-sourced income (such as rental income and gains) other than dividends, interest or royalties should be subject to Australian tax on a withholding basis at the tax rate applicable to the non-resident Propertylink Securityholder (for example, individual, company or other type of entity). In determining the amount that is to be withheld from distributions to non-resident Propertylink Securityholders, any capital gains to which the CGT discount has been applied are grossed up, and withholding is levied on the grossed-up amount.

A 30% rate applies to distributions of Australian-sourced rental income and gains from the disposal of Australian property assets to non-resident companies and progressive rates (from 32.5% to 47%) apply to distributions of these amounts to non-resident individuals. Propertylink Securityholders who are non-resident trustees of another trust estate will be subject to withholding tax at the top marginal rate for individuals, being 47%.

This withholding tax is not a final tax. A non-resident Propertylink Securityholder may be entitled to claim a credit for this withholding tax against its Australian tax liability on its total Australian sourced taxable income. There should be no withholding tax deducted in respect of the tax deferred component of a distribution to a non-resident Propertylink Securityholder.

10.4 PHL

ESR's acquisition of Propertylink Securities should not affect the tax treatment of any future dividends paid by PHL to Propertylink Securityholders.

10.5 FOREIGN-RESIDENT CAPITAL GAINS WITHHOLDING

If you (together with your associates) hold 10% or more of the Propertylink Securities on issue either now, or for any 12 month period within the last 24 months, ESR may be required to withhold 12.5% of the offer consideration and remit it to the ATO. Such withholding is only required if you are a non-resident. For more detail (including regarding actions you may need to undertake to ensure such amounts are not withheld from you – e.g. you hold 10% or more of the Propertylink Securities but you are an Australian-resident), please see section 9.5 of the Bidder's Statement.

10.6 GST

No GST will be charged to Propertylink Securityholders nor will any GST liability arise for Propertylink Securityholders (whether resident or non-resident) if they accept the Offer.

10.7 STAMP DUTY

No stamp duty will be payable by Propertylink Securityholders in respect of the sale of their Propertylink Securities on acceptance of the Offer.

Section 11
Additional Information

11.1 EFFECT OF THE OFFER ON PROPERTYLINK'S CONTRACTS

The offer will trigger a number of change of control conditions in respect of Propertylink's contracts. These include the following:

a. **External Fund agreements**

Under the joint venture agreement for PALT II on a change of control, China Merchants can buy out the Propertylink Group's interest in PALT II for an expert-determined value and terminate the Propertylink Group's management of the fund. However, the joint venture agreement has not yet commenced, and no assets have been acquired by the fund.

b. **Financing arrangements**

Certain financing arrangements for the Propertylink Group and for External Funds are subject to review events and defaults triggered by a change of control (or, in some cases, delisting of Propertylink). Failure to obtain applicable consents or waivers could lead to the relevant financing arrangements becoming repayable earlier than they would otherwise be repayable.

Propertylink has received consent from all relevant financiers including in respect of the Propertylink Group and the External Funds. With respect to the Propertylink Group's facility, the consent is conditional on certain changes being made to the Propertylink Group's facility, including the changes to maximum permitted loan to value ratios referred to in section 8.1(d) of this Target's Statement.

Propertylink has sought consent from the financier for POP III, and is awaiting receipt of such consent. Separately, in connection with a recapitalisation of POP III being undertaken by the Propertylink Group in the ordinary course of its business, Propertylink has received a credit approved term sheet from a new financier in respect of a refinancing of the POP III facility, and the POP III facility is expected to be refinanced prior to the end of the Offer Period.

c. **Leases**

The property leases under which the Propertylink Group holds its leasehold interests in the Melbourne Markets premises are subject to change of control consent requirements which may be triggered by acquisitions of Propertylink Securities above a certain threshold. Propertylink has applied for, and been granted consent in respect of the Melbourne Markets premises.

Certain property leases under which External Funds hold leasehold interests also contain change of control consent provisions. All relevant landlords have notified Propertylink that they have consented to the change of control provisions. One formal consent is still in the process of being signed.

11.2 MATERIAL LITIGATION

Propertylink is not involved in any litigation or disputes which are material in the context of the Propertylink Group taken as a whole.

11.3 ISSUED CAPITAL

a. **Propertylink Securities**

As at the date of this Target's Statement, the capital structure of Propertylink consisted of:

- 602,780,330 fully paid ordinary shares in PHL;
- 602,780,330 fully paid units in PT; and
- 602,780,330 fully paid units in PAIP.

Each security is stapled together on a 1:1:1 basis and trade together on the ASX under the code 'PLG'.

As at the date of this Target's Statement, a total of 2,025,127 Restricted Securities will be needed for allocation of the proposed deferred component of FY18 STI awards to employees. Propertylink will source the required Propertylink Securities on-market, rather than issuing additional Propertylink Securities.

b. **Performance Rights**

Propertylink also has Performance Rights which have been issued to executives under its Incentive Plan. As at the date of this Target's Statement, Propertylink has a total of 3,078,820 Performance Rights on issue, which include:

- 898,877 Performance Rights awarded under the FY17 LTI award that are subject to the satisfaction of performance conditions that will be measured over a 3 year performance period ending on 30 June 2019;
- 1,341,414 Performance Rights awarded under the FY18 LTI award that are subject to the satisfaction of performance conditions that will be measured over a 3 year performance period ending on 30 June 2020; and
- 838,530 Performance Rights awarded under the FY19 LTI award that are subject to the satisfaction of performance conditions that will be measured over a 3 year performance period ending on 30 June 2021.

Securityholder approval is also being sought at the Annual General Meeting for the allocation of an additional 824,889 Performance Rights to the Executive Directors, which are intended to be allocated shortly after the meeting.

Further details and terms of Propertylink's incentive plans (including LTI awards) are set out in the remuneration report sections of Propertylink's annual reports, which are available on Propertylink's website: https://propertylink.com.au/investor-centre/results-centre/.

The Directors have the discretion to satisfy the vesting of all Performance Rights with Propertylink Securities that are sourced on-market or issued: see section 9.4 of this Target's Statement for further information about vesting and satisfaction of Performance Rights.

11.4 SUBSTANTIAL HOLDERS

As at the date of this Target's Statement, so far as known to Propertylink, based on publicly available information, there are no substantial holders of Propertylink Securities, except as set out below:

Substantial holder	Number of Propertylink Securities held
ESR Pte. Ltd, ESR Cayman Limited and each of its subsidiaries listed in Annexure A of its substantial holder notice dated 19 December 2017, WP OCIM ONE LLC, Warburg Pincus Private Equity X, LP, WP X Investment VI Ltd and Warburg Pincus X, LP and their controlling entities	119,893,006
Centuria Capital Limited ACN 095 454 336 and Centuria Funds Management Limited ACN 607 153 588 as responsible entity of Centuria Capital Fund ARSN 613 856 358, a listed stapled entity (**CNI**) and each of the persons listed in Annexure A of its substantial holder notice dated 16 October 2018	117,610,846
Vinva Investment Management	30,261,359

11.5 CONSENTS

KPMG Corporate Finance (**KPMG**) has given, and not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as the Independent Expert in the form and context it is so named and to the inclusion of its Independent Expert's Report as Attachment 1 to this Target's Statement. KPMG has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement (other than the Independent Expert's Report) or any statement on which a statement in this Target's Statement is based (other than extracts from the Independent Expert's Report) and takes no responsibility for any part of this Target's Statement other than any reference to its name and its Independent Expert's Report.

Section 11 – Additional Information

Computershare Investor Services Pty Limited (**Computershare**) has given, and not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as Propertylink's share registrar in the form and context it is so named. Computershare has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target's Statement other than any reference to its name.

Goldman Sachs Australia Pty Limited (**Goldman Sachs**) has given, and not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as Propertylink's financial adviser in the form and context it is so named. Goldman Sachs has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target's Statement other than any reference to its name.

J.P. Morgan Securities Australia Limited (**JPM**) has given, and not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as Propertylink's financial adviser in the form and context in which it is so named. JPM has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target's Statement other than any reference to its name.

Herbert Smith Freehills (**HSF**) has given, and not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as Propertylink's Australian legal adviser (other than in relation to taxation) in the form and context it is so named. HSF has not advised on the laws of any foreign jurisdiction. HSF has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target's Statement other than any reference to its name.

Greenwoods & Herbert Smith Freehills (**G&HSF**) has given, and not withdrawn before the lodgement of this Target's Statement with ASIC, its written consent to be named in this Target's Statement as Propertylink's Australian legal adviser in relation to taxation in the form and context it is so named. G&HSF has not caused or authorised the issue of this Target's Statement, does not make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based and takes no responsibility for any part of this Target's Statement other than any reference to its name.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged by ESR with ASIC or given to the ASX or, announced on the Company Announcements Platform of the ASX, by ESR. Pursuant to the Class Order, the consent of ESR is not required for the inclusion of such statements in this Target's Statement. Any Propertylink Securityholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the Propertylink Securityholder line on 1300 889 468 (for calls made from within Australia) or +61 2 8022 7954 (for calls made from outside Australia). (Any telephone calls to these numbers will, as required by the Corporations Act, be tape recorded, indexed and stored.)

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72 (**Corporations Instrument 2016/72**), this Target's Statement may include or be accompanied by certain statements:

- which fairly represent what purports to be a statement by an official person;
- which are a correct and fair copy of, or extract from, what purports to be a public official document; or
- which are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

In addition, as permitted by Corporations Instrument 2016/72, this Target's Statement contains security price trading data sourced from IRESS without its consent.

11.6 NO OTHER MATERIAL INFORMATION

This Target's Statement is required to include all the information that Propertylink Securityholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Director.

The Directors are of the opinion that the information that Propertylink Securityholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in Propertylink's releases to the ASX, and in the documents lodged by Propertylink with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement (including the information contained in the Independent Expert's Report).

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- the nature of the Propertylink Securities;
- the matters that Propertylink Securityholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to Propertylink Securityholders' professional advisers; and
- the time available to Propertylink to prepare this Target's Statement.

Section 12
Glossary and interpretation

12.1 GLOSSARY

The meanings of the terms used in this Target's Statement are set out below.

Term	Meaning
2019 Interim Distribution	the interim distribution of up to $0.036 per Propertylink Security for the half year ending 31 December 2018.
$, A$ or **AUD**	Australian dollar.
Acceptance Form	the acceptance forms attached to this Target's Statement.
ASIC	Australian Securities and Investments Commission.
Associate	has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of the Corporations Act included a reference to the Bid Implementation Agreement and Propertylink was the designated body and **Associated** has a corresponding meaning.
ASX	ASX Limited ACN 008 624 691 or, as applicable, the financial market operated by it.
ASX Listing Rules	the official listing rules of the ASX.
ATO	Australian Taxation Office.
Bidder's Statement	the bidder's statement of ESR dated 19 November 2018.
Bid Implementation Agreement	the bid implementation agreement between ESR and Propertylink dated 12 November 2018 in respect of the Offer.
Centuria's Acquisition Proposal	has the meaning given in section 6.2 of this Target's Statement.
Centuria's Board Proposal	has the meaning given in section 6.2 of this Target's Statement.
CGT	capital gains tax.
CIP	Centuria Industrial REIT ARSN 099 680 252.
CIP RE	Centuria Property Funds No. 2 Limited ABN 38 133 363 185, as responsible entity for CIP.
China Merchants Capital	China Merchants Capital Investment Co., Ltd, or, as applicable, its affiliated investment vehicles.
CNI	Centuria Capital Limited ACN 095 454 336 and Centuria Capital Fund ARSN 613 856 358 (and where applicable, Centuria Funds Management Limited ACN 607 153 588 as responsible entity of Centuria Capital Fund ARSN 613 856 358).
CNI Subsidiary	Centuria Investment Holdings Pty Limited ABN 78 116 455 862 as trustee of Centuria Capital No. 2 Industrial Fund.

Term	Meaning
Competing Proposal	any proposal, offer or transaction by a party (other than ESR or any ESR Group Member or any of their Associates) that, if completed, would mean: 1. a person (other than any person who alone, or together with the person's Associates, currently holds a relevant interest, or an economic interest under a cash settled equity swap or similar derivative, in more than 10% of the Propertylink Securities, or any Associate of such person from time to time), would acquire a relevant interest, or an economic interest under a cash settled equity swap or similar derivative, in more than 10% of the Propertylink Securities on issue; 2. a person would directly or indirectly acquire or obtain an interest (including an economic interest) in all or the majority of the business conducted by, or assets or property of, the Propertylink Group; 3. a person would directly or indirectly acquire Control of: › PHL, PAIP, PT or PIML; or › any other Propertylink Group Member (other than in the ordinary course of the business of the Propertylink Group in connection with the establishment and operation of external funds by the Propertylink Group); 4. a person may otherwise directly or indirectly acquire, merge with, or be stapled with, the Propertylink Group; or 5. that the Takeover Bid could not be implemented or implementation of the Takeover Bid would be materially adversely affected, whether by way of takeover bid, trust scheme, capital reduction, sale of assets, sale of securities, stapling, strategic alliance, dual listed company structure, joint venture or partnership, or other transaction or arrangement. For the avoidance of doubt, each successive material modification or variation of any proposal, agreement, arrangement or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.
Corporations Act	the Corporations Act 2001 (Cth) (as modified or varied by ASIC).
Directors	the directors of PHL and PIML.
Distributable Earnings	represents profit under the AAS adjusted for specific non-cash and significant items.
ESR	ESR Real Estate (Australia) Pty Ltd ACN 625 761 962
ESR Group	ESR Cayman Limited and its Subsidiaries (including ESR) and ESR Group Member means any one of them.
Executive Key Management Personnel	Stuart Dawes, Stephen Day, Peter McDonald and Tony Groth.
External Fund	external unlisted and unregistered property trusts, investment mandates and joint ventures with third party investors in relation to which the Propertylink Group's investment and asset management business provides investment management services from time to time.
FY17	the financial year ended 30 June 2017.
FY18	the financial year ended 30 June 2018.
FY19	the financial year ended 30 June 2019.

Section 12 – Glossary and interpretation

Term	Meaning
Government Agency	any foreign or Australian government or governmental, semi governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity or any minister of the Crown in right of the Commonwealth of Australia or any State, any other federal, state, provincial, or local government, and including any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and the ASX or any other stock exchange.
GST	goods and services tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply.
GST Act	the A New Tax System (Goods and Services Tax) Act 1999 (Cth).
GST Law	has the same meaning as in the GST Act.
IFRS	International Financial Reporting Standards.
Incentive Plan	the equity incentive plan operated by Propertylink that is used to deliver incentive awards to senior management and other employees in the form of equity.
Independent Expert	KPMG Corporate Finance.
Independent Expert's Report	the independent expert's report prepared by the Independent Expert and dated 19 November 2018 which is contained in Attachment 1 to this Target's Statement.
Implementation Period	the period from the date of the Bid Implementation Agreement until the end of the Offer Period (inclusive of those dates).
Initial Offer	the 21 September 2018 non-binding indicative proposal from ESR to acquire all the Propertylink Securities which it did not already own by way of an agreed takeover bid for $1.15 cash per Propertylink Security.
IRESS	IRESS Limited (ACN 060 313 359).
KPMG Corporate Finance	KPMG Corporate Finance, a division of KPMG Financial Advisory Services Pty Limited.
LTI	long term incentive.
MIT	managed investment trust.
Melbourne Markets	the premises at 315 Cooper Street, Epping in Victoria, approximately 22km north of the Melbourne CBD which contains six warehouse buildings owned by PAIP.
Non-Associated Securityholders	the Propertylink Securityholders other than ESR.
Notice of Status of Conditions	ESR's notice disclosing the status of the conditions to the Offer which is required to be given by section 630(3) of the Corporations Act.
NTA	net tangible assets.
Offer	the offer by ESR for the Propertylink Securities, which offer is contained in section 11 of the Bidder's Statement.
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 11.3 of the Bidder's Statement.
Offer Price	the price of $1.20 per Propertylink Security offered by ESR under the Offer.
PAIP	Propertylink Australian Industrial Partnership ARSN 613 032 812.

Term	Meaning
PALT II	the Propertylink Australian Logistics Trust II established by the Propertylink Group with China Merchants Capital.
PCII	the Propertylink Commercial Industrial Investment trust.
Performance Rights	rights to receive Propertylink Securities that granted under the Incentive Plan and are subject to performance and vesting conditions.
PHL	Propertylink (Holdings) Limited ACN 092 684 798.
PIML	Propertylink Investment Management Limited ACN 136 865 417.
POP III	the POP III Investment Partnership.
Portfolio	the Propertylink's Group's interests in the portfolio of 31 properties held on Propertylink's balance sheet.
Property	1. all freehold properties owned by Propertylink Group Members; 2. the leasehold interests granted by the Melbourne Market Authority under ground leases to a Propertylink Group Member in respect of the Epping Market facility; and 3. all properties in which any Wholesale Fund has a freehold or leasehold interest.
Propertylink	PHL, PT and PAIP (and where applicable, PIML as responsible entity for PT and PAIP).
Propertylink Group	Propertylink and their Subsidiaries and **Propertylink Group Member** means a member of the Propertylink Group.
Propertylink Securities	stapled securities each comprising: 1. fully-paid ordinary share in PHL; 2. 1 fully-paid unit in PT; and 3. 1 fully-paid unit in PAIP, each stapled together.
Propertylink's CIP Proposal	has the meaning given in section 6.2 of this Target's Statement.
PT	Propertylink Trust ARSN 613 032 750.
REIT	an Australian real estate investment trust.
relevant interest	has the meaning given in the Corporations Act as if sections 609(6) and 609(7) were omitted.
Restricted Securities	Propertylink Securities that granted under the Incentive Plan which are subject to dealing restrictions and are held subject to performance and vesting conditions.
Security Interest	has the meaning given in section 51A of the Corporations Act.
STI	short term incentive.

Section 12 – Glossary and interpretation

Term	Meaning
Subsidiary	has the meaning given to that term in the Corporations Act. However, the definition will also apply for purposes of determining whether an entity is a Subsidiary of another entity (where one or both of the relevant entities are not bodies corporate) as follows: 1. an entity will be a Subsidiary of a trust if it would have been a Subsidiary if the trust were a body corporate; and 2. a trust will be a Subsidiary of an entity if the trust would have been a Subsidiary if it were a body corporate, for the purposes of which a unit or other beneficial interest in the trust will be regarded as a share and the ability to control the appointment or removal of the trust's trustee was regarded as the ability to control the composition of the first body's board. An entity (whether a body corporate, trust or other entity) will also be taken to be a Subsidiary of another entity if it controls (within the meaning of section 50AA of the Corporations Act) the other entity. For these purposes, in relation to a trust, the entity reference includes the trustee of the trust.
Superior Proposal	a bona fide Competing Proposal: 1. of the kind referred to in any of paragraphs 2, 3 or 4 of the definition of Competing Proposal; and 2. not resulting from a breach by Propertylink of any of its obligations under clause 8 of the Bid Implementation Agreement (it being understood that any actions by Related Persons of Propertylink not permitted by clause 8 will be deemed to be a breach by Propertylink for these purposes), that the Propertylink Boards, acting in good faith, and after receiving written advice from their external legal adviser and advice from their financial advisers, determine: 3. is reasonably capable of being completed; 4. would, if completed substantially in accordance with its terms, be reasonably likely to be more favourable to Propertylink Securityholders (as a whole) than the Takeover Bid (as completed), in each case taking into account all terms and conditions and other aspects of the Competing Proposal (including any timing considerations, any conditions precedent, the identity of the proponent or other matters affecting the probability of the Competing Proposal being completed) and of the Takeover Bid.
Target's Statement	this document (including the attachments), being the statement of Propertylink under Part 6.5 Division 3 of the Corporations Act.
Wholesale Fund	the Propertylink Commercial Industrial Investments Trust, and any fund, which is not PAIP or PT and is not wholly-owned by Propertylink Group Members, in respect of which a Propertylink Group Member has Wholesale Fund Management Rights (including any entity that is a Subsidiary of such funds).
Wholesale Fund Management Rights	any rights of a Propertylink Group Member to receive management income in consideration for the performance of management services, including property, project and management fees, other than in respect of the Gantry Investment Trust or the Westlake Australia Trust.
VWAP	volume weighted average price

12.2 INTERPRETATION

In this Target's Statement:

1. Other words and phrases have the same meaning (if any) given to them in the Corporations Act.
2. Words of any gender include all genders.
3. Words importing the singular include the plural and vice versa.
4. An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
5. A reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant.
6. A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re enactments of any of them.
7. Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
8. A reference to time is a reference to AEST.
9. A reference to dollars, $, A$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.
10. Specifying anything in this deed after the words 'includes' or 'for example' or similar expressions does not limit what else is included.

Section 13
Authorisation

This Target's Statement has been approved by resolutions passed by the directors of Propertylink. All Propertylink directors voted in favour of that the resolution.

Date: 20 November 2018

Signed for and on behalf of
Propertylink (Holdings) Limited and
Propertylink Investment Management Limited:

Peter Lancken
Independent Chairman

Attachment 1 – Independent Expert's Report

The Independent Expert's Report is included in this Target's Statement as Attachment 1.

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The Directors

Propertylink (Holdings) Limited

Propertylink Investment Management Limited as responsible entity of the Propertylink Australian Industrial Partnership

Propertylink Investment Management Limited as responsible entity of the Propertylink Trust

Level 29
20 Bond Street
Sydney NSW 2000

For the attention of the Directors

19 November 2018

Dear Directors

INDEPENDENT EXPERT REPORT AND FINANCIAL SERVICES GUIDE

PART ONE – INDEPENDENT EXPERT'S REPORT

1 Introduction

On 21 September 2018 Propertylink, a stapled group listed on the Australian Stock Exchange (ASX) comprising of Propertylink (Holdings) Limited (PHL), Propertylink Australian Industrial Partnership (PAIP) and Propertylink Trust (PT), announced it had received a non-binding indicative offer from ESR Real Estate (Australia) Pty Limited (ESR or Bidder) to acquire all of the stapled securities of Propertylink (Propertylink Securities[1]) for $1.15 in cash per Propertylink Security that ESR did not already own by way of an agreed off-market takeover offer (the Initial Offer).

On 16 October 2018, Propertylink announced that following discussions with ESR, ESR had revised the Initial Offer consideration to $1.20 in cash per Propertylink Security. ESR and Propertylink entered into a Process Deed that set out the terms and steps required to finalise the Initial Offer. Under the Process Deed, the Directors of Propertylink (Directors) allowed ESR to conduct confirmatory due diligence on Propertylink for a period of three weeks from 16 October 2018. The due diligence period was eventually extended until 9 November 2018.

[1] A fully paid ordinary share in PHL stapled to a fully paid unit in PAIP and a fully paid unit in PT

On 12 November 2018 Propertylink announced that it had entered into a Bid Implementation Agreement with ESR in relation to ESR's proposal to make an off-market takeover bid for all the Propertylink Securities it does not already own for $1.20 in cash for each Propertylink Security (the Offer). Under the terms of the Bid Implementation Agreement ESR may deduct from the consideration the cash amount of any dividends or distributions determined to be paid after the date of the Bid Implementation Agreement, including the Permitted Distributions[2], and which Propertylink Securityholders (being the Propertylink securityholders not associated with ESR) receive or are entitled to receive.

The Bid Implementation Agreement contains a number of conditions as set out in Section 5.3 of this report.

Propertylink is an internally managed Australian real estate group specialising in Australian industrial and office investments. It had a market capitalisation of $632.9[3] million as at 20 September 2018, the last trading day before the announcement of the Initial Offer. Propertylink owns a diversified portfolio of industrial assets including logistics facilities, warehouses and business parks. Propertylink's investment management platform services a number of external funds that are owned by global institutional investors and have exposure to industrial and office real estate. As at 30 September 2018 Propertylink had over $1.9 billion of assets under management. Propertylink also co-invests alongside the investors in the funds it manages.

ESR is a subsidiary of ESR Cayman Limited (the head entity the ESR group). ESR focuses on developing and managing logistics facilities that cater to third-party logistics providers and industrial companies. The assets managed by ESR are located across China, Japan, Singapore, South Korea, India and Australia. ESR's current assets under management are valued at US$13 billion[4].

The Directors of Propertylink have stated that they unanimously recommend that Propertylink Securityholders accept the Offer, in the absence of a superior proposal and subject to an independent expert concluding that the Offer is fair and reasonable to the Propertylink Securityholders.

The Offer is described more fully in Section 5 of this report and Section 6 of the Target's Statement.

While there is no legal requirement for an Independent Expert's Report to be included in a Target's Statement, the Board of Propertylink has requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) to prepare an Independent Expert's Report (IER) for the benefit of Propertylink Securityholders setting out whether, in our opinion, the Offer from ESR is fair and reasonable to the Propertylink Securityholders.

This IER sets out KPMG Corporate Finance's opinion as to the merits or otherwise of the Offer and should be considered with and not independently of the information set out in the Target's Statement to be sent to Propertylink Securityholders.

Further information regarding KPMG Corporate Finance, as it pertains to the preparation of this report, is set out in Appendix 1.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

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[2] The Permitted Distributions include the Interim Distribution, being the distribution of no more than $0.036 per Propertylink Security for the financial half-year ended 31 December 2018; and the Final Distribution, being the distribution of no more than $0.04 per Propertylink Security for the financial year ending 30 June 2019.

[3] Calculated as the closing price on 20 September 2018 of $1.05 multiplied by 602,780,330 Propertylink Securities on issue.

[4] Propertylink ASX/Media announcement dated 16 October 2018.

2 Requirements for our report

Section 640 of the *Corporations Act 2001* (*Cth*) (*Act*) stipulates that an IER is required to be included in a target's statement, where the bidder is connected with the target. A bidder is regarded as being connected with the target under the following circumstances:

- the bidder's voting power in the target is 30% or more
- the bidder and target have a common director.

As these circumstances do not exist there is no legal requirement for an IER to be prepared for inclusion in the Target's Statement. However, the Directors of Propertylink have requested KPMG Corporate Finance to prepare a report that satisfies the requirements under Section 640 of the Act.

In undertaking our work we have had regard to the guidance provided by ASIC in its Regulatory Guides and in particular Regulatory Guide 111 'Content of expert reports'(RG 111), which outlines the principles and matters which it expects a person preparing an independent expert's report to consider when providing an opinion.

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 6.2 of this report.

3 Summary of opinion

In our opinion, the Offer is **fair and reasonable to the Propertylink Securityholders in the absence of a superior proposal**.

In arriving at this opinion, and in accordance with RG 111, our analysis considers:

- fairness, by comparing the Offer to our assessed value of a Propertylink Security on a controlling interest basis, and
- reasonableness, by assessing the implications of the Offer for Propertylink Securityholders, the alternatives to the Offer which are available to Propertylink, and the consequences of not accepting the Offer.

The principal matters we have taken into consideration in forming our opinion are summarised below.

Assessment of fairness

Our valuation of a Propertylink Security is based on a sum-of-the-parts approach. Under this approach, the value of a Propertylink Security principally comprises the aggregate of the value of Propertylink's net tangible assets (NTA) (including both wholly owned investments and co-investments), and the market value of Propertylink's investment management division, on a controlling basis and inclusive of performance fees, less the value of the capitalised corporate overhead costs, taking into account cost savings that would generally be available to a pool of purchasers. In addition, we have made a number of other adjustments in relation to dividends, capitalised costs and the investment in ASX listed Centuria Industrial REIT (CIP) so as to properly reflect the market value of a Propertylink Security.

The values derived from this approach, which is principally based on net assets, are not necessarily consistent with the prices at which Propertylink Securities are expected to trade on the ASX. The prices at which Propertylink Securities traded on the ASX (prior to the announcement of the Initial Offer) reflect minority parcels of Propertylink Securities and also reflected expectations as to the level of distributions.

We have assessed the value of a Propertylink Security (on a fully diluted basis) to be in the range $1.14 to $1.19. The range of values is narrow (4.4%), reflecting that the property values, which comprise a majority of the value, represent the pro forma and unaudited book value of the properties at 30 September 2018.

As the Offer of $1.20 per Propertylink Security is **above** our assessed value range for a Propertylink Security, we consider the Offer is **fair. As the Offer is fair, this means the Offer is reasonable.**

Our analysis of the fairness of the Offer is detailed further in Section 3.1 of this report.

Assessment of reasonableness

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Offer to be fair, this means that the Offer is reasonable. However, we have also considered a range of other factors Propertylink Securityholders may wish to take into account in considering whether to accept the Offer. These include:

- the Offer represents a premium of (13.1% to 15.8%) to the trading price of Propertylink Securities over a one month, three month and six month period prior to the announcement of the Initial Offer. We note that this premium reflects the value of Propertylink properties and its co-investment properties which were valued at 30 September 2018, and is likely to include a level of synergies available to a hypothetical pool of purchasers, as well as a level of special value available to ESR
- the Offer is in cash and allows Propertylink Securityholders to immediately realise value from their investment at a price that includes a premium for control. It provides certainty as to the pre-tax amount they will receive
- Propertylink Securityholders will no longer be exposed to the risks to which they are currently exposed, including risks related to the wholly owned properties (such as rent renewal risks), risks related to the investment management business (such as the likelihood of receiving performance fees) and risks related to Propertylink owning an 18.1% interest in CIP (such as adverse unit price movements). Conversely, if these risks have favourable outcomes, by continuing to hold shares in Propertylink, Propertylink Securityholders would remain exposed to the potential resulting upside
- if ESR only obtains an interest of between 50.1% and 90% of Propertylink Securities, ESR may not be able to complete the compulsory acquisition of the outstanding Propertylink Securities. In these circumstances Propertylink Securityholders that did not accept the Offer will become minority Propertylink Securityholders in an ESR controlled Propertylink. There are a number of risks associated with this scenario, including potentially holding illiquid Propertylink Securities, with no certainty of receiving the control premium implied by the Offer in the future
- if Propertylink Securityholders do not accept the Offer and no superior proposal emerges The Propertylink Security price may fall
- no superior alternative proposal has emerged since the announcement of the Initial Offer and it is unlikely a superior alternative offer will emerge given ESR and Centuria Capital Group (Centuria) currently hold 19.9% and 19.51% of Propertylink respectively, which is likely to deter new bidders.

Propertylink Securityholders should also consider the general tax implications associated with the Offer, the number of conditions which, if not satisfied, will result in the Offer not completing and the transaction costs that will have been incurred irrespective of whether the Offer is accepted.

Our analysis of the reasonableness of the Offer is detailed further in Section 3.2 of this report.

The decision as to whether or not to accept the Offer is a matter for individual Propertylink Securityholders based on their views as to value, expectations about future market conditions and their particular circumstances including their investment strategy and portfolio, risk profile and tax position. If in doubt, Propertylink Securityholders should consult their own professional adviser regarding the action they should take in relation to the Offer.

Our opinion is based solely on information available as at the date of this IER as set out in Appendix 2. We note that we have not undertaken to update our IER for events or circumstances arising after the date of this IER other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information as set out in Section 6.3.

3.1 The Offer is fair

As stated above our fairness assessment was based on comparing the Offer of $1.20 per Propertylink Security to our assessed value of a Propertylink Security on a control basis.

We have assessed the adjusted NTA for a Propertylink Security in the range of $1.14 to $1.19 per Propertylink Security (on a fully diluted basis). This estimate is based on Propertylink's pro forma, unaudited NTA of $647.5 million (Pro forma NTA). Various adjustments have been made to the Pro forma NTA to derive the adjusted NTA per Propertylink Security as summarised in the following table.

Table 1: Valuation of Propertylink Securities

$'000 unless otherwise stated	Section Reference	Low	High
Net assets as at 30 June 2018	7.9	631,338	631,338
Less: intangible assets	7.9	(4,566)	(4,566)
NTA as at 30 June 2018		**626,772**	**626,772**
Impact of property revaluations as at 30 September 2018	8.3	39,500	39,500
Impact of FY18 final distribution of 3.7 cents per Propertylink Security	8.3	(22,303)	(22,303)
Share of profit on divestment of 80 Mount Street	8.3	3,500	3,500
Pro forma NTA		**647,469**	**647,469**
Estimated earnings from 1 July 2018 to 31 January 2019	8.4	24,682	25,033
Estimated value of investment management business	8.5	40,112	58,183
Estimated net movement in value of CIP shares (minority interest basis)	8.6	(5,488)	-
Capitalised corporate overheads (net of savings)	8.7	(17,399)	(10,310)
Estimated capitalised borrowing costs	8.8	(1,343)	(1,343)
Adjusted NTA		**688,033**	**719,032**
Propertylink Securities on issue ('000s)		602,780	602,780
Adjusted NTA per Propertylink Security (excluding premium)		**1.14**	**1.19**
Premium to adjusted NTA	8.9	-	-
Adjusted NTA per Propertylink Security (including premium)		**1.14**	**1.19**

Source: KPMG Corporate Finance analysis.
Notes: Table may not add due to rounding.

Property investments (wholly owned and co-investments) are reflected on the balance sheet at market value based on property valuations provided by property valuation specialists. When valuing A-REITs, it is general market practice for independent experts to adopt this market value in their assessment of adjusted NTA. Most properties were independently valued at 30 September 2018, resulting in a $39.5 million[5] uplift in the carrying value of the portfolio from 30 June 2018.

Pro forma NTA is based on the 30 June 2018 NTA plus the uplift in property values, less a distribution of 3.7 cents per Propertylink Security, which was not provided for in the 30 June 2018 accounts as well as the share of profit from the sale of 80 Mount St. We have reviewed a selection of these valuations, taking into account the nature and quality of Propertylink portfolio and associated risks and the outlook for the A-REIT industry and the office property sector.

The following adjustments were made to the Pro forma NTA:

- we added an estimate of the earnings of Propertylink for the half year ending 31 December 2018 since Propertylink has continued to receive rent from its properties and earnings from the investment management business. This value was estimated based on Propertylink's distributable earnings guidance for FY19 of 7.6 cents to 7.7 cents per Propertylink Security, applied to half of FY19
- added the market value of the investment management business, which was derived using a Capitalised Earnings approach, based on a maintainable earnings before interest and tax (EBIT) estimate. KPMG

[5] Includes co-investments

Corporate Finance used a maintainable EBIT of $3.4 to $4.8 million and a capitalisation multiple (on a control basis) of 9 to 10 times, resulting in a market value of $30.5 to $48.0 million

- added the value of non-recurring performance fees. To determine this value we adopted a discounted cash flow methodology based on probability weighting of management's forecast of future possible performance fees. We discounted the cash flow applying a post-tax discount rate of 8.0% to 10.0% to obtain a value of $9.6 to $10.2 million. Adding this value to the capitalised earnings value described above, results in a total value for the investment management business of $40.1 to $58.2 million
- accounted for the value of the investment in CIP. Propertylink currently owns approximately 44.7 million ordinary units in CIP and an interest under a total return swap in a further 0.2 million units. The 44.7 million units in CIP were acquired between the 12 and the 17 of September 2018 for a consideration of approximately $2.99 per unit, funded by new debt. As at 16 November 2018 the market price of the ordinary units had decreased to $2.82 per unit, and Propertylink had received a distribution from CIP of approximately $2.1 million ($0.046 per unit). In order to reflect the possible net loss in value of this investment we have deducted a range of values between nil and $5.5 million
- NTA does not reflect the cost structure associated with being a listed investment vehicle. Corporate overheads are incurred as part of the Propertylink operating structure and include listed entity costs and other expenses. In FY18 Propertylink incurred total overheads of approximately $6.4 million. Since it is likely an acquirer of Propertylink could save a substantial proportion of these costs, we have assumed savings of 70% to 80%. The resulting residual costs of $1.3 million to $1.9 million were capitalised at a multiple in the range of 8 to 9 times to arrive at a value in the range of $10.3 to $17.4 million. This value has been deducted from Pro forma NTA
- borrowing costs capitalised for accounting purposes do not have a realisable value and therefore have been excluded.

Adjusted NTA represents the aggregate full underlying value of Propertylink. As it is based on estimates of the full underlying value of each property in the portfolio, it is already a 'control' value (i.e. it assumes 100% ownership of the assets). Nevertheless, in certain situations, it is appropriate to apply a premium or discount to adjusted NTA. KPMG Corporate Finance considers that in this instance, no further adjustment is required, having regard to the specific attributes of Propertylink at this point in time.

Our assessed value of a Propertylink Security on an adjusted NTA basis of $1.14 to $1.19 implies the following FFO[6] multiples and distribution yields:

Table 2: Propertylink implied multiples cross check

Implied metrics	Section Reference	Parameter (per Security)	Low	High
Value per Propertylink Security	**8.2**		**$1.14**	**$1.19**
FY18 FFO multiple (times)[1]	8.10	6.8¢	16.7	17.5
FY19 FFO multiple (times)		na	na	na
FY18 distribution yield	7.9	7.3¢	6.4%	6.1%
FY19 distribution yield[2]	7.13	7.3¢	6.4%	6.1%

Sources: KPMG Corporate Finance Analysis
Notes:
1. *FY18 and FY19 FFO calculated based on Property Council Voluntary Guidelines methodology issued December 2017*
2. *FY19 distributions based on Propertylink guidance*

na: Not available

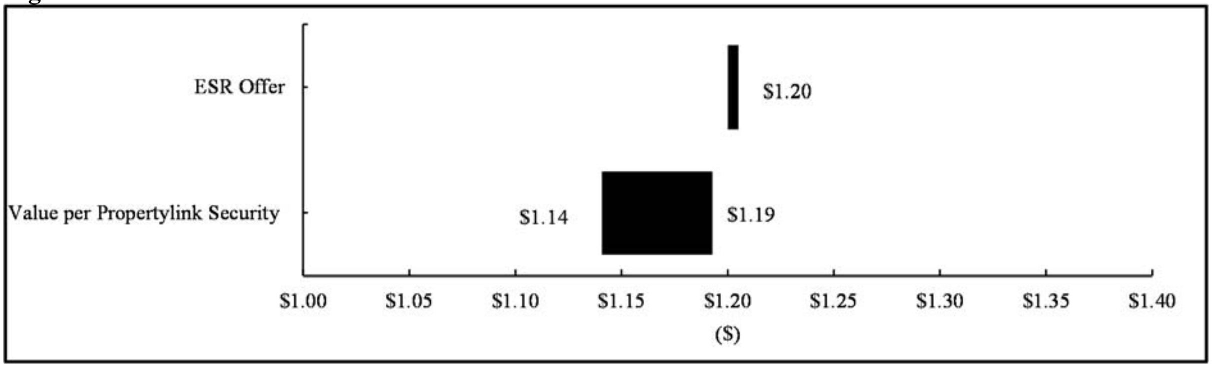
[6] FFO consistent with funds from operations presented using principles of Property Council of Australia White Paper released in December 2017.

An FFO or distribution yield is essentially the inverse of a multiple of FFO or distributions, with a lower yield indicating a higher value relative to the FFO or distributions. Propertylink's implied forecast FFO multiples are relatively high and its distribution yields are consistent with the multiples observed in recent control transactions involving A-REITs exposed to either the industrial or office property sectors, or a combination of both. We consider the FFO multiples and the distribution yields appropriate, having regard to Propertylink's exposure to the strongly performing Sydney and Melbourne markets and relatively low exposure to the weaker Brisbane and Perth markets, substantial yield compression in recent years, the quality of Propertylink's portfolio and the inclusion of the investment management business.

The valuation of a Propertylink Security is set out in Section 8 of this report.

A comparison of our assessed value per Propertylink Security on a control basis to the ESR Offer is illustrated below.

Figure 1: Assessment of fairness



Source: KPMG Corporate Finance analysis

As the Offer of $1.20 per Propertylink Security falls above our assessed value range for a Propertylink Security of $1.14 to $1.19, we consider that the Offer is fair.

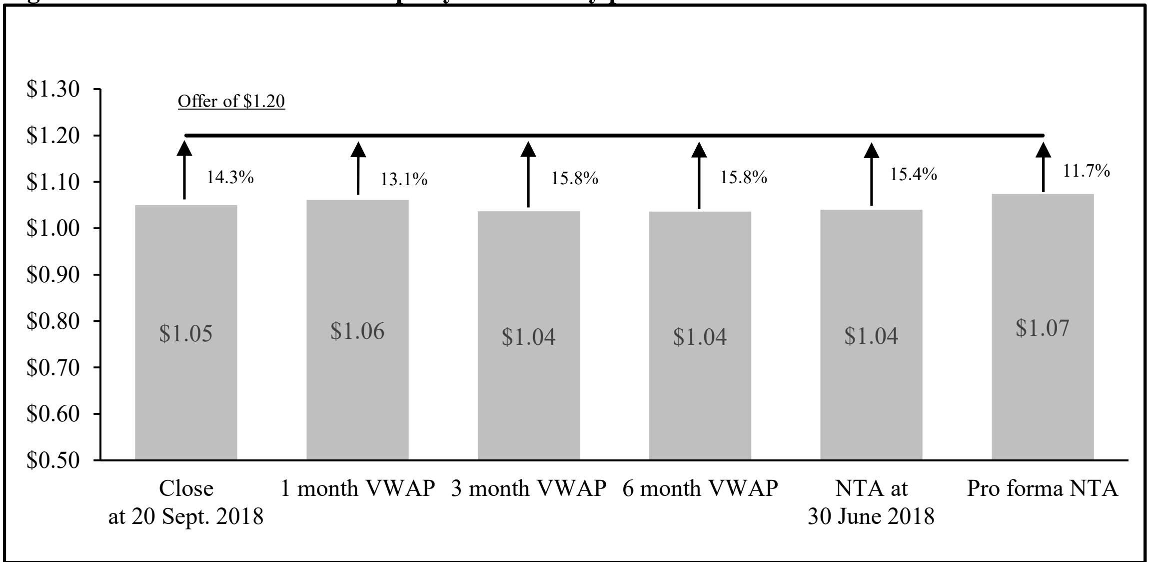
3.2 The Offer is reasonable

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Offer to be fair, this means the Offer is reasonable. Notwithstanding that the Offer is fair, KPMG Corporate Finance has considered a range of other factors that Propertylink Securityholders may also wish to take into account in considering whether to approve the Offer as summarised below.

The Offer represents a premium to trading price prior to 21 September 2018 and to Pro forma NTA

The implied premium of the Offer relative to the Propertylink Security price and NTA is illustrated in the following figure.

Figure 2: Premium of Offer to Propertylink Security price and NTA



Source: IRESS, KPMG Corporate Finance analysis.
Note: The premiums illustrated above have been calculated based on the volume weighted average price (VWAP) of Propertylink Securities up to and including 20 September 2018, the last trading day prior to the announcement of the Initial Offer.

Premium to Propertylink Security price

With regard to our assessment of the premiums to trading prices implied by the Offer, we note:

- it is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the trading price of a security to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration. In the case of Propertylink, it is an internally managed A-REIT which also manages external investments. Therefore potential synergies available to an acquirer may include corporate overheads, such as listing costs and other trust expenses, and the possibility to use Propertylink's current investment management platform to manage its internal and external investments
- the Offer of $1.20 per Propertylink Security represents a premium to the recent trading price of Propertylink Securities prior to the announcement of the Initial Offer in the range of 13.1% to 15.8%. These premiums sit within the range of premiums observed in completed control transactions involving A-REITs since 2013 in the range of 6.4% to 28.7% (refer to Appendix 4 of this report).

Premium to pro forma NTA

With regard to our assessment of the premiums to pro forma NTA implied by the Offer, we note:

- premiums or discounts to NTA implied in transactions largely reflect the stage of the property cycle at the time of the transaction as well as factors specific to each A-REIT. Transactions from 2013 to 2015 occurred at a significant premium to reported NTA, reflecting an expectation of rising property valuations (with a lag). Premiums to NTA observed in transactions that occurred from 2016 are generally lower, with the premiums decreasing over time potentially reflecting an expectation that property valuations are nearing a peak. In the period since the announcement of the Offer on 16 October 2018, including the announcement on 30 October 2018 of the uplift in property values as a result of the independent valuations, the Propertylink Security price has traded between $1.16 and $1.18, and has not traded over the Offer of $1.20. Recent pricing is consistent with a view that Propertylink's property valuations may be nearing a peak and unlikely to increase significantly from the 30 September 2018 valuations, and that an alternative superior proposal is unlikely at this stage

- the 11.7% premium of the Offer to Pro forma NTA is:
  - within the range implied by transactions involving industrial A-REITs since 2010 of (32.1%) to 21.7%. However some of the transactions involve circumstances that make them less comparable to the Offer. For example, the MacarthurCook's transaction discount to NTA may have been the result of an unfavourable debt profile at the time. Similarly, the Australand transaction implied a significant premium, which could have reflected a significant development pipeline. Excluding those transactions and others as detailed in Section 8.9 of this report, the range is (1.5%) to 11.0%, with the premium to NTA implied by the Offer being slightly higher, and
  - within the range of premiums to NTA at which listed, internally managed A-REITs are trading, of (13.0%) to 13.2%[7] (refer to Appendix 4 of this report). However, we note that A-REITs which are more exposed to the retail and aged care sectors are trading at higher discounts.

The Offer Consideration provides certainty of value

The cash nature of the Offer provides Propertylink Securityholders an opportunity to exit their investment in Propertylink at a price that is certain and which incorporates a premium for control. In the absence of the Offer or a similar transaction, Propertylink Securityholders could only realise their investment by selling their Propertylink Securities on market at a price that would not include a premium for control and would incur transaction costs (e.g. brokerage).

There is no certainty as to the price at which Propertylink Securityholders would be able to realise their investment in the future, particularly given the risks relating to holding a minority interest in Propertylink (which are explained in the following section). Furthermore, market commentators have noted that property valuations may be approaching a peak and that the industrial properties sector is likely to grow at a lower rate over the next five years, than over the past five years (refer to Appendix 3 of this report).

Propertylink Securityholders that accept the Offer will no longer be exposed to the risks to which Propertylink is exposed, in particular:

- *re-letting risk*. The Propertylink lease expiry profile (refer to Section 7.5 of this report) indicates that 9.4% of its leases will expire in FY19, increasing to 13.3% in FY20 and 23.0% in FY21
- *the risks associated with the investment management business*. Propertylink manages five external funds and receives revenue related to investment management, property management and property acquisition services. In addition, Propertylink also receives variable revenue related to performance fees. While Propertylink received performance fees in FY17 of $25.1 million (20.7% of total income) and in FY18 of $22.2 million (14.2% of total income) there is no guarantee Propertylink will be able to maintain a similar level of performance fees in the medium term given performance fees depend to a significant degree, on market circumstances

[7] Excluding Goodman Group and Charter Hall Group. Both have significant third party funds and property management businesses

- *the risk related to holding CIP ordinary units*. Propertylink currently owns 44.7 million ASX listed CIP ordinary units and has an interest under a total return swap in a further 0.2 million units in CIP. While this represents approximately an 18.1% voting power in CIP, Propertylink does not control CIP. Any material adverse movements in the value of CIP ordinary units price is likely to also adversely impact the price at which Propertylink may be able to sell its CIP securities.

There are a number of risks related to being a minority Propertylink Securityholder

The Offer has a minimum acceptance condition of 50.1%. If ESR only obtains an interest of between 50.1% and 90% of Propertylink Securities, ESR will not be able to undertake a compulsory acquisition of the outstanding Propertylink Securities. In these circumstances Propertylink Securityholders that did not accept the Offer will become minority Propertylink Securityholders in an ESR controlled Propertylink. Under this scenario:

- ESR will have control of Propertylink, which will enable ESR to control and change the strategic direction and distributions policy of Propertylink. If ESR obtains more than 75% of Propertylink Securities it will be in a position to cast the votes required to determine the outcome of special resolutions, such as those required to change the Propertylink constitution
- ESR's intention is to reduce the leverage of Propertylink. For this purpose ESR has indicated that amongst other options it will consider reducing the amount of distributions to Propertylink Securityholders
- ESR intends to consider whether it is appropriate to destaple the Propertylink Securities and/or maintain Propertylink's listing on ASX, having regard to considerations such as ESR's level of ownership, the costs associated with maintaining the listing, the number of remaining Propertylink Securityholders and the liquidity of Propertylink Securities at the relevant time. In these circumstances, Propertylink Securityholders will lose the ability to sell their Propertylink Securities on the ASX, and are likely to have limited opportunities to sell their Propertylink Securities
- given that Centuria holds a combined 19.51% interest in Propertylink, the free float of Propertylink Securities will be reduced which may lead to reduced trading liquidity (unless Centuria accepts the Offer). This may result in the decline in the price of Propertylink Securities
- any upside related to holding a Propertylink Security under ESR majority ownership is likely to be at risk. While ESR intends to seek to actively grow Propertylink's business, in a scenario where ESR doesn't have 100% control of Propertylink and there exists other interest that could block significant resolutions, ESR's plans may be delayed or not occur as anticipated.

We note that should ESR acquire a relevant interest in less than 50% of Propertylink (having removed the condition associated with minimum ownership of 50.1%), ESR will seek to obtain Board representation commensurate with their voting power in Propertylink.

ESR's intentions in relation to Propertylink are detailed in Section 7 of ESR's Bidder's Statement in relation to the Offer.

The Propertylink Security price is likely to fall if Propertylink Securityholders do not accept the Offer and no superior proposal emerges

The Offer is subject to a number of conditions, including ESR obtaining at least 50.1% of all Propertylink Securities at the end of the Offer Period. Should this condition not be satisfied, the Offer will lapse.

In the six months prior to the announcement of the Initial Offer, Propertylink Securities traded at a VWAP of $1.04, which is in line with the 30 June 2018 NTA per Propertylink Security. Since the announcement of the Offer Propertylink Securities have traded between $1.16 and $1.19, which represents a premium of 8.0% to 10.8% to Pro forma NTA of $1.07.

While it is not possible to accurately predict the price at which the Propertylink Securities will trade should the Offer lapse, we consider it likely that in the absence of a superior proposal emerging, the Propertylink Security price will decrease to a level consistent with and perhaps lower than Pro forma NTA of $1.07.

Further, it is not clear what the continuing uncertainty as to the ownership of Propertylink particularly in relation to ESR and Centuria will have on the future trading price.

Alternatives available to Propertylink

The Directors of Propertylink considered the following alternatives to the Offer:

- remaining as a listed REIT
- proceeding with a proposal to acquire CIP
- a sale of Propertylink's assets and subsequent winding-up of Propertylink
- the potential for alternative offers for Propertylink.

With regard to each of these alternatives, we note the following:

Remaining as a listed REIT

In the absence of the Offer, Propertylink management would continue to execute the Propertylink strategy, consisting of investing in industrial properties and co-investing in, and managing external funds for institutional co-investors. However, as set out in Section 5.1 prior the Initial Offer and the Offer being submitted, uncertainty existed as to the ultimate ownership and control of Propertylink. This had the potential to impact on Propertylink's external AUM growth as prospective investors typically wish to have certainty as to the fund manager. It is therefore likely that in the absence of the Offer, this uncertainty would continue, possibly impacting the overall performance of Propertylink.

Proceeding with a proposal to acquire CIP

A condition of the Initial Offer was that Propertylink's indicative offer to acquire CIP would not proceed. While the Propertylink Directors believed the acquisition of CIP would result in a significant improvement of Propertylink's market position, scale and liquidity, it is likely that Propertylink would have not been able to obtain more than 90% interest in CIP given Centuria related entities had substantial interests in CIP. This scenario would have likely brought additional uncertainty to the already complex circumstances, rendering the potential upside benefits of acquiring CIP difficult to crystallise.

Wind up

A wind up of the portfolio is unlikely to realise a return to Propertylink Securityholders in excess of the cash payment under the Offer. The sale of the portfolio, the sale or otherwise wind up of the investment management business and the distribution of the net proceeds would involve costs and risks including:

- sale of the portfolio is likely to take a considerable amount of time given the size of the portfolio (31 properties) and the existence of pre-emptive rights under co-investor agreements. The sale or wind up of the investment management business is also likely to take a considerable amount of time with an uncertain outcome

- the net proceeds from sales would be reduced by selling costs, break fees and taxes:
  - while the independent property valuations include selling costs, additional selling costs (e.g. legal and agents fees and some broker fees) would likely be incurred and there would be additional costs (e.g. legal) associated with the subsequent winding up of the trusts
  - break fees may be payable on the early repayment of the debt facilities, and
  - sale of the portfolio at book value would realise a substantial capital gain for tax purposes and bidders would incur greater stamp duty than under a sharemarket offer.

Likelihood of a superior proposal

In assessing the merits of the Offer, we have considered the likelihood of a superior proposal. As indicated in Section 5.1, ESR and Centuria have held substantial holdings since September 2017 and Propertylink has been the subject of significant corporate takeover speculation.

While there is nothing precluding an alternative proposal from being made, a hypothetical third party making a superior offer would need to consider that any proposal would require the agreement of both ESR and Centuria. These circumstances are likely to discourage any potential bidders other than ESR and Centuria. In that regard, there is no evidence that either Centuria or ESR would be prepared to submit new, superior bids. In fact, Centuria has encouraged the Directors of Propertylink[8] to continue engaging with ESR, and ESR has already increased their Initial Offer price from $1.15 to the Offer price of $1.20 per Propertylink Security as a consequence of negotiations between ESR and the Directors of Propertylink.

3.3 Other considerations

In forming our opinion, we have also considered a number of other factors, as detailed below. Although we do not consider these factors impact our assessment of the reasonableness of the Offer, we consider it appropriate for Propertylink Securityholders to consider these factors in assessing the Offer.

Transaction costs associated with the Offer

Propertylink management has estimated that in the event the Offer completes, Propertylink will have incurred or committed costs of approximately $14.4 million (plus GST, excluding any break fee) in relation to the Offer. One-off transaction costs associated with the Offer primarily relate to financial advisers, legal, accounting and expert fees and other costs associated with the Offer.

Taxation implications for Propertylink Securityholders

Propertylink has provided information on the Australian income tax and Goods and Services Tax (GST) consequences relating to the Offer. This information is provided in Section 10 of the Target's Statement. The key considerations are as follows:

- *Capital Gains Tax (CGT) consequences for Australian resident Propertylink Securityholders.* Each Propertylink Security consists of one share in PHL, one unit in PT and one unit in PAIP. Notwithstanding the fact that these assets cannot be traded separately, they are treated as separate assets for CGT purposes. The disposal of Propertylink Securities pursuant to the Offer will have CGT consequences for Propertylink Securityholders. Each Propertylink Securityholder will be treated as making two separate disposals for CGT purposes and two separate CGT calculations will be required. In undertaking these calculations,

[8] Centuria ASX announcements of 16 October 2018 and 1 November 2018

Propertylink Securityholders will be required to calculate the cost base (or reduced cost base) and capital proceeds attributable to their share in PHL, unit in PT and unit in PAIP.

Propertylink interim distributions corresponding to FY19 and future distributions. Propertylink Securityholders will be required to treat the tax components of FY19 related distributions in the same manner that the tax components of Propertylink's regular six monthly income distributions are treated.

If the Offer becomes unconditional but ESR does not achieve a relevant interest sufficient to proceed to compulsory acquisition, Australian resident Propertylink Securityholders who continue to hold Propertylink Securities should have future distributions taxed in a similar manner to the 2019 Interim Distribution

- *CGT consequences for non-resident Propertylink Securityholders.* The taxation consequences discussed in the bullet point above will generally apply to Propertylink Securityholders that are non-residents, if either the PHL shares, PT units or the PAIP units are "taxable Australian property"
- *Managed Investment Trust (MIT) status.* In certain circumstances, if ESR acquires a sufficiently high percentage of Propertylink Securities, as a consequence of the ownership structure of Propertylink, PT and PAIP may cease to satisfy the requirements to be an MIT in respect of the income tax year ending 30 June 2019 and future years. Consequently, distributions made by PT and PAIP in relation to the year ending 30 June 2019 will be subject to non-resident withholding tax which may be higher than the MIT withholding tax rate. This may have an adverse effect on the tax treatment of PT and PAIP and its distributions going forward.

We advise that Propertylink Securityholders should consider their individual circumstances, review Section 10 of the Target's Statement for further information as it applies to their circumstances, and seek the advice of their own professional advisor prior to accepting the Offer.

4 Other matters

In forming our opinion, we have considered the interests of Propertylink Securityholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual of Propertylink Securityholders. It is not practical or possible to assess the implications of the Offer on individual Propertylink Securityholders as their financial circumstances are not known. The decision of Propertylink Securityholders as to whether or not to accept the Offer is a matter for each Propertylink Securityholder based on, amongst other things, their risk profile, liquidity preference, investment strategy and tax position. Individual Propertylink Securityholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to accept the Offer may be influenced by his or her particular circumstances, we recommend that individual Propertylink Securityholders including residents of foreign jurisdictions seek their own independent professional advice.

Our IER has also been prepared in accordance with the relevant provisions of the Act and other applicable Australian regulatory requirements. This IER has been prepared solely for the purpose of assisting of Propertylink Securityholders in considering the Offer. We do not assume any responsibility or liability to any other party as a result of reliance on this IER for any other purpose.

All currency amounts in this report are denominated in Australian dollars unless otherwise stated. References to the financial year to 30 June have been abbreviated to FY.

Neither the whole nor any part of this IER or its attachments or any reference thereto may be included in or attached to any document, other than the Target's Statement to be sent to of Propertylink Securityholders in relation to the Offer, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this IER in the form and context in which it appears in the Target's Statement.

Our opinion is based solely on information available as at the date of this IER as set out in Appendix 2. We note that we have not undertaken to update our IER for events or circumstances arising after the date of this IER other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information section as set out in Section 6.3 of our report.

The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this report, including the appendices.

Yours faithfully

Ian Jedlin
Authorised Representative

Sean Collins
Authorised Representative

Contents

5 The Offer

5.1 Background

The Offer follows a period of corporate activity in relation to Propertylink that has created considerable uncertainty.

This started on 8 September 2017 when Centuria and CIP, on a combined basis, acquired a 17.0% interest in Propertylink, becoming its largest shareholders. Subsequently on 22 September 2017 Propertylink received an unsolicited, conditional and non-binding proposal from Centuria to acquire 100% of the outstanding securities in Propertylink by way of a scheme of arrangement. The consideration of the proposal consisted of cash and scrip and Propertylink estimated it implied a value of $0.95 per security. The proposal was unanimously rejected by the Board of Directors of Propertylink.

Following this on 4 October 2017, an ESR related entity acquired an 18.06% interest in Propertylink, indicating that its intentions were to keep its options open in relation to its investment in Propertylink. ESR's interest in Propertylink increased to 19.89% on 18 December 2017. This resulted in ESR and Centuria (combined with CIP) each holding close to a 20% interest of Propertylink, which meant that any proposal regarding the acquisition of Propertylink would need the agreement of both parties, or it would risk being blocked.

No agreement between ESR and Centuria was reached, and there was a lack of clarity in relation to the ultimate intentions of ESR and Centuria and, consequently, in relation to the party that would ultimately control Propertylink and their long term strategy. This uncertainty persisted for some time, with Centuria announcing on 9 March 2018 in response to media speculation that it had, and was continuing to have, discussions with ESR in relation to Propertylink but that no agreement had been reached.

It was only on 10 August 2018 that Centuria announced the divestment of a 7.7% interest in Propertylink, which reduced their total interest to approximately 10%.

Subsequently on 12 September 2018 Propertylink acquired a 17.7% interest in CIP and submitted a non-binding and indicative proposal to acquire 100% of CIP for an implied value of $3.04 per unit. This offer was rejected by the Independent Board Committee of Centuria Property Funds No.2 Limited as Responsible Entity of CIP.

5.2 Overview of the Offer

On 21 September 2018 Propertylink, received from ESR a non-binding indicative offer to acquire all of the Propertylink Securities for $1.15 in cash per Propertylink Security that ESR did not already own by way of an agreed off-market takeover offer (the Initial Offer).

On 16 October 2018, Propertylink announced that following discussions with ESR, ESR had revised the Initial Offer consideration to $1.20 in cash per Propertylink Security and that ESR and Propertylink had entered into a Process Deed setting out the terms and steps required to finalise the Initial Offer. Under the Process Deed, the Directors of Propertylink allowed ESR to conduct confirmatory due diligence on Propertylink for a period of three weeks from 16 October 2018. The due diligence period was eventually extended until 9 November 2018.

On 12 November 2018, Propertylink announced that it had entered into a Bid Implementation Agreement with ESR.

Under the terms of the Bid Implementation Agreement, ESR proposes to offer $1.20 in cash for each Propertylink Security. ESR may deduct from the consideration the cash amount of any dividends or distributions determined to be paid after the date of the Bid Implementation Agreement, including the Permitted Distributions, and which Propertylink Securityholders receive or are entitled to receive. The Permitted Distributions include:

- the Interim Distribution, being the distribution of no more than $0.036 per Propertylink Security for the financial half-year ended 31 December 2018, and

- the Final Distribution, being the distribution of no more than $0.04 per Propertylink Security for the financial year ending 30 June 2019.

The period that the Offer will be open for acceptance will commence on 21 November 2018 and will remain open until 31 January 2019, unless extended subject to the Bidder's right to extend it in accordance with the provisions of the Act (Offer Period).

Propertylink Securityholders should be aware that the Bid Implementation Agreement may be terminated in certain circumstances including in the event the Bidder withdraws the Offer or the Offer lapses for any reason, including non-satisfaction of a condition of the Offer. Details of the circumstances leading to a termination of the Bid implementation Agreement are contained in Clause 10 of the Bid Implementation Agreement.

5.3 Conditions of the Offer

The Offer is subject to a number of conditions during the period from the date of the Bidder Implementation Agreement and the end of the Offer Period (Implementation Period) which, if not satisfied, may result in the Offer not completing. These conditions precedent are set out in detail in Schedule 2 of the Bid Implementation Agreement and are summarised below:

- no regulatory actions that may materially impact upon the making of the Offer
- minimum relevant interest owned by ESR at the end of the Offer Period of 50.1% of all Propertylink Securities (on a fully diluted basis)
- no proposal impacting Wholesale Fund Management Rights, being any rights to receive management income in consideration for the performance of management services, including property, project and management fees, with certain exceptions
- no Responsible entity and other changes
- no undertaking to increase, guarantee or incur any financial indebtness of an amount in excess of $4 million, with certain exceptions
- no breaches of covenants or occurrence of default events
- the aggregate amounts of debt drawn not exceeding $475 million, or the Propertylink loan to value ratio not exceeding 57.5%
- other conditions related to loan to value ratio covenants and restrictions on distributions
- other customary conditions, including 'no material adverse changes', 'no prescribed occurrences', 'no material acquisitions, disposals, capital expenditure or changes in the conduct of business', 'no destruction or damage of properties', and 'no litigation on foot or pending'.

Clause 8 of the Bid Implementation Agreement also contains certain exclusivity provisions that apply during the Exclusivity Period[9] including 'no shop and no talk', 'notification of approaches' and 'matching right', subject to the Directors' fiduciary obligations.

A reimbursement fee of $7.2 million will be payable to ESR by Propertylink if certain trigger events occur during the Exclusivity Period. These trigger events are summarised below:

- any Propertylink Director fails to recommend that Propertylink Securityholders accept the Offer, withdraws, adversely revises or adversely qualifies their recommendation that Propertylink Securityholders accept the

[9] The period commencing on the date of the Bidder Implementation Agreement until the earliest of: i) the date of termination of the Bidder implementation Agreement, ii) the end of the Offer Period, or iii) the date that is 4 months after the date of the Bidder Implementation Agreement

Offer; or recommends that Propertylink Securityholders accept or vote in favour of, or otherwise supports or endorses a competing offer from a party other than ESR

- a competing offer of any kind is announced by a party other than ESR, and that third party completes their offer or acquires a relevant interest of 50.1% of Propertylink, or control of Propertylink.

Applicable exceptions and other related details are contained in Clause 9 of the Bid Implementation Agreement.

5.4 Transaction costs

Propertylink management has estimated that if the Offer completes, total one-off transaction costs in relation to the Offer to be in the range of $14.4 million (plus GST, excluding any break fee) in relation to the Offer. One-off transaction costs associated with the Offer primarily relate to financial advisers, legal, accounting and expert fees and other costs associated with the Offer.

6 Scope of the IER

6.1 Purpose

This IER is to be included in the Target's Statement to be sent to the Propertylink Securityholders and has been prepared for the purpose of assisting Propertylink Securityholders in their consideration of the Offer.

6.2 Basis of assessment

Under Section 640 of the Act, an IER is required to state whether an offer is considered fair and reasonable. RG111 indicates the principles and matters which it expects a person preparing an independent expert report to consider. RG 111 notes:

- 'fair and reasonable' is not regarded as a compound phrase
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison
- an offer is 'reasonable' if it is 'fair'
- an offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for securityholders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the shares subject to the offer. It is a requirement of RG 111 that the comparison be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of the bidder or its associates in the target prior to the bid. That is, RG 111 requires the value of the target to be assessed as if the bidder was acquiring 100% of the issued equity (i.e. on a controlling interest basis). In addition to the points noted above, RG 111 notes that the weight of judicial authority is that an expert should not reflect 'special value' that might accrue to the acquirer.

Accordingly, when assessing the full underlying value of Propertylink we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of Propertylink.

Reasonableness involves an analysis of other factors that shareholders might consider prior to accepting an offer, such as:

- the bidder's pre-existing shareholding in the target
- other significant shareholdings in the target
- the liquidity of the market in the target's securities
- any special value of the target to the bidder
- the likely market price of the target's shares in the absence of the offer
- the likelihood of an alternative offer being made, and
- any other advantages, disadvantages and risks associated with accepting the offer.

In forming our opinion, we have considered the interests of Propertylink Securityholders as a whole. As an individual Propertylink Securityholders' decision to vote for or against the proposed resolutions may be influenced by their individual circumstances, we recommend they each consult their own financial advisor.

6.3 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of Propertylink for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with Propertylink's management in relation to the nature of the business operations, specific risks and opportunities, historical results and prospects for the foreseeable future. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Propertylink has been responsible for ensuring that information provided by it or its representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by the management of Propertylink. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, Propertylink remains responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, however we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

6.4 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. Propertylink management has requested KPMG Corporate Finance limit the disclosure of some commercially sensitive information relating to Propertylink. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Propertylink. As such the information in this report has been limited to the type of information that is regularly placed into the public domain by Propertylink.

7 Profile of Propertylink

7.1 Overview

Propertylink is an ASX listed internally managed Australian real estate group and integrated investment and asset management platform. On 20 September 2018, one day prior to the announcement of the Initial Offer, Propertylink had a market capitalisation of approximately $632.9 million[10] and is an S&P/ASX 300 Index (ASX 300 Index) and S&P/ASX 300 A-REIT Index (A-REIT Index) constituent.

Propertylink was formed through the stapling of three vehicles comprising:

- the Propertylink Australian Industrial Partnership (PAIP) which wholly owns the 30 assets held by Propertylink
- Propertylink Holdings Ltd (PHL), which is the entity that operates the funds management platform' and owns one development asset (14-16 Orion Road, Lane Cove, NSW)
- Propertylink Trust (PT) which holds Propertylink's co-investment interests.

PHL, PT and PAIP were stapled following the completion the Propertylink's initial public offering (IPO) in August 2016, resulting in a listing of Propertylink's securities on the ASX. A stapled Propertylink Security comprises one PHL share, one PT unit, and one PAIP unit, and the stapled securities cannot be traded or dealt with separately.

As at 30 September 2018, Propertylink had approximately $1.9 billion of assets under management (AUM), directly owning $841[11] million of industrial properties and managing a series of investment vehicles consisting of industrial and office assets totalling $1,028 million on behalf of global investors. Propertylink co-invests alongside investors in its investment vehicles, providing alignment of interests, and the ability to share in the risks and returns offered by the external funds.

Propertylink operates via three key operating segments which are summarised below:

- ***wholly owned industrial portfolio:*** acquires, improves and leases industrial property
- ***investment management:*** provides fund and property management services for managed assets, and property management services for owned assets
- ***co-investments:*** co-invests in industrial and commercial office property.

The key metrics of Propertylink's operating segments are summarised in the following table.

Table 3: Propertylink's operating segments metrics

Wholly Owned Industrial Portfolio	Investment Management	Co-investments
75.2% of revenue[1]	15.0% of revenue[1]	9.8% of revenue[1]
$841m portfolio[2]	$1,028m AUM[2]	$109.8m invested[2]
31 assets[2]	5 external funds, 28 assets[2]	5 funds[2]

Source: KPMG Corporate Finance analysis, Propertylink FY18 Results Presentation, 14 August 2018, Propertylink management.
Note 1: as at 30 June 2018.

Note 2: as at 30 September 2018. Propertylink has established Propertylink Australian Logistics Trust II (PALT II) but the fund has not yet acquired any assets and hence was not reported in the table above.
Note: Income includes net property income of $46.2 million, co-investment income of $6.0 million (excludes fair value adjustment of $13.8 million), investment management income of $9.2 million (excludes performance fee income of $22.2 million).

[10] Calculated as the closing price on 20 September 2018 of $1.05 multiplied by 602,780,330 Propertylink Securities on issue.

[11] Includes 14–16 Orion Road, Lane Cove NSW, the acquisition of which was settled in September 2018.

7.2 Strategy

Propertylink's strategy is focused on[12]:

- investing in a portfolio of industrial properties in the major Australian markets that provide stable and diversified earnings, with potential income and capital growth
- co-investing in external funds maintaining a target of 5% to 25% of equity. This provides alignment of interests with Propertylink's global institutional investors, along with the ability to share in the returns from the funds
- enhancing the portfolio of assets, both directly owned and held in external funds through active asset management, which includes acquisitions, asset repositioning, targeted capital expenditure, development and divestments
- growing the investment management business by growing existing funds, securing new investment mandates, expanding the investment network and establishing new external funds
- maintaining a conservative capital structure across the balance sheet and external funds with a target balance sheet gearing of 30% to 40%.

7.3 Board of directors and executive team

The Propertylink Board consists of a Chairman, four Non-Executive Directors, and two Executive Directors including the Managing Director and CEO. The executive team consists of five members, being the CEO, the CIO, the CFO, the Head of Capital Markets and the Company Secretary.

Propertylink's current Board of Directors and executive team are set out in the following table.

Table 4: Propertylink's board members and executive team

Board members	Executive team
Peter Lancken (Non-Executive Chairman)	Stuart Dawes (Managing Director and CEO)
Stuart Dawes (Managing Director)	Peter Mcdonald (Chief Investment Officer)
Stephen Day (Executive Director)	Tony Groth (Chief Financial Officer)
Ian Hutchinson (Non-Executive Director)	Stephen Day (Executive Director, Capital Markets)
Sarah Kenny (Non-Executive Director)	Rebekah Hourigan (Company Secretary)
Chris Ryan (Non-Executive Director)	
Anthony Ryan (Non-Executive Director)	

Source: Propertylink FY18 Annual Report.

7.4 Operating structure and operating businesses

Propertylink is a triple stapled entity comprising PHL, PAIP, PT and their controlled entities. As stated previously, PAIP, PHL and PT were stapled following the completion of the Propertylink IPO in August 2016.

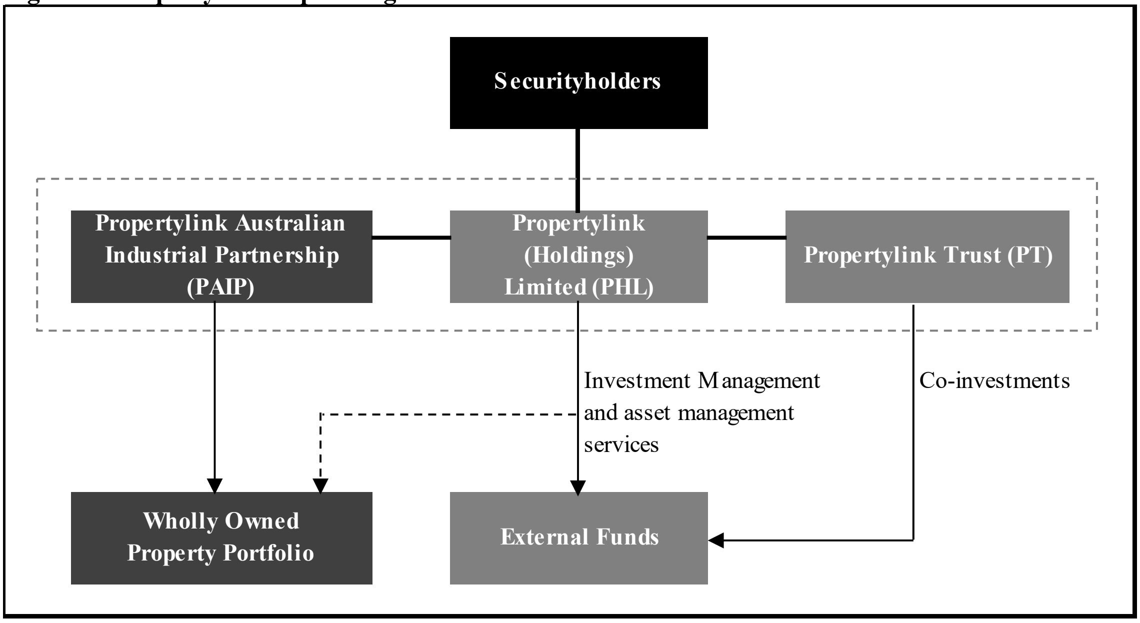
Responsibilities within the Propertylink have been delegated as following:

- ***PAIP***: owns and manages the property portfolio of Propertylink
- ***PHL***: provides the funds management services of Propertylink and holds a development asset (14-16 Orion Road, Lane Cove, NSW)
- ***PT***: holds Propertylink's co-investment stakes.

[12] Propertylink FY18 Annual Report.

An overview of Propertylink's current operating structure is illustrated below.

Figure 3: Propertylink's operating structure



Source: *Propertylink FY17 Results Presentation, 15 August 2017.*

Across its platform, Propertylink provides investment and property management services. These are summarised below[13]:

- ***investment management***: ongoing investment management requirements including portfolio optimisation, balancing portfolio risk and return profile, and maximising portfolio values
- ***fund administration and governance***: fund accounting, financial reporting, tax, finance and legal administration for both portfolio and external funds
- ***fundraising and origination***: internal business development team responsible for new external funds
- ***capital transactions***: deal origination, execution and divestments covering industrial, logistics and commercial office properties for both portfolio and external funds
- ***asset management***: overseeing the portfolio of properties and developments, and execution of long term strategic asset management plans to maximise property cash flows and value
- ***property management***: maintaining and improving properties (management of tenants)
- ***property development***: development, repositioning, expansion and site reconfiguration.

7.5 Wholly owned industrial portfolio

Summary

Propertylink owns a portfolio of 31 industrial properties located across Sydney, Melbourne, Brisbane and Perth. As at 30 September 2018 the portfolio was independently value at approximately $841[14] million, it had an occupancy rate of 97.5%[15], a weighted average lease expiry (WALE) of 3.9 years[15] (by income) and a

[13] IPO Prospectus and Product Disclosure Statement.

[14] Includes 14–16 Orion Road, Lane Cove NSW, the acquisition of which was settled in September 2018.

[15] Excludes 14–16 Orion Road, Lane Cove and 1-5 Lake Drive, Dingley as these are development assets.

diversified income profile with approximately 171 tenants, with no single tenant contributing more than 5.0% of lease income.

Propertylink's wholly owned portfolio listing as at 30 September 2018 is summarised in the following table.

Table 5: Propertylink's wholly owned portfolio listing

Property	LA[1] (sqm)	Occupancy (%)	Valuation ($m)	Cap Rate (%)	WALE (years)	Percent of portfolio (%)
NSW						
15 Talavera Road, Macquarie Park	12,597	100%	83.7	6.0%	3.2	10.0%
Gateway Estate, 7-15 Gundah Road	32,954	88%	63.0	6.5%	3.0	7.5%
18-20 Orion Road, Lane Cove	9,751	87%	51.4	7.0%	2.3	6.1%
50-52 Airds Road, Minto	21,557	100%	38.0	6.0%	2.9	4.5%
122 Newton Road, Wetherill Park	18,060	100%	35.7	5.8%	5.3	4.2%
16 Rodborough Road, Frenchs Forest	8,410	100%	33.2	6.5%	4.2	3.9%
44 Mandarin Street, Villawood	19,645	97%	27.0	6.5%	1.3	3.2%
164-166 Newton Road, Wetherill Park	11,854	100%	24.2	5.5%	1.5	2.9%
4 Brunker Road, Chullora	6,428	100%	14.8	5.8%	2.1	1.8%
13 Boundary Road, Northmead	5,660	100%	14.1	5.5%	2.6	1.7%
22 Rodborough Road, Frenchs Forest	4,035	54%	11.9	7.0%	2.9	1.4%
1 Orielton Road, Smeaton Grange	7,689	100%	12.1	5.8%	3.5	1.4%
Total	**158,640**	**95%**	**409.1**	**6.2%**	**3.0**	**48.6%**
Victoria						
Melbourne Markets, 315 Coopers Street	74,968	100%	114.5	6.8%	3.8	13.6%
71-93 Whiteside Road	28,662	100%	41.5	5.5%	13.9	4.9%
144-168 National Boulevard, Campbellfield	16,620	100%	25.5	6.3%	6.3	3.0%
18-24 Ricketts Road, Mount Waverley	8,916	88%	21.7	6.8%	2.0	2.6%
127-145 Cherry Lane, Laveron North	25,639	100%	15.8	9.3%	4.1	1.9%
82 Taryn Drive, Epping	10,590	100%	15.0	6.3%	2.7	1.8%
63-73 Woodlands Drive, Braeside	7,598	100%	11.9	5.8%	5.7	1.4%
25 Strzelecki Avenue, Sunshine West	10,467	100%	11.5	6.8%	1.3	1.4%
571 Mount Derrimut Road, Derrimut	8,321	100%	9.4	6.8%	3.2	1.1%
Total	**191,781**	**99%**	**266.8**	**6.6%**	**5.2**	**31.7%**
QLD						
57-101 Balham Road, Archerfield	24,368	96%	32.1	7.5%	4.6	3.8%
163 Viking Drive, Wacol	13,636	100%	25.6	6.5%	2.8	3.0%
183 Viking Drive, Wacol	12,246	100%	23.7	6.3%	5.3	2.8%
848 Boundary Road, Richlands	9,818	89%	15.5	7.5%	2.1	1.8%
37-53 Eurora Street, Kingston	6,096	100%	8.7	6.8%	4.8	1.0%
Total	**66,164**	**97%**	**105.6**	**6.9%**	**4.0**	**12.6%**
WA						
7 Modal Crescent, Canning Vale	15,251	100%	17.2	7.5%	2.5	2.0%
39 McDowell Street, Welshpool	6,925	100%	8.7	7.5%	1.3	1.0%
17-19 Leadership Way, Wangara	5,415	100%	8.5	7.8%	1.4	1.0%
Total	**27,591**	**100%**	**34.3**	**7.6%**	**1.9**	**4.1%**
Total (excl. developments)	**444,175**	**97.5%**	**815.8**	**6.49%**	**3.9**	**97.0%**
Developments						
14-16 Orion Road, Lane Cove, NSW			8.6			1.0%
1-5 Lake Drive, Dingley, VIC	17,431	0%	16.7			2.0%
Total (incl. developments)	**461,606**		**841.0**			**100.0%**

Source: Propertylink Management.
Note 1: Lettable Area.

Wholly owned portfolio key metrics

Propertylink's wholly owned portfolio' key metrics as at 30 June 2017, 30 June 2018 and 30 September 2018 are summarised in the following table.

Table 6: Propertylink's wholly owned portfolio key metrics

Description	30-Jun-17	30-Jun-18	30-Sep-18
Value of property portfolio	$695m	$800m	$841m
Number of properties	30	30	31
Lettable area	481,164 sqm	461,606 sqm	461,606 sqm
Portfolio occupancy rate[1]	97.00%	99.20%	97.50%
Portfolio weighted average lease term (WALE)[1]	4.4 years	3.8 years	3.9 years
Portfolio weighted average capitalisation rate (WACR)[1]	7.22%	6.66%	6.49%

Source: Propertylink FY18 Annual Report. Propertylink management.
Note 1: Occupancy rate, WALE and WACR exclude 14-16 Orion Road, Lane Cove and 1-5 Lake Drive, Dingley as these are development assets.

Asset quality and geographical location

The geographic location and asset quality mix of Propertylink's property portfolio at 30 September 2018 are illustrated below.

Figure 4: Portfolio by investment grade

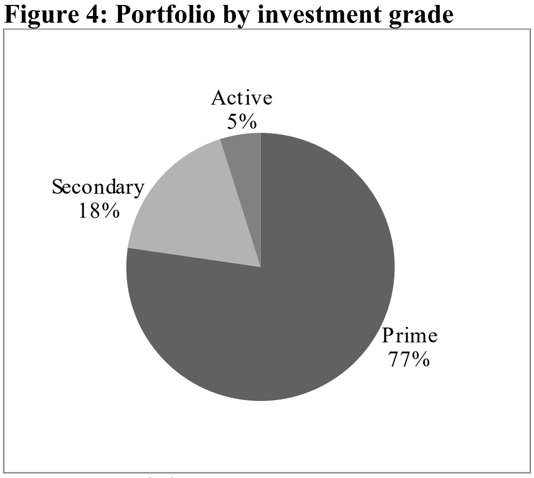
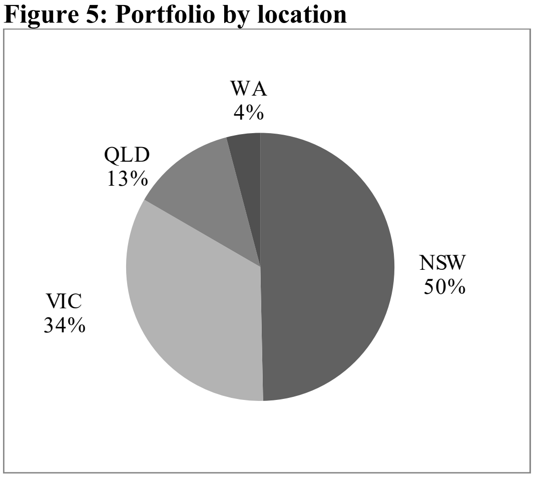


Figure 5: Portfolio by location



Source: Propertylink management.

In relation to the property portfolio, we note:

- the portfolio is heavily weighted towards NSW being the strongest market in Australia and comprises a high portion of prime assets (77%)
- Propertylink's exposure to property in the Melbourne, Brisbane and Perth markets is 34%, 13% and 4%, respectively.

Asset type and rental review composition

The rent review composition and asset type mix of Propertylink's property portfolio at 30 September 2018 are illustrated below.

Figure 6: Portfolio by asset type

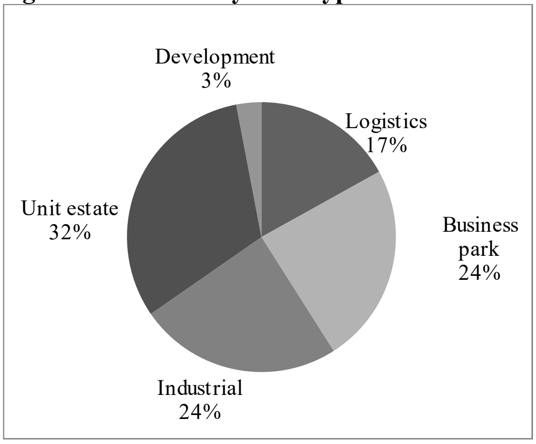
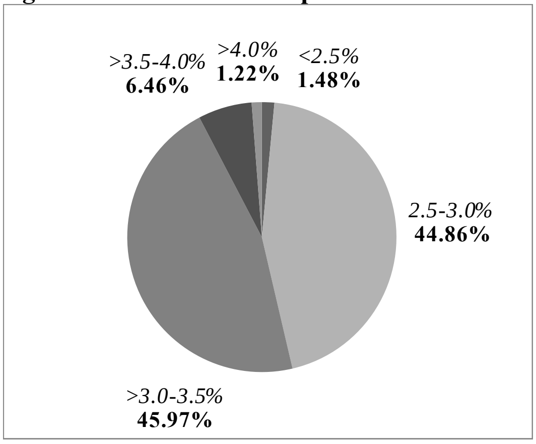


Figure 7: Rent review composition



Source: Propertylink management.

In relation to Propertylink's assets type and its rental review composition, we note:

- Propertylink's portfolio is diversified across asset classes with logistics, business park and industrial properties constituting 65% (by asset value) of the portfolio as at 30 September 2018
- 98.5% of all rental income is reviewed annually by 2.5% or more and 53.7% of rental income is reviewed by more than 3.0%.

Top ten tenants and tenant composition

Propertylink's top ten tenants by income and industry diversification of tenants at 30 September 2018 are illustrated below.

Figure 8: Tenants per industry

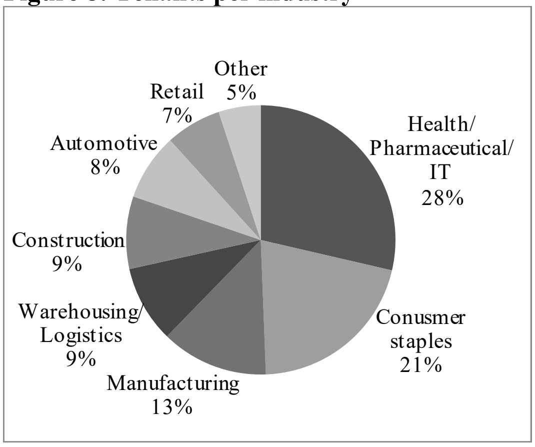
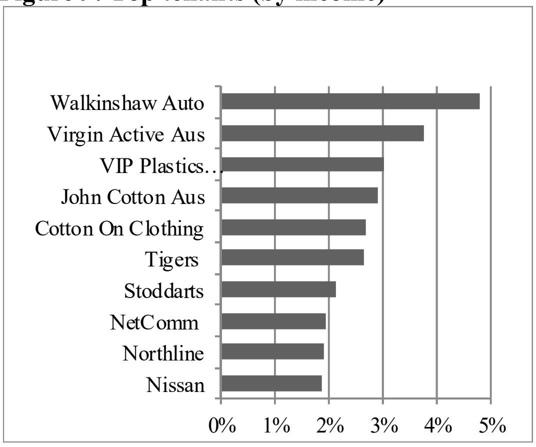


Figure 9: Top tenants (by income)



Source: Propertylink management.

In relation to Propertylink's tenant's profile, we note:

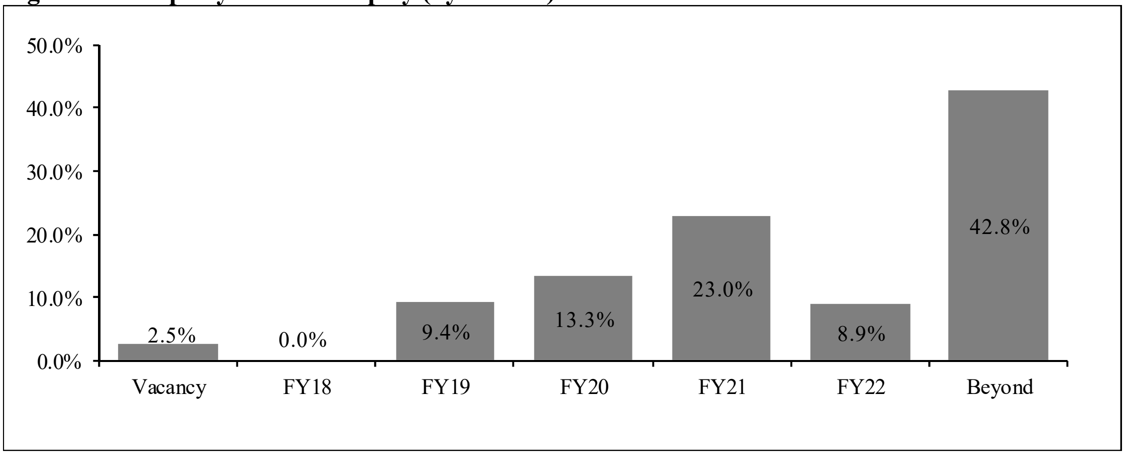
- as at 30 September 2018 Propertylink had low industry concentration with its 171 tenants representing diversified industries including Health / Pharmaceutical / IT, Consumer staples and Manufacturing representing 28%, 21% and 13% of the total industrial tenants, respectively

- the composition of tenants as at 30 September 2018 has a relatively low level of concentration with the top 10 tenants contributing 26% of the total annual portfolio rental income and no single tenant contributing more than 5.0% of total FY18 annual portfolio rental income.

Lease expiry profile

Propertylink's lease expiry (by income) as at 30 September 2018 is illustrated in the following chart.

Figure 10: Propertylink lease expiry (by income)



Source: Propertylink management.

As at 30 September 2018, vacancy was 2.5% of leases and 9.4% of leases are due to expire in FY19, with lease expiry risk increasing until FY21. Lease expiry increases to 23.0% in FY21 as a large portion of the five year leases at Melbourne Markets expire and are up for renewal.

Property lease expiries to September 2019 (as at 30 September 2018) are presented in the following table.

Table 7: Propertylink's property lease vacancies and expiry summary to September 2019

Year	Location	LA[1] (sqm)
FY19		
FY19	NSW	29,472
FY19	Victoria	4,238
FY19	QLD	9,015
Total		**85,451**
FY20 (as at September 2019)		
FY20	NSW	7,549
FY20	QLD	1,080
Total		**17,257**

Source: Propertylink management
Note 1: Lettable Area.
Note: Excludes development assets.

Maintenance and improvements

Propertylink plans to spend $10.4 million in capital expenditure (Capex) in FY19 to enhance its current portfolio. As at 30 September 2018, Propertylink had committed approximately $6.8 million of its FY19 Capex budget.

Forecast maintenance and improvements mainly relate to:

- $4.3 million refurbishment of 15 Talavera Road, Macquarie Park (NSW) with a total committed expenditure of $4.0 million. Capex mainly relates to extensive air-conditioning works and electrical upgrades

- $1.1 million refurbishment of Melbourne Markets (VIC) with a total committed expenditure of $1.0 million. Capex mainly relates to rentalised tenant fit outs as part of new lease transactions and LED lighting upgrades
- $1.0 million refurbishment of 18-20 Orion Road, Lane Cove (NSW) with a total committed expenditure of $0.5 million. Capex mainly relates to RCD (Residual Current Devices), diesel generators, LED lighting and fibre infrastructure upgrades.

The forecast FY19 capex budget is summarised below.

Table 8: Propertylink FY19 forecast capex budget per State

State	Reforecast capex ($m)	% of total %	Committed ($m)	Uncommitted ($m)
NSW	8.0	77%	5.5	2.5
Victoria	1.8	17%	1.2	0.6
QLD	0.4	4%	0.0	0.4
WA	0.2	0.0	0.1	0.1
Total Capex	**10.4**	**100%**	**6.8**	**3.6**

Source: Propertylink management.

Summary of wholly owned portfolio FY18 performance (30 June 2017 to 30 June 2018)

From 30 June 2017 to 30 June 2018, the key points relating to the performance of Propertylink's wholly owned portfolio were:

- $800 million portfolio of 30 industrial assets delivering 75% of Propertylink's total revenue, with an uplift in total portfolio value of $105 million or 15.1%, mainly driven by property revaluations as at 30 June 2018
- 35 leasing transactions completed with 12 renewals and 23 new leases with a retention rate of 59% (78% when adjusted for the large Stanley Black and Decker expiry), compared to a retention rate of 78% at 30 June 2017
- an average downtime of 2.7 months on new leasing deals
- weighted average capitalisation rate (WACR) (by book value) compressed from 7.2% at 30 June 2017 to 6.7% at 30 June 2018
- like-for-like rent growth of 6.0% over the year, underpinned by fixed rental growth and an increase in occupancy from 97.0% at 30 June 2017 to 99.2% at 30 June 2018, and
- the WALE decreased from 4.4 years in FY17 to 3.8 years in FY18, mainly due to a lower level of leasing activity relative to a very active FY17 (35 leasing transactions completed in FY18[16], versus 58 lease transactions completed in FY17[17]).

Wholly owned portfolio performance from 30 June 2018 to 30 September 2018

From 30 June 2018 to 30 September 2018, the key points relating to the performance of Propertylink's wholly owned portfolio were:

- an uplift in the total portfolio value of $41 million or 5.1% to an $841 million portfolio of 31 industrial assets, driven by property revaluations as at 30 September 2018 and the settlement of the acquisition of vacant land for development (14-16 Orion Road)

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[16] Propertylink FY18 Annual Report.
[17] Propertylink FY17 Annual Report.

- a decrease in occupancy from 99.2% at 30 June 2018 to 97.5% at 30 September 2018, primarily due to the expiry of Sheldon & Hammond lease at Mount Kuring-Gai and removal of 1-5 Lake Drive Dingley from the calculation (i.e. less area in the denominator)
- a WACR (by book value) remained relatively stable, slightly compressing from 6.7% at 30 June 2018 to 6.5% at 30 September 2018
- the WALE also remained relatively stable, slightly increasing from 3.8 years at 30 June 2018 to 3.9 years at 30 September 2018
- 17 transactions were completed over the period, including 10 new leases and 7 renewals.

7.6 Investment management business

Business overview

Across its investment management platform, Propertylink manages five[18] external funds focussed on institutional, investment grade Australian property in the industrial and office sectors, with total external AUM of $1,028 million as at 30 September 2018.

Propertylink co-invests in its external funds with institutions from North America, Europe, the Middle East, Asia and Australia. Co-investing facilitates an alignment of interests with these institutions, as it means Propertylink shares in the risks and returns offered by the funds. The total value of equity accounted co-investments amounted to $109.8 million as at 30 September 2018.

As at 30 September 2018, Propertylink managed a portfolio of 28 industrial and office properties with 60.4% of assets located in the Sydney market. The external funds' portfolio was independently valued at approximately $1,028 million as at 30 September 2018, had an occupancy rate of 94.9%, a WALE of 3.6 years (by income) and WACR of 6.3%.

Summary of external funds

Propertylink's manages $1,028 million of assets across five external funds. A brief description of each fund is provided below:

- ***Propertylink Australian Industrial Partnership II (PAIP II)***: PAIP II was created in 2015 and is an industrial fund, focussed on Australia's east coast. Its investors are Townsend Group and the Norinchukin Bank, with a co-investment of 17.1% from Propertylink. The fund owns 14 assets in Sydney, Melbourne, Brisbane and South Australia, with a total AUM of $325 million as at 30 September 2018
- ***Propertylink Commercial Industrial Investments (PCII)***: PCII was created in 2015 and is an industrial fund, focussed on Australia's east coast. Its investor is the Saudi Economic and Development Company (SEDCO), which is a leading sharia compliant organisation responsible for a spectrum of operating companies, real estate investments, and public and private investments globally. Propertylink has a co-investment of 7.5%. The fund only owns one asset, located in Queensland, with a total AUM of $33 million as at 30 September 2018
- ***POP III Investment Partnership (POP III):*** POP III was created in 2016 and is an office asset fund, focussed on Australia's east coast. Its main investor is Grosvenor Group, which is a privately owned internationally diversified property group. Propertylink has a co-investment of 11.2%. The fund owns three assets, located in Sydney, with a total AUM of $126 million as at 30 September 2018
- ***Propertylink Australian Commercial Trust I (PACT I):*** PACT I was created in December 2017 and is an office asset fund, focussed on Australia's east coast. Its investor is Partners Group, which is a global private

[18] Propertylink has established a new fund, PALT II with China Merchants, however the fund has not yet acquired any assets.

markets investment manager, serving over 850 institutional investors. Propertylink has a co-investment of 15.0%. The fund owns only one asset, located in Sydney, with a total AUM of $195 million as at 30 September 2018

- ***Propertylink Enhanced Partnership (PEP)***: PEP was created in 2016 and is a diversified fund (industrial, commercial and retail) with assets across Australia. Its investor is Goldman Sachs. Propertylink has a co-investment of 25.0%. The fund owns nine assets, located in Sydney, Melbourne, Brisbane and Perth with a total AUM of $349 million as at 30 September 2018.

Propertylink's external funds' portfolio by asset type is summarised in the following figure.

Table 9: Overview of Propertylink's external funds as at 30 September 2018

Funds	Valuation ($m)	No of assets	Co-investment (%)	Lettable Area (sqm'000)
Industrial	**358**	**15**	**16.2%**	**204.5**
Propertylink Commercial Industrial Investments (PCII)	33	1	7.5%	9.6
Propertylink Australian Industrial Partnership II (PAIP II)	325	14	17.1%	194.9
Office	**321**	**4**	**13.5%**	**34.7**
Propertylink Australian Commercial Trust I (PACT I)	195	1	15.0%	14.7
POP III Investment Partnership (POP III)	126	3	11.2%	20.0
Diversified	**349**	**9**	**25.0%**	**78.9**
Propertylink Enhanced Partnership (PEP)	349	9	25.0%	78.9
Total	**1,028**	**28**	**18.4%**	**318.1**

Source: Propertylink management.
Source: Propertylink management.
Note 1: Lettable Area.

Asset type and geographical location

The geographic location and asset type mix of Propertylink's external funds' portfolio at 30 September 2018 are illustrated below.

Figure 11: External funds by asset type

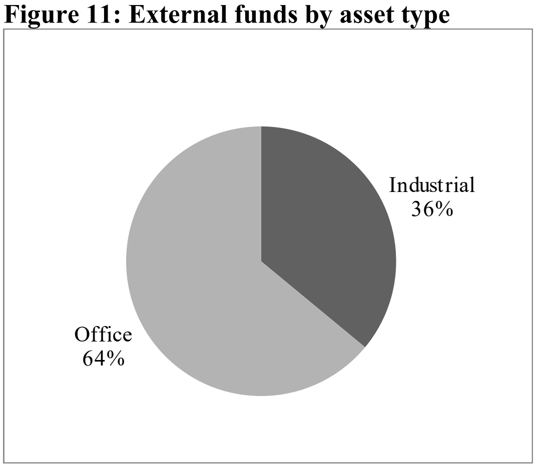
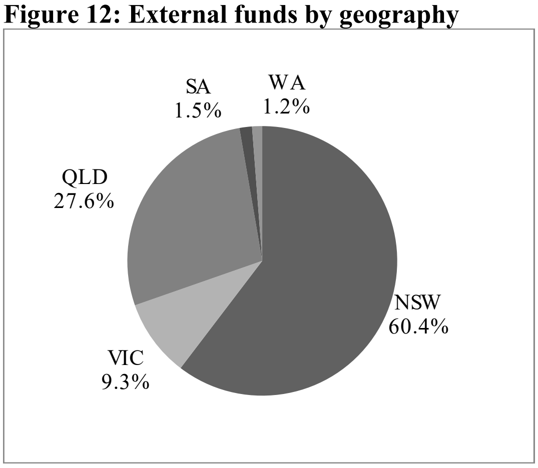


Figure 12: External funds by geography



Source: Propertylink management.

In relation to the property portfolio, we note:

- The external funds' portfolio is predominantly exposed to the commercial office property market, which accounted for 64% of its value as at 30 September 2018
- the external funds' portfolio is strongly weighted towards Sydney markets, accounting for 60.4% of the total portfolio value. The exposures to the Brisbane, Melbourne, Adelaide and Perth markets are 27.6%, 9.3%, 1.5% and 1.2%, respectively, as a percentage of total property value.

External funds' management fee structure

The investment and asset management business of Propertylink generates fee revenue from the management of internal and external funds. Propertylink provides a range of real estate management services which include investment management, property management, property acquisition, project management and property leasing. Propertylink can also earn performance fees.

Propertylink's fees in relation to its externally managed funds are summarised in the following table. The only fees charged to Propertylink's wholly owned portfolio are property management fees, which are recovered from tenants, and are charged at commercial rates (typically 2.0% of rent for single tenant properties and 2.5% for multi-tenant properties).

Table 10: Summary of external funds' management fee structure

Fee type	Description	Fee rate
Investment management fees	An ongoing base management fee. Typically paid on a quarterly basis in arrears.	Typically 0.45% - 0.50% of GAV p.a.
Property management fees	A fee payable for the day to day management of the properties in the external fund. Typically paid monthly in arrears.	Typically 2.0% - 2.5% of fully let gross rental income
Asset acquisition fees	Payable when PLG acquires property on behalf of the external fund. One-off fee paid on settlement of an asset acquisition.	Typically 0.45% - 0.50% of acquisition value
Project management fee	Payable where PLG oversees projects undertaken on properties (including developments and improvements). Accrues as invoices are paid in relation to a project.	Typically 4.5% of project capex spent
Performance fees	Payable based on the level of return PLG has generated for the investors in the external funds. Typically paid on the return of capital to external funds investors post wind up of fund.	20.0% – 40.0% of fund outperformance above hurdles of 10.0% – 15.0%
Leasing fees	Payable when PLG signs a new tenant to the Property or renews a lease, and may be based on the length of the tenancy. Paid on the successful execution of a new lease.	Market standard rates.

Source: Propertylink Management.

Summary of the external funds FY18 performance

Propertylink's external funds' portfolio key metrics as at 30 June 2017, 30 June 2018 and 30 September 2018 are summarised in the following table.

Table 11: Propertylink's external funds' key metrics

Description	30-Jun-17	30-Jun-18	30-Sep-18
Assets Under Management (AUM)	$1.2bn	$973m	$1,028m
Number of funds	9	5	5
Number of properties	32	28	28
Lettable area	450,002 sqm	319,358 sqm	318,118 sqm
Portfolio occupancy rate	91.00%	94.00%	94.90%
Portfolio weighted average lease term (WALE)	4.3 years	3.8 years	3.6 years
Portfolio weighted average capitalisation rate (WACR)	7.30%	6.40%	6.26%

Source: Propertylink FY18 Results Presentation, 14 August 2018, Propertylink management.

The performance of Propertylink's external funds' portfolio from 30 June 2017 to 30 June 2018 is summarised below[19]:

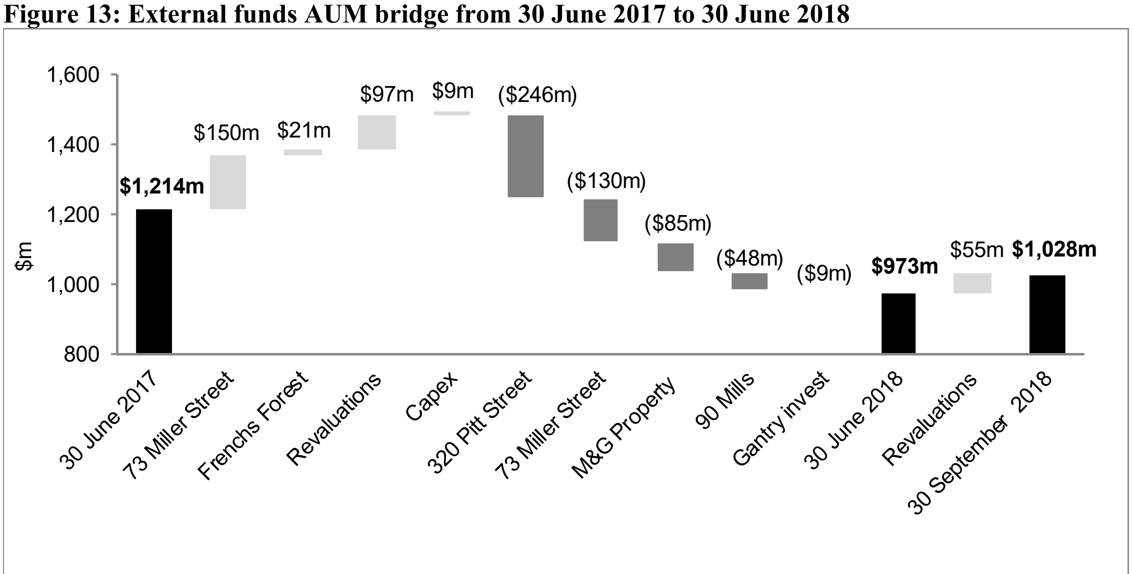
- Propertylink's external AUM decreased by $241 million or 20% from $1.2 billion at 30 June 2017 to $973 million at 30 June 2018. The decline was driven by the following:

[19] Propertylink FY18 Results Presentation, 14 August 2018.

- the establishment of a new PACT fund with the acquisition of 73 Miller Street for $150 million from POP fund (fund was exited[20])
- the acquisition of French's Forest industrial asset for $21 million
- property revaluations of approximately $97 million
- capital expenditure of $9 million
- the divestment of 320 Pitt Street for $275 million (book value of $246 million), delivering a total return of 38%
- the redeployment of 73 Miller Street property in PACT fund (new fund) for $130 million, delivering a return of 15% to the POP fund investors (fund was exited in December 2017[20])
- the divestment of 90 Mills Road for $48 million, delivering a total return of 25%
- the cessation of the M&G property management agreement ($85 million)
- the cessation of Gantry investment management agreement ($9 million)

• The decrease in Propertylink's external AUM over the period is summarised in the figure below.

Figure 13: External funds AUM bridge from 30 June 2017 to 30 June 2018



Source: Propertylink FY18 Results Presentation, 14 August 2018, Propertylink management.

• Propertylink's external funds weighted average capitalisation rate (by book value) compressed from 7.3% at 30 June 2017 to 6.4% at 30 June 2018

• Propertylink's external funds weighted average lease expiry (WALE) decreased from 4.3 years in FY17 to 3.8 years in FY18

• the occupancy rate increased from 91% in FY17 to 94% in FY18

• prior to the disposal of assets in a fund, investors in the fund typically assess Propertylink's performance by referencing to the Internal Rate of Return (IRR) generated by the fund. As at 30 June 2018, Propertylink reported a total return of 25% (versus 21% in FY17) since establishment of its external funds and an average return of 25% (versus 29% in FY17) on assets divested in FY18, and

[20] PACT fund acquired 73 Miller Street (North Sydney) for $150m from POP fund in December 2017.

- performance fees payable to Propertylink are based on the levels of return generated for investors upon the sale of fund assets as compared to benchmark return hurdles. As such, IRR calculations are an indicator as to whether Propertylink's performance in managing the relevant assets may earn Propertylink additional performance fees. In FY18, Propertylink realised an average return of 25% on $476 million in assets divested, generating performance fees of $22.3 million.

The performance of Propertylink's external funds' portfolio from 30 June 2018 to 30 September 2018 is summarised below:

- Propertylink's external AUM increased by $55 million or 5.7% from $973 million at 30 June 2018 to $1,028 million at 30 September 2018, driven by property revaluations as at 30 September 2018
- Propertylink's external funds WACR (by book value) remained stable at 6.26%
- Propertylink's external funds weighted average lease expiry (WALE) slightly decreased from 3.8 years at 30 June 2018 to 3.6 years at 30 September 2018
- the occupancy rate remained relatively stable, at circa 94.9%.

Developments and new funds

Developments and new funds are summarised below[21]:

- ***Propertylink Australian Commercial Trust I (PACT I)***: the fund was established in December 2017 with a new investor, Partners Group. PACT is targeting value-add office investments in Sydney, Melbourne and Brisbane, with a total target assets of $500 million. PACT has capacity for a further $350 million in property acquisitions
- ***Propertylink Urban renewal Partnership (PURP):*** Propertylink is currently establishing the PURP fund with existing investors, with an initial target of $200 million in AUM. PURP would specialise in office and industrial properties with a focus on opportunities through urban renewal over a 10 year period
- ***Propertylink Australian Logistics Trust II (PALT II)***: Propertylink entered into an agreement with the alternative investment and asset management platform, China Merchants Capital, for the establishment of a new investment management vehicle, the Propertylink Australian Logistics Trust II (PALT II). Under PALT II, Propertylink will leverage the key strategic themes of urbanisation, last mile logistics, ageing population and technology to build a high-quality portfolio of logistics properties. The portfolio will focus on urban infill locations on the east coast of Australia, in particular Sydney and Melbourne, targeting total assets under management of $350 million
- PEP has exchanged a contract to sell 80 Mount Street, North Sydney. The property is expected to settle on 21 November 2018 for a sale price of $71 million (before selling costs), generating a potential total gain on sale of approximately $13.9 million
- PEP has exchanged a contract to sell 441 Algester Road, Parkinson on 2 November 2018, at a sale price of $17.5 million (before selling costs), generating a potential total gain on sale of approximately $1.0 million
- PEP expects to sell 171 Queen Street, Campbelltown in the next six months for an expected sale price of between $21 to $22 million, generating a potential total gain on sale of approximately $0.8 to $1.8m
- Propertylink has targeted property acquisitions for PACT I, PURP and PALT II however the timing is uncertain pending the current corporate activity surrounding Propertylink.

[21] Propertylink FY18 Results Presentation, 14 August 2018.

7.7 Co-investments

Propertylink typically has between 5% and 25% equity interest in the properties that are held jointly with third parties under co-investor agreements (refer to Section 7.6 for further details regarding managed external funds). As at 30 September 2018, Propertylink has an average co-investment of 18.4% across external funds, totalling $109.8 million.

Propertylink's co-investments as at 30 June 2018 are summarised in the table below.

Table 12: Propertylink' co-investments at 30 June 2018

($'000)	Propertylink Enhanced Partnership (PEP)	Propertylink Australian Commercial Trust I (PACT I)	Propertylink Commercial Industrial Investments (PCII)	Propertylink Australian Industrial Partnership II (PAIP II)	POP III Investment Partnership (POP III)	Total
Non-current assets	342,785	175,988	31,000	302,150	121,400	**973,323**
Net assets	199,495	97,604	14,266	162,316	66,582	**540,263**
PLG' share (%)	25.0%	15.0%	7.5%	17.1%	11.2%	
PLG's share	**49,874**	**14,641**	**1,070**	**27,805**	**7,466**	**100,855**

Source: Propertylink FY18 Annual Report, Propertylink management.

Propertylink's co-investment income consists of its equity accounted share of co-investment interests in its five external funds. Propertylink's co-investments delivered an income yield of 7.8% and $6.0 million (excluding fair value adjustments) to distributable earnings as at 30 June 2018.

Propertylink's total co-investments increased by $38 million or 59% from $63 million as at 30 June 2017 to $100.9 million as at 30 June 2018, through a combination of an additional co-investment in the PAIP II fund, the purchase of a $21 million asset in Sydney' French's Forest and valuation uplifts.

Propertylink's total co-investments increased by $8.9 million or 8.8% from $100.9 million as at 30 June 2018 to $109.8 million as at 30 September 2018, mainly due to 30 September 2018 valuations.

7.8 Financial performance

The financial performance of Propertylink for FY16, FY17 and FY18 is summarised in the following table.

Table 13: Financial performance of Propertylink

Period $'000 unless otherwise stated	FY16 Audited	FY17 Audited	FY18 Audited
Property revenue	517	55,691	62,762
Straight-lining of rental income	(12)	1,696	2,379
Property related expenses	(27)	(11,957)	(14,048)
Property related depreciation expense	-	(2,140)	(2,748)
Straight-lining of property ground lease expense	-	(1,883)	(2,149)
Net property income	**478**	**41,407**	**46,196**
Management services revenue	10,757	37,153	31,484
Share of net profit of joint ventures	9,352	8,536	19,805
Gain on disposal of investment properties	-	5,689	75
Fair value movements in investment property	602	27,834	57,893
Other income	524	379	661
Total income	**21,713**	**120,998**	**156,114**
Operating expenses	(11,666)	(14,950)	(17,438)
IPO transaction costs	-	(16,879)	-
Operating EBIT	**10,047**	**89,169**	**138,676**
Finance costs	(1,436)	(9,983)	(9,936)
Net income before tax	**8,611**	**79,186**	**128,740**
Tax	(281)	(2,100)	(4,813)
Statutory income after tax	**8,330**	**77,086**	**123,927**
Fair value movements in property, plant and equipment	-	9,483	19,258
Fair value movements in cash flow hedges	-	644	(346)
Total comprehensive income	**8,330**	**87,213**	**142,839**
Statistics			
NPI growth	n/a	*n/m*	*11.6%*
Management services revenue growth	n/a	*245.4%*	*(15.3%)*
EBIT growth	n/a	*n/m*	*55.5%*
EBIT margin	*46.3%*	*73.7%*	*88.8%*

Source: Propertylink Annual Reports for FY17 and FY18.
n/a: not available.
n/m: comparison with FY16 not meaningful given listing in FY17

In relation to the financial performance of Propertylink, we note:

- FY17 profit and loss statement includes profits generated by the unlisted stapled PHL and PT group from 1 July 2016 to 15 August 2016, and profits generated by Propertylink from 16 August 2016 to 30 June 2017
- prior to 15 August 2016, the units in PT were stapled to shares in PHL, and FY16 comparative figures included refer to the 2016 financial year results of that stapled group[22]. For clarity, FY16 comparative figures in the above table exclude the financial performance of PAIP
- rental property income (included within net property income) was $62.8 million for FY18 compared to $55.7 million for FY17, however we note that FY17 rental income was for a period of 10.5 months, due to the IPO having taken place in August 2016
- net property income increased by $4.8 million or 11.6% from FY17 to FY18, primarily driven by: (i) a full year benefit of rental property income, (ii) rental growth of 6.0% over the year, (iii) an increase in

[22] Propertylink Annual Reports for FY17 and FY18.

occupancy from 97.0% to 99.2%; and (iv) 35 leasing transactions completed, including 12 renewals and 23 new leases

- the detail of management services revenue is presented in the table below.

Table 14: Propertylink's management services revenue

Period $'000 unless otherwise stated	FY16 Audited	FY17 Audited	FY18 Audited
Investment management income	5,377	4,830	4,555
Property management fee income	3,315	4,502	3,952
Property acquisition fee income	2,065	2,662	704
Performance fee income	-	25,159	22,273
Management services revenue	**10,757**	**37,153**	**31,484**

Source: Propertylink Annual Reports for FY17 and FY18.

- management services revenue increased by $26.4 million from FY16 to FY17 mainly due to the performance fees of $25.2 million received in FY17. These performance fees were attributable to pre-IPO Securityholders
- management services revenue decreased by $5.7 million or 15.3% from FY17 to FY18, primarily due to: (i) a $2.9 million decrease in performance fee income; and (ii) a $2.0m decrease in property acquisition fee income. The $2.0m decrease in property acquisition fee income is driven by a lower level of acquisitions undertaken in FY18 compared to FY17. In FY18, Propertylink crystallised performance fees of $22.3 million as a result of large divestments. Refer to Table 14 above for a further breakdown of the investment management services revenue
- share of net profit from joint ventures (JVs) represents Propertylink's relative ownership share of earnings in its co-investments (as described in Section 7.6 and 7.7). The share of net profit of JVs increased by $11.3 million, driven by: (i) additional co-investment in the PAIP II fund and purchase of $21 million asset in Sydney' French's Forest; and (ii) higher share of valuation uplifts
- all wholly owned properties were independently valued at 30 June 2018, resulting in a $77.7 million or 13.1% uplift in the carrying value of the portfolio ($57.9 million from fair value movements in investment property and $19.3 million under fair value movements in property, plant and equipment related to Melbourne markets)
- operating expenses mainly consist of staff costs, corporate expenses, and administrative expenses. The $2.5 million increase in operating expenses was driven by the growth in the rental activity and to bonuses due to the crystallisation of performance fees
- FY17 IPO related costs of $16.9 million include IPO expenses, write-off of unamortised borrowing costs, staff bonuses paid from performance fees and loss on sale of investment in PAIP fund
- finance costs include interest, amortisation of borrowing costs incurred in connection with arrangement of borrowings and realised gains and losses on interest rate swaps. Finance costs in FY18 remained broadly consistent with the prior year
- Propertylink has a hedging strategy, through the use of interest rate swaps, to manage the interest rate risks on its debt facilities. The swaps are valued at each reporting date and any gain or loss arising from a change in fair market value is recognised in the comprehensive income statement
- most of Propertylink's profit is earned by trusts which are not subject to taxation. Income from the trusts is instead attributed to unitholders who pay income tax at their marginal tax rates. Income tax is in respect of Propertylink (Holdings) Ltd and its subsidiaries only.

Distributions

Distributions paid or declared by Propertylink for FY17 and FY18 are set out in the following table.

Table 15: Propertylink distributions

Period $'000 unless otherwise stated	FY17 Audited	FY18 Audited
Total comprehensive income	**87,213**	**142,839**
Performance fees attributed to pre-IPO security holders	(25,159)	-
IPO related costs	20,122	-
Income tax expense attributable to performance fees and IPO costs	2,100	-
Adjusted total comprehensive income	**84,276**	**142,839**
Investment property fair value adjustments	(27,834)	(57,893)
Property, plant and equipment fair value adjustments	(9,483)	(19,258)
Fair value adjustments of investments in joint ventures	(3,829)	(13,788)
Fair value movement on cash flow hedges	(644)	346
Adjustment for rental income straight-lining	(1,696)	(2,379)
Adjustment for ground lease expense straight-lining	1,883	2,149
Amortisation of leasing costs	-	513
Amortisation of borrowing costs	318	360
Depreciation and amortisation charges	2,285	2,851
Distributable earnings	**45,276**	**55,740**
Amount distributed on 3 March 2017 and 4 September 2017	38,096	-
Amount distributed on 6 March 2018	-	21,696
Amount to be distributed on 4 September 2018	-	22,303
Distributions paid or proposed	**38,096**	**43,999**
Statistics		
Payout ratio	*84.1%*	*78.9%*
Distributable earnings per security, cents	*7.51*	*9.25*
Distribution per security, cents	*6.32*	*7.30*
Securities on issue	*602,780,330*	*602,780,330*

Source: Propertylink FY18 Annual Report.

In relation to Propertylink's distributions, we note:

- distributable earnings are derived by adjusting total comprehensive income for non-cash, unrealised, or capital in nature items, including fair value movements in assets and liabilities. The main adjustments to total comprehensive income relate to fair value adjustments as a result of the revaluation of the wholly owned property portfolio at 30 June 2018
- distributable earnings increased from $45.3 million or 7.51 cents per security in FY17 to $55.7 million or 9.25 cents per security in FY18 mainly due to stronger net property income (up by $4.8m or 11.6% over the period, underpinned by stronger net rental outcomes and higher occupancy rates) and strong transactional income generated over the period (performance fees of $22.3 million contributed $14.5 million to distributable earnings)
- distribution of 7.3 cents per security for FY18 was up 16% on the prior year, reflecting a payout ratio of 78.9% (versus 84.1% in FY17). Propertylink aims to distribute between 80% and 100% of distributable earnings.

7.9 Financial position

The audited financial position of Propertylink as at 30 June 2016, 30 June 2017 and 30 June 2018 is summarised in the following table.

Table 16: Financial position of Propertylink

As at $'000 unless otherwise stated	30 June 2016 Audited	30 June 2017 Audited	30 June 2018 Audited
Cash and cash equivalents	3,959	20,002	17,233
Trade and other receivables	4,008	4,472	3,440
Prepayments	162	1,709	2,448
Investment properties held for sale	-	31,550	-
Current assets	**8,129**	**57,733**	**23,121**
Equity accounted investments	39,414	63,345	100,855
Investment properties	6,471	572,756	696,200
Property, plant and equipment	561	98,054	113,112
Derivative financial instruments	-	644	299
Deferred tax assets	787	5,222	4,408
Intangible assets	4,566	4,566	4,566
Non-current assets	**51,799**	**744,587**	**919,440**
Total assets	**59,928**	**802,320**	**942,561**
Trade and other payables	10,166	11,207	19,308
Borrowings	22,802	-	-
Current Tax liabilities	411	3,793	2,358
Employee benefits	356	466	543
Current liabilities	**33,735**	**15,466**	**22,209**
Employee benefits	198	283	357
Borrowings	-	255,926	288,657
Total non-current liabilities	**198**	**256,209**	**289,014**
Total liabilities	**33,933**	**271,675**	**311,223**
Net assets	**25,995**	**530,645**	**631,338**
Equity			
Issued capital	40,598	530,570	530,504
Reserves	(20,556)	(34,516)	(14,167)
Retained Earnings/(accumulated losses)	5,953	34,591	115,001
Total equity	**25,995**	**530,645**	**631,338**
Statistics			
Number of stapled securities ('000) [1]	*43,808*	*602,780*	*602,780*
NTA per Unit ($) [2]	*0.49*	*0.87*	*1.04*
Gearing [3]	*36.9%*	*30.5%*	*29.6%*
Gearing (look-through) [4]	*N/A*	*35.2%*	*34.9%*

Source: Source: Propertylink Annual Reports for FY17 and FY18, KPMG Corporate Finance analysis.

Notes:

1. *Propertylink Securities are as at period end.*
2. *NTA per Propertylink security calculated as net tangible assets divided by the number of Propertylink Securities at period end.*
3. *The gearing ratio is calculated as total interest bearing liabilities less cash and cash equivalents divided by total tangible assets less cash and cash equivalents.*
4. *The look-through gearing ratio is calculated on the same basis, by including Propertylink's underlying interest in debt, cash and tangible assets of equity accounted investments.*

In relation to the financial position of PGL as at 30 June 2018, we note:

- investment properties are direct property assets held for the purpose of producing rental income capital appreciation or both. They are initially recorded at cost, including any acquisition costs, and subsequently recorded on a fair value basis. Propertylink's investment properties, and property, plant and equipment include 30 wholly owned properties that were independently valued at $809.3 million as at 30 June 2018 ($696.2 million recorded under investment properties and $113.1 million recorded under property, plant and equipment and related to Melbourne markets properties). The $107 million increase in investment properties and property, plant and equipment carrying value from $702.4 million at 30 June 2017 (including $31.5 million under investment properties held for sale) to $809.3 million at 30 June 2018 was driven by: (i) property revaluations performed at 30 June 2018, amounting to $77.2 million, (ii) purchased properties at 14-16 and 18-20 Orion Road for a total cost of $56.8 million; and (iii) divested properties at 150-156 McCedie Road and 8 Sylvania Way for total gross sales proceeds of $32 million

- Propertylink's equity accounted investments relate to 28 properties held jointly with third parties under co-investor agreements. Propertylink typically has a 5% to 25% equity investment in each of its managed funds. As at 30 June 2018, Propertylink had an average co-investment of 18.7% across external funds, totalling $100.9 million. Propertylink's total co-investments increased by $37.5 million or 59.2% from $63 million as at 30 June 2017, driven by an additional co-investment in the PAIP fund, the purchase of $21 million asset in Sydney' French's Forest, and to a higher share of valuation uplifts
- borrowings relate to debt facilities with Westpac with a total limit of $340 million. Further information regarding the Westpac facility is provided in Section 7.10 Borrowings of this report
- NTA increased by 16.7 cents or 19.0% from 87.3 cents at 30 June 2017 to 104 cents at 30 June 2018, predominantly as a result of:
  - an increase in property valuations (12.8 cents)
  - an increase in retained earnings (6.4 cents)
  - realised performance fees (2.4 cents)
  - an increase in co-investments valuations (2.3 cents), offset by
  - distributions paid (7.2 cents).

7.10 Borrowings

Borrowings relate to debt facilities with Westpac with a total limit of $340 million. As at 30 June 2018, Propertylink has drawn down $290 million. Net borrowings of $288.7 million at 30 June 2018 include capitalised borrowing costs of $1.3 million.

Details of Propertylink's financing facilities as at 30 June 2018 are set out in the following table.

Table 17: Propertylink's financing facilities as at 30 June 2018

$ million	Total facility	Amount drawn	Available facility	Maturity	Security
Westpac Tranche A	190.0	155.0	35.0	Feb-21	Secured
Westpac Tranche B	150.0	135.0	15.0	Feb-23	Secured
Total gross borrowings	**340.0**	**290.0**	**50.0**		
Less: capitalised borrowing costs		(1.3)			
Total net borrowings		**288.7**			

Source: Propertylink FY18 Annual Report, Propertylink management.

Details of Propertylink's financing facilities as at 30 September 2018 are set out in the following table.

Table 18: Propertylink's financing facilities as at 30 September 2018

$ million	Total facility	Amount drawn	Available facility	Maturity	Security
Westpac Tranche A	190.0	170.0	20.0	Feb-21	Secured
Westpac Tranche B	150.0	135.0	15.0	Feb-23	Secured
JP Morgan Chase Tranche B	220.0	134.8	85.2	Sep-20	Secured
Total gross borrowings	**560.0**	**439.8**	**120.2**		

Source: Propertylink management.

We note the JP Morgan facility has been drawn by $134.8 million as at 30 September 2018 in order to finance the purchase of 44 million ordinary units in the CIP for $2.99 per unit on 12 September 2018.

Details of the financial covenants specified under the terms of Westpac's debt facility are summarised in the table below.

Table 19: Financial covenants

Financial covenants	Covenant	31-Dec-16	30-Jun-18	30-Sep-18
Loan to Valuation Ratio (LVR)	not greater than 60%	35.78%	35.85%	52.25%
Interest Coverage Ratio (ICR)	is a least 2.0x	4.6x	5.1x	4.9x
Look Through Gearing Ratio	not greater than 57.5%	35.72%	41.11%	42.14%
Development Ratio	not greater than 10%	1.25%	1.71%	1.97%
Direct Property Interest	is a least 75%	94.67%	86.24%	76.85%

Source: Propertylink Management.

Interest rate swaps

To manage interest rate risk, Propertylink enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. The aggregate fair value of the interest rate swaps as at 30 June 2018 was an asset of $298.6 (30 June 2017: $644.3), recorded under derivative financial instruments. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

As at 30 September 2018, Propertylink had interest rate swap agreements is place with a notional amount of $177.5 million. As at 30 September 2018, after taking into account the effect of interest rate swaps, 40.4% of the Propertylink's borrowings are hedged (30 June 2018: 61.2%).

The net notional amount of variable rate debt (i.e. interest bearing loans net of interest rate swaps) and effective hedge rate are set out in the table below.

Table 20: Interest rate swaps and hedging

Description	30-Jun-16	30-Jun-18	30-Sep-18
Bank facilities	257,000	290,000	439,779
Less notional amount of interest rate swaps	(177,500)	(177,500)	(177,500)
Unhedged debt	79,500	112,500	262,279
Hedge rate (%)	69.1%	61.2%	40.4%

Source: Propertylink FY18 Annual Report, Propertylink management.

7.11 Capital structure

The following table sets out the most recent figures on the top 10 Propertylink Securityholders as at 31 October 2018.

Table 21: Top 10 securityholders as at 31 October 2018

Name of securityholder	Number of stapled securities	Percentage of issued capital
ESR PTE LTD	119,893,006	19.89%
CENTURIA INVESTMENT HOLDINGS PTY LIMITED <CC2IF A/C>	112,689,456	18.69%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	111,459,478	18.49%
J P MORGAN NOMINEES AUSTRALIA LIMITED	79,586,052	13.20%
NATIONAL NOMINEES LIMITED	38,240,885	6.34%
CITICORP NOMINEES PTY LIMITED	24,735,414	4.10%
JBWERE (NZ) NOMINEES LTD <PLG CUST A/C>	9,794,987	1.62%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	6,390,701	1.06%
CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	5,986,323	0.99%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	5,885,430	0.98%
Total shares held by top 10 shareholders	**514,661,732**	**85.38%**
Other shareholders	88,118,598	14.62%
Total shares on issue	**602,780,330**	**100.00%**

Source: Propertylink management.

As at 31 October 2018, Propertylink had 602,780,330 securities on issue. The top 10 registered Propertylink Securityholders accounted for 85.38% of Propertylink securities on issue.

Substantial Propertylink Securityholders as at 31 October 2018 are presented in the following table.

Table 22: Substantial Propertylink Securityholders as at 31 October 2018

Name of substantial unitholder	Number of stapled securities	Percentage of issued capital
ESR PTE LTD	119,893,006	19.89%
CENTURIA INVESTMENT HOLDINGS PTY LIMITED <CC2IF A/C>	112,689,456	18.69%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	111,459,478	18.49%

Source: Propertylink management.

7.12 Propertylink Security price performance

7.12.1 Sharemarket trading

The trading price and volume of Propertylink Securities from 5 August 2016 to 16 November 2018 is set out as follows.

Figure 14: Trading price and volume of Propertylink Securities

Source: IRESS; KPMG Corporate Finance analysis.

Propertylink Securities began trading on 5 August 2016, closing at $0.86 after its first day. Subsequently the security price declined gradually to reach a low of $0.675 on 11 October 2016. Following the announcement of a 15 year lease being secured at Clayton South, the Propertylink security price increased sharply to reach $0.795 on 20 October 2016.

The Propertylink security price declined in November and December 2016 in line with other A-REITs and reached a low of $0.695 on 5 December 2016. The price then increased strongly to reach a high of $0.775 on 23 December 2016, following the announcement of the acquisition of a property in Yennora, Western Sydney for $46.6 million. The security price remained elevated until November 2017, trading broadly within a range of $0.75 to $1.00. Trading was likely influenced by:

- the announcement on 10 February 2017 of the sale of two properties in Victoria and Queensland for a 6% premium to book value
- the announcement on 28 April 2017 of the acquisition of 50 Ann Street, Brisbane in a partnership with Goldman Sachs
- the announcement on 30 June 2017 of the divestment of 90 Mills Road, Braeside for a 17.6% premium to book value
- the announcement on 15 August 2017 of strong FY17 financial and operational results, which exceeded forecast earnings
- on 8 September 2017, the Propertylink security price reached $0.94 following the announcement of Centuria acquiring a 17% interest in Propertylink. This included Centuria Capital Group acquiring a 9.3% stake and Centuria Property Funds No. 2 Limited acquiring a 7.7% stake
- the announcement on 25 September 2017 of the acquisition of 12a Rodborough Road, French's Forest
- on 25 September 2017, Propertylink rejected a non-binding conditional proposal from Centuria

- on 4 October 2017, the Propertylink Security price reached a high of $1.005 following the announcement of ESR acquiring an 18.06% interest in Propertylink.

Subsequent to the above events, The Propertylink security price was affected by the following:

- the announcement on 14 December 2017 of the acquisition of a modern business park in Lane Cove, Sydney, which further strengthens Propertylink's industrial portfolio
- the announcement on 18 December 2017 of the establishment of a partnership between Propertylink and Partners Group – Propertylink Australian Commercial Trust I (PACT I). The new partnership acquired 73 Miller Street, North Sydney from Propertylink Office Partnership for $150 million
- the upgrade of FY18 distributable earnings guidance to 9.0 cents per security and provision of distribution guidance of 7.3 cents per security.

From the high on 22 December 2017, the Propertylink security price declined by around 11.2% to reach a low of $0.915 on 6 February 2018, broadly tracking the ASX 300 and A-REIT 300 Index. This decline may have reflected:

- increases in government bond yields in early 2018, making A-REITs less attractive and increasing borrowing costs
- an increase in the $/US dollar exchange rate, making Australian dollar investments more expensive for foreign investors.

The Propertylink security price subsequently increased, trading broadly within a range of $0.93 and $1.10. The price remained elevated until August 2018, which most likely reflected:

- the release of the half yearly reports on 13 February 2018
- the announcement on 17 April 2018 of a new Heads of Agreement for the purchase of 1-3 Fitzwilliam Street, Parramatta for $82 million
- the announcement of nine new leasing deals and two renewals since 31 December 2017. Key deals included a new three-year lease at 82 Taryn Drive, Epping, to New Age Caravans; a five-year lease at 7 Modal Crescent, Canning Vale, to Leeuwin Transport; and a four-year lease to Global Industrial at 57-101 Balham Road, Archerfield, to Global Industrial
- the announcement on 21 June 2018 of strong valuation uplifts across the portfolio, which resulted in an estimated net increase of 5.5% on net tangible book value from 31 December 2017.

On 10 August 2018, the price decreased to a low of $1.035 following the announcement of Centuria Property Funds No.2 Limited divesting its 7.7% interest in Propertylink.

The price subsequently increased over the month of September, trading broadly in the range of $1.02 to $1.17. The elevated trading price was most likely reflected:

- the submission of a non-binding and indicative proposal to acquire all Centuria Industrial REIT's Securities on 13 September 2018
- also on 13 September 2018, the announcement of the divestment of 80 Mount Street, North Sydney for a 29% premium to book value
- the announcement on 20 September 2018 in regards to the establishment of an investment management vehicle, the Propertylink Australian Logistics Trust II (PALT II), with China Merchants Capital.

On the announcement of the Initial Offer on 21 September 2018, the Propertylink security price increased strongly to close at $1.15. On the announcement of the revised proposal of Propertylink entering into process deed regarding due diligence and intention from ESR to make an offer for $1.20, Propertylink Securities reached a high of $1.165.

7.12.2 Liquidity

An analysis of the volume of trading in the Propertylink Securities, including the volume weighted average price (VWAP) for the period up to 20 September 2018 (the last trading day before the announcement of the Initial Offer) and the period after this date until 16 November 2018, is set out in the following table.

Table 23: Volume of trading in Propertylink Securities

Period	Price (high) ($)	Price (low) ($)	Price VWAP ($)	Cumulative value ($ million)	Cumulative volume (million)	% of issued capital
20 September 2018 to 16 November 2018	1.19	1.04	1.15	198	172	28.6%
Period ended 20 September 2018[1]						
1 day	1.06	1.04	1.06	8.8	8.3	1.4%
1 week	1.08	1.04	1.06	31.2	29.3	4.9%
1 month	1.08	1.04	1.06	46.0	43.3	7.2%
3 months	1.08	1.01	1.04	129.7	125.2	20.8%
6 months	1.12	0.98	1.04	188.1	181.5	30.1%
12 months	1.12	0.89	1.01	524.9	518.3	86.0%

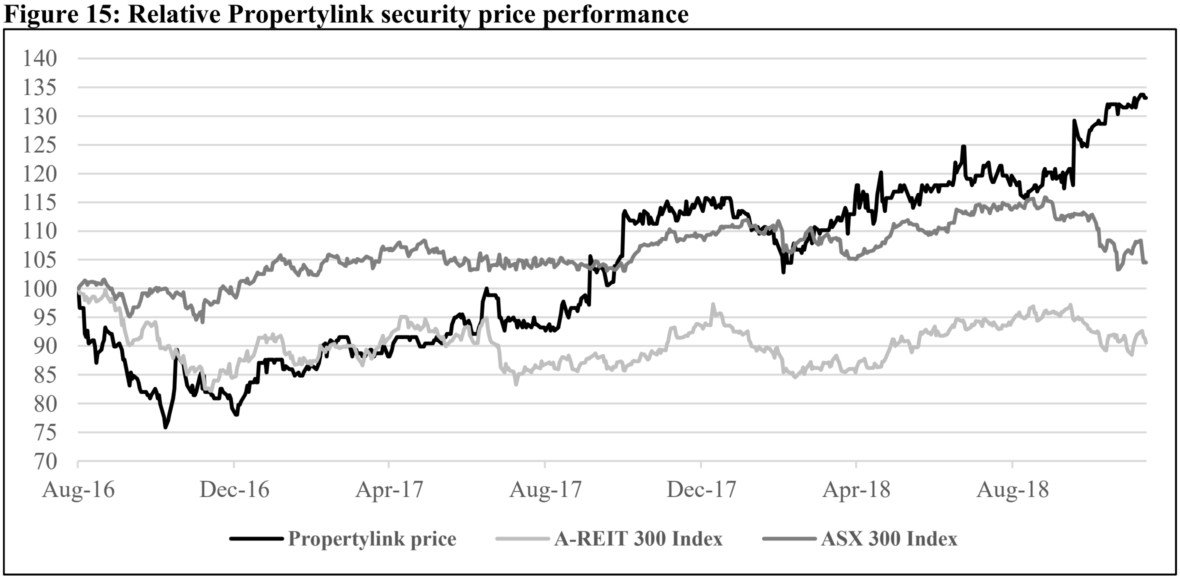
Source: IRESS; KPMG Corporate Finance analysis.
Notes:
1. *20 September 2018 represents the last trading day prior to the announcement of the Initial Offer*

During the 12 month period prior to 20 September 2018, 86.0% of issued Propertylink Securities were traded. This level of liquidity indicates that there is an active market for Propertylink Securities notwithstanding Propertylink's free float of 56.9% at 16 November 2018.

7.12.3 Relative Propertylink security price performance

Propertylink is a member of a number of various indices, including the S&P/ASX 300 Index (ASX 300 Index) (0.04%) and A-REIT 300 Index (0.6%). The performance of Propertylink Securities from 5 August 2016 to 16 November 2018, relative to the ASX 300 Index and A-REIT Index (rebased to 100) is illustrated in the following chart.

Figure 15: Relative Propertylink security price performance



Source: IRESS; KPMG Corporate Finance analysis.

From August 2016 to May 2017, the Propertylink security price broadly tracked the A-REIT Index, with both indexes underperforming the ASX 300 Index.

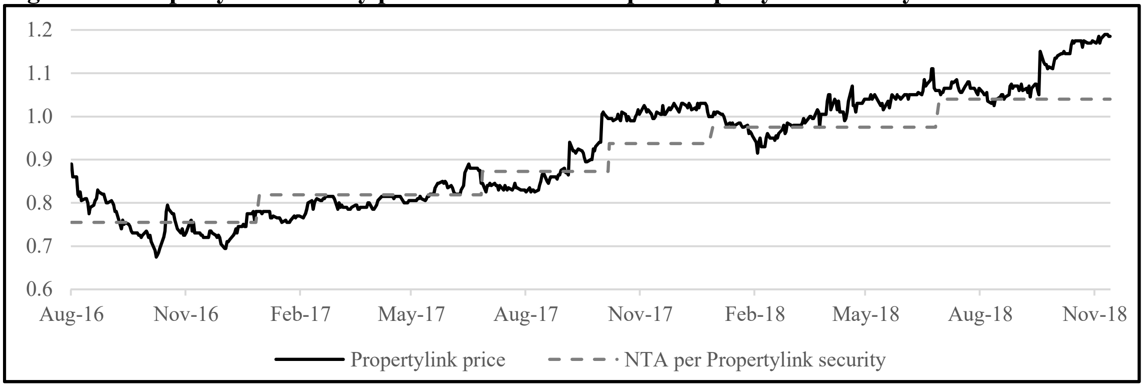
From June 2017 until November 2017, the Propertylink security price outperformed the broader A-REIT Index. This period coincided with the rejection of a proposal from Centuria to acquire all of Propertylink's Securities, substantial valuation uplifts and the announcement of the sale of 90 Mills Road, Braeside for a 17.6% premium to book value. From December 2017 until February 2018, the Propertylink security price broadly tracked the A-REIT sector in decline.

From March 2018 onwards, Propertylink outperformed the A-REIT Index and the ASX 300 Index. This period also coincided with substantial increases in Propertylink's property valuations and de-risking of the portfolio by entering into several new leasing agreements with tenants.

7.12.4 Propertylink security price relative to net tangible assets (NTA)

The price of the Propertylink Securities relative to reported NTA per Propertylink security from 5 August 2016 to 16 November 2018 is illustrated in the following chart.

Figure 16: Propertylink security price relative to NTA per Propertylink security



Source: IRESS; Propertylink Annual Reports for FY17 and FY18 and Financial Statements for 1H16, 1H17 and 1H18; Propertylink ASX announcements; Propertylink prospectus; KPMG Corporate Finance analysis
Note: NTA per Propertylink security for period from 5 August 2016 to 30 December 2016, was based on NTA included in the IPO prospectus divided by the number of shares outstanding from 15 August 2016 to 31 December 2016, as per 31 December 2016 financials.

From August 2016 to September 2017, Propertylink Securities traded broadly around NTA. From October 2017 onwards, Propertylink Securities traded at a premium to NTA. On the announcement of Propertylink's property valuations on 10 October 2017, the Propertylink security price closed at $0.995, a 6.2% premium to the NTA.

In February 2018, the Propertylink security price traded at a discount in the range of 0.5% to 6.2% relative to 31 December 2017 NTA of $0.9752, representing an average discount of 2.6%. This decrease in security price is consistent with similar decreases seen in the S&P/ASX 300 and REIT 200, which also experienced a slight decline in value.

In the six months prior to the announcement of the Initial Offer, Propertylink Securities traded at an average premium of 4.3% to NTA. While difficult to quantify, reasons for the premium may include:

- the market's perception regarding the outlook for further capitalisation rate compression in Australian properties
- the market's perception regarding the outlook for rental growth rates in Australian industrials properties
- higher demand for industrial sites in order to achieve supply chain efficiencies in the shift to e-commerce
- attractiveness of yield Securities given the low Australian interest rate environment
- the expectation of AUM growth and corresponding earnings growth of the investment management business.

On the announcement of the Initial Offer on 21 September 2018, Propertylink Securities closed at $1.15 and a 10.6% premium to 30 June 2018 NTA of $1.04 per Propertylink security. The Propertylink security price subsequently increased, before closing at a high of $1.165 on 16 October 2018 (due to the announcement of a revised offer price from ESR of $1.20 per security), a 12.0% premium to 30 June 2018 NTA.

7.13 Outlook

On 14 August 2018, Propertylink provided guidance regarding its expected performance for FY19. Propertylink, anticipates that the strategic portfolio positioning, composed of $800 million of industrial properties, and external funds of $973 million, and active asset management will drive value and growth in FY19[23]. Propertylink expects that the key drivers will be the following:

- the wholly owned industrial portfolio providing stable recurring income
- significant exposure to Sydney and Melbourne markets, with focus on opportunities to capitalise on emerging market trends driven by urbanisation and e-commerce
- strong appetite for Australian investment across industrial and office markets, with support from existing and new external fund investors
- performance fees and co-investment returns across all external funds
- pursuing property acquisitions and leveraging off Propertylink's active asset management skill-set to realise value
- sufficient capital for new growth initiatives to deliver enhanced earnings and value.

The FY19 distributable earnings per security guidance is 7.6 cents to 7.7 cents, which represents a 17% or 18% decrease on FY18 results.

FY19 distribution per security guidance of 7.3 cents, which is in line with FY18.

[23] Propertylink FY18 Results Presentation, 14 August 2018.

8 Valuation of Propertylink

8.1 Approach

Our valuation of a Propertylink Security is based on a sum-of-the-parts approach. Under this approach, the value of a Propertylink Security principally comprises the aggregate of the value of Propertylink's net tangible assets (NTA) (including both wholly owned investments and co-investments), and the market value of Propertylink's investment management division, on a controlling basis and inclusive of performance fees, less the value of the capitalised corporate overhead costs, taking into account cost savings that would generally be available to a pool of purchasers. In addition, we have made a number of other adjustments in relation to dividends, capitalised costs and the investment in CIP so as to properly reflect the market value of a Propertylink Security. We have not taken into account other potential synergies available to a particular acquirer. Our approach resulted in an adjusted NTA value per Propertylink Security.

8.2 Summary

KPMG Corporate Finance has assessed an adjusted NTA for Propertylink in the range of $1.14 to $1.19 per Propertylink Security. This estimate is based on Propertylink's NTA as at 30 June 2018. Various adjustments have been made to derive an adjusted NTA per Propertylink Security as summarised in the following table.

Table 24: Valuation of Propertylink Securities

$'000 unless otherwise stated	Section Reference	Low	High
Net assets as at 30 June 2018	7.9	631,338	631,338
Less: intangible assets	7.9	(4,566)	(4,566)
NTA as at 30 June 2018		**626,772**	**626,772**
Impact of property revaluations as at 30 September 2018	8.3	39,500	39,500
Impact of FY18 final distribution of 3.7 cents per Propertylink Security	8.3	(22,303)	(22,303)
Share of profit on divestment of 80 Mount Street	8.3	3,500	3,500
Pro forma NTA		**647,469**	**647,469**
Estimated earnings from 1 July 2018 to 31 January 2019	8.4	24,682	25,033
Estimated value of investment management business	8.5	40,112	58,183
Estimated net movement in value of CIP shares (minority interest basis)	8.6	(5,488)	-
Capitalised corporate overheads (net of savings)	8.7	(17,399)	(10,310)
Estimated capitalised borrowing costs	8.8	(1,343)	(1,343)
Adjusted NTA		**688,033**	**719,032**
Propertylink Securities on issue ('000s)		602,780	602,780
Adjusted NTA per Propertylink Security (excluding premium)		**1.14**	**1.19**
Premium to adjusted NTA	8.9	-	-
Adjusted NTA per Propertylink Security (including premium)		**1.14**	**1.19**

Source: KPMG Corporate Finance analysis
Notes: Table may not add due to rounding.

The range of values is narrow, reflecting that the majority of the value is represented by property values.

Adjusted NTA represents the aggregate full underlying value of Propertylink. As it is based on estimates of the full underlying value of each property in the portfolio, and on the value of the investment management business on a control basis, it is already a control value (i.e. it assumes 100% ownership of the assets). Nevertheless, in certain situations, it is appropriate to apply a premium or discount to adjusted NTA. KPMG Corporate Finance considers that in this instance, no further adjustment is required, having regard to the specific attributes of Propertylink at this point in time, as well as the reduction in premiums to NTA observed in recent control transactions involving industrial and diversified A-REITs (refer to Section 8.9 of this report for a discussion of premiums and discounts to adjusted NTA).

8.3 Pro forma NTA

Propertylink's unaudited Pro forma NTA is set out in detail in the table below.

Table 25: Propertylink unaudited Pro forma NTA

$'000 unless otherwise stated	
NTA as at 30 June 2018	**626,772**
Impact of property revaluations as at 30 September 2018	39,500
Impact of FY18 final distribution of 3.7 cents per Propertylink Security	(22,303)
Share of profit on divestment of 80 Mount Street	3,500
Pro forma NTA[1]	**647,469**
Propertylink Securities on issue ('000s)[2]	602,780
Pro forma NTA per Propertylink Security	**$1.074**

Source: KPMG Corporate Finance analysis
Notes:
1. *Excludes retained earnings from 1 July 2018 to 30 September 2018 and other adjustments*
2. *Approximately 1,951,855 Performance Rights and 2,025,127 Entitlements to Restricted Securities are expected to vest as part of the transaction. The fair value of the share based payment reserve recorded in the 30 June 2018 NTA was $2.8 million. The $1.9 million difference between the value of the share based payment reserve as at 30 June 2018 and the value on vesting is not expected to be significant. As a result, no adjustment to the Pro forma NTA has been made*

Pro forma NTA is based on the audited NTA as at 30 June 2018 to which various adjustments have been made, including:

- adding the revaluations of properties at 30 September 2018[24], resulting in a $30.9 million uplift in the carrying value of investment properties and an $8.6 million uplift in the carrying value of equity accounted investments from 30 June 2018
- deducting the payment of a final distribution for FY18 of 3.7 cents per Propertylink Security on 4 September 2018 which was not recognised in the 30 June 2018 Balance Sheet but which reflects earnings for FY18
- adding the expected share of profit on the sale of 80 Mount Street which equates to $3.5 million.

Investment properties

The pro forma NTA as at 30 June 2018 is based on book values for each of Propertylink's properties which reflect valuations undertaken by independent valuers.

Most properties in the wholly owned and co-investment property portfolio[24] were independently valued as at 30 September 2018[25], resulting in a total $39.5 million uplift in the carrying value of the portfolio from 30 June 2018.

KPMG Corporate Finance has relied on the independent valuations for the purposes of its report and did not undertake its own valuations of the properties. KPMG Corporate Finance does not have any reason to believe that it is not reasonable to rely on these valuations for this purpose. KPMG Corporate Finance has undertaken a review of the independent valuations. In particular, we have, analysed in detail a selection of the valuations, reviewed them for outliers, compared assumptions between valuers and identified the reasons for substantial changes in values over time.

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[24] With the exception of 80 Mount Street, North Sydney, NSW which was divested in September 2018, with settlement expected to occur in November 2018, two other properties within the PEP fund, and the recently acquired 14-16 Orion Road, Lane Cove NSW

[25] With the exception of 1 Lahrs Road, Ormeau, QLD which was valued as at 15 November 2018 as required by the PCII fund

We have concluded that:

- the property valuers were independent of Propertylink
- the engagement instructions were appropriate and did not limit the scope of the valuations
- the property valuations were completed by reputable valuation companies and by valuers who have the appropriate qualifications in accordance with the standards of the Australian Property Institute, and
- the valuation methods appear to be consistent with those generally applied in the industry (i.e. discounted cash flow, capitalisation of net income and direct comparison (i.e. value per square metre of net lettable area)), with valuation conclusions selected having regard to the results of each methodology.

This review does not, however, imply that the valuations have been subject to any form of audit or due diligence.

In addition, we note that the valuations:

- only provide a point estimate of value for the properties, although sensitivity tables are usually provided. We note that cash flows utilised for the purpose of a discounted cash flow analysis are generally long term (10 years) and rely on a number of assumptions (e.g. re-leasing, capital expenditure, capitalisation rates, discount rates, rental growth and incentives)
- were undertaken on a going concern basis in accordance with current use
- assume that the properties are sold on an individual basis (and not sold in one line)
- deduct the net present value of unexpired tenant incentives
- incorporate property management fees in relation to each property net of the recovery of these costs from tenants, and
- allow for selling costs, in accordance with normal property valuation methodologies.

On this basis, KPMG Corporate Finance considers that the valuations of the investment properties are not unreasonable and are therefore appropriate for use in a net assets based valuation approach.

Given the relatively short time that has elapsed since 30 September 2018 and the nature of the assets being valued (i.e. investments in property assets for which there is no liquid market), there is unlikely to have been any material change in the market value of these assets since they were valued. Nevertheless, we have considered whether there is likely to have been any material change in the market value of these assets since they were valued.

We have made enquiries of Propertylink management and undertaken our own research and we are not aware of any new property transactions that would imply that the property valuations undervalue the properties.

We have also considered whether Propertylink has undertaken any leasing activity which would cause the property valuers to arrive at a different valuation. Management have advised there has been no significant leasing activity out of the ordinary course of business or struck on terms which would suggests the valuers would have arrived at different values for the properties as at the date of this report.

8.4 Retained earnings

The Offer Period is expected to start on 21 November 2018 and remain open until 31 January 2019, unless extended. Pro forma NTA does not reflect retained earnings or distributions for the period from 1 July 2018 until the end of the Offer Period. Propertylink Securityholders are entitled to distributions accrued over this period, however, the ESR Offer is in cash and does not make an allowance for distributions accrued in this period. As such we consider that it is appropriate to add estimated operating earnings from 1 July 2018 to 31 January 2019 to Pro forma NTA.

On 14 August 2018, Propertylink's management provided distributable earnings guidance for FY19 of 7.6 to 7.7 cents per Propertylink Security. On 13 September 2018, Propertylink announced its share of the gain on sale of 80 Mount Street would be $3.5 million, which we have added separately.

KPMG Corporate Finance has made a net adjustment of $24.7 million to $25.0 million to Pro forma NTA to reflect operating earnings over this period. The underlying calculation is detailed in the table below.

Table 26: Retained earnings roll forward estimate

$'000 unless otherwise stated		Low	High
FY19 distributable earnings guidance / Propertylink Security	cents	7.6	7.7
Number of Propertylink Securities on issue ('000s)		602,780	602,780
KPMG Corporate Finance estimated FY19 distributable earnings		**45,811**	**46,414**
Less: gain on sale of 80 Mount Street already adjusted		(3,500)	(3,500)
KPMG Corporate Finance estimate of balance of FY19 distributable earnings		**42,311**	**42,914**
Proportion of year		0.6	0.6
KPMG Corporate Finance estimated roll forward		**24,682**	**25,033**

Source: Propertylink FY18 Results Presentation, 14 August 2018, KPMG Corporate Finance analysis

8.5 Investment management business

Overview

Our valuation of the Propertylink investment management business has been prepared on the basis of market value. The generally accepted definition of market value (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Market value excludes 'special value', which is the value over and above market value that a particular buyer, who can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

Our valuation has had regard to the additional value resulting from cost savings that would generally be available to a pool of purchasers, both financial and trade. It does not include any other strategic or operational synergies that may be unique to ESR. Accordingly, our range of values has been prepared independent of the specific circumstances of any potential bidder.

Market value is commonly derived by applying one or more of the following valuation methodologies:

- the capitalisation of a sustainable level of earnings (capitalised earnings)
- the discounting of expected future cash flows to present value (DCF)
- the estimation of the net proceeds from an orderly realisation of assets (net assets)
- trading prices for the company's shares on ASX.

These methodologies are discussed in greater detail in Appendix 5. Ultimately, the methodologies adopted are dependent on the nature of the underlying businesses and the availability of suitably robust information. A secondary methodology is typically adopted as a cross-check to ensure reasonableness of outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, methodologies such as capitalised earnings and DCF are commonly used as they reflect 'going concern' values which typically incorporate some element of goodwill over and above the value of the underlying assets. For businesses that are either non-profitable, non-tradable or asset rich, a net assets approach is typically adopted as there tends to be minimal goodwill, if any.

Valuation methodology

We consider the most appropriate methodology to be adopted in assessing the value of the Propertylink investment management business is the capitalisation of earnings approach.

A capitalisation of earnings methodology involves the capitalisation of a business' earnings at a multiple that reflects the risks of the business and the income stream that it generates. Application of this methodology requires the determination of the following key factors:

- the maintainable earnings level of the business
- an appropriate range of capitalisation multiples
- the consideration of adjustments for other items, such as surplus assets

As a cross-check of the value determined using our primary methodology, we have also calculated an implied AUM percentage, which is a common industry benchmark.

Maintainable Earnings

A capitalised earnings methodology can be applied to a number of different earnings or cash flow measures, including, but not limited to, EBITDA, EBIT and net profit after tax. EBITDA and EBIT multiples are commonly used in the context of control transactions where the capital structure is in the hands of the acquirer. Price earnings multiples are more commonly used in the context of sharemarket trading.

We have selected EBIT as the appropriate earnings metric for the Propertylink investment management business based on the nature of the businesses. Adopting EBIT also assists to eliminate the impact of differences in capital structures.

In assessing the level of maintainable earnings attributable to the external Propertylink investment management business, we have:

- had regard to the historical performance of Propertylink's investment management business and have discussed the financial performance, operating environment and prospects with management
- considered the historical results for FY18 as the most appropriate basis for our analysis of future maintainable earnings of the investment management business. In providing distributable earnings guidance for FY19, management has not separated out distributable earnings derived from the wholly-owned and co-investment portfolios and distributable earnings derived from the investment management business
- considered the historical revenues of the investment management business generated from external funds for FY18. In this regard, Propertylink's investment management business charges a fee to the wholly-owned property portfolio for property management services. We have removed the internal fee of $1.6 million in order to determine the revenue of the investment management business which relates only to external funds
- removed the performance fees income from our estimate of maintainable earnings given it is non-recurring in nature. We have valued non-recurring performance fees separately adopting a DCF methodology
- allocated a portion of the total expenses of Propertylink to the external investment management businesses. Although Propertylink incurs costs in operating its investment management business, it does not usually allocate expenses to it as most expenses support the whole entity (for example, staff work on managing both the wholly-owned portfolio and the external funds' portfolios). For the purposes of this Report, management have prepared an estimate of the allocation of the operating expense reasonably attributable to the external investment management business having regard to the nature of the expenses (cost of running the entire business, vs costs of running the listed corporate entity). We have reviewed management's calculations, and in our view, the allocation appears reasonable. The total normalised costs of operating the external investment management business have been estimated as approximately $7.1 million

- considered the potential synergies and cost savings available to a pool of potential acquirers. Propertylink has been building its investment management business capabilities over the last several years, and management has indicated that its current platform is capable of managing significantly greater levels of AUM without incurring any significant additional costs. An acquirer with its own existing funds management platform in Australia could likely save substantial costs. There are a number of potential acquirers of 100% of Propertylink that have existing property funds management platforms in Australia (e.g. GPT, DEXUS Property Group (DEXUS), Centuria, Charter Hall Group) and which could leverage Propertylink's investment management platform. We have estimated a potential acquirer may be able to realise cost savings / synergies of approximately 40% to 60% by combining with the Propertylink platform. We believe these savings should be less than the savings applied to corporate overheads as there is less duplication of activities in the investment management business with the likely activities of a potential acquirer.

  There are risks associated with fully realising synergistic benefits, the timing thereof and implementation costs (e.g. redundancy). However, it is common practice not to ascribe the full value of estimated synergies in the valuation as, in a competitive bidding situation, a potential acquirer may not pay away the full benefit of synergies due to the risks associated with fully realising such benefits. Accordingly, we have reflected the risk adjusted potential future benefit of these cost savings and synergies available to a typical acquirer when selecting the multiple.

Set out in the following table is our estimate of the pro forma FY18 EBIT of the external Propertylink investment management business.

Table 27: Investment management business maintainable earnings

$'000 unless otherwise stated	Low	High
Investment management		
Investment management revenue	4,555	4,555
External property management fees	2,367	2,367
Property acquisition fees	704	704
Total revenue	**7,626**	**7,626**
Expenses	(7,059)	(7,059)
Pro forma EBIT	**567**	**567**
Cost savings to potential acquirers (40% to 60%)	2,824	4,235
Adjusted EBIT (excluding performance fees)	**3,391**	**4,802**
Statistics:		
Adjusted EBIT (excluding performance fees) margin	*44.5%*	*63.0%*
Adjusted EBIT (excluding performance fees) / AUM	*0.31%*	*0.44%*

Source: Propertylink management and KPMG Corporate Finance analysis

Based on our analysis we consider a range of $3.4 million to $4.8 million as the maintainable earnings of the Propertylink investment management business to be appropriate.

Capitalisation Multiple

The multiple applied in a capitalised earnings methodology should reflect the return expected by an investor in the business. Returns are dependent on various factors including a business' operational risks, growth profile, profitability, size and external environment, amongst others.

In selecting the multiple range to be applied, consideration is generally given to market evidence derived from recent transactions involving comparable businesses/assets, with an appropriate adjustment to reflect the specific characteristics of the business being valued.

Consistent with the requirements of RG 111, in valuing the Propertylink investment management business we have assumed 100% ownership.

Transaction evidence

There are a number of transactions (mergers, acquisitions and management internalisations included) involving property funds management businesses and platforms that had exposure to either the industrial or office property sectors, or a combination of both, that we have considered comparable. This information is summarised in the tables below.

Table 28: Investment management comparable transaction EBIT multiple analysis

Date	Target	Sector	Consider-ation ($ million)	EV/EBIT Multiple Historical (times)	EV/EBIT Multiple Forecast (times)
Aug 2018	Folkestone Limited	Specialised	206	10.5	na
Aug 2018	Aventus Property Group	Retail	143	na	9.3
May 2017	Armada Funds Management Pty Ltd	Diversified	31	na	6.5
Nov 2016	360 Capital Investment Management Limited	Office/Industrial	102	na	10.1
Jul 2016	GPT Metro Office Management Rights	Office	9	na	na
Jun 2016	Generation Healthcare Management Pty Ltd	Specialised	59	na	na
Nov 2014	Internalisation of Arena	Specialised	11	3.7	na
Dec 2013	Commonwealth Bank of Australia's integrated retail asset management business	Retail	460	9.4	9.5
Dec 2013	Commonwealth Property Office Fund	Office	41	2.9	2.9
Dec 2013	Westfield Group (Australia & New Zealand)	Retail	2,923	13.5	13.5
Nov 2013	GDI Property Group	Office	27	na	na
Jul 2012	Austock Property Funds Management	Specialised	12	na	na
Jun 2012	PFA Diversified Property Trust	Office	5	na	na
Aug 2011	Centro Property group (services business)	Retail	240	6.0	6.8
Aug 2011	Investa Funds Management	Office/Industrial	14	na	na
Jul 2011	Trinity Funds Management Limited	Diversified	9	na	na
Jul 2011	ING Healthcare Pty Ltd (67.5% stake)	Specialised	3	na	na
Oct 2010	ING Industrial Fund	Industrial	23	na	na
Oct 2010	Becton Investment Management Limited	Diversified	6	0.5	na
Feb 2010	Macquarie Group Real Estate Management Platform	Diversified	119	4.8	8.5

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis
na: not available

Table 29: Investment management comparable transaction AUM analysis

Date	Target	AUM ($m)	EV / AUM	EBIT / AUM Historical	EBIT / AUM Forecast
Aug 2018	Folkestone Limited	1,600	13.3%	1.3%	na
Aug 2018	Aventus Property Group	1,900	7.5%	na	0.8%
May 2017	Armada Funds Management Pty Ltd	800	3.8%	na	0.6%
Nov 2016	360 Capital Investment Management Limited	1,397	6.6%	na	0.7%
Jul 2016	GPT Metro Office Management Rights	440	2.0%	na	na
Jun 2016	Generation Healthcare Management Pty Ltd	439	13.3%	na	na
Nov 2014	Internalisation of Arena	375	3.1%	0.8%	na
Dec 2013	Commonwealth Bank of Australia's integrated retail asset management business	13,900	3.3%	0.4%	0.3%
Dec 2013	Commonwealth Property Office Fund	3,824	1.1%	0.4%	0.4%
Dec 2013	Westfield Group (Australia & New Zealand)	38,500	7.6%	0.6%	0.6%
Nov 2013	GDI Property Group	750	3.6%	1.3%	na
Jul 2012	Austock Property Funds Management	555	2.1%	na	na
Jun 2012	PFA Diversified Property Trust	445	1.1%	na	na
Aug 2011	Centro Property group (services business)	6,975	3.4%	0.6%	0.5%
Aug 2011	Investa Funds Management	437	3.2%	na	na
Jul 2011	Trinity Funds Management Limited	650	1.4%	na	na
Jul 2011	ING Healthcare Pty Ltd (67.5% stake)	190	2.6%	na	na
Oct 2010	ING Industrial Fund	2,500	0.9%	na	na
Oct 2010	Becton Investment Management Limited	900	0.7%	1.3%	na
Feb 2010	Macquarie Group Real Estate Management Platform	7,186	1.7%	0.3%	0.2%

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis

na: not available

In relation to the transaction evidence above:

- with the exception of Folkestone Limited, (Folkstone) which included other non-related development management activities and co-investments, and Generation Healthcare Management Pty Ltd (Generation Healthcare), which had exposure to the strong performing healthcare sector, recent transactions (from 2016 onwards) demonstrate an implied percentage of AUM range of 2.0% to 7.5% and a forecast EBIT multiple of 6.5 to 10.1 times
- only transactions including a portion of exposure to either the office or industrial property sector have been considered comparable to Propertylink. Referring the table above, this includes diversified, industrial and office sector focused transactions
- with respect to the diversified sector, the implied percentage of AUM range is 0.7% to 3.8% and a historical EBIT multiple range of 0.5 to 4.8 times and forecast EBIT multiple range of 6.5 to 8.5 times. We have observed the following:
  - the relatively low percentage of AUM (1.7%) and EBIT multiple (4.8 times) implied by the acquisition of Macquarie Group Real Estate Management Platform (2010) is likely reflective of poor market conditions for funds management businesses at the time of the transaction (particularly following the Global Financial Crisis)
  - the percentage implied by the acquisition of Becton Investment Management Limited (2010) is relatively low (0.7%) and the implied EBIT multiple is very low (0.5 times), which reflects the financially distressed circumstances of Becton Investment Management Limited at the time of the transaction
  - Trinity Funds Management Limited (TFML) experienced negative investor sentiment in 2009 when a number of institutional investors indicated their desire for the removal of TFML as the manager of the Group's largest fund under management, Trinity Property Trust. Resultantly, the implied percentage by the acquisition (2011) of TFML is relatively low (1.4%)

  - Armada Funds Management Pty Ltd (AFM) was acquired (2017) at a more normalised implied percentage (3.8%) and forecast EBIT multiple of 6.5 times due to a healthy track record of performance across the hotel, office and retail real estate sectors. Approximately 65% of AFM's EBIT was attributed to base management fees. The transaction implied a multiple of earnings attributable to base management fees of 10.0 times
- the ING Industrial Fund was identified as the only fund with sole exposure to the industrial sector with percentage AUM of 0.9%. The relatively low percentage is reflective of poor economic conditions that resulted in the withdrawal of ING Group from Australia's wider investment management market. The ING Industrial Fund was weighted 86% towards Australian industrial assets and 14% to European industrial assets (which were considered to be worse performing markets than Australia at the time of the transaction)
- with respect to the office sector, implied percentage of AUM range is 1.1% to 3.6% with the following observations noted below:
  - PFA Diversified Property Trust (PFA) (2012) and Commonwealth Property Office Fund (Commonwealth Property) (2013) were both acquired at an implied percentage of AUM (1.1%). At the time of the acquisition, Commonwealth Property was office focused and PFA's assets were predominantly within the office sector (85%) with a small (15%) retail sector representation. The relatively low implied percentage of AUM and EBIT multiples (2.9 times for Commonwealth Property) is reflective of the challenging market conditions in the office property sector at the time of the acquisition. We also note that the Commonwealth Property consideration was via a facilitation payment to Commonwealth Bank who was looking to wind up the platform
  - GDI Property Group (2013) was acquired at a relatively high implied percentage of AUM (3.6%) due to the historical performance of GDI Property Group compared with its peers (historical average IRR in excess of 20% per annum), the fees that GDI Property Group was able to charge were materially higher than its peers and the group had a loyal and recurring customer base. AUM were comparable to Propertylink, albeit slightly lower at approximately $750 million
  - GPT Metro Office Management Rights (2016) was exclusive to the office sector and was acquired at a moderate implied percentage of 2.0%. AUM were relatively lower than Propertylink at approximately $440 million
- of funds with investments predominantly across both office and industrial sectors, implied percentage of AUM range is 3.2% to 6.6% with 360 Capital Investment Management Limited (360 CIML) representing a forecast EBIT multiple of 10.1 times. We have observed the following:
  - Investa Funds Management (2011) had 89% office sector and 11% industrial sector exposure across three unlisted funds. The acquisition represented an implied percentage of AUM of 3.2%. In addition to the funds' performance, which was noted to have performed well delivering strong returns, the acquisition was considered a strategic move for Australian Unity Investments to gain exposure to the core CBD office markets. We note that the AUM was smaller than Propertylink ($437 million) and the transaction occurred in 2011, making it less comparable
  - 360 CIML (2016) shared similar sector exposure to Propertylink, albeit more focused on the industrial sector (66%) than the office sector (27%). The acquisition occurred at a relatively high implied percentage (6.6%) with a forecast EBIT multiple of 10.1 times (no performance fee included), likely reflecting the funds' historical performance (namely the industrial fund which outperformed the broader index, delivering a total return of cira 93% since listing versus the broader S&P/ASX 300 A-REIT Accumulation Index of 62%) as well as being a strategic fit for Centuria which anticipated substantial synergies as a result of the acquisition.

Transaction evidence Summary

In summary:

- recent transactions (from 2016 onwards) demonstrate an implied percentage of AUM in the range of 2.0% to 7.5% and a forward EBIT multiple of 6.5 to 10.1 times (excluding Folkestone Limited, which included other non-related development management activities and co-investments, and Generation Healthcare, which had exposure to the strong performing healthcare sector)
- AFM attributed approximately 65% of its EBIT to base management fees. Whilst the transaction implied an EBIT multiple of 6.5 times overall, it implied a multiple of 10.0 times base management fee related EBIT
- GDI Property Group (2013) implied a percentage of AUM of 3.6% and was focused on the office sector and had a comparable AUM to Propertylink, albeit slightly lower at approximately $750 million. Given the challenging market conditions at the time of the acquisition, a slightly higher percentage of AUM would be likely be more appropriate for a 2018 transaction
- 360 CIML (2016) shared similar sector exposure to Propertylink, albeit more focused on the industrial sector (66%) than the office sector (27%). The acquisition occurred at a relatively high implied percentage (6.6%) with a forecast EBIT multiple of 10.1 times, likely reflecting the substantial synergies anticipated from the acquirer (Centuria).

Implied multiples

When valuing the Propertylink investment management business on a controlling basis we have had regard to the comparable transactions set out above. The price paid in transactions is widely considered to represent the market value of a controlling interest in the target company.

There are a number of property fund managers that are of sufficient scale to fund an acquisition of the Propertylink investment management business. In addition, synergies may be available to complementary businesses in the supply chain, such as other REITs such as Centuria, Growthpoint Properties Australia (Growthpoint), DEXUS, and Charter Hall Group.

Based on our analysis of the implied multiples of comparable transactions outlined above, we have adopted an EBIT multiple range of 9.0 to 10.0 times to value the Propertylink investment management business on a control basis.

Valuation summary

Based on the above analysis, we have determined the enterprise value of the Propertylink investment management business, on a control basis as follows:

Table 30: Investment management business valuation summary

$'000 unless otherwise stated	Low	High
Maintainable earnings	3,391	4,802
Capitalisation multiple (times)	9.0	10.0
Value of investment management business	**30,515**	**48,024**

Source: KPMG Corporate Finance analysis

Valuation cross-check

As a cross check to our valuation of the investment management business, we have considered the ratio of enterprise value to AUM. Our valuation range implies a percentage of AUM of between 3.0 percent and 4.7 percent, as set out in the following table.

Table 31: AUM cross check

$'000 unless otherwise stated	Section Reference	Low	High
Value of investment management business	8.5	30,515	48,024
Assets under management as at 30 September 2018	7.1	1,028,000	1,028,000
Implied percentage of assets under management		**3.0%**	**4.7%**

Source: KPMG Corporate Finance analysis

As mentioned previously, KPMG Corporate Finance considers AFM, 360 CIML and GDI Property Group to be the most comparable transactions for the Propertylink investment management business. These transactions implied an enterprise value to AUM percentage of 3.8%, 7.6% and 3.6% respectively. These are transaction ratios and include a premium for control.

The enterprise value to AUM percentage range implied by the KPMG Corporate Finance valuation is not dissimilar to those implied by the comparable transactions and is reasonable considering the GDI Property Group transaction (3.6%) which occurred in 2013 following challenging office property market conditions and the 360 CIML acquisition (7.6%) which likely included substantial synergies for the bidder.

The high value range implied an equity to AUM percentage of 4.7% which is slightly towards the high end of the range of the percentages implied by the comparable transactions. However KPMG Corporate Finance does not consider this percentage to be unreasonable considering the potential scale economies offered by the business.

Non-recurring performance fees

As discussed previously, the Propertylink investment management business is entitled to receive performance fees based on the realised IRR of a fund, if the fund exceeds a pre-defined hurdle rate (usually 10% to 15%). The performance fees are typically 20% to 40% of the over-performance and are paid at the end of the initial term of the fund or following the sale of the last asset within the fund (whichever is the earlier).

We have reviewed a sample of the individual asset management agreements for each of the funds, the funds' performance since inception, management's strategic asset plans for each property within the funds, management's forecast funds models, the expected timing of asset sales, the level of re-leasing and re-development work yet to be completed, forecast rents and performance for each fund, and level of resulting performance fees.

Management's fund models include assumptions regarding future events which are yet to occur. Such events may not occur as expected and variances between actual and forecast may be material. We have adopted a DCF methodology based on probability weighting of the after tax, future non-recurring performance fees having regard to the funds models, the time remaining until maturity, and risks associated with the future performance of the funds. We have discounted the probability weighed post tax nominal performance fees to 31 December 2018 applying a post-tax discount rate of 8.0 percent to 10.0 percent which has been determined using the capital asset pricing model.

We have adopted a value of non-recurring performance fees of $9.6 million to $10.2 million.

The total value of the investment management business and non-recurring performance fees is set out in the following table.

Table 32: Investment management business summary

$'000 unless otherwise stated	Low	High
Value of investment management business (excluding performance fees)	30,515	48,024
Present value of probability weighted performance fees	9,597	10,159
Total value of Investment Management business	**40,112**	**58,183**

Source: KPMG Corporate Finance analysis

8.6 Value of investment in CIP

CIP is an income focused industrial real estate investment trust listed on the ASX. CIP owns a portfolio of 37 industrial assets with a value of $1 billion, the properties are located in key metropolitan locations throughout Australia.

Propertylink currently owns approximately 44.7 million ordinary units in CIP and an interest under a total return swap in a further 0.2 million units. The 44.7 million units in CIP were acquired between the 12 and the 17 of September 2018 for a consideration of approximately $2.99 per unit, funded by new debt.

Since the acquisition, the trading price of CIP units has ranged between $2.68 and $3.00 with the low price occurring on 30 October 2018. As at 16 November 2018, the price had recovered to $2.82 which represents a premium of approximately 4.8% to the reported 30 September NTA of $2.69 which is generally consistent with CIP's recent historical price to NTA trading range.

On 26 October 2018, CIP paid a distribution of 4.6 cents per security which equates to approximately $2.1 million received by Propertylink.

Given the short time period since acquisition and the level of corporate activity that has occurred in relation to CIP we consider this range of values to be the best current representation of value for Propertylink's investment. As such we have deducted a range of values between nil and $5.5 million to reflect the possible net loss in value of this investment.

8.7 Capitalised corporate overheads

NTA does not reflect the cost structure associated with being a listed investment vehicle. Corporate overheads are a cost of Propertylink's operating structure and include:

- responsible entity fees and custodian fees
- listed entity costs (such as annual reports, directors fees, Propertylink Security holder communications and listing fees, etc.), and
- other trust expenses (e.g. audit, tax, legal, valuation, property due diligence).

The independent property valuations reflect only costs associated with the management of the properties and do not reflect any corporate overhead costs. We therefore consider it appropriate to adjust the NTA value to reflect the capitalised value of these costs.

It is estimated that in FY18, Propertylink incurred corporate overhead costs of $6.4 million. Any acquirer of 100% of Propertylink could eliminate listed entity costs, however, an acquirer with an existing funds management platform in Australia could likely save substantially more costs. There are a number of potential acquirers of 100% of Propertylink that have existing property funds management platforms in Australia (e.g. GPT, DEXUS, Brookfield Australia, Mirvac Group, Stockland Group, Charter Hall Group) and which could likely save a substantial share of responsible entity fees and trust expenses as well as listing costs. In regard to the quantum of potential cost savings, we note that:

- DEXUS, in seeking to acquire IOF with CPPIB in 2016, expected to be able to save 73% of management expenses[26]
- in seeking to acquire Commonwealth Property Office Fund in 2013, both GPT and DEXUS announced that they expected to save approximately 80% of management costs[27], and
- in recent transactions involving A-REITs, independent experts have assumed cost savings in order of 70% to 80%, on the basis that there is a pool of potential acquirers that have an existing funds management platform in Australia.[28] This includes in relation to Growthpoint's acquisition of GPT Metro Office Fund, whereby the independent expert adopted savings in the order of 72% to 86% despite Growthpoint's expectation that it could save 50% of corporate overheads.

We recognise that ESR is unlikely to be able to achieve this level of savings, however, in accordance with the requirements of RG111, KPMG Corporate Finance has assumed residual corporate overheads on the basis that the acquirer has an existing management platform in Australia. Consequently, we have incorporated residual corporate overheads in the range of $1.3 to $1.9 million per annum (i.e. net cost savings of 70% to 80%).

We have capitalised the residual overheads at a multiple in the range of 8 to 9 times, which is consistent with multiples typically applied for costs of this nature in the context of A-REITs and consistent with multiples applied in other independent expert reports involving A-REITs.

We have assessed a value of capitalised costs to be in the range of $10.3 to $17.4 million as set out in the following table. This value has been deducted from the pro forma NTA as at 30 June 2018.

Table 33: Capitalised overhead costs

$'000 unless otherwise stated	Low	High
Estimated corporate overheads (net of savings)	1,933	1,289
Caplitalisation multiple (times)	9.0	8.0
Capitalised corporate overheads	**17,399**	**10,310**

Source: KPMG Corporate Finance analysis

Propertylink also operates a property management platform. A potential acquirer of Propertylink that has an existing property management business (e.g. GPT, DEXUS, Brookfield Australia, Mirvac Group, Stockland Group, Charter Hall Group) may be able to save a portion of these costs once those agreements expire (or if an agreement could be reached to acquire those management rights). However, property management fees are included in Propertylink's NPI and development fees are capitalised or expensed as appropriate. To the extent

[26] DEXUS announced that it expected to be able eliminate responsible entity fees as well as other expenses but would incur incremental corporate overheads of $4 million per annum (i.e. net cost savings of $11 million per annum out of a total of $15 million or 73%).

[27] Commonwealth Property Office Fund's management fees were $17 million in FY13 and were expected to be around $17.5 million in FY14. GPT announced on 19 November 2013 that its pro forma assumption on acquisition of Commonwealth Property Office Fund was for incremental operating expenses of $3.0 million per annum. DEXUS announced on 11 October 2013 that post implementation, its management expense ratio would reduce to below 0.45% (from 0.53% in FY13) due to cost synergies, implying incremental operating costs of $3.0 million.

[28] For example, Generation Healthcare (75% savings), GPT Metro Office Fund (72%-86% savings), Centuria Urban (68% savings) and Brookfield Prime (69%-77% savings).

that these fees are not in line with market rates, independent valuers adjust them for the purposes of valuation. Consequently, even if a portion of these fees could be saved, the independent property valuations would not change. Therefore, no separate adjustment has been made for these potential savings.

8.8 Other assets and liabilities

Borrowings included in the Pro forma NTA reflects the amount drawn net of $1.3 million of borrowing costs which have been capitalised for accounting purposes. These are not assets that are realisable and therefore have been excluded in deriving the adjusted NTA. All other assets and liabilities have been included at their face value.

8.9 Premium/(discount) to NTA

Overview

RG 111 requires that in assessing the fairness of the Offer, it is necessary to consider the extent to which a premium for control may be appropriate.

It is it is commonly accepted that acquirers of 100% of a business should pay a premium over the value implied by the trading price of a share to reflect their ability to obtain control over the target's strategy and operations, as well as extract synergies from integration.

Propertylink's adjusted NTA per Propertylink Security represents the aggregate full underlying value of Propertylink. As it is based on estimates of the full underlying value of each property in the portfolio, it is already a 'control' value (i.e. it assumes 100% ownership of the assets). Nevertheless, a premium to NTA may be appropriate in certain situations, including:

- where property valuations are not current in a rising market
- the target has substantial other operating businesses (e.g. third party property management) that are not capital intensive and as such are not fully reflected in NTA (and, in particular, where the acquirer can derive synergies from those operations)
- the target has a substantial development pipeline, providing growth opportunities
- economies of scale can be achieved by integrating the target's business with the acquirer's operations, for example in funds management, property management and development management
- achieving benefits of diversification
- where the portfolio is unique and has strategic value
- stamp duty savings associated with acquiring a portfolio of assets (rather than individual assets), and
- where transactions are the outcome of a competitive bidding process and bidders are prepared to accept a lower rate of return.

In other situations, a discount to NTA may be appropriate, for example:

- where property valuations are not current in a declining market
- the portfolio contains non-core assets that are not attractive to acquirers
- in the absence of substantial cost synergies, and
- the target is in financial distress.

Characteristics of Propertylink

There are a certain factors that indicate a premium to adjusted NTA may be appropriate in the case of Propertylink as the acquisition provides an opportunity for an acquirer to:

- purchase a sizeable portfolio of industrial properties, together with an established investment management platform. The attractiveness of Propertylink's portfolio is evident by Centuria's proposal in 2017, and
- potentially avoid substantial stamp duty costs by acquiring Propertylink's portfolio as opposed to acquiring each of the properties individually. Based on the value of Propertylink's properties at 30 September 2018 of $0.8 billion, it is estimated that stamp duty costs saved may be in the order of $44 million[29].

However, there are factors present within Propertylink that limit the amount of a premium, being:

- the existence of pre-emptive rights and change of control provision relating to the funds managed by Propertylink
- most property valuations are fairly recent (as at 30 September 2018), including those held jointly. They are also already prepared on a control basis
- Propertylink's relatively short WALE of 3.9 years, with 54.7% of leases expiring in the next four years and current vacancy of 2.5%. Actual re-leasing may be more or less favourable than re-leasing assumptions applied by independent property valuers
- there are eight less attractive wholly-owned properties located in the underperforming Queensland and WA markets which make up approximately 17% of the wholly-owned portfolio
- Propertylink has no substantial development pipeline and the pro forma NTA reflects the recent revaluations
- KPMG Corporate Finance's assessed Adjusted NTA value already reflects substantial cost savings (in the order of 70% to 80%).

On balance, the specific attributes of Propertylink indicate that it is unlikely that an additional premium is appropriate.

[29] Calculated as 5.5% of $0.8 billion property values.

8.10 Valuation cross-check

As a cross-check, we have compared the Funds From Operations (FFO) multiples and distribution yields implied by our primary valuation approach to those of the comparable listed A-REITs and recent transactions involving A-REITs.

Our assessed value of a Propertylink Security on an adjusted NTA basis of $1.14 to $1.19 implies the following FFO multiples and distribution yields:

Table 34: Propertylink implied multiples cross check

Implied metrics	Section Reference	Parameter (per Security)	Low	High
Value per Propertylink Security	**8.2**		**$1.14**	**$1.19**
FY18 FFO multiple (times)[1]	8.10	6.8¢	16.7	17.5
FY19 FFO multiple (times)		na	na	na
FY18 distribution yield	7.8	7.3¢	6.4%	6.1%
FY19 distribution yield[2]	7.13	7.3¢	6.4%	6.1%

Sources: KPMG Corporate Finance Analysis
Note 1: FY18 FFO calculated based on Property Council Voluntary Guidelines methodology issued December 2017.
Note 2: FY19 distributions based on Propertylink guidance
na: Not available

The calculation of FY18 FFO is set out as follows:

Table 35: KPMG Corporate Finance estimate of Propertylink FFO

$'000 unless otherwise stated	FY18 Audited
Distributable earnings	55,740
Gain on sale of investment property	(75)
FFO - Property Council Guideline	**55,665**
Impact of performance fee income	(14,500)
FFO - KPMG Corporate Finance adjusted	**41,165**
Number of Propertylink Securities on issue ('000s)	602,780
Estimated FFO per diluted Propertylink Security	**0.068**

Sources: KPMG Corporate Finance Analysis

The relevant market evidence is summarised below and provided in detail in Appendix 4.

Comparable transactions

Comparable transactions occurred at a forecast exit yield in the range of 4.1% to 8.7% and a historical FFO multiple in the range of 9.2 times to 17.6 times and are summarised in the following table.

Table 36: Transaction evidence

Announcement date	Transaction	Internally/ externally managed[1]	Consider-ation ($ million)	Premium/ (discount) to NTA[2]	Exit yield Historical	Exit yield Forecast	FFO multiple
Mar 2015	Australian Industrial REIT	E	203.3	10.8%	8.3%	8.7%	na
Oct 2014	Mirvac Industrial Trust	E	77.6	16.1%	na	na	9.2
Jun 2014	Australand Property Group	I	2606.5	21.7%	4.7%	na	17.6
Dec 2010	ING Industrial Fund	E	1395	-1.5%	3.0%	6.0%	na
Jul 2010	MacarthurCook Industrial Fund	E	43.3	-32.1%	4.1%	4.1%	na

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis
Notes:
1. *"I" denotes internally managed A-REIT and "E" denotes externally managed A-REIT*
2. *NTA from the last financial report for each target entity*

In relation to the above, we note:

- the principal activity of Mirvac was the ownership of a $192 million industrial property portfolio in the greater Chicago metropolitan region in the US. This transaction is therefore not comparable given the lack of exposure to Australia's industrial property market
- MacarthurCook had significant debt maturing in August 2010 which likely explains the significant discount (32%) to NTA
- Australand's acquisition had a significant premium to NTA and traded at a high historical FFO, likely reflecting Australand's significant development pipeline (circa $1.8 billion)[30]
- ING Industrial and Australian Industrial have been identified as the most comparable transactions and occurred at premium/(discount) to NTA of (1.5)% and 11% respectively. We note however neither of these transactions are directly comparable (both externally managed) and reflect different stages of the property cycle to Propertylink. In relation to these transactions:
  - ING Industrial was an externally managed A-REIT that had a similar focus on industrial estates, warehouse distributions facilities and business parks, with a comparable proportion of prime properties (80% as classified by IIF management). The portfolio was also of comparable size (albeit slightly larger at $1.0 billion), however had a slightly longer WALE of 4.5 years and a portfolio WACR of 8.4%. We also note that 14% of its portfolio was in Europe, making its portfolio less comparable. It's material weighting to overseas investments, which were perceived to be higher risk than Australian investments at the time of the transaction, likely contributed to the discount to NTA
  - the Australian Industrial property portfolio (2015 transaction) was smaller than Propertylink ($320m) with a higher WACR of 8.1% and WALE of 4.6 years. The portfolio was similarly almost exclusive to the industrial sector (circa 97%). The premium to NTA likely reflects the revised terms of the offer, the potential to further develop the industrial sites and re-rating of the A-REIT sector over this period.

Comparable companies

There are no directly comparable sector specific A-REITs focused on internal management in the industrial sector. Multiples for listed A-REITs with significant interests (over 40%) in industrial properties in Australia are set out in the following table.

The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. As such no premium for control is generally incorporated within such pricing.

Table 37: Comparable company property portfolio and FUM analysis

	Internally/ externally managed[1]	Property Portfolio ($b)	Third party FUM ($b)	Portfolio Industrial	Market capitalisation ($m)
Primarily Industrial REITS					
Goodman Group	I	$1,624	$35,100	100%	$18,592
Charter Hall Long WALE REIT	E	$1,530	na[2]	45%	$1,018
Centuria Industrial REIT	E	$1,000	na	100%	$700
Industria REIT	E	$676	na	51%	$427

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis
Notes:
Multiples are based on security prices as at 16 November 2018
1. "I" denotes internally managed A-REIT, while "E" denotes externally managed A-REIT
2. Not applicable

[30] At the time, management had indicated that the future pipeline was expected to be supported by the 255ha industrial landbank held by Australand (estimated end value of the development pipeline from this landbank was $1.8 billion)

Table 38: Comparable company analysis

	Premium (discount) to NTA (%)[1]	FY18 DPS	Distribution yield Historical	Distribution yield Forecast	FFO multiple Historical	FFO multiple Forecast
Primarily Industrial REITS						
Goodman Group	120.9%	0.28	2.7%	2.9%	22.0	20.1
Charter Hall Long WALE REIT	1.7%	0.26	6.4%	6.5%	17.4	na[2]
Centuria Industrial REIT	4.8%	0.19	6.9%	6.5%	14.7	na
Industria REIT	-3.0%	0.17	6.3%	6.6%	14.2	13.7

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis
Notes:
Multiples are based on security prices as at 16 November 2018
1. Based on last reported NTA
2. Not applicable

- other than Propertylink, industrial sector A- REITs include Goodman Group (Goodman) (100% industrial properties), Charter Hall Long Wale REIT (CLW), CIP and Industria REIT (Industria). In regard to these A-REITs:
  - Goodman is exclusively exposed to the industrial sector however currently trades at a substantial premium to NTA (120.9%) reflecting the small size of its property investment portfolio relative to the size of its third party industrial property and development management activities. The company is also positioned as a global industrial sector leader with extensive international operations, making it's relatively high FFO multiples less comparable to Propertylink
  - Industria and CLW both have substantial exposure to industrial assets (51% and 45% respectively), however are passive in nature and are exposed to other sectors. In relation to these A-REITS:
    - CLW is more diversified than Propertylink with exposure to office (35%) and retail (25%). It currently trades above NTA and a relatively high FFO multiple due to its secure income (10.8-year WALE), predictable growth (3% p.a. next two years) and attractive occupancy (100%)
    - Industria is the most comparable in size ($676 million) with comparable geographical diversification (NSW 58% and Victoria 18%), however has significant exposure to the office sector (51%), a longer WALE of 6.9 years and a smaller 95% occupancy compared to Propertylink. Industria is currently trading at a slight discount to NTA and a moderate 14.2 times FFO
  - CIP has a similar sized investment property portfolio (albeit slightly larger than Propertylink) that is also exclusive to the industrial assets in similar markets (42% in NSW and 24% in Victoria). Its portfolio has a WALE of 5.1 years, an average occupancy of 95% and a WACR of 7%. The REIT is currently trading at a slight premium to NTA and has been consistently over recent months, likely due to the recent take-over speculation resultant from the September 2018 Propertylink Proposal.

Transaction evidence and comparable companies Summary

In summary:

- the Australian Industrial REIT was identified as the most comparable transaction. Despite being externally managed, the portfolio had comparable sector and geographical exposure, however was smaller than Propertylink ($320m). The premium to NTA was relatively high, reflecting the revised terms of the offer, the potential to further develop the industrial sites and re-rating of the A-REIT sector over this period. Its forecast exit yield was 8.7%
- the ING Industrial was also identified as being comparable (in terms of size and sector exposure) however it's material weighting to overseas investments, which were perceived to be higher risk than Australian investments at the time of the transaction, makes it less comparable to Propertylink and likely contributed to the discount to NTA. It's forecast exit yield was 6.0%

- excluding Goodman, share market evidence implies a forecast distribution yield of 6.5% to 6.6%, a historical FFO multiple of 14.2 to 17.4 times and a forecast multiple of 13.7 times (Industria only). CIP was considered the most comparable with a historical FFO multiple of 14.7 times, historical distribution yield of 6.9% and forecast distribution yield of 6.5%. We note however the A-REIT is currently trading at a slight premium to NTA (4.8%) and has been consistently over recent months, likely due to the recent take-over speculation resultant from the September 2018 Propertylink Proposal.

Conclusion

Propertylink's implied FY18 FFO multiple of 16.7 to 17.5 times is towards the high end of the range of the sharemarket evidence, excluding Goodman (14.2 to 17.4 times), however this is reasonable given these represent a minority basis.

Propertylink's implied FY19 distribution yield of 6.4% to 6.1% is consistent with Australian Industrial REIT and ING Industrial transaction evidence (6.4% to 8.7%) and share market evidence, excluding Goodman (6.5% to 6.6%). Within this range, the most comparable company, CIP, is currently trading at a 6.5% forecast yield.

On that basis, we consider the implied FFO multiple and distribution yield support our value range of $1.14 to $1.19 per Propertylink Security.

Appendix 1 – KPMG Corporate Finance Disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Ian Jedlin, Sean Collins and Michel Brun. David Sullivan and Xavier Dunand have assisted in the preparation of this report. Ian is a member of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Securities Institute of Australia and holds a Master of Commerce from the University of New South Wales. He is also a member of the Standards Review Board of the International Valuations Standards Council. Sean is a Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Chartered Institute of Securities and Investments in the UK and holds a Bachelor of Commerce degree. Michel holds an MBA and a Graduate Diploma in Applied Finance and is a Senior Associate of the Financial Services Institute of Australasia. Each has a significant number of years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Offer is fair and reasonable to the Propertylink Securityholders. KPMG Corporate Finance expressly disclaims any liability to any Propertylink Securityholders who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Target's Statement or any other document prepared in respect of the Offer. Accordingly, we take no responsibility for the content of the Target's Statement as a whole or other documents prepared in respect of the Offer.

We note that the forward-looking financial information prepared by the Company does not include estimates as to the potential impact of any future changes in taxation legislation in Australia. Future taxation changes are unable to be reliably determined at this time.

Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of Propertylink for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Target's Statement to be issued to Propertylink Securityholders. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Declarations

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (APESB). KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.

Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information

- bidder Implementation Agreement and Target's Statement
- annual results and financial statements of Propertylink for the years ended 30 June 2016, 30 June 2017 and 30 June 2018
- annual results presentation of Propertylink for the years ended 30 June 2017 and 30 June 2018
- ASX announcements, press releases, media and analyst presentations and other public filings by Propertylink including information available on its website
- broker reports and recent press articles regarding Propertylink
- information sourced from S&P Capital IQ
- information sourced from IRESS
- various reports published by IBISWorld Pty Ltd.

Non-public information

- Board papers and other internal briefing papers prepared by Propertylink in relation to the Offer
- Other confidential documents, presentations and workpapers.

In preparing this report, we have held discussions with, and obtained information from, senior management of Propertylink.

Appendix 3 – Industry overview

Overview

Propertylink is an ASX listed internally managed real estate group. It also provides property and funds management services to external investors. Propertylink owns industrial properties located in Sydney (49.7 %), Melbourne (33.7 %), Brisbane (12.6 %) and Perth (4.1%)[31]. Propertylink also manages a series of funds which own industrial and office assets on behalf of external investors, located in Sydney (60.4%), Brisbane (27.6%), Melbourne (9.3%), South Australia (1.5%) and Perth (1.2%)[31]. In order to provide context with regard to the current economic and industry factors relevant to Propertylink, we have provided an overview of the A-REIT industry and then provided further detail in relation to the Australian industrial and office sectors within the A-REIT industry.

A-REIT industry

A-REITs are trust structures that provide security holders with an opportunity to invest in a vehicle that holds investments in property assets. Investors generally evaluate A-REITs by assessing the security of the rental and other property income, quality of the individual properties and tenants, degree of diversification, lease expiry profile, level of gearing and quality of management. The relative risk of these elements will generally be reflected in the yield of the individual A-REITs. A-REITs may be able to access tax concessions (such as capital allowances and tax deferral on rental income) which are generally passed onto security holders through tax deferred distributions.

A-REITs invest in a range of properties in various sub-sectors and geographic locations. The sectors within the property market and the type of properties within each include the following:

- Retail: investment in shopping malls, outlet malls, neighbourhood and community shopping centres
- Diversified: investment across a range of property sectors
- Industrial: investment in industrial warehouse and distribution properties
- Office: investment in office buildings and office parks
- Residential: investment in residential properties including housing, apartments and student housing
- Hotel: investment in properties that provide accommodation on a room and/or suite basis
- Bulky goods: investment in retail warehouse which contain white goods and hardware
- Specialised: includes investment in physical and electronic record storage centres, childcare and early learning, agricultural land as well as retirement communities, aged care and other seniors living and agricultural land among others.

As at 31 October 2018, the A-REIT 300 Index had a market capitalisation of $115.3[32] billion and comprised 30 constituents. A total of 19 of the 30 A-REITs in the index are sector specific, concentrating on a particular sector of the property market while the remaining 11 were diversified. The index is dominated by retail A-REITs (49.1% of the index) and diversified A-REITs (23.2% of the index) by capitalisation value, while industrial A-REITs and office A-REITs comprised only 13.6% and 11.4% of the index, respectively.

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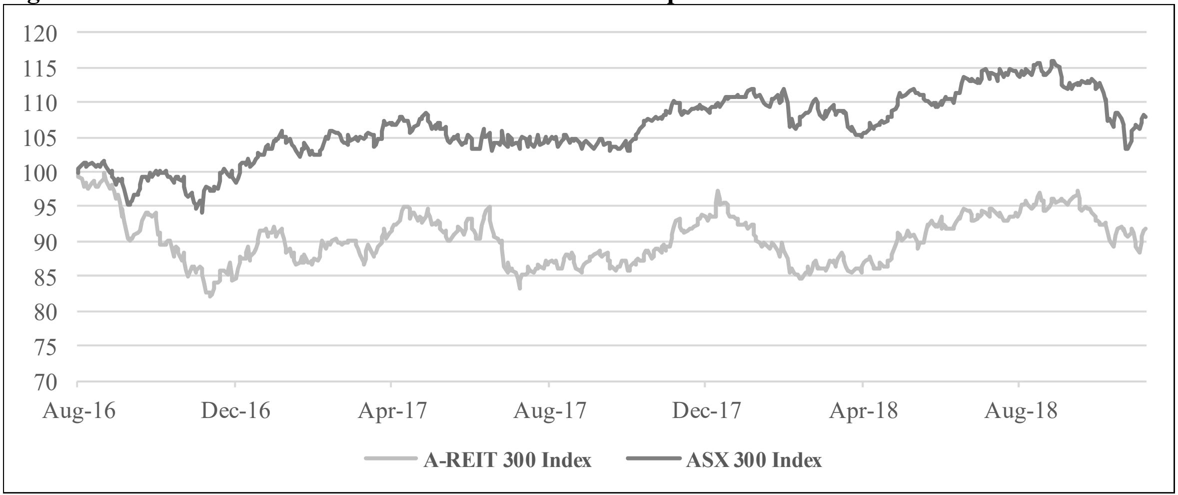
[31] Calculated based on the valuation of properties as a percentage of the portfolio, based on valuation reports as at 30 September 2018.

[32] As per Capital IQ.

Historical performance

From 4 August 2016 until 9 November 2018, the A-REIT 300 Index underperformed the ASX 300 Index, as illustrated in the following chart.

Figure 17: A-REIT 300 Index and ASX 300 Index relative performance



Source: IRESS.

The total value of the A-REIT 300 index began to decline from August 2016 mainly due to weaker retail conditions negatively impacting the security prices of the large retail A-REITs that dominate the index, as well as the impact of increases in Australian Government 10-year bond yields and an appreciation of the Australian dollar from around A$1=US$0.70 to around A$1=US$0.75 throughout 2016.

From November 2016 until mid-2018, strong performances across international equity markets (including the ASX 300) against slow income growth in retail REITs and the further appreciation of the Australian dollar from mid-2017 contributed to the continued relative underperformance.

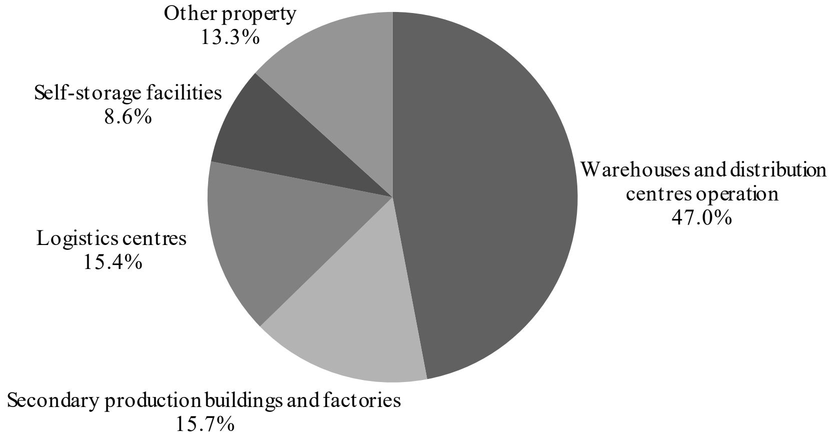
During 2018, the A-REIT 300 index continued to underperform the ASX 300 Index mainly due to weak sentiment and slow income growth in the retail sector; and the prospect of rising bond yields.

Industrial property sector

The industrial property sector comprises firms engaging in the ownership and management of a wide range of industrial and commercial properties, such as warehouses and distribution centres, secondary production buildings and factories, logistics centres, agriculture and aquaculture buildings, mineral and resource processing facilities and commercial buildings, such as repair garages, mail sorting centres and petrol stations.

The industrial property market products and services segmentation by revenue is illustrated in the figure below.

Figure 18: Industrial segments by revenue

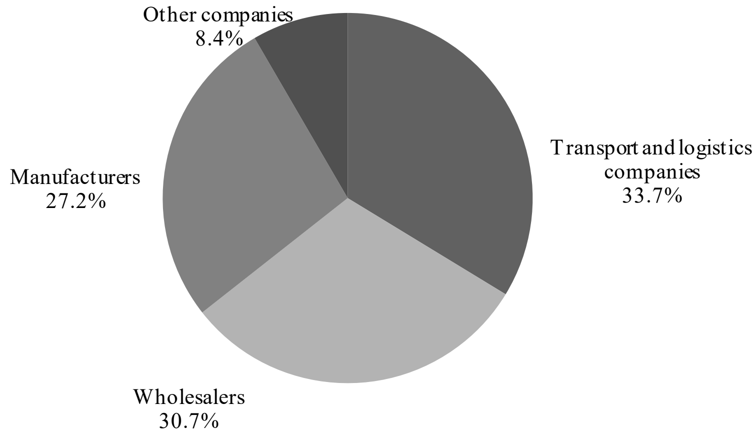


Source: IBISWorld, "Industrial and Other Property Operators in Australia Industry Report", June 2018.

A range of industries use industrial property for varying purposes. Industrial property operators are responsible for leasing and maintaining property across key markets including wholesalers, manufacturers, logistics companies, retailers, government organisations and resource firms.

The major markets of the industrial property sector are illustrated by revenue in the following figure.

Figure 19: Major market segmentation by revenue



Source: IBISWorld, "Industrial and Other Property Operators in Australia Industry Report", June 2018.

The key drivers of the industrial property sector include[33]:

- ***business confidence***: business operators' confidence in the economy influences the decision to expand or scale down operations. These decisions directly affect tenant demand for non-residential property
- ***interest rates***: interest rates affect business confidence and investment, including investment in new property development. Interest rates also influence the profitability of existing geared property investors. When bond rates are low, investors are more inclined to invest in other assets, such as industrial property
- ***total merchandise imports and exports***: merchandise trade requires industrial property for warehousing, distribution and manufacturing purposes. As a result, merchandise trade affects tenant demand for industrial property

[33] Source: IBISWorld, "Industrial and Other Property Operators in Australia Industry Report", June 2018.

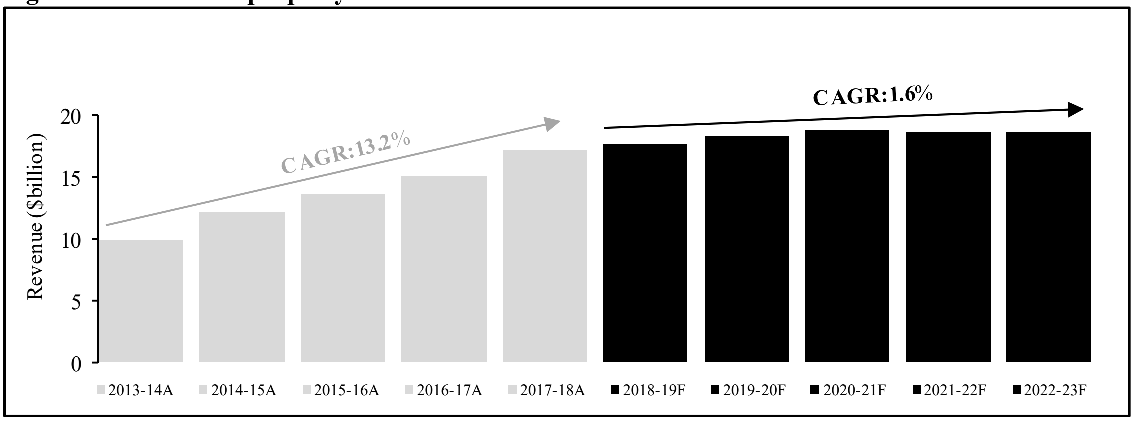
- ***business inventories***: business inventories affect demand for warehouse storage and distribution capacity, which drives demand for industrial properties.

Recent performance

As per IBISWorld report at June 2018, the industrial property sector has performed well over the past five years as illustrated in Figure 4 below. Record low interest rates and wider credit availability have driven growth in industrial property values. Furthermore, an increase in merchandise trade and growing business inventories have driven demand for warehousing, transport and logistics facilities. Property yields have fallen over the past five years, which reflects rising property values rather than reduced income in monetary terms. Industry revenue increased at a compound annual growth rate (CAGR) of 13.2%[34] over the five years through 2017-2018, to reach $17.2 billion[34]. This includes an expected increase of 14.0% in 2017-2018[34].

As a result of strong fundamentals in the industrial property market, investor demand has remained strong. The strong flow of capital into the Australian industrial sector originates from a diverse range of investor types; including local privates, property syndicates, institutional investors and offshore buyers. This strong demand, however, is being restrained by the lack of available stock, particularly the lack of portfolio opportunities. As a result, yields have continued to compress over the past 12 months.

Figure 20: Industrial property sector Revenue FY13 to FY23



Source: IBISWorld, "Industrial and Other Property Operators in Australia, Industry Report", June 2018.

Overall outlook

IBISWorld estimates that sector revenue will grow at a CAGR of 1.6% over the five year period through to 2022-2023[34]. Demand for industrial processing, storage and distribution premises is expected to be supported by strong growth in merchandise trade, rising business inventories and the expansion of internet-based retailing activity. Other positive general economic factors, such as improving wage conditions and positive business confidence, are also projected to help drive strong investment in industrial capacity and building stock.

Besides improvements in economic fundamentals and infrastructure, the rise of e-commerce and omni-channel retailing is providing further support for the industrial market. Online retail sales growth has exceeded 35% per annum over the past two years, according to ABS data, and the speed of penetration is expected to rise over the coming years as consumer preference continues to shift towards online shopping.

Sydney outlook

The positive economic outlook for NSW and a strong level of infrastructure investment remain the primary drivers for growth in the Sydney industrial market. As per Colliers International[35], the strong economic performance of NSW is expected to be maintained over the next three years, with Gross State Product forecast

[34] IBISWorld, "Industrial and Other Property Operators in Australia Industry Report", June 2018.
[35] Colliers International, Industrial Second Half 2018, Research and Forecast Report.

to grow 2.75% to 3.0 %[36] during this period. To support this growth, the Government has embarked on an infrastructure investment program planning to spend over $70.0[36] billion on projects across the state over the next four years, which will have significant benefits to the industrial market, both in terms of increased demand and value uplifts.

As demand continues to be stronger than supply and vacancy rates decline, developers are becoming more confident with speculative developments, which achieved strong leasing results prior to completion. The average yield for industrial assets in Sydney tightened by approximately 47 basis points to 5.26% over the 12 months to September 2018[36].

Land values across Sydney increased by 11.1% over the 12 months to September 2018. In the same period, the average prime net face rent for Sydney increased by 2.5% and prime incentives declined by 1% to 10%[36]. However, JLL forecast that rental growth in the Sydney market will normalise over the remainder of 2018 and anticipate that yields are approaching the end of the compression cycle[37].

Melbourne outlook

The Victorian economy performed strongly in the second quarter of 2018, growing at 5.2%[36] year-on-year, driven by significant population growth.

The robust capital inflow from offshore and onshore investors has driven further yield compression for both prime and secondary grade assets. The average yield for industrial assets in Melbourne tightened by approximately 21 basis points to 6.06%[36] over the 12 months to September 2018. In the same period, land values across Melbourne increased by 5.5%, the average prime net face rent increased by 1.2% and prime incentives declined by 1.3% to 15.4%[36]. JLL forecast stable rental growth in the Melbourne market over the remainder of 2018 and anticipate that yield compression is approaching the through of the cycle, with investor appetite in the market remaining strong[38].

Brisbane outlook

Queensland's economic growth is forecast to accelerate from 2.5% in 2016-17 to 3.0%[36] by 2018-19 with growth driven by rising exports, improving business investment and solid employment growth. The value of Queensland's merchandise exports increased by 10% to $75.4 billion[36] over the 12 months to July 2018. Business investment across the state is increasing strongly, driven by the renewable energy sector and is forecast to grow by an average of 6.5%[36] over the next five years. Employment growth is forecast to increase by 2.1%[36] between 2018 and 2022, which is the strongest job growth in the state in more than a decade. Strong population growth combined with low unemployment is expected to drive consumption of goods and retail spending, which in turn is expected to translate to increased demand for logistics and industrial space, leading to an average forecast annual growth of 3.4% for the five years to 2022[36].

The average yield for industrial assets in Brisbane tightened by approximately 25 basis points to 6.92%[36] over the 12 months to September 2018. In the same period land values across Brisbane increased by 6.6%, the average prime net face rent increased by 1.9% and prime incentives remained stable at 16.0%[36].

JLL forecast improved tenant demand over the next 12 months, driven by the continued improvement of the Queensland economy[39]. Land values are anticipated to increase as incentives stabilise and reach their peak. Yields are forecast to stabilise over 2018 before beginning to decrease in 2019 as the current investment cycle reaches its peak[39].

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[36] Colliers International, Industrial Second Half 2018, Research and Forecast Report.

[37] JLL, Australia Sydney Industrial Report 3Q18, 2018

[38] JLL, Australia Melbourne Industrial Report 3Q18, 2018

[39] JLL, Australia Brisbane Industrial Report 3Q18, 2018.

Adelaide outlook

The Adelaide industrial market continues to experience growth, driven by significant investment in infrastructure, increased defence spending, and improved conditions for mining and energy investment.

Leasing activity for the third quarter of 2018 was one of the highest on record since 2013, with gross take-up totalling 85,000sqm for the quarter and 202,500sqm over the year to date, well above the 10-year annual average of 131,500sqm[40].

Land values across Adelaide have increased by 3.1%, the average prime net face rent for Brisbane has decreased by 0.6% and prime incentives remained stable at 11.0% over the 12 months to September 2018[40].

JLL forecast industrial supply to increase over the next 12 months, driven by strong demand from the sector mentioned above[41].

Perth outlook

The recovery in the resource sector investment spend, strong government infrastructure spending together with strong commercial building activity are trends that are starting to gather pace in the Perth industrial sector.

There were no new additions to industrial supply in the quarter to September and the supply pipeline is anticipated to remain limited in the short to medium term as developers hold off speculative development given the subdued occupier demand conditions in the industrial sector[40].

Land values across Perth have decreased by 8.3%, the average prime net face rent for Perth has decreased by 3.8% and prime incentives declined by 5% to 17.5% over the 12 months to September 2018[40].

JLL forecast rents to remain stable over the year. The supply pipeline is anticipated to remain limited in the short to medium term, as developers hold off on speculative development given the soft demand conditions[42].

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[40] Colliers International, Industrial Second Half 2018, Research and Forecast Report.

[41] JLL, Australia Adelaide Industrial Report 3Q18, 2018.

[42] JLL, Australia Perth Industrial Report 3Q18, 2018.

Office property sector

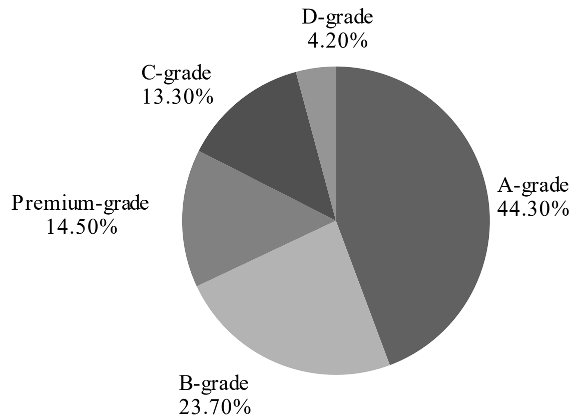
The office property sector comprises entities engaged in the ownership and management of office property such as CBD, suburban and regional office buildings.

Overview

Numerous factors differentiate office property, such as type, age, condition, tenant identity and lease profiles. Office property is often graded based on location, economic, environment and other factors such as building aesthetics. These factors affect a property's demand and rent rates, and can be classified into five main categories: premium grade, A grade, B grade, C grade and D grade[43].

The office property market asset quality segmentation by revenue is illustrated in the figure below.

Figure 21: Asset quality segmentation by revenue



Source: IBISWorld, "Office Property Operators in Australia Industry Report", June 2018.

The major tenants occupying office space include government firms, finance, insurance and administration services industries, and the head and regional offices of other large companies[43]

Recent performance

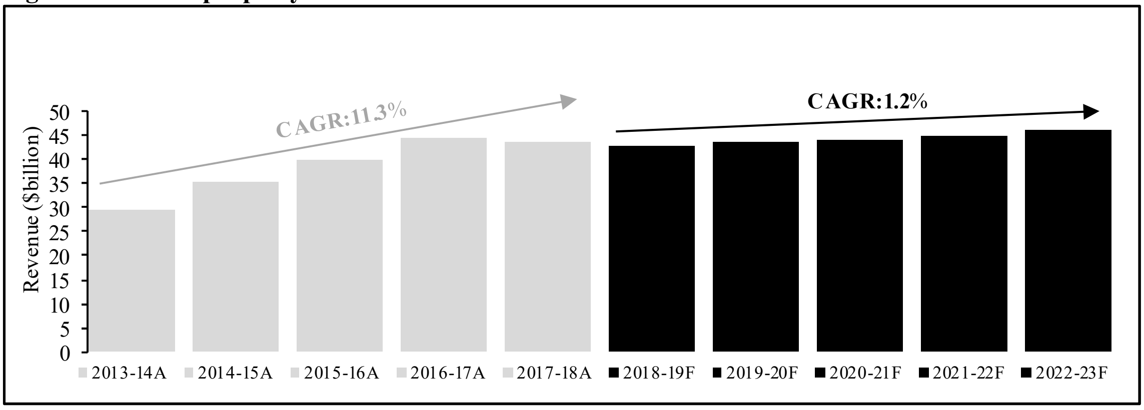
As per IBISWorld report at June 2018, the office property industry has performed well over the past five years per Figure 6 below, largely due to limited supply and strong tenant demand resulting in yield compression. This is particularly true in respect of Sydney and Melbourne, which have each experienced strong rental growth. Increased investor activity, both domestic and from abroad, has further strengthened asset values.

Sydney and Melbourne vacancy rates have remained steady and trended downwards slightly, respectively, reflecting stable demand for office property operators in NSW and Victoria. In Brisbane, vacancy rates have reached record highs over the period, although they remained lower than in Perth. High vacancy rates in Brisbane and Perth are due to decreased mining activity in Queensland and Western Australia.

Industry revenue increased at an annualised 11.3% over the five years through 2017-18, to $43.4 billion[43]. The decreasing official cash rate over the past five years has also driven increase in investment.

[43] IBISWorld, "Office Property Operators in Australia Industry Report", June 2018.

Figure 22: Office property sector Revenue FY13 to FY23



Overall outlook

The operating environment for the office property sector is projected to become more stable over the next five years. IBISWorld estimates that sector revenue will grow at a CAGR of 1.2% over the five years through 2022-23, to $46.1[44] billion, driven by continued growth in white-collar employment and forecast reductions in commercial building vacancy rates.

[44] IBISWorld, "Office Property Operators in Australia Industry Report", June 2018.

Appendix 4 – Market evidence

Comparable companies – Property Portfolio

The following table sets out the market metrics for the comparable companies, as at the latest reporting date.

Table 39: Comparable company property portfolio and FUM analysis

	Internally/ externally managed[1]	Property Portfolio ($b)	Third party FUM ($b)	Portfolio Industrial	Market capitalisation ($m)
Primarily Industrial REITS					
Goodman Group	I	$1,624	$35,100	100%	$18,592
Charter Hall Long WALE REIT	E	$1,530	na[2]	45%	$1,018
Centuria Industrial REIT	E	$1,000	na	100%	$700
Industria REIT	E	$676	na	51%	$427
Diversifid REITS					
GPT Group	I	$13,020	$12,400	13%	$9,422
Stockland	I	$15,474	$0	15%	$8,685
Mirvac Group	I	$10,014	$0	8%	$8,078
Charter Hall Group	I	$1,700	$23,200	35%	$3,172
Growthpoint Properties Australia	I	$3,355	$0	34%	$2,486
Abacus Property Group	I	$2,570	$656	8%	$1,896
Investec Australia Property Fund	E	$987	$0	23%	$584

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis
Notes:
Multiples are based on security prices as at 16 November 2018
1. *"I" denotes internally managed A-REIT, while "E" denotes externally managed A-REIT*
2. *Not applicable*

Table 40: Comparable company analysis

	Premium (discount) to NTA (%)[1]	FY18 DPS	Distribution yield Historical	Distribution yield Forecast	FFO multiple Historical	FFO multiple Forecast
Primarily Industrial REITS						
Goodman Group	120.9%	0.28	2.7%	2.9%	22.0	20.1
Charter Hall Long WALE REIT	1.7%	0.26	6.4%	6.5%	17.4	na[2]
Centuria Industrial REIT	4.8%	0.19	6.9%	6.5%	14.7	na
Industria REIT	-3.0%	0.17	6.3%	6.6%	14.2	13.7
Diversifid REITS						
GPT Group	-1.7%	0.13	2.4%	5.1%	17.0	15.7
Stockland	-12.9%	0.27	7.3%	7.6%	10.1	9.5
Mirvac Group	-4.8%	0.11	5.0%	5.3%	13.3	12.9
Charter Hall Group	78.3%	0.32	4.7%	5.3%	18.2	17.8
Growthpoint Properties Australia	13.2%	0.22	6.1%	6.2%	14.9	14.4
Abacus Property Group	2.8%	0.18	5.5%	5.7%	11.2	na
Investec Australia Property Fund	-5.4%	0.10	8.2%	na	na	na

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis
Notes:
Multiples are based on security prices as at 16 November 2018
1. *Based on last reported NTA*
2. *Not applicable*

We note that all companies have a 30 June year end except for GPT Group which has a 31 December year end and Investec Australia Property Fund which has a 31 March year end.

Primarily Industrial REITs

Goodman Properties Australia

Goodman Properties Australia (Goodman) is an internally managed industrial A-REIT. At 30 June 2018, Goodman had $38.5 billion in AUM, comprising a $1.6 billion property portfolio and $35.1 billion in third party funds. The property portfolio has a WALE of 4.8 years, an average occupancy of 98% and a WACR of 6%. The properties are located in Australia (41%), Asia (25%), UK/Europe (24%) and the Americas (10%). Goodman currently trades at a substantial premium to NTA reflecting the small size of its property investment portfolio relative to the size of its third party industrial property and development management activities, as well as its extensive international operations as well as its position as a global industrial sector leader.

Charter Hall Long WALE REIT (CLW)

CLW is an externally managed A-REIT investing in a variety of office, industrial and retail properties leased to corporate and government tenants on long-term leases. At 30 June 2018, CLW had a $1.5 billion property portfolio. The portfolio has a WALE of 10.80 years, an average occupancy of 100% and a WACR of 6%. The properties are located in Western Australia (23%), South Australia (21%), Victoria (22%), Queensland (21%), NSW (12%) and Tasmania (1%). The properties operate across a range of sectors, including industrial (45%), office (30%) and retail (25%). On 4 September 2018, CLW announced the acquisition of Club Hotel and First Choice Liquor, Waterford, Brisbane (Property) for $22.0 million and of an additional 4.9% interest in the Long WALE Investment Partnership (LWIP) from Charter Hall Group, of which it already owns 45.0%, for a $20.9 million. On 2 October 2018, CLW entered into a contract to acquire a 50% interest in 85 George Street in the Brisbane CBD, with the Charter Hall Direct PFA Fund (PFA) acquiring the other 50% interest in this property. In the 17 October 2018 equity raising announcement, WRT indicated that its June pro forma NTA per security was $3.98 (this assumes the acquisition of National Archives, Chester Hill; a 50% stake in Optima Centre; the $60m Placement at a price of $4.04; and $66.8m of debt). It currently trades above NTA and a relatively high FFO multiple due to its secure income (long WALE), predictable growth (3% p.a. next two years) and attractive occupancy (100%)

Centuria Industrial REIT (CIP)

CIP is an internally managed industrial A-REIT. At 30 June 2018, CIP had a $1 billion property portfolio. The portfolio has a WALE of 5.1 years, an average occupancy of 95% and a WACR of 7%. CIP's properties are located in NSW (42%), Victoria (24%), Queensland (19%), Western Australia (13%), South Australia (2%) and the ACT (2%). The whole portfolio is comprised of industrial assets. On 18 October 2018, independent valuations have been completed for 100% of CIP's portfolio at 30 September 2018. The portfolio's WACR has reduced to 6.54% resulting in an overall revaluation gain of $36.8 million. Pro-forma NTA per unit has increased by 5.1% to $2.69.

Industria REIT

Industria REIT is an externally managed industrial A-REIT managed by APN Property Group. At 30 June 2018, it had a $676 million property portfolio. The portfolio has a WALE of 6.9 years, an average occupancy of 95% and a WACR of 7%. Industria's properties are located in NSW (58%), Queensland (22%), Victoria (18%) and South Australia (2%). The portfolio comprises 51% office properties with the rest of the portfolio weighted towards industrial properties 49%. On 4 September 2018, Industria acquired a warehouse property in Derrimut, Victoria for $10.6 million.

Diversified REITs

GPT Group

GPT Group (GPT) is an internally managed diversified A-REIT. At 30 June 2018, GPT had $25.4 billion AUM, comprising a $13.0 billion property portfolio and $12.4 billion in third party funds. GPT's third party funds include the GPT Wholesale Office Fund and the GPT Wholesale Shopping Centre fund with total assets of $7.5 billion and $4.9 billion respectively. The property portfolio has a WALE of 5.1 years, an average occupancy of 97% and a WACR of 5%. GPT's property portfolio includes retail (46%), office (41%) and logistics (13%) properties. GPT has a development pipeline $3.2 billion, including $2.5 billion of future pipeline and $679 million currently underway. On 24 August 2018, GPT announced it had exchanged unconditional contracts to acquire a 100 per cent interest in Eclipse Tower at 60 Station Street, Parramatta for $277.6 million. Despite its fund management business, GPT is currently trading a discount to NTA, likely reflecting its struggling retail division (which remains its largest sector) and net debt/ EBIT position (which has been further worsened by rising debt costs).

Stockland

Stockland Corporation Limited (Stockland) is an internally managed diversified A-REIT. At at 30 June 2018, Stockland had a $15.5 billion property portfolio. The properties are located in NSW (52%), Queensland (21%), Victoria (18%), Western Australia (7%) and South Australia and the ACT (2%). As at 30 June 2018, the portfolio comprises properties in the following sectors: retail (49%), residential (22%), industrial (15%), retirement village (9%) and office (5%). On 6 September 2018, Stockland announced that it intended to initiate an on-market buy-back for up to $350 million of Stockland securities on issue, as part of its active approach to capital management. It intends to fund the buy-back from existing facilities. Stockland is trading below with NTA likely as value associated with development activities is more than offset by the softness in the retirement living and retail sectors.

Mirvac Group

Mirvac Group (Mirvac) is an internally managed diversified A-REIT. At 30 June 208, Mirvac had a $10.0 billion property portfolio. The portfolio has a WALE of 5.6 years, an average occupancy of 99% and a WACR of 6%. The properties are located in NSW (65%), Victoria (16 %), Queensland (11%), Western Australia (5%) and the ACT (3%). As at 30 June 2018, the portfolio comprises 59% office properties, 33% retail and the remaining 8% in industrial properties. Mirvac is trading at a slight discount to NTA, likely as the value associated with its development activities is offset by the weak performance of the retail A-REIT sector.

Charter Hall Group

Charter Hall Group (Charter Hall) is an internally managed diversified A-REIT. At 30 June 2018, Charter Hall had $24.9 billion AUM, comprising a $1.7 billion property portfolio and $23.2 billion in third party funds. The funds management portfolio is split into the following sectors: office (48%), retail (26%) and industrial (26%). At 30 June 2018, the property portfolio had a WALE of 7.2 years, an average occupancy (by income) of 98%, and a WACR of 6%. The properties operate in the following sectors: office (40%), industrial (35%) and retail (25%). Charter Hall trades at a substantial premium to NTA, reflecting the value attributed to its extensive third party funds management business, the income from which significantly outweighs that of direct property investments.

Growthpoint Properties Australia

Growthpoint Properties Australia (Growthpoint) is an internally managed diversified A-REIT. As at 30 June 2018, it had a $3.4 billion property portfolio. Growthpoint's portfolio has a WALE of 5.3 years, an average occupancy of 98% and a WACR of 6%. The properties are located in Victoria (29%), NSW (27%), Queensland (26%), South Australia (6%), Western Australia (6%), the ACT (5%) and Tasmania (1%). As at 30 June 2018, the portfolio comprises 66% office properties with the rest of the portfolio weighted towards industrial properties (34%). The majority of Growthpoint's tenants (56%) are listed companies with a further 24% of properties occupied by government owned entities. The FY18 results presentation noted a development opportunity of 19,300 square metres in Richmond, Victoria and expansion in Gepps Cross, SA. At the time of the report, work was not underway at either site but is expected to begin in FY19. The company's substantial premium to NTA likely reflects development opportunities associated with the industrial sites. Its relatively high yield likely reflects its exposure to the industrial property sector (as opposed to the office sector which has demonstrated higher demand) and high payout ratio.

Abacus Property Group

Abacus Property Group (Abacus) is an internally managed diversified A-REIT. At 30 June 2018, Abacus had $2.7 billion in AUM comprising a $1.9 billion property portfolio, including $130 million in co-investments, and $401 million in development and property lending activities. The property portfolio has a WALE of 4.1 years, an average occupancy of 91% and a WACR of 7%. The properties located in NSW (29%), Victoria (30%), Queensland (22%), the ACT (9%), South Australia (4%), as well as New Zealand (6%). The portfolio comprises office (41%), retail (20%) and industrial (8%) assets. On 31 August 2018, Abacus entered into a second joint venture partnership with Heitman LLC with simultaneous exchange and settlement of a high quality city fringe commercial building in Brisbane for approximately $170 million. On 25 September 2018, Abacus announced that the Abacus Hospitality fund had divested its final asset, the Novotel Twin Waters Resort, on the Sunshine Coast for $88.5 million. The premium to NTA likely reflects the extent of the group's third party funds management activities and development pipeline.

Investec Australia Property Fund

Investec Australia Property Fund (IAPF) is an externally managed diversified A-REIT. At 31 March 2018, IAPF had a $1,006 million property portfolio. The properties are located in NSW (38%), QLD (20%), VIC (19%) and New Zealand (12%) among others. The portfolio comprises of 77% office properties with the rest of the portfolio weighted towards industrial properties (23%) across Australia and New Zealand. The fund is currently listed on the Johannesburg Stock Exchange (JSE), however at the announcement of interim results to 30 September 2017, management stated that it was considering a dual listing on the JSE and ASX. This option is still being explored by management. The discount to NTA and high distribution yield likely reflects its absence of an ASX listing, illiquid trading, external management structure and, potentially, currency risk exposure.

Comparable transactions – Property Portfolio

The following table sets out a summary of transactions that have taken place since 2009 involving A-REITs.

Table 41: Comparable Transaction analysis

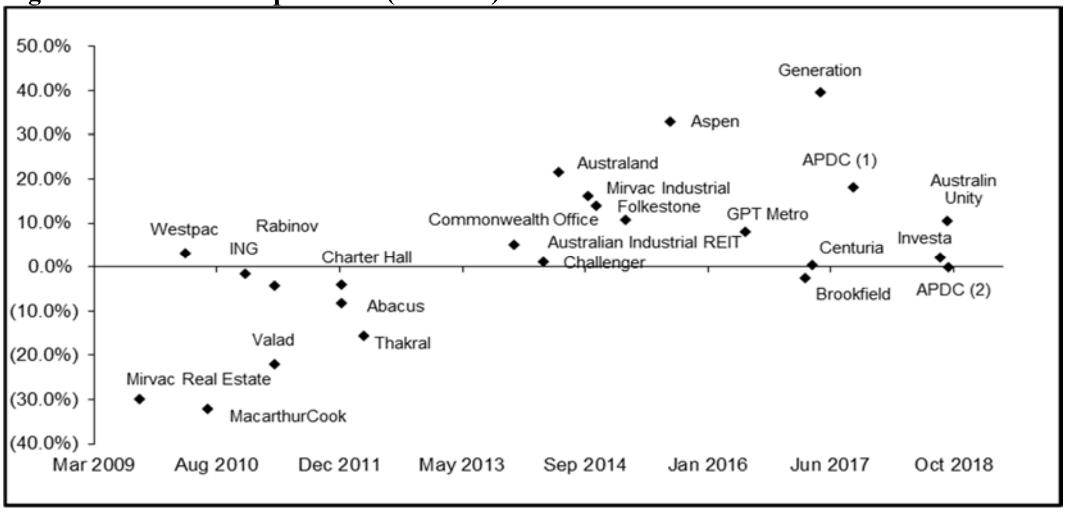
Announcement date	Transaction	Internally/ externally managed[1]	Consideration ($ million)	Premium/ (discount) to NTA[2]	Exit yield Historical	Exit yield Forecast	Premium/ (discount) to VWAP[3]
Oct 2018	Australian Unity Office Fund[4]	E	480.3	10.5%	5.3%	na	10.2%
Oct 2018	Asia Pacific Data Centre Group[4]	I	162.8	0.0%	4.7%	na	9.2%
Sep 2018	Investa Office Fund[4]	E	3,016.0	2.2%	3.7%	3.7%	28.7%
Sep 2017	Asia Pacific Data Centre Group	I	102.7	18.2%	5.0%	na	25.1%
May 2017	Generation Healthcare REIT	E	507.5	39.5%	3.9%	3.9%	13.3%
Apr 2017	Centuria Urban REIT	E	27.2	0.4%	9.1%	8.1%	na
Mar 2017	Brookfield Prime Property Fund	E	310.0	(2.5%)	2.9%	na	16.0%
Jun 2016	GPT Metro Office Fund	E	321.3	8.2%	6.1%	6.2%	21.4%
Sep 2015	The Aspen Group	E	149.8	33.0%	6.3%	6.3%	na
Mar 2015	Australian Industrial REIT	E	203.3	10.8%	8.3%	8.7%	6.9%
Nov 2014	Folkestone Social Infrastructure	E	70.2	14.0%	6.5%	6.1%	15.4%
Oct 2014	Mirvac Industrial Trust	E	77.6	16.1%	na	na	22.8%
Jun 2014	Australand Property Group	I	2,606.5	21.7%	4.7%	na	14.6%
Apr 2014	Challenger Diversified Property	E	586.6	1.1%	6.7%	6.8%	6.4%
Dec 2013	Commonwealth Property Office	E	2,910.0	5.2%	5.3%	5.0%	14.8%
Apr 2012	Thakral Holdings Ltd	I	507.0	(15.6%)	na	na	32.3%
Jan 2012	Charter Hall Office REIT	E	1,228.4	(3.9%)	na	5.3-6.5%	22.9%
Jan 2012	Abacus Storage Fund	I	132.0	(8.2%)	7.4%	na	n/a
Apr 2011	Valad Property Group	I	209.0	(22.1%)	na	na	52.0%
Apr 2011	Rabinov Property Trust	E	50.0	(4.3%)	10.0%	8.6%	35.8%
Dec 2010	ING Industrial Fund	E	1,395.0	(1.5%)	3.0%	6.0%	11.9%
Jul 2010	MacarthurCook Industrial Fund	E	43.3	(32.1%)	4.1%	4.1%	46.7%
Apr 2010	Westpac Office Trust	E	417.0	3.1%	7.7%	7.7%	14.2%
Oct 2009	Mirvac Real Estate Trust	E	373.0	(29.9%)	5.5%	5.5%	56.0%

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis

Notes:

1. *"I" denotes internally managed A-REIT and "E" denotes externally managed A-REIT*
2. *NTA from the last financial report for each target entity*
3. *One month VWAP prior to the announcement of the transaction or notable corporate activity.*
4. *Acquisition was announced but not complete as at the time of this report*

Figure 23: Transaction premium/(discount) to NTA distribution over time



Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis

Acquisition of Australian Unity Office Fund by Starwood Capital Asia Limited (pending)

On 8 October, 2018, Australian Unity Investment Real Estate Limited (AUIREL) as responsible entity of Australian Unity, announced that it had received an unsolicited, indicative and non-binding proposal from Starwood Capital Asia Limited, on behalf of funds managed or advised by Starwood Capital Group or its affiliates (collectively, Starwood) to acquire all of the issued units in Australian Unity for $2.95 cash per unit, by way of a trust scheme. AOF is an ASX-listed REIT that wholly owns a diversified portfolio of nine office properties located across Australian metropolitan and CBD markets in Sydney, Adelaide, Melbourne, Brisbane and Canberra and has a substantial development pipeline ($1.1 billion).

Asia Pacific Data Centre Group by NEXTDC Limited (pending)

On 8 October 2018, Asia Pacific Data Centre Group (APDC) and NEXTDC Limited (NEXTDC) have entered into a bid implementation agreement relating to an, all-cash, on-market takeover bid by NEXTDC to acquire all of the securities in APDC which it does not already own. NEXTDC currently holds an interest in 29.2% of the AJD securities. The offer price under the NEXTDC Offer is $2.00 cash per security (Offer Price). APDC securityholders will also be entitled to a special distribution of $0.02 per security payable on 14 November 2018, with a record date of 12 October 2018. The Offer Price and Special Distribution in aggregate equate to $2.02. This represents a 9.2% premium to the $1.85 30 day VWAP of securities to 5 October 2018 and is equal to APDC's NTA per security of $2.02 at 30 June 2018. APDC is a special purpose real estate investment trust (REIT) which has been established to own properties (land and buildings) that are operated or being developed as data centres.

Acquisition of Investa Office Fund by Oxford Properties Group (pending)

On 4 September 2018, Oxford Properties Group, Inc. (Oxford) made a conditional proposal to acquire a 90% stake in Investa Office Fund (Investa) from the unitholders for approximately $3 billion. As per the terms, Oxford Properties Group, Inc. offered a cash price of $5.50 per unit. The transaction was highly competitive with Oxford outbidding the initial prospective buyer, Blackstone Group, following several revised proposals and price increases. The proposal consideration is at a 2.2% premium to the pro forma NTA as at 30 June 2018 of $5.48 and a 26.1% premium to the one month VWAP of $4.44 as at 25 May 2018, being the last trading day prior to the announcement to the initial Blackstone proposal. Investa is a passive A-REIT focused on the office sector. The high FFO multiple and low distribution yields are appropriate, having regard to IOF's exposure to the strongly performing Sydney and Melbourne CBD office markets and relatively low exposure to the weaker Brisbane and Perth markets, substantial yield compression in recent years and the quality of IOF's portfolio. However, we note that these multiples also reflect the forecast decline in FFO and curtailment of distributions as a result of IOF's development and refurbishment activities.

Acquisition of Asia Pacific Data Centre Group by 360 Capital Group

On 13 September 2017, 360 Capital Group (360 Capital) announced an unconditional off-market takeover offer to acquire all of the stapled securities in Asia Pacific Data Centre Group (APDC) for A$1.95 cash per APDC Security. The price represents a premium of 18.2% to APDC's NTA as at 30 June 2017 and a 25.1% increase to the 30 day VWAP prior to 360 Capital announcing its 19.8% stake in APDC (1 May 2017). We note that this was highly competitive bidding process with NEXTDC offering competing prices on several occasions (last offer price by NEXTDC was $1.87 cash per share). APDC is a special purpose real estate investment trust (REIT) which has been established to own properties (land and buildings) that are operated or being developed as data centres.

Acquisition of Generation Healthcare REIT by Northwest Australia

On 5 May 2017, Northwest Australia (Northwest) announced that it had achieved a 50.25% majority stake in Generation Healthcare REIT (Generation Healthcare) and made an all-cash unconditional offer to buy all remaining units for $2.30 per unit. The offer price of $2.30 per unit represented a premium of 49.3% to Generation Healthcare's NTA per unit of $1.54 reported at 31 December 2016 and a 13.4% premium to its one day and one month VWAPs at 21 April 2017 (the last trading day prior to the announcement of the proposal).

The premium to the adjusted NTA as per the independent expert report is 39.5% (mid-point of the NTA range). At the time of receiving the offer, Generation Healthcare was an externally managed A-REIT with interests in a portfolio of property assets in the healthcare sector including hospitals, medical centres and residential aged care facilities and a $110 million development pipeline. At 31 December 2016 the fund had assets under management of $621 million located in Victoria, Queensland and NSW. The portfolio had a WALE of 12.1 years and occupancy of 98.7%. The transaction occurred at a material premium to NTA, reflecting the strong growth outlook for the healthcare sector and its substantial development pipeline. Its relatively low yield reflects the high occupancy, long WALE of the portfolio, relatively low distribution payout ratio and the stage of the property cycle.

Merger of Centuria Urban REIT and Centuria Metropolitan REIT

On 3 March 2017, Centuria Property Funds announced that it had entered an agreement where Centuria Metropolitan REIT (CMA) would acquire all of the issued units in Centuria Urban REIT (CUA) by way of a proposed trust scheme. As part of the scheme, CUA unit holders would receive 0.88 new CMA units plus $0.23 cash consideration for every CUA unit held. CUA is a passive, externally managed REIT that was previously listed on the ASX focusing on Australian A-grade suburban and B-grade CBD office properties. In advance of the merger, its portfolio consisted of three A-grade suburban office properties (two in Brisbane and one in Melbourne). At 31 December 2016, CUA had a WALE of 4.6 years and an occupancy by NLA of 99.2%. The mid-point value of the scheme consideration of $2.28 per unit (as assessed by the independent expert) was in line with reported NTA of $2.27 at 31 December 2016. The limited premium to NTA reflects that it is a passive, externally managed A-REIT. Implied yields are relatively high, reflecting the nature of the portfolio, its small scale, short WALE and high distribution payout ratio.

Acquisition of Brookfield Prime Property Fund by Brookfield BPPF Investments Trust

On 7 April 2017, the directors of Brookfield Prime Property Fund (BPA) announced that it had received a proposal from Brookfield BPPF Investments Trust (BPPF) to acquire the remaining units of BPA with an all-cash conditional offer of $8.89 per unit less the amount of any distributions paid or payable on or after 28 March 2017. The adjusted offer price of $8.815 per unit represented a 2.5% discount compared with adjusted NTA (adjusted for property valuations as at March 2017) and a premium of 16% to the 30 day VWAP to 6 April 2017 of $7.59 per unit and 18% compared with the ASX closing price of $7.50 on 6 April 2017 (although we note that BPA was illiquid and had a limited free float). BPA was a passive, externally managed A-REIT with a portfolio of interests in four A-grade office buildings in the CBDs of Sydney and Perth. At 31 December 2016, the fund's three properties had a total value of $707 million. The portfolio had a WALE by income of 4.7 years and was 91% occupied. The discount to NTA likely reflects that it is a passive, externally managed A-REIT which was owned 80.47% by Brookfield Group with limited liquidity. Implied yields are low, mainly reflecting its very low payout ratio (16% of EPS in FY17) as well as its high management fee structure.

Acquisition of GPT Metro Office Fund by Growthpoint Properties Australia

On 5 April 2016, Growthpoint Properties Australia (Growthpoint) announced a proposal to acquire all outstanding units in GPT Metro Office Fund by way of an off-market takeover bid. The initial consideration was 0.3756 Growthpoint securities plus $1.185 cash for each GPT Metro Office Fund unit. Following an increase in property valuations, the consideration was increased to 0.3968 Growthpoint securities plus $1.25 cash per GPT Metro unit and a cash option of $2.50 per GPT Metro Office Fund unit was offered. The transaction occurred as part of a competitive bidding process with Centuria Metropolitan REIT. Based on the mid-point of the consideration (as assessed by the independent expert) of $2.52, the implied value of the mixed consideration represented an 8.2% premium to NTA as at 30 June 2016, a 21.4% premium compared with the ASX closing price of GPT Metro Office Fund on 1 April 2016 and the one month VWAP. GPT Metro Office Fund was a passive, externally managed A-REIT and owned six A-Grade metropolitan and business park office properties across Sydney, Melbourne and Brisbane. At 30 June 2016, GPT Metro Office Fund had a WALE by income of 5.5 years and 94.9% occupancy. The company had no significant development activity in the year to 30 June

2016. The relatively high premium to NTA given the passive nature of the fund likely reflects the impact of the competitive bidding process as well as that it occurred at a time when A-REITs were trading above NTA.

Acquisition of Aspen Parks Property Fund by Discovery Parks Group

On 14 September 2015, Aspen Group and Aspen Parks Property Fund (Aspen Parks) announced that they had entered into a merger implementation deed whereby the two entities would merge to create a quadruple stapled group in a cash and scrip transaction. Subsequent to this offer, Discovery Parks Group made two unsolicited takeover offers for the fund. On 23 December 2015, Discovery Parks Group had received acceptances from 90% of the unit holders. Aspen Parks at that time owned 26 holiday parks, valued at $190 million, including caravan parks, cabins, camping and self-contained facilities. The significant premium to NTA likely reflects the competitive bidding process and the positive re-rating of A-REITs during this period.

Acquisition of Australian Industrial REIT by 360 Capital Industrial Fund

On 18 December 2014, Fife Capital Funds Limited (Fife Capital), the responsible entity for Australian Industrial REIT (ANI) announced that it had received an unsolicited, indicative and non-binding proposal from 360 Capital, as the responsible entity for 360 Capital Industrial Fund (360 Industrial), to acquire 100% of the units in ANI by way of a trust scheme. On 19 December 2014, 360 Capital announced an unsolicited off-market takeover offer for ANI for consideration of 0.89 units in 360 Industrial Fund plus 3 cents for each ANI unit if before the end of the offer period a member of 360 Capital Group is appointed responsible entity of ANI or in excess of 50% of ANI unitholders accept the offer. On 24 March 2015, the offer was increased to 0.9 units in 360 Industrial Fund plus 4.5 cents for each ANI unit plus 10 cents cash if before the end of the offer period a member of 360 Capital Group was appointed responsible entity of ANI or in excess of 50% of ANI unitholders accepted the offer. As at 31 December 2014, ANI held a portfolio of 16 industrial properties with a combined carrying value of $320.4 million. The substantial premium to NTA likely reflects the revised terms of the offer, the potential to further develop the industrial sites and re-rating of the A-REIT sector over this period.

Acquisition of Folkestone Social Infrastructure Trust with Folkestone Education Trust

On 13 November 2014, Folkestone Real Estate Management Limited, in its capacity as responsible entity of Folkestone Social Infrastructure Trust (FST), announced a merger by way of a trust scheme that would result in Folkestone Education Trust (FET) acquiring 100% of the units in FST. The offer consideration included a cash component of $0.675 per FST unit held and 1.32 securities in FET for every one FST unit held. FST primarily invested in properties within the early education, government and healthcare sectors. As at 30 June 2014, FST reported $116.1 million in total assets.

Acquisition of Mirvac Industrial Trust by AustFunding Pty Limited

On 19 September 2014, Mirvac Funds Management Limited (MFML), the responsible entity of Mirvac Industrial Trust (MIX) announced that it had agreed to a transaction whereby AustFunding Pty Limited would acquire all of the units of MIX in a cash transaction via a trust scheme. The principal activity of MIX was the ownership of an industrial property portfolio in the greater Chicago metropolitan region in the US. As at 30 June 2014, MIX held gross assets of $192.0 million.

Acquisition of Australand Property Group by Frasers Centrepoint Limited

On 4 June 2014, Australand Property Group (Australand) received a conditional proposal from Frasers Centrepoint Limited (Frasers) for the acquisition of all of Australand's securities. The offer consideration was $4.48 per security for a total of $2.6 billion. Australand was a diversified REIT that was involved in property investment and development, property trust management and property management. Its primary focus was around commercial and industrial sectors with some focus on residential development. Australand's property investment division was comprised of 68 industrial (50%) and office (50%) assets located mostly in Melbourne, Sydney and Brisbane. The significant premium to NTA likely reflects Australand's significant development pipeline as well as the competitive bidding process.

Acquisition of Challenger Diversified Property Group by Challenger Life Company Limited

On 11 April 2014, Challenger Australia Listed Property Holding Trust, a related entity of Challenger Life Company Limited, announced an off-market takeover offer for all units of Challenger Diversified Property Group (CDI), for cash consideration of $2.74 per unit. CDI was a diversified REIT with an interest in 27 office, retail and industrial properties located in Australia and France. CDI also held the lease on Sydney's Domain car park and engaged in property development activities. CDI was largely a passive investment vehicle, with the majority of earnings generated from its investment properties. As at 31 December 2013, CDI had a total asset value of $888 million. CDI's property portfolio was diversified across the office (59%), retail (19%), industrial (18%) and hi-tech office (4%) sectors predominantly focussed in Victoria, NSW and ACT.

Acquisition of Commonwealth Property Office Fund by DEXUS and CPPIB

On 11 December 2013, DEXUS, in conjunction with CPPIB, announced its intention to make a conditional off-market takeover offer for all of the outstanding units in Commonwealth Property Office Fund for cash and scrip consideration for approximately $1.24 per unit. As at 31 December 2013, Commonwealth Property Office Fund had 25 office assets with a total value of $3.8 billion and WACR of 7.3%. Its property portfolio was concentrated in NSW and Victoria, comprising 46.0% and 30.7% of the total portfolio value respectively. Its property portfolio comprised 13% premium grade property assets and 76% A Grade properties. The transaction followed a competitive bidding process by DEXUS and The GPT Group (GPT). Commonwealth Property Office Fund had a WALE of 4.7 years and an occupancy of 95.6%.

Acquisition of Thakral Holdings Limited by Brookfield Asset Management Inc.

On 19 April 2012, Brookfield Asset Management Inc. (Brookfield) announced a takeover offer of Thakral Holdings Limited (Thakral) at $0.70 per stapled security. On the same date, Brookfield enforced security under debentures which provided Brookfield with a relevant interest in 38.6% of Thakral. The directors unanimously recommended that shareholders reject the Brookfield offer. On 22 August 2012, Brookfield and Thakral entered into an implementation deed whereby Brookfield agreed to increase its offer to $0.81 per stapled security if it became entitled to 90% of Thakral securities, which occurred on 11 September 2012. Thakral's primary activity was investment in hotel, leisure, retail and commercial properties and the management of hotels in Australia. In addition, Thakral was engaged in property development activities. For the year ended 30 June 2012, Thakral's revenue comprised 79% from hotel, retail and commercial investments, and 21% from property development activities.

Acquisition of Charter Hall Office REIT by a Consortium including Charter Hall Group

On 3 January 2012, the Charter Hall Office REIT's (CQO) independent directors announced they had entered into a scheme implementation agreement with a consortium including Charter Hall Group, under which CQO, would receive a cash payment of $2.49 per CQO unit. CQO invested predominantly in high grade office buildings and at 31 December 2011, had an Australian property portfolio with total value of $1.8 billion, geographically diversified across NSW, Victoria, Queensland, South Australia and the ACT. The office portfolio was predominantly high grade assets, with 63% Premium properties and 34% A Grade assets. The portfolio had a WALE of 4.5 years, and an occupancy of 97% and a WACR of 7.8%.

Merger of Abacus Storage Fund with Abacus Property Group

On 13 January 2012, Abacus Property Group (APG) announced its intention to merge with Abacus Storage Fund (Abacus). APG was an internally managed listed stapled entity, with exposure to a diversified portfolio of commercial, retail and industrial property, mortgage investments and property development ventures and property funds management activities. Abacus was an unlisted stapled entity and is one of the largest participants in the Australasian self-storage sector, owning at that time a portfolio of 41 self-storage facilities with 30 in Australia and 11 in New Zealand and a commercial property with a total value of approximately $332 million. Abacus' income was generated from storage rental income, which is subject to fluctuations as a result of the short term nature of the contracts. As such, the discount to NTA in part likely reflected this inherent risk in Abacus' income stream.

Acquisition of Valad Property Group by Blackstone Real Estate Advisors LLC

On 29 April 2011, Valad Property Group (Valad) announced that it had entered into a scheme of arrangement with Blackstone Real Estate Advisors LLC to acquire all of the issued shares in Valad for $1.80 per Valad security. At 31 December 2013, Valad's property portfolio consisted of 27 properties, valued at $569 million in across the office (31%), industrial (28%), bulky goods (24%) and hotel and residential sectors in Australia (88%) and New Zealand (12%). Valad was highly geared and had not paid a distribution since 2008.

Acquisition of Rabinov Property Trust by Growthpoint Properties Australia

On 13 April 2011, Growthpoint Properties Australia and Rabinov Property Trust (Rabinov) jointly announced an off-market takeover by Growthpoint Properties Australia for 100% of Rabinov via a scrip offer. Rabinov was a diversified property investment vehicle which, as at 31 December 2010, had a portfolio of 12 properties valued at $235 million comprising office (69.8%), industrial (28.3%) and retail (2.1%) properties. Whilst spread across Australia, the properties were concentrated in Victoria (70.6% of the property portfolio).

Acquisition of ING Industrial Fund by a Consortium led by Goodman Group

On 24 December 2010, ING Industrial Fund (ING) announced that it had entered into an implementation agreement with Goodman Group and a Consortium, to acquire all the units in ING for cash consideration of $0.546 per ING unit. ING developed, owned and managed a diversified portfolio of industrial properties and business parks, and as at 31 December 2013, had a portfolio of 61 properties valued at $1.0 billion, WALE of 4.5 years and a portfolio WACR of 8.4%.

Acquisition of MacarthurCook Industrial Property Fund by CommonWealth REIT

On 12 July 2010, MacarthurCook Industrial Property Fund (Macarthur) announced that it had received a proposal from CommonWealth REIT to acquire all the units in Macarthur for cash consideration of $0.44 per unit. Macarthur, an unlisted property fund had, as at 30 June 2010, a portfolio of 10 industrial properties valued at $106.1 million across Australia and WALE of 4.6 years.

Acquisition of Westpac Office Trust by Mirvac Group

On 28 April 2010, Westpac Office Trust (WOT) announced it had entered into a scheme implementation agreement with Mirvac Group in relation to an offer by Mirvac Group to acquire all WOT units and instalment receipts for cash or scrip. At 31 December 2009, WOT had a portfolio of 7 properties with a total value of $1.1 billion, WALE of 8.7 years and portfolio WACR of 7.4%. Sydney CBD properties comprised the majority of WOT's property portfolio value, representing 62% of the total portfolio value.

Acquisition of Mirvac Real Estate Investment Trust by Mirvac Group

On 12 October 2009, Mirvac Real Estate Investment Trust (Mirvac REIT) announced that it had received a proposal from Mirvac Group to acquire all the issued units in Mirvac REIT for scrip, or a combination of cash and scrip. As at 30 June 2009, Mirvac REIT had a total portfolio value of $1.0 billion across the retail (36%), commercial (31%), industrial (17%) and hotel (16%) sectors and a WALE of 4.8 years. At the time, Mirvac REIT was approaching financial distress.

Comparable transactions – Investment management business

The following table sets out the market metrics for comparable transactions in the funds management sector.

Table 42: Investment management comparable transaction EBIT multiple analysis

Date	Target	Sector	Consider-ation ($ million)	EV/EBIT Multiple Historical (times)	EV/EBIT Multiple Forecast (times)
Aug 2018	Folkestone Limited	Specialised	206	10.5	na
Aug 2018	Aventus Property Group	Retail	143	na	9.3
May 2017	Armada Funds Management Pty Ltd	Diversified	31	na	6.5
Nov 2016	360 Capital Investment Management Limited	Office/Industrial	102	na	10.1
Jul 2016	GPT Metro Office Management Rights	Office	9	na	na
Jun 2016	Generation Healthcare Management Pty Ltd	Specialised	59	na	na
Nov 2014	Internalisation of Arena	Specialised	11	3.7	na
Dec 2013	Commonwealth Bank of Australia's integrated retail asset management business	Retail	460	9.4	9.5
Dec 2013	Commonwealth Property Office Fund	Office	41	2.9	2.9
Dec 2013	Westfield Group (Australia & New Zealand)	Retail	2,923	13.5	13.5
Nov 2013	GDI Property Group	Office	27	na	na
Jul 2012	Austock Property Funds Management	Specialised	12	na	na
Jun 2012	PFA Diversified Property Trust	Office	5	na	na
Aug 2011	Centro Property group (services business)	Retail	240	6.0	6.8
Aug 2011	Investa Funds Management	Office/Industrial	14	na	na
Jul 2011	Trinity Funds Management Limited	Diversified	9	na	na
Jul 2011	ING Healthcare Pty Ltd (67.5% stake)	Specialised	3	na	na
Oct 2010	ING Industrial Fund	Industrial	23	na	na
Oct 2010	Becton Investment Management Limited	Diversified	6	0.5	na
Feb 2010	Macquarie Group Real Estate Management Platform	Diversified	119	4.8	8.5

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis
na: not available

Table 43: Investment management comparable transaction AUM analysis

Date	Target	AUM ($m)	EV / AUM	EBIT / AUM Historical	EBIT / AUM Forecast
Aug 2018	Folkestone Limited	1,600	13.3%	1.3%	na
Aug 2018	Aventus Property Group	1,900	7.5%	na	0.8%
May 2017	Armada Funds Management Pty Ltd	800	3.8%	na	0.6%
Nov 2016	360 Capital Investment Management Limited	1,397	6.6%	na	0.7%
Jul 2016	GPT Metro Office Management Rights	440	2.0%	na	na
Jun 2016	Generation Healthcare Management Pty Ltd	439	13.3%	na	na
Nov 2014	Internalisation of Arena	375	3.1%	0.8%	na
Dec 2013	Commonwealth Bank of Australia's integrated retail asset management business	13,900	3.3%	0.4%	0.3%
Dec 2013	Commonwealth Property Office Fund	3,824	1.1%	0.4%	0.4%
Dec 2013	Westfield Group (Australia & New Zealand)	38,500	7.6%	0.6%	0.6%
Nov 2013	GDI Property Group	750	3.6%	1.3%	na
Jul 2012	Austock Property Funds Management	555	2.1%	na	na
Jun 2012	PFA Diversified Property Trust	445	1.1%	na	na
Aug 2011	Centro Property group (services business)	6,975	3.4%	0.6%	0.5%
Aug 2011	Investa Funds Management	437	3.2%	na	na
Jul 2011	Trinity Funds Management Limited	650	1.4%	na	na
Jul 2011	ING Healthcare Pty Ltd (67.5% stake)	190	2.6%	na	na
Oct 2010	ING Industrial Fund	2,500	0.9%	na	na
Oct 2010	Becton Investment Management Limited	900	0.7%	1.3%	na
Feb 2010	Macquarie Group Real Estate Management Platform	7,186	1.7%	0.3%	0.2%

Source: S&P Capital IQ, Company financial statements; KPMG Corporate Finance analysis
na: not available

Acquisition of Folkestone Limited by Charter Hall Group

On 22 August 2018, Charter Hall Group entered into a scheme implementation agreement to acquire Folkestone Limited for approximately AUD 210 million on August 22, 2018. Under the transaction, Folkestone shareholders will receive AUD 1.39 per share in cash. Folkestone is an ASX listed real estate funds manager and developer providing real estate wealth solutions for private clients and select institutions. The Company currently provides funds management services to a range of listed and unlisted real estate funds, with total FUM of $1.6 billion as at 30 June 2018 and is engaged in a number of residential and commercial development projects throughout Australia ($76 million development funds employed). Folkestone also has co-investments in a number of the funds that it manages. The transaction occurred at a historical EBIT multiple of 10.5 times (as per 30 June 2018 EBITDA minus depreciation and amortisation charges).

Management internalisation of Aventus Property Group by Aventus Retail Property Fund

On 10 August 2018, Aventus Capital Limited announced it had entered into an implementation deed and sale agreement to internalise the management functions (including investment management, property management and development management services) of the Aventus Retail Property Fund (Aventus) at a consideration of $143 million. Following implementation, Aventus assumed management of an integrated platform comprising interests in the portfolio of 20 large format retail centres valued at approximately $1.9 billion. Management noted in the transaction announcement that the $143 million purchase price represented an FY19 EBIT multiple of 9.3 times and a fee waiver adjusted EBIT multiple of 8.6 times.

Acquisition of Armada Funds Management Pty Ltd by Moelis Australia Limited

On 3 May 2017, Moelis Australia Limited (Moelis) agreed to acquire Armada Funds Management Pty Ltd and associated group companies (Armada) to be operated under the brand Moelis Armada Real Estate Management at a consideration of $30.7 million. At the time of acquisition, Armada had approximately $800 million in assets under management across ten unlisted asset funds managed on behalf of a mixture of institutional and high net worth clients. In its 11 years of operation, Armada has acquired assets across the hotel, office and retail real estate sectors. Management noted in the year ending 30 June 2017 that Armada was expected to generate approximately \$4.7 million of EBIT (excluding costs relating to its sale) of which base management fees account for approximately 65% (this implies a forecast EBIT multiple of 6.5 times).

Acquisition of 360 Capital Investment Management Limited by Centuria Capital Group

On 23 November 2016, Centuria Capital Limited entered into a share sale agreement to acquire 100% issued share capital of 360 Capital Investment Management Limited (CIML) from 360 Capital Property group for a consideration of \$91.5 million plus an additional \$10 million in cash in support of CIML's AFSL and net assets requirements. At the time of acquisition, CIML was the manager of 360 Capital Industrial Fund (TIX), 360 Capital Office Fund (TOF) and four unlisted real estate funds totalling approximately \$1.4 billion in assets under management. As at 30 June 2016, approximately 66% of assets were classed as industrial, 27% as healthcare, 5% healthcare and 2% healthcare. TIX was the largest ASX listed pure rent collecting industrial A-REIT with a portfolio of 37 assets independently valued at approximately \$905 million as at 22 November 2016, occupancy rates of 99.4% and WALE by income of 4.7 years as at 30 June 2016. Comparatively, TOF held a portfolio of 3 assets valued independently at approximately \$208 million as at 22 November 2016, occupancy rates of 99.2% and WALE by income of 4.7 years as at 30 June 2016. The acquisition represented a 10.1 times multiple to forecast FY17 annualised EBIT expected to be generated by the platform (no performance fee was incorporated in this EBIT).

Acquisition of GPT Metro Office Management Rights by Growthpoint Properties Australia Trust

On 1 July 2016, Growthpoint and GPT Management Holdings Limited entered into a facilitation and property rights deed relating to the provision of services and transition of management of GPT Metro Office Fund (GMF) and rights over certain GPT owned properties in Sydney Olympic Park for a consideration of \$9 million, conditional on Growthpoint either holding at least a 50.1% relevant interest in GMF or declaring the Offer unconditional. At 30 June 2016, GMF had approximately \$440 million in assets under management. GMF was a passive, externally managed A-REIT and owned six A-Grade metropolitan and business park office properties across Sydney, Melbourne and Brisbane. At 30 June 2016, GPT Metro Office Fund had a WALE by income of 5.5 years and 94.9% occupancy. The company had no significant development activity in the year to 30 June 2016.

Acquisition of Generation Healthcare Management Pty Ltd by NorthWest Healthcare Properties Real Estate Investment Trust

On 27 June 2016, APN Property Group Limited (APD) announced the sale of 100% of Generation Healthcare Management Pty Ltd to NorthWest Healthcare Properties Real Estate Investment Trust (NorthWest) for a consideration of \$58.5 million. NorthWest announced that Generation Health REIT would remain as a healthcare real estate specialist fund with a strong focus on active portfolio management. At 31 December 2015, the Generation Healthcare REIT owned a total of 17 properties including hospitals, medical centres, laboratories, residential aged care facilities and other purpose built healthcare facilities. The fund had total assets of approximately \$439 million with investments located in Victoria, New South Wales and Queensland.

Management internalisation of Arena REIT by Arena Investment Management Limited

On 4 November 2014, Arena Investment Management Limited announced the execution of an implementation agreement with Citrus II investments Pty Ltd, the ultimate owner of Arena, to internalise Arena REIT's corporate governance and management function to create an internally managed stapled ASX-listed A-REIT and to assume the management of two unlisted wholesale syndicates. The consideration for the transaction was approximately \$10.7 million for the Arena REIT and wholesale funds management rights plus net asset adjustments of approximately \$0.8 million, totalling \$11.5 million. As at 30 September 2014, Arena REIT owned a portfolio containing 178 childcare centres, 11 development sites (with a further four under contract) and seven multi-disciplinary medical centres situated throughout Australia with an aggregate value exceeding \$364 million.

Acquisition of Commonwealth Bank of Australia's retail asset management business by CFS Retail Property Trust

On 18 December 2013, Commonwealth Bank of Australia announced it had entered into an implementation agreement with Commonwealth Managed Investments Limited to internalise the management of CFS Property Trust Group (CFX) for a consideration of $460 million. Upon implementation, CFX was to become one of Australia's largest fully integrated and independently managed retail property groups with approximately $13.9 billion of retail assets under management, approximately 850 property professionals and proven capability in investment management, asset management and corporate services. The acquisition represented a historical EBIT multiple of 9.4 and a forecast EBIT multiple of 9.5 times with earnings including the performance fee of $10.3 million for FY13 and at its maximum rate at the time of $10.2 million per annum for the forecast period.

Acquisition of Commonwealth Property Office Fund by Dexus Property Group

On 11 December 2013, Dexus Property Group (Dexus) announced it had entered into an exclusive, binding agreement with CBA in relation to the management of Commonwealth Property Office Fund (CPA) for a consideration of $41 million. CBA agreed to assist Dexus in assuming management of CPA, should the consortium of Dexus Property Group and Canada Pension Plan Investment Board acquire a 50.1% interest in CPA and be appointed responsible entity. As at 30 June 2013, CPA owned a total of 25 office properties with an occupancy of 96.2% and a WALE of 4.3 years. The acquisition represented a historical EBIT of 2.9 times and a forecast EBIT multiple of 2.9 times. Both multiples are assumed to not include a performance fee component given management were not entitled to a performance fee for FY13.

Restructure and merger of Westfield Retail Trust and Westfield Group (Australia & New Zealand)

On 4 December 2013, Westfield Retail Trust announced a proposal to acquire the Australian and New Zealand business from Westfield Group at a consideration of approximately 2.92bn. Under the terms of the proposal, all operations of Australia and New Zealand Westfield Group were merged to Westfield Retail Trust to form a new entity, Scentre Group. Assets under management were valued at approximately $38.5 billion at the time of the announcement within the retail property sector. Under the new structure, Scentre Group became internally managed, with perceived scope to increase long term returns through its development pipeline and opportunities to joint venture its wholly owned assets. The acquisition represented a historical EBIT of 13.5 times and a forecast EBIT multiple of 13.5 times.

GDI Property Group management internalisation

On 25 November 2013, GDI Property Group (GDI) released its prospectus and PDS for the investment in GDI, an integrated, internally managed property and funds management group involved in the ownership, management, refurbishment, leasing and syndication of office properties. As part of the offer, GDI was to complete the acquisition of GDI Group's funds business, which managed wholesale property trusts. The consideration for the acquisition was $27.3 million (net of performance fees payable). The AUM at the time of acquisition was approximately $750 million and the transaction represented a 2.8 times EBIT multiple (including the base management fee only).

Acquisition of Austock's property funds management business by Folkestone Limited

On 9 July 2012, Austock Group Limited and Folkestone Limited jointly announced the agreement for the sale of all of Austock's shares in its subsidiary Austock Property Funds Management, and related entities in the property funds management business by Folkestone Limited. The consideration for this transaction was approximately $11.5 million (excluding $1.2 million of regulatory capital and NTA settlement adjustments). Austock's property funds management business contained a total of four funds – the ASX listed Australian Education Trust and Australian Social Infrastructure Fund, the unlisted Austock Childcare Fund and the unlisted wholesale CIB fund with gross assets under management of $550 million.

Acquisition of PFA Diversified Property Trust's management rights by Charter Hall

On 28 June 2012, Charter Hall Group announced it had entered into an implementation deed with various entities of Australian Property Growth Fund for the retirement of PFA Diversified Property Trust as the responsible entity, appointment of Charter Hall Direct Property Management Limited as responsible entity, and appointment of PFA Diversified Property Trust as manager. The consideration was a $5 million facilitation fee to Australian Property Growth Fund. Of the $444.5 million in assets under management, approximately 84.6% were classed in the office sector and the remaining 15.4% under retail as at 31 May 2012. We note that an additional $4.8 million was to be paid over six years from a share of PFA's asset disposal and performance fees, resulting in an adjusted implied percentage of assets under management.

Acquisition of Centro Property Group services business

On 9 August 2011, the Centro Properties Group announced that agreement had been reached on the terms upon which various entities within the group were to merge to create a single entity, Centro Retail Australia. As part of this transaction, Centro Property Group's services business was transferred to Centro Retail Australia for approximately $240 million (subject to certain adjustments for working capital) in exchange for Centro Retail Australia securities. As a result of the restructure, assets under management totalled close to $7 billion, making it Australia's second largest manager of retail shopping centres at the date of announcement. The acquisition represented a historical EBIT of 6.0 times and a forecast EBIT multiple of 6.8 times. The multiples are calculated based on recurring fees, which include base fund management fees, property management fees and recoveries.

Acquisition of Investa Property Group by Australian Unity Investments

On 8 August 2011, Australian Unity Investments entered into an agreement with Investa Property Group to acquire the responsible entity for its retail funds business for a consideration of approximately $14 million. The business comprised of three unlisted property funds: Investa Diversified Office Fund (IDOF), which owns an interest in eight office buildings located in Sydney, Brisbane, Melbourne, Canberra, Parramatta, Adelaide and Perth; Investa Fifth Commercial Trust (I5CT), which owns an interest in three office buildings located in Adelaide, Perth1, and Sydney (North Ryde); and Investa Second Industrial Trust (ISIT) which owns two buildings in North Ryde, NSW and one property in Acadia Ridge, Queensland. In aggregate, the three funds had assets under management of approximately $437 million at the date of the announcement. IDOF and I5CT represented approximately 89% of total AUM with a focus on the office sector, whilst ISIT represented the remaining 11% with an industrial sector focus.

Acquisition of Trinity Funds Management Limited by LaSalle Investment Management

On 15 July 2011, Trinity Limited announced the sale of its 50% stake in Trinity Funds Management Limited (TMFL) together with certain assets of Trinity Funds Management Services Pty Ltd for a consideration of $9.25 million plus net tangible assets to LaSalle Investment Management (LaSalle). Clarence Property Corporation Limited (Clarence), the co-owner of TMFL also sold its 50% investment to LaSalle. At the date of the announcement, TFML managed four funds with assets under management of approximately $650 million. As at 31 December 2010, the largest fund, Trinity Property Trust had approximately $510 million in assets under management of which 62.4% were office assets, 20.6% retail assets, 10.5% industrial and 6.4% classed as other assets.

Acquisition of ING Healthcare Pty Ltd (67.5% acquisition) by APN Property Group

On 7 July 2011, ING Management Limited, the responsible entity of ING Real Estate Healthcare Fund (IHF) announced it had entered into an implementation agreement with APN Property Group Limited (APN) relating to the proposal for a change in responsible entity of IHF for a consideration of $3.3 million for the acquisition of a 67.5% interest in IHF's manager, ING healthcare Pty Ltd. IHF had approximately $190 million in total assets under management across six healthcare properties including hospitals, medical centres, rehabilitation facilities, laboratories and other purpose-built healthcare facilities. The acquisition represented a forecast EBIT multiple of 6.8 times. No breakdown of performance fee has been included.

Acquisition of ING Industrial Fund by Goodman Group led Consortium

On 24 December 2010, ING Management Limited, as responsible entity of ING Industrial Fund (IIF), entered into an implementation agreement with a consortium led by Goodman Group for the acquisition of all ordinary units in IIF. Separately, ING Group received $22.5 million from the consortium for ING Group giving up the opportunity to receive revenue in relation to the ongoing management of IIF. The ING Industrial fund had $2.5 billion AUM at the time of the acquisition.

Acquisition of Becton Investment Management Limited by 360 Capital Group

On 6 October 2010, 360 Capital Group Limited entered into a conditional agreement to acquire Becton Investment Management Ltd from Becton Property Group Limited. Becton Investment Management Ltd had $900 million AUM at the time of the acquisition. Under the proposal, 360 Capital made an upfront initial cash payment, of $2 million, and agreed to a revenue share agreement over the subsequent three years. The acquisition represented a historical EBIT of 0.5 times. No breakdown of performance fee was included for this transaction.

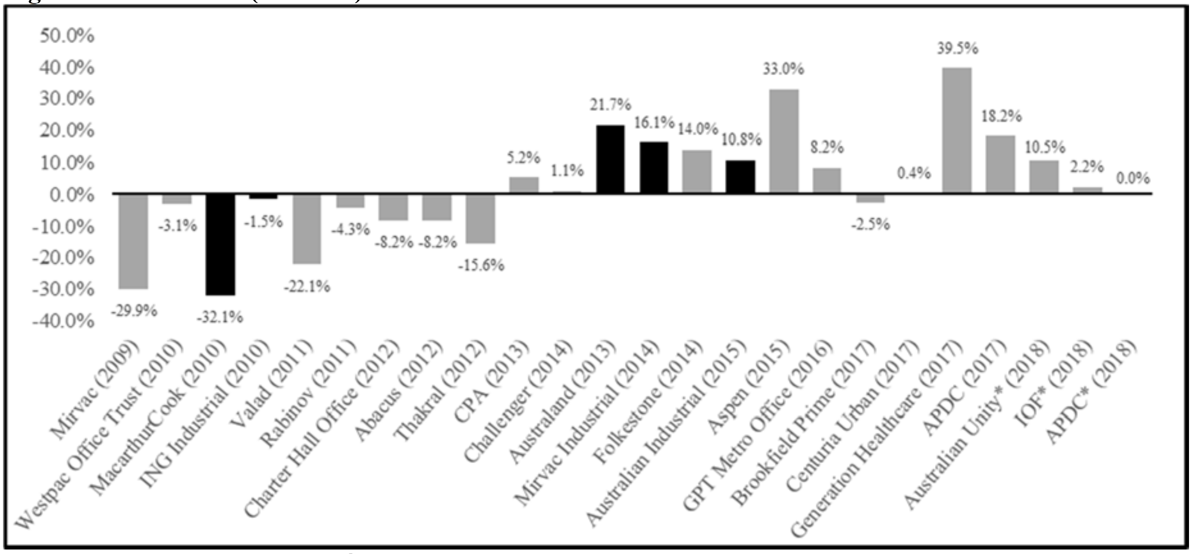
Acquisition of Macquarie Group's real estate management platform by Charter Hall Group

On 12 February 2010, Charter Hall Group announced that it had agreed to acquire the majority of Macquarie Group's core real estate management platform comprising management of two listed and three unlisted real estate funds, and co-investment in Macquarie Office Trust (office focus), Macquarie Country Wide Trust (retail focus) and Macquarie Direct Property Fund (diversified) (total AUM was approximately $7.2 billion). The consideration for this transaction was $108 million and a $15 million earn-out conditional on the performance of the platform. The total consideration including the earn-out was $119 million. The acquisition represented a historical EBIT of 4.8 times and a forecast EBIT multiple of 8.5 times. No breakdown of performance fee was included for this transaction.

Comparable transactions – Premiums/discounts to NTA

Premiums/discounts to NTA for transactions involving A-REITs (that do not have material funds management businesses) following the onset of the global financial crisis in 2008 are illustrated as follows:

Figure 24: Premium/ (discount) to NTA in A-REIT transactions



Source: KPMG Corporate Finance analysis
*Notes: *Australian Unity, Asia Pacific Data Centres (2018) and Investa Office Fund transactions are announced but pending completion*

Premiums/(discounts) to NTA largely reflect the stage of the property cycle at the time of the transaction (as well as factors specific to each A-REIT):

- in the period from 2009 to 2012, transactions generally occurred at a discount to NTA. This period was characterised by write downs in property valuations (generally, with a lag), deleveraging and the sale of overseas and non-core assets. A number of A-REITs were likely approaching financial distress (Mirvac[45], MacarthurCook[46] and Valad[47])
- the transactions from 2013 to 2015 occurred at a significant premium to reported NTA, largely reflecting an expectation of rising property valuations (with a lag). Other factors that have influenced premiums paid in recent transactions include the presence of substantial development activities (Australand), and the competitive bidding process involved in the acquisitions of Aspen Park, Australand and Commonwealth Property Office Fund. Folkestone and Aspen were focused on specialist property sectors (social infrastructure and holiday parks, respectively)
- premiums observed in transactions that occurred from 2016 are generally lower ((2.5)% to 39.5%), with premiums decreasing over time. The high end of this range is represented by Generation Healthcare, which was exposed to the strongly performing healthcare sector and had a substantial development pipeline, GPT Metro Office Fund and Asia Pacific Data Centres (2017), which involved a competitive bidding process and Australian Unity, which has a number of properties under development (we note this transaction is still pending also).

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[45] The independent expert noted that Mirvac had a high level of financial gearing at the time of the transaction and had minimal headroom before it would be in breach of some its debt covenants, in particular the gearing and ICR covenants. We also note that Mirvac's most recent property valuation resulted in a 11.7% asset devaluation and the independent expert noted that the market may have been expecting further asset devaluations which also would have contributed to the substantial discount to NTA

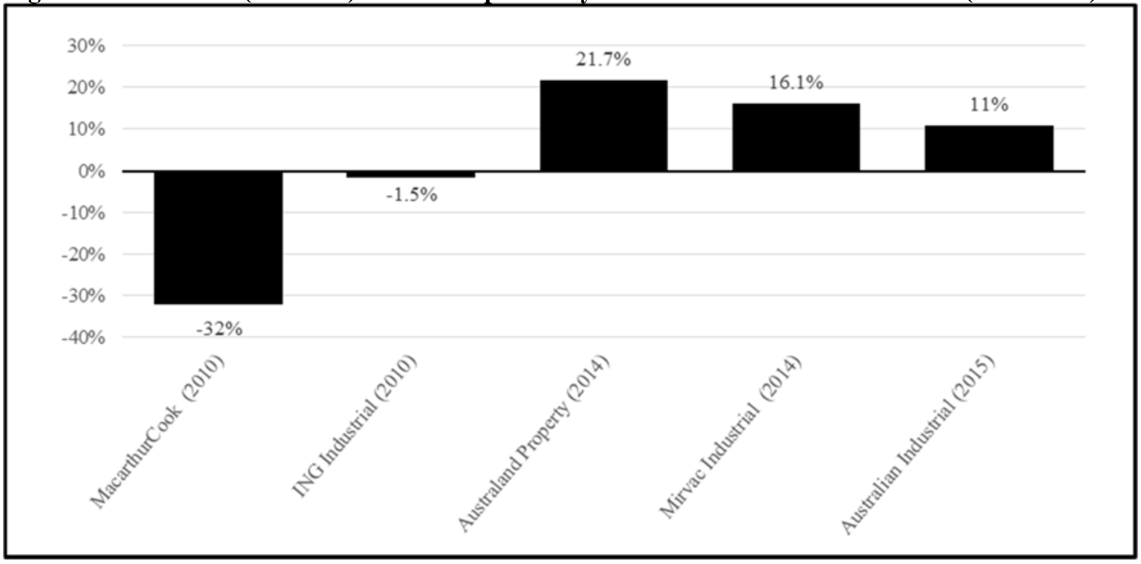
[46] MacarthurCook had significant debt maturing in August 2010 and had recently had a loan to value ratio of 58% (close to the maximum allowed under its loan covenant)

[47] Valad was highly geared and had not paid a distribution since 2008

Excluding these transactions, premiums observed for recent transactions have been in the range of (2.5)% to 2.2%. We note however that none of these recent transactions are highly comparable to Propertylink as they are focused in either the office sector or specialised markets, such as data centres.

Propertylink is an internally managed A-REIT with a property portfolio focused in the industrial sector. Premiums/(discounts) to NTA observed in acquisitions of primarily industrial A-REITs are illustrated in the following chart.

Figure 25: Premium/(discount) to NTA in primarily industrial A-REIT transactions (since 2010)



Source: KPMG Corporate Finance analysis

In regard to the observed premiums/(discounts) to NTA, we note that similar to Propertylink, each of the REITs was focused in the industrial property sector, however were mostly externally managed. In relation to these transactions:

- MacarthurCook Industrial Fund (MacarthurCook) (2010 transaction) was an unlisted property fund that had portfolio of 10 industrial properties valued at $106.1 million across Australia and WALE of 4.6 years. The fund had significant debt maturing in August 2010 and had recently had a loan to value ratio of 58% (close to the maximum allowed under its loan covenant) which likely explains the significant discount (32%) to NTA
- ING Industrial Fund (ING Industrial) (2010 transaction) was an externally managed A-REIT that provided property investment, property services and property development activities in the industrial property sector (namely industrial estates, warehouse distributions facilities and business parks), with approximately 80% of the properties classified by its management as prime properties. As at 31 December 2010, the portfolio included 61 properties valued at $1.0 billion and had 98% occupancy, a WALE of 4.5 years and a portfolio WACR of 8.4%. We note that 14% of its portfolio was in Europe. At the time of the transaction, overseas investments were perceived to be higher risk than Australian investments. Notwithstanding ING Industrial's intention to exit these markets over time, the uncertainty in respect of the timing and the proceeds to be realised upon the orderly disposal of these investments likely contributes to the discount to NTA
- Australand Property Group (Australand) (2014 transaction) had a $2.3 billion property portfolio which was comprised of 68 industrial (50%) and office (50%) assets located mostly in Melbourne, Sydney and Brisbane. The total portfolio had a WACR of 7.98% and a WALE of 5.3 years, with the WALEs of the industrial and office portions being 5.8 years and 4.8 years respectively. The significant premium to NTA

likely reflects Australand's significant development pipeline (circa $1.8 billion)[48] as well as the competitive bidding process

- the principal activity of Mirvac Industrial Trust (Mirvac) (2014 transaction) was the ownership of a $192 million industrial property portfolio in the greater Chicago metropolitan region in the US. This transaction is therefore not comparable given the lack of exposure to Australia's industrial property market
- the Australian Industrial REIT (Australian Industrial) property portfolio (2015 transaction) was valued at $320 million as at 31 December 2014 with a WACR of 8.1% and WALE of 4.6 years. The portfolio was almost exclusive to the industrial sector (circa 97%), with primary exposure to the transportation (31%), materials (22%) and food, beverage and tobacco (18%) sub-sectors. The premium to NTA likely reflects the revised terms of the offer, the potential to further develop the industrial sites and re-rating of the A-REIT sector over this period.

Excluding the MacarthurCook transaction (which was heavily impacted by its debt profile) and Mirvac (which was exclusive to the US property market), these transactions indicate a premium/(discount) in the range of (1.5%) to 21.7% to NTA for an industrial specific A-REIT. At the high end of this range is Australand Property, which had a substantial development pipeline at the time of the acquisition. Excluding Australand, leaves ING Industrial (which occurred at a (1.5)% discount to NTA) and Australian Industrial (which occurred at a 11% premium to NTA), the most comparable being Australian Industrial. We note however neither of these transactions are directly comparable and reflect different stages of the property cycle, with premiums for acquisitions declining since 2015. On the basis of the above, we do not consider a premium or discount to NTA to be appropriate.

[48] At the time, management had indicated that the future pipeline was expected to be supported by the 255ha industrial landbank held by Australand (estimated end value of the development pipeline from this landbank was $1.8 billion)

Appendix 5 – Overview of valuation methodologies

Capitalisation of earnings

An earnings based approach estimates a sustainable level of future earnings for a business (maintainable earnings) and applies an appropriate multiple to those earnings, capitalising them into a value for the business. The earnings bases to which a multiple is commonly applied include revenue, EBITDA, EBIT and NPAT.

In considering the maintainable earnings of the business being valued, factors to be taken into account include whether the historical performance of the business reflects the expected level of future operating performance, particularly in cases of development, or when significant changes occur in the operating environment, or the underlying business is cyclical.

With regard to the multiples applied in an earnings based valuation, they are generally based on data from listed companies and recent transactions in a comparable sector, but with appropriate adjustment after consideration has been given to the specific characteristics of the business being valued. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands. That is there is no premium for control incorporated within such pricing. They may also be impacted by illiquidity in trading of the particular stock. Accordingly, when valuing a business en bloc (100%) we would also reference the multiples achieved in recent mergers and acquisitions, where a control premium and breadth of purchaser interest are reflected.

An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach or where the entity subject to valuation operates a mature business in a mature industry or where there is insufficient forecast data to utilise the DCF methodology.

Discounted cash flow

Under a DCF approach, forecast cash flows are discounted back to the Valuation Date, generating a net present value for the cash flow stream of the business. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the Valuation Date to give an overall value for the business.

In a DCF analysis, the forecast period should be of such a length to enable the business to achieve a stabilised level of earnings, or to be reflective of an entire operation cycle for more cyclical industries. Typically a forecast period of at least five years is required, although this can vary by industry and by sector within a given industry.

The rate at which the future cash flows are discounted (the Discount Rate) should reflect not only the time value of money, but also the risk associated with the business' future operations. This means that in order for a DCF to produce a sensible valuation figure, the importance of the quality of the underlying cash flow forecasts is fundamental.

The Discount Rate most generally employed is the WACC, reflecting an optimal (as opposed to actual) financing structure, which is applied to unleveraged cash flows and results in an Enterprise Value for the business. Alternatively, for some sectors it is more appropriate to apply an equity approach instead, applying a cost of equity to leveraged cash flows to determine equity value.

In calculating the terminal value, regard must be had to the business' potential for further growth beyond the explicit forecast period. This can be calculated using either a capitalisation of earnings methodology or the 'constant growth model', which applies an expected constant level of growth to the cash flow forecast in the last year of the forecast period and assumes such growth is achieved in perpetuity.

Net assets or cost based

Under a net assets or cost based approach, total value is based on the sum of the net asset value or the costs incurred in developing a business to date, plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet.

Net asset value is determined by marking every asset and liability on (and off) the entity's balance sheet to current market values.

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset or cost based methodology is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).

Enterprise or equity value

Depending on the valuation approach selected and the treatment of the business' existing debt position, the valuation range calculated will result in either an enterprise value or an equity value being determined.

An enterprise value reflects the value of the whole of the business (i.e. the total assets of the business including fixed assets, working capital and goodwill/intangibles) that accrues to the providers of both debt and equity. An enterprise value will be calculated if a multiple is applied to unleveraged earnings (i.e. revenue, EBITDA, EBITA or EBIT) or unleveraged free cash flow.

An equity value reflects the value that accrues to the equity holders. To compare an enterprise value to an equity value, the level of net debt must be deducted from the enterprise value. An equity value will be calculated if a multiple is applied to leveraged earnings (i.e. NPAT) or free cash flow, post debt servicing.

PART TWO – FINANCIAL SERVICES GUIDE

Dated 19 November 2018

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd **ABN 43 007 363 215**, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) **(KPMG Corporate Finance)** and Mr Ian Jedlin as an authorised representative of KPMG Corporate Finance, authorised representative number 404177 and Mr Sean Collins as an authorised representative of KPMG Corporate Finance, authorised representative number 404189 (Authorised Representative).

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representative and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representative are authorised to provide
- how KPMG Corporate Finance and its Authorised Representative are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representative
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representative has been authorised by KPMG Corporate Finance.

This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products.

The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by Propertylink (Client) to provide general financial product advice in the form of a Report to be included in the Target's Statement (**Document**) prepared by the Client in relation to the proposed acquisition by ESR of all the issued Propertylink Securities (**Proposal**).

You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Proposal.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance $250,000 for preparing the Report. KPMG Corporate Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report.

KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representative is a partner in the

KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representative and not by the KPMG Partnership.

From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

KPMG entities have provided, and continue to provide, a range of advisory services to Propertylink and related entities for which professional fees are received. None of those services have related to the transaction or alternatives to the transaction. No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representative know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representative cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 08
Facsimile: (03) 9613 6399 Email: info@fos.org.au.

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:

KPMG Corporate Finance
A division of KPMG Financial Advisory Services (Australia) Pty Ltd
ITS 3, International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7200

Ian Jedlin and Sean Collins
C/O KPMG
PO Box H67
Australia Square
NSW 1213
Telephone: (02) 9335 7000
Facsimile: (02) 9335 7000

Corporate Directory

PROPERTYLINK

Level 29
20 Bond Street
Sydney NSW 2000 Australia

FINANCIAL ADVISERS

Goldman Sachs Australia Pty Limited
Level 46, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000 Australia

J.P. Morgan Securities Australia Limited
Level 18, J.P. Morgan House
85 Castlereagh Street
Sydney NSW 2000 Australia

LEGAL ADVISER

Herbert Smith Freehills
ANZ Tower, 161 Castlereagh Street
Sydney NSW 2000
Australia

PROPERTYLINK SECURITY REGISTRY

Computershare Investor Services Pty Limited
Level 4
60 Carrington Street
Sydney NSW 2000 Australia

PROPERTYLINK SECURITYHOLDER INFORMATION LINE

1300 889 468 (for callers within Australia)

+61 2 8022 7954 (for callers outside Australia)

between 9.00am and 5.30pm (Sydney time), Monday to Friday (excluding national public holidays).

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