Eildon Capital Limited

ACN 059 092 198

NOTICE OF EXTRAORDINARY GENERAL MEETING

Date:	**13 November 2020**
Time:	**10:00 am**
Place:	**Suite 40.04, Level 40, 1 Farrer Place, Sydney NSW 2000**

This Extraordinary General Meeting relates to the proposed acquisition by Eildon Capital Limited of all of the issued shares in Eildon Funds Management Limited from CVC Limited (the **Internalisation**). The Independent Expert has concluded that the Internalisation is fair and reasonable to the non-associated securityholders.

Table of contents

NOTE: Capitalised terms used in this document are defined in the Glossary.

Key dates

Due date for lodgement of Proxy Forms	10:00 am on 11 November 2020
Record date	7:00 pm on 11 November 2020
Extraordinary General Meeting	13 November 2020

NOTE: The above timetable is indicative only. The Company may vary any of the above dates subject to the Corporations Act, the Listing Rules and any other applicable law.

Important information

The Notice of Meeting is dated 12 October 2020.

A copy of this Notice of Meeting has been lodged with ASIC and ASX. ASIC and ASX do not take any responsibility for the contents of this Notice of Meeting.

This Notice of Meeting does not take into account the individual investment objectives, financial situation or particular needs of any person. Shareholders should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser before deciding whether or not to approve the Resolution set out in the Notice of Meeting.

The Group plans to physically hold the Meeting at Suite 40.04, Level 40, 1 Farrer Place, Sydney NSW 2000, but will take precautionary measures to manage the health and safety of shareholders, employees and other interested parties. Australian governments have implemented a number of restrictions and guidelines including those in relation to travel, public gatherings and social distancing which are regularly being reviewed and subject to change. Accordingly, to the extent possible, the Directors and management do not intend to attend the Meeting in person, but participate via online or telephone facilities.

Given the present circumstances, the Company encourages all shareholders to submit their votes by proxy (in accordance with the procedures set out in this Notice of Meeting) and not attend the Meeting in person. Instead, the Company intends to provide Shareholders with online or telephone facilities should they wish to view and hear the Meeting despite not being physically present. Supplementary instructions including details of these facilities will be provided to Shareholders in advance of the Meeting and no later than two business days prior to the Meeting.

The Company will implement the applicable Australian and New South Wales government restrictions and guidelines for COVID-19 at the Meeting, which may prevent Shareholders from attending the Meeting in person.

Financial amounts in this Notice of Meeting are expressed in Australian dollars unless otherwise stated.

This Notice of Meeting is governed by the law in force in New South Wales, Australia.

Corporate directory

Directors – Eildon Capital Limited
Mr James Davies (Chairperson)
Mr Mark Avery
Ms Michelle Harpur
Mr Craig Treasure

Directors – Eildon Funds Management Limited
Mr Mark Avery
Mr John Hunter
Mr Jonathan Sim

Company Secretary – Eildon Capital Limited and Eildon Funds Management Limited
Mr John Hunter

Registered office
Suite 4, Level 6, 330 Collins Street
MELBOURNE VIC 3000
Australia

Website
https://www.eildoncapital.com/

Share registry
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
SYDNEY NSW 2000
Australia
Telephone: 1300 787 272

Enquiries

If you have any queries about the matters set out in this Notice of Meeting, please contact John Hunter, Company Secretary, on +61 2 9087 8000 during business hours.

Letter from the Chair of the Independent Board Committee

Dear Shareholders

Eildon Capital Group (the **Group**) is a stapled entity comprising Eildon Capital Limited (the **Company**) and Eildon Capital Trust (the **Trust**).

Eildon Funds Management Limited (the **Manager**) is the investment manager of the Group and is the responsible entity for the Trust. The Manager is a wholly-owned subsidiary of CVC Limited (**CVC**). CVC holds approximately 45.53% of the Group's stapled securities.

On 25 September 2020, the Group announced that the Company had entered into a share purchase agreement with CVC whereby the Company would acquire all the issued shares in the Manager from CVC (**Internalisation**).

The Internalisation is subject to approval by the Company's shareholders, which approval is sought at this extraordinary general meeting of the Company. Subject to shareholder approval, the Company will pay $4,000,000 to CVC for 100% of the shares in the Manager. This consideration is to be funded from a combination of existing cash and a cross-staple loan from the Trust to the Company, which is proposed to be repaid from profits generated by the Manager (if any).

Advantages of the Internalisation

- **Independent Expert's conclusion** – the Independent Expert has concluded that the Internalisation is fair and reasonable to the non-associated Securityholders.
- **Alignment** – having a dedicated, aligned team focussed purely on finding opportunities for the benefit of the Group.
- **Increased co-investment opportunities** – increase the investment scope of the Group by facilitating co-investment into qualifying transactions that would otherwise be too large to invest in alone (i.e. investment partnerships) or would not meet investment return but with additional fee income earned on third party capital (i.e. pari passu investment and subordinated positions).
- **Increased revenue opportunities** – allow the Group to generate revenue from investment where it does not invest capital, by solely managed third party capital.
- **Growth opportunities** – exposure to a successful funds management business providing potential for share price growth above NTA.
- Increased awareness, scale and attractiveness of the Group's business.

More details on the advantages of the Internalisation are set out in section 2.8.

Disadvantages of the Internalisation

- Shareholders may disagree with the recommendations of the independent directors of the Company and/or the conclusions of the Independent Expert about the benefits of the Internalisation.
- The Internalisation will result in the Group transforming from an externally managed investment vehicle to an internally managed investment vehicle. Those Securityholders who invested in the Group for exposure to an externally managed investment vehicle may not be attracted to the investment profile of the Group.
- Shareholders who are not in favour of the Internalisation may seek to sell their Stapled Securities. Depending on the supply and demand for Stapled Securities, post-Internalisation selling may place downward pressure on the security price.

- There are risk factors involved in the internalisation of the Group's management functions. A summary of those risks are set out in section 2.6.

More details on the disadvantages of the Internalisation are set out in section 2.9.

Independent Expert's opinion

A fully copy of the Independent Expert's Report is included as Schedule 1 to the notice of meeting, and I encourage you to review it carefully.

The Independent Expert has concluded that the Internalisation is fair and reasonable to the non-associated Securityholders.

The Independent Expert has determined the consideration payable by the Company falls within the fair market value range of the Manager as determined by the Independent Expert based on a discounted cash-flow model.

Independent Board Committee's recommendation

Mr Mark Avery is both managing director of the Company and director and chief executive officer of CVC. CVC holds approximately 45.53% of the Group's stapled securities. On that basis, the Company has adopted strict governance and information protocols to ensure independent consideration of the Internalisation by the Company and CVC.

The independent directors of the Company (being myself, Ms Michelle Harpur and Mr Craig Treasure) have formed the Independent Board Committee which considered, on behalf of the Company, the Internalisation proposal. The independent directors of CVC (excluding Mr Avery) considered the Internalisation proposal on behalf of CVC.

For the reasons set out in this notice of meeting, the Independent Board Committee has formed the view that the Internalisation is in the best interests of Shareholders. Accordingly, the Independent Board Committee unanimously recommends that you vote in favour of the Internalisation, and each member of the Independent Board Committee intends to vote all Stapled Securities held or controlled by them in favour of the Internalisation. Mr Avery makes no recommendation given he is also a director of CVC.

On behalf of the Group, I would like to thank you for your ongoing support.

Yours sincerely

Mr James Davies
Chair of the Independent Board Committee

Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of the Shareholders of Eildon Capital Limited (**Company**) will be held at Suite 40.04, Level 40, 1 Farrer Place, Sydney NSW 2000 on 13 November 2020 at 10:00 am (Sydney time) for the purpose of transacting the business set out in this Notice of Meeting.

SPECIAL BUSINESS

1 Resolution 1 – Approval of Internalisation

To consider and, if thought fit pass, with or without amendment, the following resolution as an **ordinary resolution** of the Company:

"That, for the purposes of section 208 of the Corporations Act, Listing Rule 10.1 and for all purposes, approval is given for the Company to acquire all the issued shares in the Manager from CVC Limited on the terms and conditions set out in the Explanatory Notes."

Independent Expert's Report

Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of Shareholder approval under Listing Rule 10.1. The Independent Expert comments on the fairness and reasonableness of the Internalisation to the non-associated Securityholders of the Group.

The Independent Expert has concluded that the internalisation is fair and reasonable to the non-associated securityholders.

By order of the boards of the Company and the Manager

John Hunter
Company Secretary
12 October 2020

Voting exclusion statements

Resolution 1	**Section 224 of the Corporations Act** Pursuant to section 224 of the Corporations Act, a vote on the resolution must not be cast (in any capacity) by or on behalf of CVC Limited, being a related party of the Company to whom the resolution would permit a financial benefit to be given or any associate of that person. However, a vote may be cast if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the resolution and it is not cast on behalf of CVC Limited or its associates. **Listing Rules** CVC Limited and any other person who will obtain a material benefit as a result of the Internalisation (except a benefit solely by reason of being a holder of Stapled Securities) and an associate of those persons. However, this does not apply to a vote cast in favour of the resolution by: • a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or • the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or • a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met: ▪ the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and ▪ the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Chairperson's voting intentions

The Chairperson intends to vote undirected proxies on, and in favour of, the proposed Resolution. If there is a change to how the Chairperson intends to vote undirected proxies, the Group will make an announcement to the market.

Voting entitlement

Any person registered as a Shareholder on the Register at 7:00 pm (Sydney time) on 11 November 2020 is entitled to attend and vote at the Meeting.

Registrable transmission applications or transfers registered after the time specified above will be disregarded in determining entitlements to vote at the Meeting.

In the case of Stapled Securities held by joint holders, only one of the joint Shareholders is entitled to vote. If more than one Shareholder votes in respect of jointly held Stapled Securities, only the vote of the Shareholder whose name appears first in the Register will be counted.

Each Shareholder may vote by attending the Meeting in person or by proxy, attorney or, in the case of a corporation which is a Shareholder, by corporate representative.

Voting in person

Any Shareholder entitled to attend and vote at the Meeting who wishes to attend and vote at the Meeting in person will be admitted to the Meeting and given a voting card upon disclosure of their name and address at the point of entry to the Meeting.

Voting by proxy

Any Shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote instead of the Shareholder.

A proxy need not be a Shareholder.

If a Shareholder is entitled to cast 2 or more votes at the Meeting, that Shareholder may appoint 2 proxies. Where 2 proxies are appointed, each proxy may be appointed to represent a specified proportion or number of the Shareholder's voting rights. If the Shareholder does not specify the proportion or number of the Shareholder's voting rights that each proxy is to represent, each proxy will be entitled to exercise half the Shareholder's votes.

A Proxy Form for the Meeting is enclosed. In order to be valid, a properly complete the Proxy Form must be lodged in any of the following ways:

(a) By mail to: Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria, 3001, Australia

(b) By fax to: 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)

(c) Online

   (i) You can appoint a proxy online and submit your voting instructions (if any) by visiting www.investorvote.com.au and following the instructions on the website. To use this online facility, you will need your Shareholder Reference Number (SRN) or Holder Identification Number (HIN), postcode and the six digit PIN shown on your Proxy Form. If you lodge an online proxy appointment in accordance with the instructions, you will be taken to have signed or authorised the Proxy Form.

   (ii) Custodians and nominees with access to Intermediary Online can appoint a proxy online and submit their voting instructions (if any) at www.intermediaryonline.com.

To be valid, your completed Proxy Form must be received by 10:00 am (Sydney time) on 11 November 2020.

Please note that post only reaches the above address on Business Days in Sydney, Australia. A proxy will be admitted to the Meeting and given a voting card upon providing written evidence of their name and address at the point of entry to the Meeting. The return of a completed Proxy Form will not preclude a Shareholder from attending in person and voting at the Meeting.

Voting by attorney

An attorney of any Shareholder entitled to attend and vote at the Meeting may attend the Meeting, and vote on that Shareholder's behalf.

If a Shareholder wishes to vote by attorney at the Meeting, that Shareholder must, if they have not already done so, deliver the original, or a certified copy of, the power of attorney by the methods specified above so that it is received before the Meeting commences or, alternatively, ensure the power of attorney is brought to the Meeting and presented at the point of entry to the Meeting.

A Shareholder's attorney will be admitted to the Meeting and given a voting card upon providing written evidence of their appointment, their name and address and the identity of their appointer (i.e. the Shareholder) at the point of entry to the Meeting.

Voting by corporate representative

A corporation that is a Shareholder must appoint a person to act as its representative to vote at the Meeting (if it does not wish to vote by proxy or attorney). The appointment must comply with the Corporations Act. An authorised corporate representative will be admitted to the Meeting and given a voting card upon providing written evidence of their appointment including any authority under which it is signed, their name and address and the identity of their appointer (i.e. the Shareholder) at the point of entry to the Meeting.

Explanatory Notes

These explanatory notes have been prepared for the information of Shareholders in connection with the business to be transacted at the Meeting.

2 Resolution 1 – Approval of Internalisation

2.1 Background to the Internalisation

The Group is an active property investment vehicle which participates in retail, industrial, residential and commercial opportunities. On 24 April 2020, the Company announced that it had completed a restructure from a company to a stapled company and trust structure.

As part of a continued review of the Group's operations, the Group has considered a transition from an externally managed investment vehicle to an internally managed investment vehicle, to be achieved through the internalisation of the Manger.

On 25 September 2020, the Group announced that the Company had entered into the Share Purchase Agreement with CVC to implement the Internalisation.

2.2 Independent Board Committee

Mr Mark Avery is both managing director of the Company and director and chief executive officer of CVC. CVC holds approximately 45.53% of the Group's stapled securities. On that basis, the Company has adopted strict governance and information protocols to ensure independent consideration of the Internalisation by the Company and CVC.

The independent directors of the Company (being Mr James Davies, Ms Michelle Harpur and Mr Craig Treasure) have formed the Independent Board Committee which considered, on behalf of the Company, the Internalisation proposal. The independent directors of CVC (excluding Mr Avery) considered the Internalisation proposal on behalf of CVC.

2.3 Share Purchase Agreement

On 25 September 2020, the Company entered into a share purchase agreement with CVC under which the Company agreed to buy the shares in the Manager from CVC (**Share Purchase Agreement**).

A summary of the key terms of the Share Purchase Agreement is set out below:

- **purchase price** – the purchase price payable by the Company to CVC for the acquisition of the Manager is $4,000,000. This consideration is to be funded from a combination of existing cash and a cross-staple loan from the Trust to the Company, which is proposed to be repaid from profits generated by the Manager (if any);
- **conditions precedent** – the acquisition is conditional upon:
  - Shareholders passing this Resolution 1 to approve the Internalisation for the purposes of Listing Rule 10.1 and Chapter 2E of the Corporations Act;
  - no material adverse change affecting the Company between the date of the Share Purchase Agreement and completion; and
  - consents to the change of control of the Manager being received from counterparties to material contracts to which the Manager is a party and under which such consents are required;
- **dividend/capital return** – the Manager will be permitted to undertake a dividend or capital return of $1,817,277 to CVC prior to completion (such amount has been determined in order for the Manager to be able to meet minimum net tangible asset requirements under its Australian financial services licence;

- **assignment of Melbourne office lease** – the lease of the premises occupied by the Manager which is currently leased by CVC Managers will be assigned to the Manager (subject to the landlord's consent) and the Company will replace the bank guarantee given by CVC Managers under the terms of the lease; and

- **warranties and indemnities** – the Share Purchase Agreement contains standard warranties and indemnities given by CVC in favour of the Company.

2.4 Ongoing agreements with CVC post-Internalisation

The Manager and EFM Nominee Services Pty Limited (**EFM Nominees**) (a wholly-owned subsidiary of the Manager) a party to a number of services agreements with CVC Managers Pty Ltd (**CVC Managers**), a wholly-owned subsidiary of CVC Limited, under which the Manager and EFM Nominees appoint CVC Managers provides certain fund administration, investment and tax services in respect of funds for which the Manager and EFM Nominees act as trustee (**Services Agreements**).

CVC Managers is the non-exclusive service provider to the Manager / EFM Nominees, and the Manager / EFM Nominees may terminate the relevant Service Agreement on one month's notice to CVC Managers.

A summary of the fees payable under the Services Agreements is set out below.

Service Agreement	Fees
Services Agreement – Eildon Capital Group	CVC Managers charges the following fees to the Manager annually: • $40,000 for fund administration; • $20,000 for tax services; and • investment administration fee of 0.0125% of total funds under management.
Services Agreement – Eildon Debt Fund (**EDF**)	CVC Managers charges the following fees to the Manager annually: • $20,000 for fund administration; • $7,500 for tax services per class of units (currently 13 classes of unit); • $7,500 for registry services per class of units; and • loan administration fee of 0.0125% of total EDF loan book (subject to a minimum of $35,000).
Services Agreement – EAM Berwick Motor Trust	CVC Managers charges a $48,000 annual fee to EFM Nominees for fund administration and management services.
Services Agreement – CVC Caboolture Unit Trust	CVC Managers charges a $60,000 annual fee to the Manager for administration services.
Services Agreement – CVC Elara Town Centre Property Fund	CVC Managers charges a $60,000 annual fee to CVC Elara Pty Ltd[1] for administration services.
Services Agreement – EFM Harpley Town Centre Property Trust	CVC Managers charges a $60,000 annual fee to EFM Nominees for administration services.

The Manager is also party to management agreements with the trustees of funds in which CVC is a substantial or sole unitholder, being the CVC Caboolture Unit Trust, the CVC Elara Town Centre

[1] The Share Purchase Agreement contemplates the CVC Elara Pty Ltd (a wholly-owned subsidiary of CVC) will retire, and EFM Nominees will be appointed, as trustee for the CVC Elara Town Centre Property Fund with effect from completion.

Property Fund and the EFM Harpley Town Centre Property Trust, under which the Manager will be paid the following fees out of the fund's assets:

- a management fee of $10,000 per month; and
- a performance fee calculated on the following basis – once an Investment has achieved an internal rate of return on a cash-paid basis (**IRR**) of 15% per annum commencing at the time the Investment is made, a fee of 5% of the amount by which the IRR on that Investment exceeds 15% per annum. An 'Investment' means either a loan to the relevant fund or a subscription for units in the fund.

The Manager has also entered into a costs recharge deed with CVC Managers which formalises the arrangement whereby Mr Mark Avery and Mr John Hunter provide services to the Manager and the Company (including as managing director and company secretary respectively) and a third of their employee costs are charged to the Manager.

2.5 Pro forma balance sheet

The effects of the Internalisation on the financial position is set out in the pro-forma statement below.

The pro forma statement of financial position below:

- is presented in an abbreviated form and does not contain all the disclosures that are usually provided in an audited statement of financial position that is prepared in accordance with the Corporations Act and the Accounting Standards;
- has been prepared based on the financial position of the Group as at 30 June 2020 by applying the relevant pro forma adjustments described below;
- reflects the position as if the Internalisation had been completed on 30 June 2020; and
- presents the pro forma statement of financial positions and net tangible asset allocation within the Group following the implementation of the Internalisation on 30 June 2020.

Consolidated Statement of Financial Position - FY 2020

ASSETS	**Eildon Capital $'000**	**Eildon Funds Management $'000**	**Pro forma adjustments $'000**	**Pro forma consolidated $'000**
Cash and cash equivalents	8,486	2,447	(5,783)[2]	5,150
Trade and other receivables	51	553	0	605
Loan receivables	30,865	0	0	30,865
Equity investments	6,483	0	0	6,483
Goodwill	0	0	3,713[3]	3,713
Deferred tax assets	284	181	0	465
Other assets	0	4	0	4
Total assets	**46,170**	**3,185**	**(2,071)**	**47,285**
LIABILITIES				
Trade and other payables	1,067	519	0	1,586
Income tax liability	32	562	0	593
Deferred tax liabilities	477	0	0	477
Other liabilities	0	0	34[4]	34
Total non-current liabilities	**1,575**	**1,081**	**34**	**2,690**
NET ASSETS	**44,595**	**2,105**	**(2,105)**	**44,595**
Shares on Issue	40,935			40,935
TA	1.089			1.089
NTA				1.00

2.6 Risk factors

(a) Completion risk

Completion of the Internalisation is subject to a number of conditions as summarised in section 2.3, including Shareholder approval sought by Resolution 1.

(b) Risks associated with business of the Manager

Licences – The areas in which the Manager operates are highly regulated and the Manager is subject to a number of regulatory and licencing regimes. If any of the licences held by the Manager and certain subsidiaries are adversely amended or revoked it may not be possible for that entity to conduct relevant business.

Reputation – The Manager is responsible for managing third-party capital, therefore its reputation and risk framework can impact the success of the Manager's ability to attract new capital. Should the Manager's reputation be damaged, limiting its ability to raise new third-party capital, then the Manager's future earnings may be negatively impacted.

(c) Potential higher operating costs

Following implementation of the Internalisation, the Group will no longer pay management and other fees to an external related party. This means that the Group will be directly exposed to changes in operating costs of the Manager.

[2] The cash and cash equivalents adjustment comprises the following:

- ($4m) paid for the Manager;
- $34,000 for employee entitlements; and
- ($1.817m) dividend paid by the Manager to CVC prior to Completion.

[3] The goodwill adjustment represents value of management rights from the acquisition of the Manager.
[4] The other liabilities adjustment represents the transfer of employee entitlements to the Manager as a result of transfer of staff.

(d) **Management**

The Group will be directly responsible for retaining and attracting quality senior management and staff will no longer be the responsibility of a third party.

(e) **Financial information**

One-off transaction and ongoing operating costs may be higher than forecast and additional revenues from the Internalisation may be lower than forecast. Forecasts by their nature are subject to uncertainties and contingencies, many of which are outside the Group's control. There is a risk that the financial benefits targeted to arise from the Internalisation are not achieved to the extent anticipated or at all.

(f) **Accounting risk**

The difference between the consideration offered under the Internalisation and the fair value of assets and liabilities acquired will be recognised as goodwill, which will be a material amount. Any future impairment of goodwill may have an adverse impact on the reported financial performance of the Group.

(g) **Trading price**

There is no certainty that the Internalisation will maintain or improve the price of Stapled Securities and there may be downward pressure on the price of Stapled Securities if a significant number of Securityholders wish to sell either before or after the Internalisation.

(h) **Contractual risk**

Pursuant to the Share Purchase Agreement (summarised in section 2.3), the Company intends to acquire the shares in the Manager, subject to Shareholder approval sought by this Resolution 1.

The ability of the Company to achieve its stated objectives will depend on the performance by the parties of their obligations under the Share Purchase Agreement. If any party defaults in the performance of their obligations, it may be necessary for the Company to approach a court to seek a legal remedy, which can be costly.

(i) **Service Agreement risk**

The Manager and EFM Nominees have entered into the Services Agreements with CVC Managers which will continue post-Internalisation, the details of which are set out in section 2.4.

If CVC Managers terminates the Services Agreements, the loss of access to key personnel by the Manager / EFM Nominees could have a material adverse effect on the Manager's earnings and/or growth prospects. The Manager would need to engage an alternate service provider or employ relevant personnel, and may not be able to replace the services provided by CVC Managers in a timely manner.

(j) **Regulatory risk**

The regulatory regime governing the Manager's business is subject to change. Changes in laws, regulations and interpretation of those laws and regulations, may positively or negatively affect the Manager and the attractiveness of the Internalisation.

The Group cannot predict what legislative or regulatory changes will be made in the future, or the impact of future legislative or regulatory change on the business of the Manager. Changes to legislation or the manner in which it is interpreted could cause the Manager to cease providing services, or to change the terms of those services, or could affect the extent to which those terms could be enforced. This may have an adverse impact on the financial performance and prospects of the Manager.

(k) **Conflict of interest risk**

CVC is a substantial securityholder in the Group. Also, Mr Mark Avery is the current managing director of the Company, a director of the Manager and is also a director and the current chief executive officer of CVC. This creates a potential for conflicts of interest to arise. The potential conflicts of interest include but are not limited to, the:

(i) assessment and procurement of investment opportunities; and

(ii) the allocation of co-participation in investments between the Group and CVC.

The Manager is required to have in place certain policies and procedures to identify, manage and mitigate conflicts of interest. The Manager also has an obligation to operate efficiently, honesty and fairly. These statutory duties are in addition to the fiduciary duties owed by the Manager to the members of the Trust in its role as trustee. The Manager has implemented policies and procedures to comply with its statutory and fiduciary obligations.

For investment opportunities presented by the Manager to the Stapled Group, the Stapled Group adopts the following process to control and avoid conflicts of interest:

(i) the Group maintains a detailed conflicts register to:

(A) identify potential conflicts to help avoid conflicts occurring in the first instance; and

(B) assess and evaluate the nature and scope of potential conflicts between the Manager and the Group; and

(ii) given the Manager's role is to make investment recommendations to the Group, the board of the Company is required to approve any investment transactions that the Manager wishes to undertake as responsible entity for the Trust.

The Manager, the Company and CVC Limited are party to an investment allocation deed to formalise the process by which the Manager offers potential investment opportunities that could satisfy the investment policies of either CVC Limited or the Group. The investment allocation deed will no longer apply following completion of the Internalisation as the Manager will be a wholly-owned subsidiary of the Group.

Other than the investment allocation deed, these policies and procedures will continue to apply post-Internalisation. Despite these policies and procedures, it is possible that the Manager may, in the course of its business, have potential conflicts of interest which may not be managed effectively and may be detrimental to the Group.

2.7 Indicative timetable

An indicative timetable for the Internalisation is set out below:

Date	**Event**
Record date for the Meeting	7:00 pm on 11 November 2020
Extraordinary General Meeting	13 November 2020
If Resolution 1 is passed at the Meeting, the Internalisation is implemented	17 November 2020

2.8 Advantages of the Internalisation

The Independent Board Committee considers that the following advantages may be relevant to Shareholders' decision on how to vote on Resolution 1:

- the Independent Expert has concluded that the Internalisation is fair and reasonable to the non-associated Securityholders;

- having a dedicated, aligned team focussed purely on finding opportunities for the benefit of the Group;
- increase the investment scope of the Group by facilitating co-investment into qualifying transactions that would otherwise be too large to invest in alone (i.e. investment partnerships) or would not meet investment return but with additional fee income earned on third party capital (i.e. pari passu investment and subordinated positions);
- allow the Group to generate revenue from investment where it does not invest capital, by solely managed third party capital;
- exposure to a successful funds management business providing potential for share price growth and decoupling from NTA; and
- increased awareness, scale and attractiveness of the Group's business.

2.9 Disadvantages of the Internalisation

The Independent Board Committee considers that the following disadvantages may be relevant to Shareholders' decision on how to vote on Resolution 1:

- Shareholders may disagree with the recommendations of the Independent Board Committee and/or the conclusions of the Independent Expert about the benefits of the Internalisation;
- the Internalisation will result in the Group transforming from an externally managed investment vehicle to an internally managed investment vehicle. Those Shareholders who invested in the Group for exposure to an externally managed investment vehicle may not be attracted to the investment profile of the Group;
- Shareholders who are not in favour of the Internalisation may seek to sell their Stapled Securities. Depending on the supply and demand for Stapled Securities, post-Internalisation selling may downward pressure on the security price; and
- there are risk factors involved in the internalisation of the Group's management functions. A summary of those risks are set out in section 2.6.

2.10 Independent Expert's Report

The Independent Board Committee appointed the Independent Expert to prepare a report to provide an opinion as to whether or not, in the Independent Expert's opinion, the proposed acquisition of the shares in the Manager by the Company is fair and reasonable to the non-associated Securityholders of the Group.

Listing Rule 10.5.10 provides that a notice of meeting that seeks approval for a transaction under Listing Rule 10.1 must include an independent expert's report which states whether the transaction is fair and reasonable to holders of the entity's ordinary securities whose votes are not to be disregarded.

The Independent Expert has concluded that the Internalisation is fair and reasonable to the non-associated Securityholders.

The Independent Expert has determined the fair market value range of the Manager between $3,496,000 and $4,670,000, based on a discounted cash-flow model. The consideration payable by the Company to CVC of $4,000,000 falls within this value range.

The Independent Expert's Report sets out various advantages and disadvantages of the Internalisation.

The Independent Board Committee strongly recommends that Shareholders read the Independent Expert's Report in Schedule 1 in full.

2.11 Listing Rule 10.1

Listing Rule 10.1 provides that a listed company must not acquire or agree to acquire a substantial from, or dispose of or agree to dispose of a substantial asset to any of the following persons, unless it obtains the approval of its shareholders:

(a) a related party;

(b) a child entity;

(c) a person who is, or was at any time in the 6 months before the transaction or agreement, a substantial (10%+) holder in the entity;

(d) an associate of a person referred to in paragraphs (a) to (c) above; or

(e) a person whose relationship to the entity or a person referred to in paragraphs (a) to (d) above is such that, in ASX's opinion, the transaction should be approved by security holders.

Under Listing Rule 10.2, an asset is "substantial" if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules.

The acquisition of the shares in the Manager by the Company is considered an acquisition of a "substantial asset" as the value of the consideration will be more than 5% of the equity interests of the Group.

Approval under Listing Rule 10.1 is required because CVC is currently a substantial (10%+) holder in the Group and/or a related party.

Resolution 1 seeks the required shareholder approval to the Internalisation under and for the purposes of Listing Rule 10.1

If Resolution 1 is passed, the Internalisation will be implemented, subject to the other conditions precedent in the Share Purchase Agreement listed in section 2.3 above being satisfied or waived.

If Resolution 1 is not passed, the Internalisation will not be implemented.

2.12 Chapter 2E of the Corporations Act

Under Chapter 2E of the Corporations Act, a public company cannot give a financial benefit to its related parties unless an exception applies or shareholders have, in a general meeting, approved the giving of that financial benefit to the related party. A "financial benefit" is defined in the Corporations Act in broad terms and includes buying an asset from a related party.

Section 210 of the Corporations Act provides that a company does not need to obtain shareholder approval to give a financial benefit to a related party if the giving of the financial benefit would be reasonable in the circumstances if the related party and the entity were dealing at arm's length (or on terms less favourable than arm's length).

CVC is considered by the Company to be a related party of the Company. The acquisition of the shares in the Manager from CVC will involve the Company giving a financial benefit to CVC.

Notwithstanding the Independent Board Committee considers that the Internalisation would be reasonable in the circumstances if CVC and the Company were dealing at arm's length, the Independent Board Committee considers that it is appropriate that Shareholders approve the Internalisation for the purposes of Chapter 2E of the Corporations Act.

2.13 Information required by section 219 of the Corporations Act and Listing Rule 10.5

The following information is provided to Shareholders as required by section 219 of the Corporations Act:

- the related party to whom Resolution 1 would permit financial benefits to be given is CVC;

- the nature of the financial benefit is a one-off cash payment of $4,000,000 to be paid by the Company to CVC;
- Mr Mark Avery abstains from making a recommendation to Shareholders in relation to Resolution 1, given his capacity as director and chief executive officer of CVC. Mr Avery has an interest in the outcome of Resolution 1 given his role within CVC;
- the Independent Directors (being Mr James Davies, Ms Michelle Harpur and Mr Craig Treasure) recommend that Shareholders vote in favour of Resolution 1 for the reasons stated in section 2.8. The Independent Directors do not have an interest in the outcome of Resolution 1 (other than in their capacity as holders of Stapled Securities); and
- other than the information contained in these Explanatory Notes, the Company and the Directors consider there is no other information that would be reasonably required by Shareholders to consider Resolution 1.

The following information is provided to Securityholders as required by Listing Rule 10.5:

- the Company is acquiring the shares in the Manager from CVC;
- CVC is a substantial (10%+) holder in the Company and therefore the acquisition of the shares in the Manager by the Company requires approval under Listing Rule 10.1.3. CVC is also considered a related party of the Company which therefore requires approval under Listing Rule 10.1.1;
- the asset being acquired is all the issued shares in the Manager;
- the consideration to be paid by the Company to CVC is $4,000,000;
- the consideration payable to CVC will be sourced by way of a combination of existing cash and a cross-staple loan from the Trust to the Company, which is proposed to be repaid from profits generated by the Manager (if any). The term of the loan is 4 years and interest is payable on the loan from the Company to the Trust at a rate of 8% p.a.;
- the timetable for completing the acquisition is set out in section 2.7;
- a summary of the material terms of the agreement under which the acquisition is occurring is set out in section 2.3;
- a voting exclusion statement in respect of Resolution 1 is set out on page 7; and
- the Independent Expert's Report is set out in Schedule 1. The Independent Expert has concluded that the Internalisation is fair and reasonable to the non-associated Shareholders.

2.14 Independent Board Committee recommendation

The members of the Independent Board Committee recommend that Shareholders vote in favour of Resolution 1, for the reasons set out in section 2.8.

Glossary

In this Notice of Meeting, unless the context or subject matter otherwise requires:

ASX	means ASX Limited (ABN 98 008 624 691) or the financial market operated by it.
Board	means the board of Directors.
Business Day	has the meaning given to that term in the Listing Rules.
Chairperson	means the chairperson of the Board.
Company	means Eildon Capital Limited ACN 059 092 198.
CVC	means CVC Limited ACN 002 700 361.
CVC Managers	means CVC Managers Pty Ltd ACN 108 360 372, a wholly-owned subsidiary of CVC.
Corporations Act	means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.
Director	means a director of the Company.
EFM Nominees	means EFM Nominee Services Pty Limited ACN 638 082 130, a wholly-owned subsidiary of the Manager.
Group	means the stapled group comprising the Company and the Trust.
Independent Board Committee	means the committee of the board of the Company formed to consider the Internalisation on behalf of the Company, comprising Mr James Davies, Ms Michelle Harpur and Mr Craig Treasure.
Independent Expert	means Grant Thornton Corporate Finance Pty Ltd ACN 003 265 987.
Independent Expert's Report	means the report prepared by the Independent Expert set out in Schedule 1.
Internalisation	means the acquisition by the Company of all the issued shares in the Manager.
Listing Rules	means the official listing rules of ASX and any other rules of ASX which are applicable while the Group is admitted to the official list of ASX, as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
Manager	means Eildon Funds Management Limited ACN 066 092 028.
Meeting	means the general meeting of the Company to be held at the time and place specified in this Notice of Meeting.
Notice	means this document, comprising the notice of extraordinary general meeting, the explanatory notes and all schedules.
Proxy Form	means the proxy form accompanying this Notice of Meeting.
Register	means the register of Securityholders of the Group.
Resolution	means the resolution proposed at the Meeting, as set out in the Notice of Meeting.
Section	means a section of this Notice of Meeting.
Securityholder	means a holder of a Stapled Security.
Services Agreement	has the meaning given in section 2.4.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of a Share.

Share Purchase Agreement	has the meaning given in section 2.3.
Stapled Security	means a Share and Unit that are stapled.
Trust	means Eildon Capital Trust ARSN 635 077 753.
Unit	means a unit in the Trust.
Unitholder	means a holder of a Unit.

Schedule 1 – Independent Expert's Report

Eildon Capital Group

Independent Expert's Report and Financial Services Guide

8 October 2020

Summary of opinion
Grant Thornton Corporate Finance has concluded that the Internalisation is FAIR AND REASONABLE to the Non-Associated Securityholders.

The Independent Directors
Eildon Capital Group
Suite 4, Level 6,
330 Collins Street,
Melbourne, Victoria 3000

8 October 2020

Dear Directors

Independent Expert's Report and Financial Services Guide

Introduction

Eildon Capital Group ("Eildon Capital" or "EDC") is an active property investment group which participates in retail, industrial, residential and commercial opportunities. It is a stapled group comprising Eildon Capital Limited ("the Company") and Eildon Capital Trust ("Trust"). It provides tailored capital solutions for property partners and the transactions are structured to deliver asset backed security positions and enhanced returns for investors. Eildon Capital's largest shareholder is CVC Limited ("CVC") which owns c. 45.5% of the stapled securities in EDC. As at 9 September 2020, EDC had a market capitalisation of A$36.84 million[1] and had reported net assets worth A$44.59 million[2]. EDC is an externally managed investment company and Eildon Funds Management ("EFM") is the fund manager for EDC and the responsible entity for the Trust.

EFM is an alternate real estate investment management firm that invests equity and debt across the entire property spectrum, including core[3], opportunistic[4] and value-add strategies such as re-leasing and repositioning the property. EFM provides funding solutions to the real estate sector, investing capital (as debt and / or equity) on behalf of institutional and wholesale investors in Australia and globally. Having previously held a 40% interest in EFM, CVC acquired the remaining 60% interest in EFM for a consideration of c. A$3.6 million in August 2019. As at 30 June 2020, EFM had a reported net asset value of c. A$2.1 million which primarily comprised cash of A$2.4 million and other net liabilities of c. A$0.3 million.

As at the date of this report, EFM had assets under management ("AUM") of c. A$204.8 million[5] based on the following mandates:

- Eildon Capital Group.

[1] Calculated as the spot share price as at 9 September 2020 of c. A$0.9 multiplied by the number of shares outstanding of 40.94 million.
[2] EDC FY20 Investor Presentation. The reported NTA was impacted by the share buybacks undertaken during FY20. Excluding the impact of share buybacks, the NTA would be c. A$45.24 million.
[3] Core property investments are conservative investments that generate a stable income with very low risk.
[4] Opportunistic property investments are one of the most risky investments with little to no cash flows at acquisition and the potential to generate a large amount of cash flows once value has been added. This type of property has the ability to be rezoned to generate significant uplift in value.
[5] Comprising Eildon Capital (A$45.24 million), Eildon Debt Fund (A$53.23 million) and Eildon Passive Fund / CVC Limited (A$107 million). The Eildon Passive Fund's values are based on an as-if-complete basis based on the Director's valuations.

- Eildon Debt Fund ("EDF") and Eildon Property Investment Fund ("EPIE"): EDF is a contributory mortgage scheme[6] which allows the wholesale investors to have specific exposure to senior loans managed by EFM. EPIE provides investors with an exposure to bespoke loans that do not comply with the mandate of EDF.

- CVC Limited: CVC is a diversified investment company holding investments in listed and unlisted equity and also in real estate. EFM manages the development of some of CVC's properties from which it earns development management fees.

- Eildon Single Purpose[7] Passive Funds ("Passive Funds"): EFM is currently working on the establishment of a Passive Fund in conjunction with a joint venture partner Strategic Property Partner. The Passive Funds will raise external equity capital and acquires properties which are developed by CVC (and being managed by EFM). In addition to the passive fund currently under establishment, EFM expects to establish two more funds.

On 25 September 2020, the Independent Directors of EDC announced that the Company had entered into a transaction to acquire 100% of the issued capital of EFM for a total cash consideration of A$4 million ("Cash Consideration") to internalise the management of EDC ("Internalisation"). The following are some of the key considerations that are included in the share purchase agreement ("SPA").

- *Capital Return:* Prior to the Internalisation, EFM will declare a dividend of c. A$1.8 million to return the excess cash on the balance sheet to CVC. In determining the cash balance available for distribution, EFM have considered the minimum NTA requirements for maintaining its AFSL[8]. As a result of this adjustment, the NTA of EFM prior to Internalisation will comprise cash and cash equivalents that are required for operating the business and are therefore not freely available to be accessed by EDC.

- *Conditions Precedent:* There are a number of conditions precedent to the completion of the transaction including but not limited to obtaining necessary approvals from EDC Securityholders.

The Internalisation is subject to the terms and conditions discussed in section 1 of this IER. If the Internalisation is approved, EFM will become a wholly-owned subsidiary of the Company and EDC will become an internally managed investment group.

The Independent Directors[9] of EDC are expected to vote unanimously in favour of the Internalisation provided the Independent Expert concludes the Internalisation is fair and reasonable to the Non-Associated Securityholders of EDC.

Purpose of the report

The Cash Consideration represents c. 9%[10] of the net asset value of EDC as at 30 June 2020 and CVC is a related party of EDC. Accordingly the Internalisation is a transaction that is covered by ASX Listing Rules 10.1 *Transactions with related parties* ("ASX LR 10.1") and Chapter 2E of the Corporations Act (the "Act").

When preparing this IER, Grant Thornton Corporate Finance had regard to the Australian Securities Investment Commission ("ASIC") Regulatory Guide 111 Contents of expert reports ("RG 111") and Regulatory Guide 112

[6] A Contributory Fund is a fund wherein the Investor has the ability to choose the investment that the Investor wants exposure to unlike typical funds such as exchange traded funds wherein the Investor does not have the ability to tailor his exposure to the underlying constituents of the fund.
[7] These have been referred to as Single Purpose only since each fund that is expected to be set up will comprise a single asset.
[8] Australian Financial Service Licence.
[9] Independent Directors are those that are not associated with CVC.
[10] Calculated as A$4 million divided by reported Net asset value of EDC as at 30 June 2020 of c. A$44.59 million

Grant Thornton
An instinct for growth™

Independence of experts ("RG 112"). The IER also includes other information and disclosures as required by ASIC.

Summary of opinion

Grant Thornton Corporate Finance has concluded that the Internalisation is FAIR AND REASONABLE of the Non-Associated Securityholders[11].

In forming our opinion, Grant Thornton Corporate Finance has considered whether the Internalisation is fair and reasonable to the Non-Associated Securityholders and other quantitative and qualitative considerations.

Fairness Assessment

In forming our opinion in relation to the fairness of the Internalisation to the Non-Associated Securityholders, Grant Thornton Corporate Finance has compared the value per EFM on a control basis to the Cash Consideration.

The following table summarises our valuation assessment:

Fairness assessment A$000 unless stated otherwise	*Section* *Reference*	Low	High
Fair market value of EFM	*Section 6*	3,496	4,670
Cash Consideration		4,000	4,000
Premium/(discount)		**504**	**(670)**
Premium/(discount) (%)		**14.4%**	**(14.3%)**
FAIRNESS ASSESSMENT		**FAIR**	

Source: GTCF Calculations

The Cash Consideration falls within the fair market value of EFM and the Internalisation is therefore fair to the Non-Associated Securityholders. We note that the net tangible assets of EFM at completion is only expected to include the minimum cash balance to comply with the AFSL requirements.

Non-Associated Securityholders should be aware that the valuation of EFM represent the range of possible outcomes for which there are numerous different value comparisons that can be made.

We have assessed the fair market value of EFM by adopting a discounted cash flow method ("DCF Method"). In determining the value range, we have considered a moderate growth and high growth scenario having regard to the historical growth achieved by the business, the pipeline of existing opportunities, the strategic initiatives expected to be completed over the next 12 months to 18 months. We have cross-checked our valuation assessment with a combination of market based[12] methods such as multiple of EBIT ("EBIT Multiple") and a multiple of AUM ("AUM Multiple").

Reasonableness Assessment

RG111 establishes that the offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, there are sufficient reasons for the security holders to accept the offer in the absence of any superior proposal.

[11] EDC Securityholders not associated with CVC.
[12] Market-based approach includes the Earnings before Interest and Tax multiple ("EBIT Multiple") and Asset under Management ("AUM") multiple ("AUM Multiple").

Grant Thornton
An instinct for growth™

In assessing the reasonableness of approving the Internalisation, we have considered the following advantages, disadvantages and other factors.

Advantages

The Offer is fair

If the Internalisation is approved, the Cash Consideration to be paid by the Non-Associated Securityholders is fair.

Stronger and more integrated business than EFM on stand-alone

If the Internalisation is implemented, it will create an enlarged and fully integrated real estate funds management business which should be better positioned to compete in the marketplace, grow its AUM and withstand increasingly volatile market conditions due to the following:

- *Internalised Manager* – EDC will align with a trend towards internalised management, which is now regarded as the industry standard. Since 2004, there has been a trend towards internalising the management of A-REITs and eliminating external management fees, to remove perceived conflicts and enhance the alignment of interests between EDC and EFM.

- *Improved market position* – Following implementation of the Internalisation, all EDC Securityholders, may benefit from an enhanced interest from investors to participate in a fast-growing integrated real estate player and accordingly it may enhance the breath of investors' participation given the market's apparent preference for internally managed real estate trust.

- *Enhanced alignment and corporate governance benefits* – The Management will, following implementation of the Internalisation, be employed and incentivised directly by EDC. Further, the experienced Management team's interest will be more aligned with EDC.

- *Attractiveness as a takeover target* – EDC's attractiveness as a potential takeover target is likely to be enhanced.

- *Increased revenue opportunities* – EDC will be capable of generating revenue without the need of necessarily investing capital by solely managing third party capital.

- *Increased co*-investment opportunities – EDC can increase the investment scope by facilitating co-investment into qualifying transactions that would otherwise be too large to invest in alone (i.e. investment partnerships), or would not meet investment return.

Future potential performance fees

EDC Securityholders may benefit from the receipt of potential future performance fees which may be crystallised upon the proposed transfer of properties currently owned by CVC into the Eildon Passive Funds. The properties currently under development are expected to be transferred into the Eildon Passive Fund at cost and accordingly EDC Securityholders will benefit from value re-rating at market which is expected to trigger the performance fees. Whilst we have not included these performance fees into our valuation assessment as the

Grant Thornton
An instinct for growth™

transfer of the CVC properties has not been completed yet, they definitely represent significant potential upside for EDC Securityholders.

Continuity of Management and protection of the intellectual property

Existing directors and key management are expected to continue in their current roles once the Internalisation is approved. This will ensure that EDC Securityholders continue to benefit from the expertise of the current management after the Internalisation.

Additional sources of capital

EFM intends to further grow its debt portfolio and also commence the Eildon Passive Fund, and this could potentially be accelerated with an internalised management structure. As part of a larger and listed real estate investment company, EFM is likely to be able to access a larger pool of capital which may help pursue its growth initiatives.

Disadvantages

Risk attached to the Eildon Passive Fund

The changes to the CVC mandate[13] has resulted in a significant reduction in the management fee income of EFM. However, EFM is expected to commence the Eildon Passive Funds which will acquire via special purpose vehicles properties that are currently being developed by CVC and its property development partners. The fee income earned from these new property funds are expected to be based on the market value of the assets and they should more than offset the fees lost as a result of changes to the CVC mandate.

Based on the commentary included in CVC Preliminary Report, the properties that are expected to be transferred to the Eildon Passive Fund are progressing in accordance with the plan and no challenges have been identified around these properties.

Impairment of EFM Acquisition

According to the CVC Preliminary Report, the goodwill on acquisition of the remaining 60% interest in EFM completed in August 2019 was c. A$2.9 million[14]. For FY20, given the reduction in the fees received by EFM due to changes to the CVC mandate discussed above, the goodwill on acquisition was impaired from A$2.9 million to A$1.4[15] wherein the recoverable value was calculated using a VIU[16] method based on the income and funds under management as at 30 June 2020 but excluded the impact of the CVC mandate due to the cancelled agreement. Given the VIU method was adopted, CVC was required to consider the existing operations at the time of the acquisition and could not factor in any new strategic business initiatives such as the Eildon Funds that will occur in 2021.

[13] Prior to the Internalisation, the Investment Management Agreement between CVC and EFM was such that CVC charged c. 0.75% of Invested Capital or A$0.5 million per annum whichever is higher. From 1 July 2020, the Investment Management Agreement between CVC and EFM will be such that EFM will earn a fee of A$10,000 per property per month. Presently EFM manages 3 properties on behalf of CVC and the total fee will be c. A$0.36 million per annum.
[14] CVC Preliminary Report FY20 Note 2, Section 2.2.
[15] CVC Preliminary Report FY20 Note 17.
[16] A value-in-use ("VIU") will be based on cash flows that can be estimated for the asset in its current condition. Estimates of future cash flows shall not include estimated future cash inflows or outflows that are expected to arise from future restructuring to which an entity is not yet committed or improving or enhancing the asset's performance.

Notwithstanding this, we understand that there are a number of growth opportunities under way such as the Eildon Passive Fund and a strong pipeline of opportunities for the Eildon Debt Fund which are expected to significantly increase the fee income going forward. The risk attached to the income from these initiatives is reduced by the fact that these properties are currently being developed by CVC and are expected to be transferred to the Eildon Passive Fund over the next 6 to 18 months. The developers on these properties are parties that CVC have previously worked with and has existing relationships which mitigates the development risk.

Other factors

Comparison with the acquisition of 60% of EFM by CVC

In August 2019, CVC acquired 60% of EFM at a purchase price of A$3.6 million based on an independent valuation. This implies that on a 100% basis, the fair market value of EFM would be c. A$6 million. Of this, c. A$0.9 million was performance fee and A$0.75 million is surplus cash. Excluding these values, results in a fair market value of the funds management business of EFM is A$4.3 million.

Our assessed value range of the funds management business of EFM is between A$3.5 million and c. A$4.6 million. We are of the opinion this is not unreasonable given that:

- There has been a change to the CVC mandate which was previously the largest contributor of fees to the assessment undertaken by LEA.
- To replace the fee income lost from changes to the CVC mandate, EFM are in the process of setting up the Eildon Passive Fund which comprises properties that are currently held by CVC. The Eildon Passive Fund is expected to have a longer life than typical debt fund and after these funds are set up, EFM will have a baseline recurring income from managing these properties.
- A pool of potential purchasers with their professional networks and relationships could potentially ascribe some value to the pipeline of opportunities that are currently available with EFM.

Given the above, whilst EFM has lost fees due to changes to the CVC mandate, the new growth initiatives are expected to offset loss revenue so a marginal reduction in value is not unreasonable.

Directors' recommendations and intentions

Subject to the Independent Expert opining that the Internalisation is fair and reasonable to the Non-Associated Securityholders, the Independent Directors of EDC unanimously recommend that all Non-Associated Securityholders vote in favour of the Internalisation.

All the Independent Directors intend to vote or procure to vote in favour of the Internalisation in respect of the EDC Securities that they own or control.

Reasonableness conclusion

In our opinion, the advantages outweigh the disadvantages as set out above and on this basis, it is our opinion that the Internalisation is **REASONABLE** to the Non-Associated Securityholders.

Overall conclusion

After considering the abovementioned quantitative and qualitative factors, Grant Thornton Corporate Finance has concluded that the Internalisation is **FAIR AND REASONABLE** to the Non-Associated Securityholders.

Other matters

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to vote in favour of the Internalisation is a matter for each EDC Securityholder to decide based on their own views of the value of EFM and expectations about future market conditions, EFM's performance, risk profile and investment strategy. If EDC Securityholders are in doubt about the action they should take in relation to the Internalisation, they should seek their own professional advice.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

ANDREA DE CIAN
Director

HELEN LAGIS
Authorised Representative

8 October 2020

Financial Services Guide

1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by EDC to provide general financial product advice in the form of an independent expert's report in relation to the Schemes. This report is included in EDC's Notice of Meeting and Explanatory Memorandum.

2 Financial Services Guide

This Financial Services Guide ("FSG") has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

3 General financial product advice

In our report we provide general financial product advice. The advice in our report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

4 Remuneration

When providing the IER, Grant Thornton Corporate Finance's client is EDC. Grant Thornton Corporate Finance receives its remuneration from EDC. In respect of the IER, Grant Thornton Corporate Finance will receive from EDC a fee of A$50,000 (plus GST), which is based on commercial rates plus reimbursement of out-of-pocket expenses for the preparation of the IER. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

5 Independence

Grant Thornton Corporate Finance is required to be independent of EFM and EDC in order to provide this report. The guidelines for independence in the preparation of independent expert's reports are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with EFM and EDC *(and associated*

entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Internalisation.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Internalisation. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."

6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne, VIC 3001
Telephone: 1800 367 287

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

Grant Thornton
An instinct for growth™

Contents

Grant Thornton
An instinct for growth™

1 Overview of the Internalisation

1.1 Steps to implement the Internalisation

The Internalisation is proposed to be implemented as follows:

- the Company and CVC have entered into a share purchase agreement ('SPA'), under which the Company agrees to purchase, and CVC agrees to sell, all the issued shares in EFM for a Cash Consideration of A$4 million. The other specific terms and conditions are set out below:
  - *Capital Return:* Prior to the Internalisation, EFM will declare a dividend of c. A$1.8 million to return the excess cash on the balance sheet to CVC such that there is sufficient NTA for the EFM to maintain compliance with the requirements of its AFSL.
  - *Conditions Precedent:* There are a number of conditions precedent to the completion of the transaction which are as follows:
    - Obtaining Securityholder approval for purchase of EFM Shares for the purposes of Chapter 2E of the Corporations Act and Chapter 10 of the ASX listing rules.
    - Grant Thornton Corporate Finance Pty Ltd, in its role as the independent expert, opining that the Internalisation is in the best interests of EDC Securityholders.
    - No material adverse changes to EFM between date of the agreement and completion under the SPA.
    - Obtaining the Necessary Consents. The Necessary Consents are to be obtained from Stockland in relation to the property at Marsden Park, NSW and also from Westpac Banking Corporation in relation to EFM's general financing facilities.

Assuming the conditions precedent referred to in the previous point above are satisfied, all the issued shares in EFM will be transferred to the Company on the completion date, the Company will pay the purchase price to CVC and the Internalisation will be implemented.

2 Purpose and scope of the report

2.1 Purpose

The Independent Expert's Report is to accompany a notice of meeting and explanatory memorandum to be sent to the shareholders of the Company to comply with the requirements of ASX Listing Rule ("LR") 10.1 Transactions with Related Party and Chapter 2E Corporations Act (Cth).

Chapter 10 of the ASX Listing Rules

Chapter 10 of the ASX Listing Rules requires the approval from the non-associated shareholders of a company if it proposes to acquire or dispose of a substantial asset to a related party or a substantial holder.

ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration, is 5% or more of the equity interest of the entity as set out in the latest financial statement provided to the ASX. Based on ASX Listing Rule 10.1.3, a substantial holder is a person who has a relevant interest, or had a relevant interest at any time in the six months before the transaction, in at least 10% of the voting power of the company.

ASX Listing Rule 10.10.2 requires that the Notice of Meeting to approve the related party transaction must display prominently an expert's opinion as to whether the transaction is fair and reasonable to the holders of the entity's ordinary securities whose votes are not to be disregarded.

An IER in relation to the Internalisation is required under ASX LR 10 since CVC Limited owns 100% of EFM and 45.5% of EDC and accordingly CVC is a related party of EDC and the purchase of EFM represents a substantial asset.

When preparing the independent expert's report, Grant Thornton Corporate Finance will also have regard to Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 ("RG111") Regulatory Guide 112 ("RG 112"). The independent expert's report will also include other information and disclosures as required by ASIC.

The Company recognises that our Independent Expert's Report will be prepared for the specific purpose as set out above and confirms that neither the whole or part of our report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement other than the notice of meeting without prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

2.2 Basis of assessment

Grant Thornton Corporate Finance has had regard to RG111 in relation to the content of independent expert's report and RG76 in relation to related party transactions. RG76 largely refers to RG111 in relation to the approach to related party transactions.

RG111 establishes certain guidelines in respect of independent expert's reports prepared for the purposes of the Corporations Act. RG111 is framed largely in relation to reports prepared pursuant to Section 640 of the Corporations Act and comments on the meaning of "fair and reasonable" in the context of a takeover offer. RG111 also regulates independent expert's reports prepared for related party transactions in clauses 52 to 63. RG111 notes that an expert should focus on the substance of the related party transaction, rather than the legal mechanism and, in particular where a related party transaction is one component of a broader transaction, the expert should consider what level of analysis of the related party aspect is required.

We note that RG111 clause 56 states the following:

RG111.56 Where an expert assesses whether a related party transaction is 'fair and reasonable' (whether for the purposes of Chapter 2E or ASX Listing Rule 10.1), this should not be applied as a composite test – that is, there should be separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal, as we do not consider this provides members with sufficient valuation information (See Regulatory Guide 76 Related party transactions ("RG76") at RG76.106 – RG76.111 for details.

Accordingly, in the consideration of the Internalisation, the expert should undertake a separate test of the fairness and then analyse the advantages and disadvantages to the Non-Associated Securityholders.

RG111 notes that a related party transaction is:

- Fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the assets being acquired.

- Reasonable, if it is fair, or despite not being fair, after considering other significant factors, shareholders should not vote in favour of the transaction.

In considering whether the Internalisation is fair, we have compared the Cash Consideration to the fair market value of EFM on a 100% and control basis.

In considering whether the Internalisation is reasonable to the Non-Associated Securityholders, we have considered a number of factors, including:

- Whether the Internalisation is fair.

- The implications to EDC and the Non-Associated Securityholders if the Internalisation is not approved.

- Other likely advantages and disadvantages associated with the Internalisation as required by RG 111.

- Other costs and risks associated with the Internalisation that could potentially affect the Non-Associated Securityholders.

2.3 Independence

Prior to accepting this engagement, Grant Thornton Corporate Finance (a 100% subsidiary of Grant Thornton Australia Limited) considered its independence with respect to the Internalisation with reference to the ASIC Regulatory Guide 112 “Independence of Expert’s Reports” (“RG 112”).

Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the Internalisation other than that of an independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Internalisation.

2.4 Consent and other matters

Our report is to be read in conjunction with the Notice of Extraordinary General Meeting and Explanatory Memorandum dated on or around 14 October 2020 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Securityholders in their consideration of the Internalisation. This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Meeting and Explanatory Memorandum.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Internalisation to the Non-Associated Securityholders as a whole. We have not considered the potential impact of the Internalisation on individual Non-Associated Securityholders. Individual securityholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Internalisation on individual shareholders.

The decision of whether or not to approve the Internalisation is a matter for each Non-Associated Securityholder based on their own views of the value of EFM and expectations about future market conditions, EFM’s performance, risk profile and investment strategy. If the Non-Associated Securityholders are in doubt about the action they should take in relation to the Internalisation, they should seek their own professional advice.

Grant Thornton
An instinct for growth™

3 Industry overview

EFM is a property fund manager which offers investment management services. It is responsible for sourcing investment opportunities, completion of transactions, as well as sourcing funding for the deals and the management of all aspects of the various funds it manages. EFM arranges for loans to be provided to property developers, construction contractors engaged in the delivery of commercial and residential property. The portfolio managed by EFM is predominantly residential property loans (>c. 75%) with the balance comprising commercial property loans.

3.1 Impact of COVID-19 on the macro-environment and the industry

COVID-19 is a respiratory illness that initially commenced in China and has spread throughout the world. It was declared a pandemic by the World Health Organisation ("WHO") on 11 March 2020 and one of the many outcomes as a result of the pandemic was the introduction of lockdowns in various countries globally. The pandemic impacted all sectors of the economy (including real estate and construction) and the near-term outlook to the level of activity within the industry is set out below:

- According to Master Builders Australia ("MBA"), the ABS data for March and early April identified employment nationally down by 6.3% and more specifically in the building and construction industry by 5.3%.

- MBA's April 2020 COVID-19 Survey results indicating an average reduction of forward contracts[17] across all sectors of c. 40%.

- MBA published revised forecasts for New Home Buildings and Commercial Buildings which were lower between 12% and 27% for Home Buildings and between 5% and 16% for Commercial Buildings.

The MBA reforecast was undertaken in April 2020 when the lockdown had just started initiated, the near-term outlook was uncertain and responses of Governments to the pandemic was unclear. In August 2020, the Reserve Bank of Australia ("RBA") released its Economic Outlook which noted the following:

On the overall economy in the past few months;

"…the economic contractions induced by health-related restrictions on activity in the June quarter were very large. However, they were not quite as severe as initially expected. The peak-to-trough declines in output and hours worked have been smaller than we had expected in May…"

On the impact of uncertainty on the economy;

"…while the part of the contraction directly attributable to initial health measures turned out to be smaller, general uncertainty and responses to weak demand seem to have accounted for more of the downturn in output and the labour market than earlier envisaged…"

On unemployment which is expected to directly impact demand for commercial property;

[17] Pipeline of new work.

GrantThornton
An instinct for growth™

"...while the decline in total hours worked was smaller than we thought, it was tilted more to job losses rather than declines in average hours than expected. And more of the people who exited employment left the labour force entirely. This implies that there is more spare capacity in the labour market than a straight read of unemployment would suggest…"

On household income which will have an impact on demand for residential property;

"…fiscal policy measures managed to keep aggregate household income broadly steady at the same time that household consumption contracted substantially. Some households have therefore built up buffers of savings – intentionally or otherwise – that they would not normally have accumulated…Household incomes are forecast to decline later in the year when JobKeeper starts taper off and the mutual obligation conditions for JobSeeker are reimposed. But partly because of these accumulated savings, we do not expect this temporary setback to incomes to derail growth in household consumption…"

As a result of the above, the RBA has set out revised forecasts which projects a lesser-than-expected decline in economic activity. The forecast GDP released in May 2020 and August 2020 are set out below:

Extract of RBA Forecasts in May 2020 and August 2020			
% unless stated otherwise	Jun-20	Jun-21	Jun-22
GDP growth (%)			
August 2020	-6%	4%	4%
May 2020	-8%	7%	5%
Real household disposable income (%)			
August 2020	2%	-6%	6%
May 2020	-8%	6%	6%
Dwelling investment			
August 2020	-14%	2%	2%
May 2020	-17%	2%	10%

Source: Reserve Bank of Australia August 2020 Economic Outlook

During August 2020, publicly listed companies released their FY20 results. We have set out below some of the information reported by these companies.

- In relation to rent collections, data reported by Office REITs continues to remain strong. For instance, Centuria Office REIT reported average rent collections of c. 92% during April 2020 to June 2020. Dexus reported a collection of 98% for FY20 and delivered distributions per security in line with its FY19 distributions. Notwithstanding this, the sentiment has been negatively impacted due to COVID-19.

- According to the CBRE Q2 2020 Office Market, enquiry levels are up but the actual deals done remain subdued. Sales volume in H1 2020 were 47% lower than H1 2019.

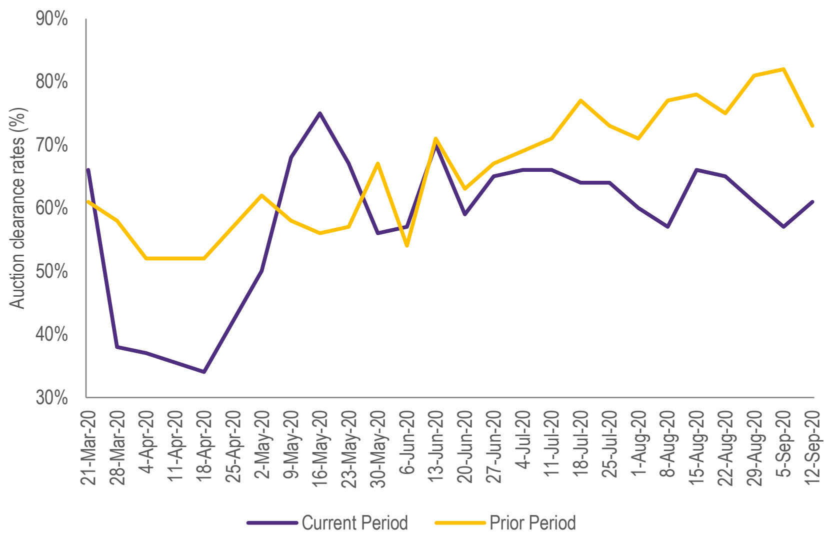
- Face rents have remained steady, however the incentives have increased.

- Other risk factors include a second wave outbreak and an increasing preference for working from home.

Grant Thornton
An instinct for growth™

- According to Commonwealth Bank of Australia ("CBA"), the residential property house prices are expected to decline by 6.2% from peak to trough compared with previous estimates of c. 10%. Similarly, auction clearance rates have steadied relative to March and April 2020 as set out in the graph below:

Sydney[18] weekly auction clearance rates



Source: Domain.com.au Auction Clearance Rates

COVID-19 has had a profound impact on the economy and the near-term outlook for the Australian economy is weak. In spite of this, house prices have declined lesser-than-expected and auction clearance rates have steadied in Sydney. The overall impact of COVID-19 on the economy and the Industry is yet to be fully understood.

3.2 Key Drivers of the Property Market

Set out below are some macroeconomic factors which affect both the property sector and the real estate lending market.

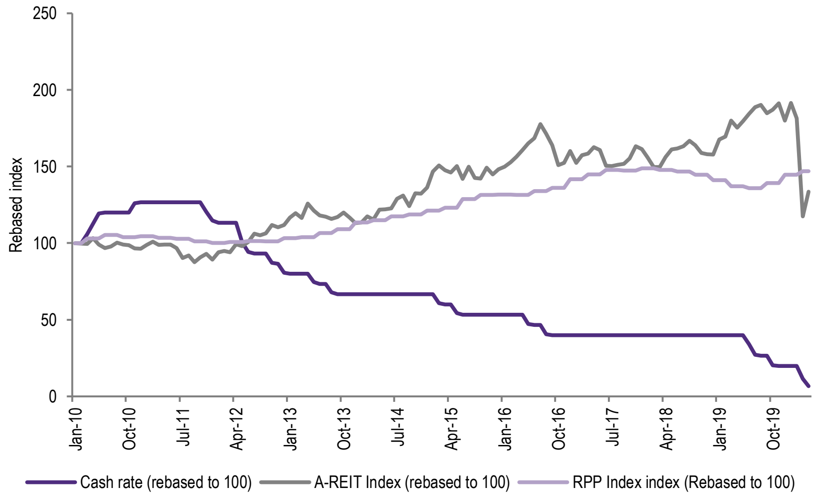
- *Low interest rate environment*: Since the Global Financial Crisis ("GFC"), the RBA has supported low interest rates in the belief that the increased liquidity will help the economy to recover and increase the real GDP growth rate. This stimulus has continued as a result of the outbreak of COVID-19. The reduction in the interest rates has positively impacted the Australian Real Estate industry since the GFC even if it experienced a sharp reduction as a result of the outbreak of COVID-19.

  We have considered the movements in the Residential Property Price ("RPP Index") Index, the S&P ASX 200 A-REIT Index[19] ("A-REIT Index") and the Cash Rate, all of which have been rebased to 100.

[18] EFM has a relatively large proportion of its projects in Melbourne. However, given the lockdown imposed in Melbourne we have not included Melbourne's data as it is not comparable or consistent with the data published elsewhere.
[19] The S&P ASX 200 A-REIT Index is considered as a proxy for the performance of the commercial and industrial properties since the index primarily comprises companies that own commercial and industrial properties.

Grant Thornton
An instinct for growth™

Movements of cash rate, A-REIT index and RPP index (rebased to 100)

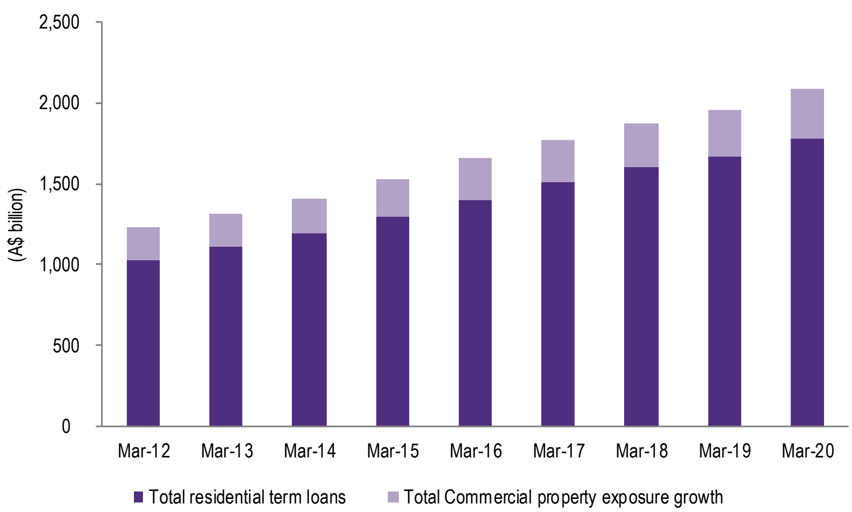


Source: S&P Global, Australian Bureau of Statistics 6416.0 – Residential Property Price Indexes, Reserve Bank of Australia

On 16 September 2020, the US Federal Reserve said it expects interest rates to remain low at least until 2023 and all else equal, this is likely to continue providing support to the Real estate market.

- *Availability of capital* – Low interest rates and supportive prices has positively impacted availability of capital as evidenced by the growth in exposure to commercial, Residential and New House Loans[20] of Authorised Deposit-taking Institutions[21] ("ADIs") has increased its exposure to the Real Estate industry as observed in the graphs below.

ADI's exposure to Commercial & Residential property



Source: Australian Prudential Regulatory Authority

[20] New House Loan is a specific loan that caters for first home buyers
[21] A financial institution licenced by the Australian Prudential Regulatory Authority to carry on banking business, including accepting deposits from the public or issue loans. Typical ADIs include banks and credit unions.

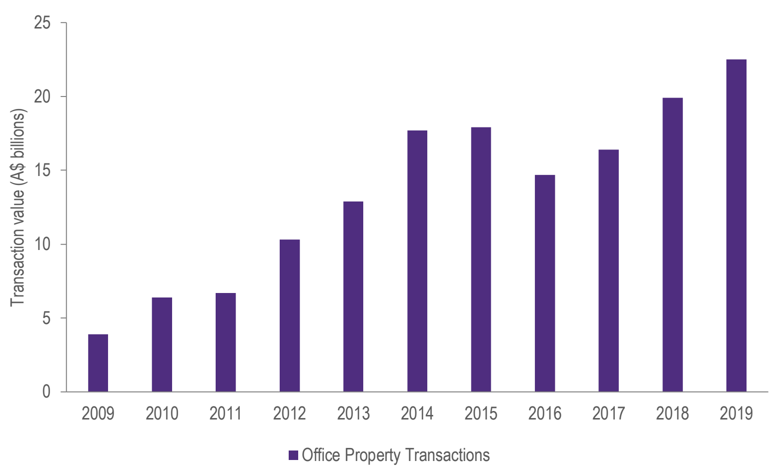
- *Regulatory Changes* – Recognising the growing risk of indebtedness, in 2017, the Australian Prudential Regulatory Authority ("APRA") introduced measures to contain the increasing level of household debt which impacted the lending ability of ADIs[22] and consequently, the overall lending to the commercial and industrial property market. These measures included additional capital requirements in the form of increased ratios for regulatory capital, emphasis on increased oversight by the Board of Directors, setting internal limits on high-risk lending and others. As a result of the restrictions imposed by APRA, ADI's incremental lending was constrained, creating a market opportunity for non-ADI lenders such as EDC and other participants.

- *Market participants:* Given the above, there has been a shift in lending for property towards non-ADI lenders over the past three years, positively impacting EDC and its peers. As of December 2018, the total commercial real estate finance market including non-ADIs is estimated to be c. A$28 billion, while the market share of major four banks exposure was estimated to be c. A$180 billion. The market share of the major banks had decreased in recent years from 80% historically[23] to 66% as at December 2018[24]. We note that the non-ADI sector in United States increased its market share post the Federal Reserve's guidance to reduce banks' leverage lending to businesses in 2016. Similarly in Europe, the strict capital requirements for banks have promoted the market share of alternative lenders[25]. APRA's tightening of constraints on ADIs' in real estate lending is expected to positively impact non-ADI lenders such as EDC.

3.3 Commercial property sector

EFM arranges for finance to developers of commercial property. The outbreak of COVID-19 has impacted market sentiment. The commercial property sector has grown strongly over the past five years mainly due to demand for office space and investor appetite for higher yields. The following chart sets out the transaction activity for office properties over the last 10 years.

Historical transaction values of Office properties



Source: Dexus Q1 2020 Real Estate Quarterly Review

---

22 These are financial institutions that have the necessary approvals to collect deposits from the people and lend it to businesses. Since these financial institutions operate using public funds, they are subject to higher levels of scrutiny and accountability by regulatory bodies such as APRA compared with financial institutions that do not accept deposits from the public ("Non-ADIs')

23 EDC FY19 annual report dated 30 August 2019

24 Eildon Capital Limited FY16 and FY19 annual report

25 EU Non-bank Financial Intermediation Risk Monitor released in July 2019

Notwithstanding the above, as a result of COVID-19, there has been a major impact on commercial market sentiment. NAB's Commercial Property Index has declined to an all-time low of -62 points. Sentiment has declined significantly in Retail (-76 points), Office (-68) and CBD Hotels (-60) however, the decline for Industrial (-28) is by far the lowest. Office vacancy has hit a 2-year high of 8.5% and Retail vacancy is 9.0%.

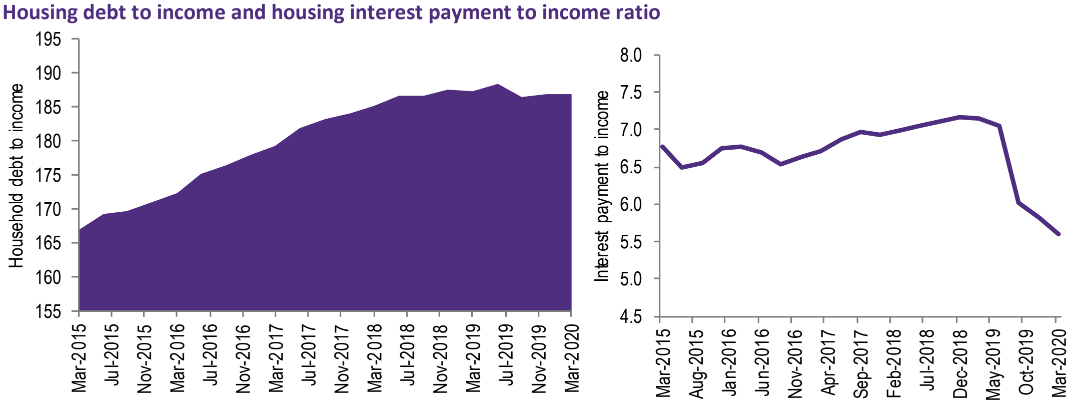
As a result of the above, decline in commercial property prices over the next 1-2 years for Office is expected to be -4.4% and -3.0% and for retail is -4.7% and -2.8% respectively. Consistent with property price trends, the y-o-y decline in rentals for Office is -4.5% and -2.9% and for Retail is expected to be -5.6% and -3.6%.

3.4 Residential property sector

EDC's portfolio also has exposure to the residential property sector through the loans it arranges for residential property developers. The residential property sector in Australia has grown over the past five years primarily driven by the population increase and availability of capital. We have summarised the drivers of this sector below:

- *Mortgage affordability:* Mortgage affordability represents the cost of mortgage payments relative to a household's income and is one of the parameters of gauging the housing affordability.

Housing debt to income and housing interest payment to income ratio



Source: RBA E2 Household Finances – Selected Ratios

Based on the above, mortgage affordability has deteriorated significantly in the last five years with the ratio increasing cumulatively at a rate of 0.6% per quarter since March 2015. Interest payments as a proportion of income have declined but this is due to the cash rate cuts that have been undertaken by the RBA to promote economic growth. As fiscal policy initiatives continue to taper off, mortgage affordability could deteriorate further in the absence of decline in house prices.

- *Population growth*: According to a publication by Department of Treasury and Finance of Northern Territory and Deloitte Access Economics June 2020, the Australian population is projected to grow at a reduced rate of 0.3% in FY21, 1% in FY22, 1.2% in FY23 and 1.3% in FY24. The FY21 growth rate is impacted by the outbreak of COVID-19.

- *Rezoning opportunities*: Australia capital cities are currently reviewing the development control plans on the use of land, and the properties in areas that could be potentially rezoned could be highly lucrative as there is an upside potential in value when the rezoning is announced.

Grant Thornton
An instinct for growth™

- Most of the suburbs which contain EFM's projects are currently undertaking council plans which involve local environment planning and building developments. For instance, EFM's Truganina project is located in Wyndham, where a Precinct Structure Plan is currently in progress. The Precinct Structure Plan will allow development of approximately 9,400 homes over the next 20 years[26].

- EFM's portfolio is concentrated in Melbourne, where the projected population is forecast to grow up to 10 million by 2050 and numerous strategic planning for the transformation of cities and region are currently underway[27]. Similarly in New South Wales, the State Government has been undertaking the Local Environmental Plan (LEP) in suburban areas which involves potential rezoning. For instance, the Western Sydney Aerotropolis Plan provides a roadmap for the rezoning of six precincts planned for c. 11,200-hectare[28] airport city in Badgerys Creek areas. The development plans undertaken by the State Governments will result in sequence precinct planning and rezoning in the planned precincts as well as the adjoining areas.

Notwithstanding the above, the outbreak of COVID-19 has impacted the sentiment for the residential property market. According to the NAB Residential Property Survey, the Residential Index has declined from +38 in Q120 to -33 in Q220. House Prices are expected to fall -2% over the next 1 year and -0.1% over the next 2 years, indicating that over 2 years, the house prices are expected to remain flat.

Over the near-term, NAB expects dwelling prices to decline by c. -4.6% in 2020 and -4.3% in 2021.

3.5 Outlook

The NAB Commercial Property Confidence Index (which documents market participants confidence on outlook) such that the 12-month average index was -55 points, and 2-year measure was -29 suggesting that property experts are not expecting markets to improve any time soon. Up to 98% participants do not believe the conditions will return to pre-COVID-19 patterns and are expecting slower leasing volumes and renewals, and cash flow reductions.

According to the NAB Residential Property Price Survey, NAB continues to expect house prices to continue to decline by 10% to 15% from peak to trough.

As a result of the above, the near-term outlook for the Real Estate and Construction Industry is largely negative. However, there are several long term factors that remain conducive for growth in the residential and commercial property market such as population growth, low inflation and low interest rates.

[26] Victoria Planning Authority
[27] Victoria Planning Authority
[28] Draft Western Sydney Aerotropolis Plan, released in December 2019

Grant Thornton
An instinct for growth™

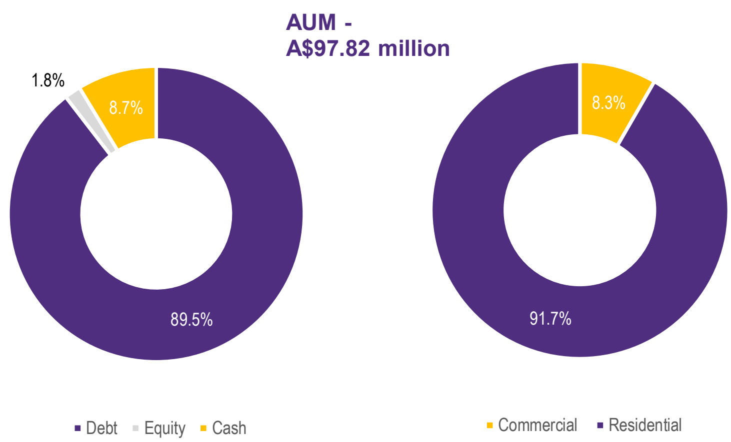
4 Profile of Eildon Funds Management

4.1 Corporate overview

EFM is an investment manager which offers investment management services under various mandates. It actively participates in retail, industrial, residential and commercial properties. It invests equity and debt across the entire property spectrum including core, opportunistic and value-add strategies.

The following chart sets out the breakdown of AUM by sector, debt and equity.

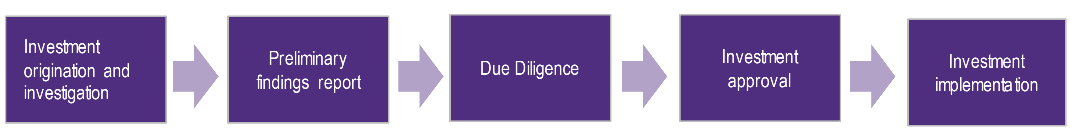
AUM by sector and financing type



Source: Management information, EDC FY20 Investor Presentation
Note 1: We have not included the assets under management currently managed by EFM on behalf of CVC Limited from which it earns c. A$10,000 per property per month. The As-if-Complete value of these properties is c. A$107 million.

The following is a summary of the investment process followed by EFM.

EFM's investment process



Source: EDC FY19 annual result presentation

EFM's Management is responsible for the CVC, EDC and the Eildon Debt Fund mandates. EDC often invests alongside CVC on some of its projects. Having identified the opportunities, EFM's Management team has established relationships with global investment firms, high-net worth individuals and family offices and approach these prospective investors with the opportunity. EFM maintains flexibility in capital investment (debt and / or equity) across all property classes in response to market demand. EFM typically provides finance to developers that are unable to readily access capital from traditional financing channels. Given this, these investments carry a relatively higher risk and therefore a higher return.

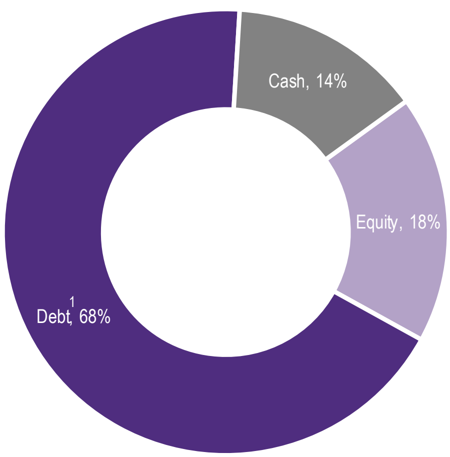
Over the past 10 years, the EFM team has been responsible for A$740 million[29] of passive and active investments in different property asset classes across 65[30] different transactions. On behalf of Eildon Capital, EFM's team has undertaken 24[31] investments since EDC's IPO in 2017. Average completed project IRR of 22%[32] per annum achieved before fees and taxes.

4.2 Overview of operations

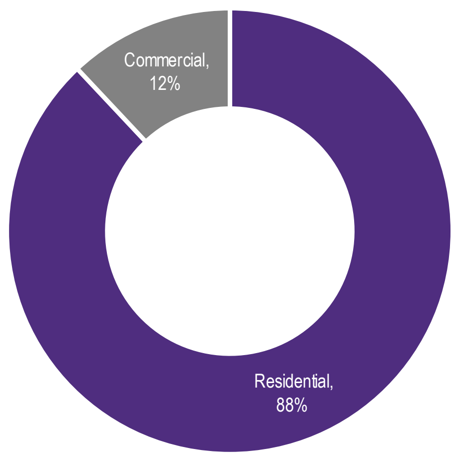
4.2.1 Eildon Capital

Eildon Capital is an ASX-listed entity focussed on building a portfolio of actively managed property investments and on delivering a combination of an income stream and capital appreciation. Set out below is the composition of EDC's portfolio as at 30 June 2020:

Breakdown of EDC's portfolio



Sector diversification in EDC portfolio



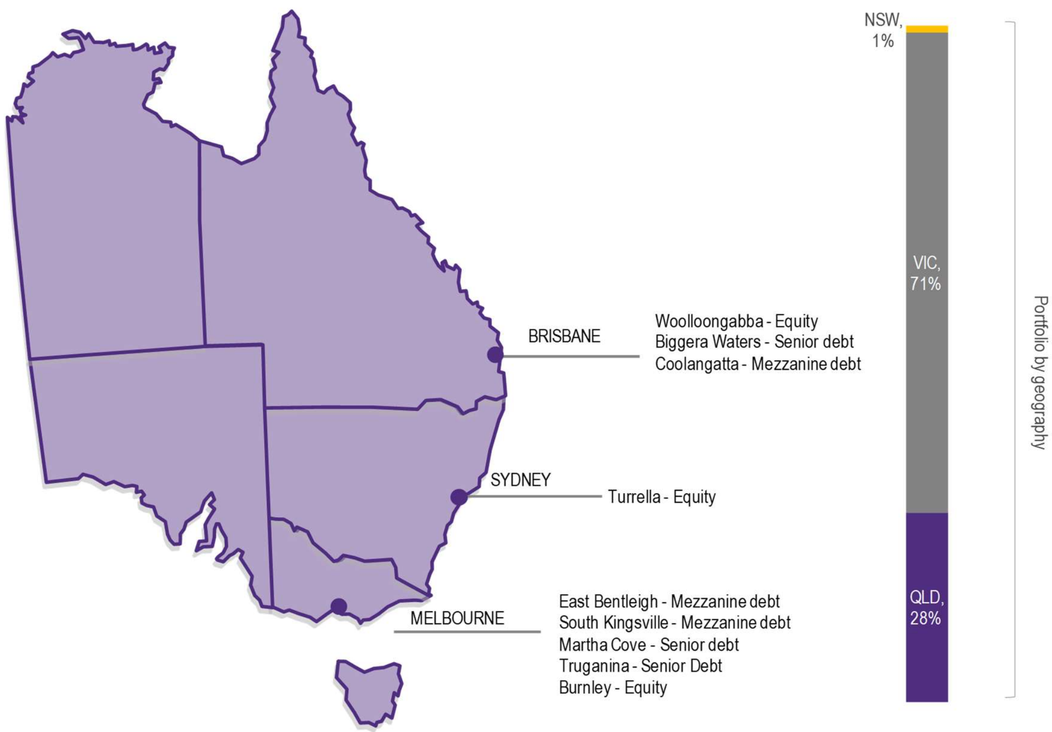
Source: EDC FY20 Investor Presentation
Note: (1) The debt investment comprise one mezzanine debt investment and five senior debt investments.

As at 30 June 2020, Eildon Capital's portfolio had an estimated value of c. A$37.3 million[33], which comprised 3 mezzanine finance loans on property developments in Victoria, 3 senior finance loans on property developments in various locations, and 3 equity investments in properties. The location of Eildon Capital's portfolio is illustrated below:

[29] Eildon Capital Group FY20 Investor Presentation.
[30] Ibid.
[31] EDC FY20 Investor Presentation.
[32] Ibid.
[33] EDC FY20 Investor Presentation.

Grant Thornton
An instinct for growth™

Eildon Capital committed portfolio as at 30 June 2020



Source: EDC FY20 Investor presentation

We note the following in relation to the EDC's portfolios:

- *Equity investment in Woolloongabba* – EDC's single largest equity investment is a core-plus investment property located on Logan Road in Woolloongabba ("Woolloongabba Investment"), Brisbane. Woolloongabba Investment represents c. 12% of EDC's investment portfolio. This site was acquired as an industrial / commercial investment. The site has achieved a high density DA approval which has the potential to deliver significant upside when market is favourable for residential development. The site is secured by a long-term lease to an ASX-listed automotive company and is likely to be held by the company until such time that the developer begins to undertake the proposed development work.

- *Other equity investments* – Other equity investment project is the Turrella project. On these sites, EFM intends to obtain upside through repositioning project through planning and / or rezoning. In case of the Turrella JV, the site is well serviced by public transport and the surrounding suburbs have experienced a relatively high level of new apartments over the last few years.

- *Debt investment in Bentleigh* - In 2015, CVC entered into a 50:50 joint venture with another partner to purchase an industrial property located in Bentleigh ("Bentleigh Investment") and provided a mezzanine loan facility to the project. EDC has invested in the mezzanine debt facility and acquired 50% of the facility from CVC. Similar to the other equity investments, Bentleigh Investment is also seeking rezoning of the site to allow mixed use development to occur. The benefit of the rezoning will

Grant Thornton
An instinct for growth™

be available to CVC as it has provided the equity in the project and protects EDC from downside risk on its debt investment.

The following is the fee structure for the EDC.

Summary of key terms		
Extract of the IMA		
Base Management Fees	*% of NAV*	*0.75%*
Base Management Fees	*% of IC*	*1.00%*
Tenure	*No. of years*	*Indefinite*
Termination		
Passing of special resolution		
Not less than 3 months notice to EFM		
Performance Fees		*20% of TSR in excess of 9%*
Transaction Fees		*NA*
Termination fees		*12 times Base Management fees*

Source: Investment Management Agreement
Note 1: NAV is the reported consolidated net assets of Eildon Capital Group
Note 2: Invested Capital excludes cash and cash equivalents.

4.2.2 Eildon Debt Fund and Eildon Property Investment Fund

Eildon Debt Fund is a contributory fund while EPIE is a special purpose vehicle which allow wholesale investors to have exposure to bespoke real estate senior, subordinated senior debt, and mezzanine debt opportunities managed by EFM. EDF generates revenues from the entitled establishment fees paid by borrowers at the time of providing the financing, as well as the margin between the interest rate charged to the borrower and the return required to be paid to investors who have provided the financing. We note some of the key features as outline below[34]:

- For EDF, the target maximum loan-to-value ("LTV") ratio is 75% across all investments. Further, the investment opportunities target investor returns of 8% to 10% per annum for senior debt opportunities, and 12% to 13% for subordinated senior debt opportunities[35]. This represents the return that will be earned by investors investing into EDF.

- Investment terms are expected to be between 12 months to 24 months on each transaction.

EDF has been established on the premise that the debt market is relatively underpenetrated with respect to non-bank lending, as historically the major banks have had a majority share of the commercial property debt market. EDF commenced operations in November 2018, and as at 30 June 2020, the size of EDF was approximately A$50 million.

[34] The figures presented are derived from Eildon Debt Fund Information Memorandum as at 30 June 2020
[35] The target investor returns are after fees and before taxes

Grant Thornton
An instinct for growth™

Summary of key terms		
Extract of the IM		
Interest Margin	*% of Loan Value*	*1% to 3%*
Tenure	*No. of months*	*12 months to 24 months*
Property Type		*Commercial*
Debt Exposure		*Senior (EDF) , Mezzanine (EPIE)*
Establishment Fees	*%*	*1%*
Fund Type		*Contributory Fund*
Entry / Exit Fees		*Nil*
Target Return	*After fees before tax*	*8% to 10% - Senior*
		12% to 13% - Subordinated senior
Fund Manager		*Eildon Investment Services Pty Ltd*

Source: Eildon Debt Fund Information Memorandum June 2020
Note 1: Whilst Establishment Fees are not expressly included as part of the Information Memorandum, Management have been able to recover and retain establishment fees from borrowers.
Note 2: Target Return is not a guaranteed return and the Fund Manager will retain Interest Margin and Establishment fee after considering investors expected returns.

4.2.3 CVC Limited

CVC is a listed investment company whose portfolio comprises both property and equity investments. CVC's portfolio mix changes over time in response to market conditions, however in recent periods there has been a greater weighting towards property investments, reflective of opportunities associated with increased activity in the sector. As at the date of this report, CVC owns c. 45.5% of the stapled securities in Eildon Capital.

From 1 July 2020[36], EFM will provide its property management services to CVC pursuant to separate management agreements and will charge up to A$10,000 per month per property. Prior to this, EFM provided Management services to CVC and charged a fee of A$0.6 million. As at 30 June 2020, it managed 3 properties on behalf of CVC, implying an annualised management fee income of c. A$0.36 million. The three properties currently being managed by EFM are described below:

- *Elara Shopping Centre* – Elara Village Neighbourhood Centre, Marsden Park, NSW. The project is a 2.53 hectare site within the Stockland Elara Estate that will be developed into an 8,200 sqm neighbourhood shopping centre that is anchored by Coles as well as Goodstart Early Learning childcare centre, medical centre and specialty retail tenants. The project is expected to be completed during 2021.

- *Caboolture Shopping Centre* – CVC acquired the Caboolture in partnership with a private developer with a 60% interest in the partnership. The investment strategy was to undertake planning improvement and development of the site allowing service centre, retail, hospitality and other uses. Property developers such as Villa World Limited and AV Jennings have acquired large parcels of land with the intention of developing housing communities in the region. According to the CVC FY20 Preliminary Results, the Caboolture project is progressing through the process of commercialisation. The project has already seen the development of the Caltex Travel Centre and has now secured an agreement for lease with Bunnings on the site. Subject to securing development approval, the

[36] When EFM was internalised in

construction of the Bunnings facility and a neighbourhood shopping centre is expected to commence in Q3 FY21.

- *Harpley* – CVC acquired a 4.39 hectare site within the master planned Harpley Estate being developed by Lendlease. The project is expected to be developed into a 8,000 sqm neighbourhood shopping centre anchored by a major supermarket retailer as well as a medical centre, service station, fast food and ancillary commercial space.

The individual management agreements also include provisions for performance fees which are calculated as 5% of the IRR (calculated on a cash-paid basis) in excess of 15%.

These properties are currently being managed by EFM on behalf of CVC with the intention of being transferred to Eildon Passive Fund.

4.2.4 Eildon Passive Funds

The Passive Funds are single asset wholesale funds that EFM is currently working in conjunction with a joint venture partner Strategic Property Partner Investments Pty Ltd ("SPP"). The Passive Fund intends to raise external equity capital and acquires properties which are developed by CVC. The fee structure included in the draft Trust constitution and key terms of the Eildon Passive Fund are as follows:

Summary of key terms			Split	
	Basis	*Percentage*	*SPP*	*EFM*
Extract of terms:				
Unit Holders			*50%*	*50%*
Upfront Fees				
Establishment / Acquisition Fee	*Gross Asset*	2.0%	75%	25%
Debt Arranging Fee	*Debt*	1.00%	0%	100%
Development Manageemnt Fee	*Project Specific Rates*			
On-going / Management fees				
Asset Management Fees	*Gross Asset*	0.55%	50%	50%
Project Administration Fee / Costs		0.20%	0%	100%
Cost Recovery				
Exit Fees, Selling Fees, Performance Fees			50%	50%
Tenure				NA
Termination				NA

Source: Trust Constitution Deed
Note 1: The Development Management fee is c. A$20,000 per month per project. Whilst this fee is higher than development Management fee under the CVC mandate, EFM will be required to raise the necessary capital before being able to charge the higher development fees.

The above terms are based on the BMW Narre Warren property which is expected to be transferred/sold to the Eildon Passive Fund before the end of 2020 ("BMW Narre Warren[37]"). The property is located at 6 Coventry Road, Narre Warren, Victoria. The property is expected to comprise a new BMW showroom and service centre. The property has been tenanted to Jowett Motor Group Pty Ltd with a WALE of 15 years comprising 3 options of 5 years each. The tenancy agreement is also expected to include a fixed rental escalation of 2.5%. The fund is expected to raise external capital by the end of the year.

[37] The information included for the BMW Narre Warren is based on the draft Trust Deed made available to us.

Grant Thornton
An instinct for growth™

4.3 Financial information

4.3.1 Financial performance

The table below illustrates EFM's audited consolidated statements of comprehensive income for the period FY19 to FY20.

Consolidated statement of financial performance	FY18	FY19	FY20	
A$'000 unless otherwise stated	Audited	Audited	Restated	Reported
Management fee	1,677	2,025	2,388	1,364
Performance fee	295	603	-	-
Facility fee	-	376	492	492
Interest	2	10	-	-
Dividend income			-	-
Other income	29	30	37	10
Total revenues	**2,002**	**3,045**	**2,917**	**1,865**
Accounting Fees	-	-	(17)	(17)
Audit fees	(10)	(13)	(15)	(15)
Computer expenses	-	-	(64)	-
Employee cost	(1,485)	(1,260)	-	(83)
Filing fees	(2)	(19)	(22)	(22)
Legal fees	(4)	(45)	(106)	(106)
Management and consultancy fees	-	-	(1,756)	(138)
Rent	(44)	(76)	(45)	(45)
Recruitment cost	-	(80)	-	-
Administrative expenses	(12)	(44)	(67)	(31)
Other expenses	(43)	(36)	(10)	(4)
(Loss)/profit before income tax expense	**403**	**1,473**	**816**	**1,405**
Income tax (benefit)/expense	(122)	(444)	(444)	(422)
Net (loss)/profit	**281**	**1,029**	**372**	**984**

Sources: Management

The Reported FY20 EBIT is assuming EFM operates as part of CVC. This resulted in a significant reduction in fee income as the CVC, and similarly the costs associated with the business were borne by CVC as a whole.

The Restated FY20 EBIT assumes EFM operates as a standalone business. Accordingly, Management fee income from CVC (in accordance with the prior CVC Mandate) and corresponding salary costs are the major items that change relative to the reported results. Given EFM will not operate as part of CVC, we have adopted the restated results for the purpose of our cross-check.

With regard to financial performance, we note the following:

- *Management fee* – the management fee has increased significantly from c. A$1.7 million in FY18 to c. A$2.4 million in FY20 while the facility fee income also increased slightly from c. A$0.4 million in FY19 to A$0.5 million in FY20. This is primarily driven by the increase of portfolio value through writing new loans and commencement of the Eildon Debt Fund during FY19 (November 2018).

- *Adoption of AASB 16:* EFM adopted AASB 16 in FY20, however the Company did not restate historical figures to reflect AASB 16. Operating leases were capitalised onto EFM's balance sheet and are recognised as Right-of-Use assets and lease liabilities, which also effectively re-categorised rental payments as depreciation and financing costs from FY20 onwards.

GrantThornton
An instinct for growth™

4.3.2 Financial position

The consolidated statement of financial position of EFM as at 30 June 2019 and 30 June 2020 is summarised in the table below.

Consolidated statement of financial position A$'000 unless otherwise stated	30-Jun-19 Audited	30-Jun-20 Audited
Assets		
Cash and cash equivalents	1,234	2,447
Trade receivables	340	553
Total current assets	**1,574**	**3,000**
Financial assets	0	0
Plant and equipment	8	4
Deferred tax assets	20	181
Total non current asset	**27**	**185**
Total assets	**1,602**	**3,185**
Liabilities		
Trade and other payables	161	519
Current tax liabilities	319	562
Total current liabilities	**480**	**1,081**
Total liabilities	**480**	**1,081**
Net assets	**1,121**	**2,105**

Sources: EFM Annual report

- *Cash and cash equivalents:* EFM maintains a minimal amount of cash and cash equivalents to comply with the requirements of the AFSL.
- *Working capital:* Given the short tenure of the loans and the billing cycle for the Management fees, there is limited working capital required for operating the business.

5 Valuation methodologies

5.1 Introduction

As part of assessing whether or not the Internalisation is fair to the Non-Associated Securityholders, Grant Thornton Corporate Finance has compared the fair market value of EFM Securities on a control basis to the Cash Consideration.

In each case, Grant Thornton Corporate Finance has assessed value using the concept of fair market value. Fair market value is commonly defined as:

"the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length."

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

We note, RG111 requires the fairness assessment to be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offeror or its associates in the target company.

5.2 Valuation methodologies

RG 111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, approval of an issue of shares using item 7 of s611 of the Corporations Act, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the entity or asset being

Grant Thornton
An instinct for growth™

valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

5.3 Selected valuation methods

In our valuation assessment of EFM, we have adopted a combination of income-based and market-based methods.

- In valuing EFM, we have adopted the following methods:
  - DCF method: For the purpose of our valuation assessment of EFM, Grant Thornton has built a valuation model ("GT Model") based on the cash flow projections prepared by Management of EFM for the forecast period FY21 to FY25. The forecasts have been adjusted by Grant Thornton Corporate Finance to take into account the assumptions that would be adopted by a pool of potential purchasers. We have selected DCF method as our primarily valuation methodology due to the following:
    - EFM has a number of new investment mandates that are expected to crystallise over the next 12 to 18 months and this growth can be appropriately reflected under the DCF Method. EFM's assets under management is significantly lower than the listed comparable companies and most of the comparable transactions, suggesting that the business is sub-scale.
    - The DCF Method is commonly adopted in valuing real estate debt funds management businesses.
  - Market-based approach which includes the EBIT[38] multiple ("EBIT Multiple") and AUM multiple ("AUM Multiple") for cross check. We have adopted these two approaches due to the following considerations:
    - EBIT is frequently used valuation metric as it is less likely to be impacted by differences due to accounting policies.
    - AUM multiple is frequently used by investment analysts and other market commentators to value a real estate fund manager.

[38] Earnings before interest and tax

6 Valuation assessment of EFM

6.1 DCF Method

We have set out in the following table our valuation assessment of EFM on a control basis having regard to the DCF method.

DCF Method - Valuation summary A$ '000 (except where stated otherwise)	*Section Reference*	Low	High
Scenario 1 - Low Case		3,496	4,100
Scenario 2 - High Case		4,087	4,670
Selected		**3,496**	**4,670**

Source: GTCF Calculations

Our selected range has been determined as the low-end of the low case and the high-end of the high case. Whilst Management are in the process of implementing certain growth initiatives to generate additional fee income, there remain risks attached to the completion of these initiatives and this is reflected in our valuation range. Further, Non-Associated Securityholders should be aware that the valuation of EFM represents a range of possible outcomes for which there are numerous value comparisons that can be made.

For the purpose of our valuation assessment utilising the DCF method, Grant Thornton Corporate Finance developed the GT Model based on a critical review and consideration of the following:

- Historical financial performance of the EFM.
- Management projections for FY21 to FY25 included in the financial model ("Internal Model") which is based on a bottom up approach having regard to the pipeline of opportunities. We note that Grant Thornton has made changes to the Internal Model in order to normalise the financial performance of EFM based on the historical performance of the business.
- Key industry risks, growth prospects and general economic outlook.

Whilst Grant Thornton Corporate Finance believes that the assumptions underlying the GT Model are reasonable and appropriate to be adopted for the purpose of our valuation, we have not disclosed them in our IER as they contain commercially sensitive information and they do not meet the requirements for presentation of prospective financial information as set out in ASIC Regulatory Guide 170 *"Prospective Financial Information"*.

In accordance with the requirement of RG111, we have undertaken a critical analysis of the Internal Model before integrating it into the GT Model and relying on it for the purpose of our valuation assessment. Specifically, we have performed the following analysis:

- Conducted high level checks, including limited procedures in relation to the mathematical accuracy of the Internal Model.
- Performed a broad review, critical analysis and benchmarking with the historical performance of EFM and current trends in the industry.

GrantThornton
An instinct for growth™

- Held discussions and interviews with Management of the Company to discuss the Internal Model and the key underlying assumptions.

The assumptions adopted by Grant Thornton Corporate Finance do not represent projections by Grant Thornton Corporate Finance but are intended to reflect the assumptions that could reasonably be adopted by industry participants in their pricing of similar businesses. We note that the assumptions are inherently subject to considerable uncertainty and there is significant scope for differences of opinion. It should be noted that the value of EFM could vary materially based on changes to certain key assumptions.

In our assessment of EFM based on the DCF, we have considered two scenarios which could reasonably be adopted by market participants in their pricing of the Company:

- *Low Case Scenario* – where we have assumed that the existing AUM will grow in line with historical growth rate in AUM for each of the key mandates.

- *High Case Scenario* – where we have taken into account the pipeline of opportunities for certain mandates.

We have set out below the key assumptions adopted under the Low Case Scenario:

- AUM increases from A$94.9 million as at 30 June 2020 to A$224.7 million as at 30 June 2025 primarily driven by:

  - *Eildon Capital Group* – New AUM of c. A$10.5 million per annum having regard to the average annual historical growth in AUM between FY16 (A$17.3 million) to FY19 (A$49.1 million[39]).

  - *Eildon Debt Fund* – New AUM of c. A$10 million having regard to the average loan size of c. A$8 million as disclosed by Qualitas Real Estate Income Fund ("Qualitas"), implying that EFM will source at least 1 new investment each year (after considering the recycle of existing AUM). This is materially lower than the average loan value of the pipeline of opportunities for Eildon Debt Fund which is c. A$20 million.

  - *Eildon Passive Fund* – With the exception of the BMW Narre Warren, no additional AUM is assumed.

  - *CVC Limited* – Nil new AUM. The CVC mandate reduces to nil once the BMW Narre Warren property is transferred into the Eildon Passive Property Fund.

  - *Growth in existing AUM* – We have assumed a growth rate of 2.5% in the existing AUM since we are assessing nominal cash flows which have been discounted using a nominal discount rate.

- Fee structure is consistent with the information included in the Investment Management Agreement, Information Memorandum and proportion of fees charged by EFM historically.

[39] This comprises A$42.4 million of Portfolio value and A$6.7 million of capital available for deployment. Both these have been included in the calculation since EFM earns fees on the capital available.

- *Eildon Capital Group* – Fees calculated as 1% of Invested Capital[40] and 0.75% of Net Asset Value[41] which is consistent with the Investment Management Agreement.

- *Eildon Debt Fund* – Calculated as 0.8% of Interest Margin and 0.65% of Establishment Fees having regard to average historical income earned from Eildon Debt Fund. It is to be noted that Eildon Debt Fund commenced operations in FY19 (November 2018) and therefore the average fees calculated above is based on limited data points. However, the total fees of c. 1.45% (0.8% - Interest Margin plus 0.65% of Establishment Fees) is not inconsistent with the expected Interest Margin reported in the Eildon Debt Fund Information Memorandum. Further, the fee income earned by EDF will also be required to meet management expenses for the Fund. We had regard to the Management expense ratio disclosed by QRI, which is also a commercial real estate debt fund in their prospectus which ranges between 1.86% and 2.16%[42] which all else equal is higher than total income earned by EDF.

- *Eildon Passive Property Fund* – The fee structure is in accordance with the Trust Constitution. For the Funds for which the constitution has not been made available, we have adopted the same assumptions as for the BMW Narre Warren Trust.

- *CVC Limited* – The fee structure is in accordance with the Investment Management Agreement with EFM.

- Given this is a Low Case Scenario with minimal growth, we have revised the current cost structure to more closely align it with the growth profile included in this scenario.

- The average EBIT margins during the five-year forecast period is conservative at c. 7.6%, which is lower than the reported historical EBIT margin of the comparable companies as set out in the table below:

Historical EBIT margin (%)			
% unless stated otherwise	FY18	FY19	FY20
Reported EBIT margin	20.1%	48.4%	28.1%
Comparable companies EBIT margin (Reported):			
Centuria Capital Group	50.0%	61.1%	63.5%
APN Property Group	44.4%	47.6%	47.4%
Cromwell Property Group	69.9%	81.9%	69.6%
Primewest Group Limited	64.7%	62.9%	58.6%
Average	**57.3%**	**63.4%**	**59.8%**
Median	**57.4%**	**62.0%**	**61.1%**

Source: Company Annual Reports

- We have assessed our discount rate to be in the range of 9.5% to 10.5%. Refer to the Appendices for a detailed assessment of the discount rate.

[40] Invested Capital is defined as the cash that has been deployed and excludes cash and cash equivalents.
[41] Net Asset Value is defined as the reported net asset value and includes cash and cash equivalents.
[42] Qualitas Real Estate Income Prospectus October 2018.

Grant Thornton
An instinct for growth™

- Terminal value - We have calculated the terminal value into perpetuity based on the Gordon growth formula by adopting a terminal growth rate of 2.5%.

Under the High Case Scenario, we have adopted the following assumptions:

- AUM increases from A$94.9 million as at 30 June 2020 to A$372.2 million as at 30 June 2025 primarily driven by:

  - *Eildon Capital Group* – New AUM of c. A$10.5 million per annum unchanged compared with the low case.

  - *Eildon Debt Fund* – New AUM of c. A$20 million having regard to the current pipeline of opportunities that are in due diligence phase or where the Indicative Term Sheet has been issued. Over the 5-year forecast period, the total undiscounted AUM is c. A$100 million and an additional AUM of c. A$265 million which implies the re-investing of the existing AUM of A$53 million over a 5 year period.

  - *Eildon Passive Property Fund* – With the exception of the BMW Narre Warren, Elara and Caboolture, no additional AUM is assumed.

  - *CVC Limited* – Nil new AUM. The CVC AUM will progressively reduce to nil as the funds are transferred into Eildon Passive Property Funds as discussed above.

  - *Growth in existing AUM* – We have assumed a growth rate of 2.5% in the existing AUM since we are assessing nominal cash flows which have been discounted using a nominal discount rate. This growth rate is consistent with the assumptions adopted in the Low Case Scenario.

- Fee structure in line with the Low Case Scenario as discussed above.

- Given this is a High Case Scenario, we have revised the current cost structure to more closely align with the growth profile under this scenario.

- The average EBIT margins during the five-year forecast period is c. 12.2%, which is lower than the reported EBIT margin and the EBIT margins of the comparable companies and is therefore conservative.

- We have assessed our discount rate to be in the range of 9.5% to 10.5%. Refer to the Appendices for a detailed assessment of the discount rate.

- Terminal value - We have calculated the terminal value into perpetuity based on the Gordon growth formula by adopting a terminal growth rate of 2.5%.

We have set out below a summary of our DCF approach under the two scenarios.

Grant Thornton
An instinct for growth™

DCF Method - Valuation summary A$ '000 (except where stated otherwise)	*Section* *Reference*	Low	High
Scenario 1 - Low Case		3,496	4,100
Scenario 2 - High Case		4,087	4,670
Selected		**3,496**	**4,670**

Source: GTCF Calculations

The enterprise value has been determined after selecting the low-end of the range as the low-end under the Low Case and the High End of the range under the High Case.

- We are of the opinion that it strikes the right balance of the value that could be attributed to the ability of EFM to create new opportunities by a pool of potential purchasers. We are of the opinion that a pool of potential purchasers will attribute some value to the Company over and above the net present value of the future cash flows from the existing projects, however if the value expectations of the shareholders are too high, it may be easier and more cost effective for a purchaser to replicate the development platform. Further, unlike passive property funds, a debt fund manager will be required to repeatedly go to the market and source new opportunities. In the absence of new opportunities, the AUM will be amortised as the loans are repaid and the fee earned by EFM will reduce.

- The ability of EFM to create new investment opportunities for its investment mandates is subject to the supply and demand dynamic of the property market and availability of funding.

- The outcome of the DCF Method is supported by the various other valuation methodologies adopted.

Grant Thornton
An instinct for growth™

7 Valuation cross-check

We have cross-checked our valuation assessment having regard to the EBIT multiple and the AUM multiples as set out in the table below:

Valuation cross-check method A$ '000 (except where stated otherwise)	*Section* *Reference*	Low	High
Fair market value of EFM based on the DCF Methodology		3,496	4,670
Valuation cross-check 1 - EBIT:			
2-year Average Adjusted EBIT		845	845
FY20 Restated EBIT	*Note 1*	816	816
EBIT multiple (times)			
Average Adjusted EBIT Multiple		4.1x	5.5x
FY20 Restated EBIT Multiple		4.3x	5.7x
Valuation cross-check 2 - AUM:			
Last Reported AUM		97,824	97,824
AUM (including CVC Developments)		204,824	204,824
AUM Multiple (%)			
AUM Multiple (%) - Reported only		3.6%	4.8%
AUM Multiple (%) - Including CVC Developments		1.7%	2.3%

Source: GTCF Calculations
Note 1: We note that in the FY20 Restated EBIT is based on assumption that the CVC mandate has not been changed to reflect the new fee structure of A$10,000 per month per property. However, there are practical difficulties associated with re-stating the FY20 Restated EBIT as the cost structure will also be required to be adjusted. Accordingly, we have assumed that the CVC fee income is a proxy for the expected future income from Eildon Passive Fund.

7.1 EBIT Multiple

The selection of an appropriate multiple to apply is a matter of professional judgement and involves consideration of a number of factors including the stability and quality of earnings, the nature of the business, the financial structure of the company and gearing levels, future prospects of the business, and the cyclical nature of the industry.

There are a number of listed companies in Australia that provide similar services as EFM (refer to Appendix C for details). However, these listed companies are not considered to be comparable to EFM, since they are significantly larger in size with significant AUM and more diversified portfolios. We have therefore placed no reliance on the observed EBIT multiples or AUM multiples for those listed companies.

Instead, we have considered recent transactions involving the acquisition of funds management platforms which we consider comparable. For each of these transactions, we consider the EBIT multiples adopted by independent experts where the value of the management rights was captured as part of a broader transaction also involving A-REITs.

Grant Thornton
An instinct for growth™

Summary of recent transactions and Internalisation Transactions								
Date	Target	Acquirer	EV ($m)	AUM ($m)	EBIT	EV/AUM (%)	EBIT multiple	EBIT / AUM
Tier 1: Internalisation Transactions								
Sep-19	Garda Capital Group[1]	Garda Diversified Property Fund	40	333	5.2	9.7%	7.7x	1.0%
Aug-18	Aventus Capital Limited	Aventus Retail Property Fund	143	2,000	16.6	7.2%	8.6x	0.8%
Nov-14	Arena Investment Management	Arena REIT	12	411	1	2.8%	10.5x	0.3%
Dec-13	Commwealth Investment Management	CFS Retail Property Trust	460	13,900	49	3.3%	9.5x	0.3%
Oct-13	GDI[2]	GDI Property Group	32	742	6	4.3%	5.7x	0.8%
Jul-13	Kiwi Income Property Pty Ltd	Kiwi Income Property Trust	62	1,809	9	3.5%	6.6x	0.5%
Aug-11	Centro Services Business	Centro Retail Group	251	6,975	40.2	3.6%	6.2x	0.6%
Aug-11	Centro Services Business	Centro Retail Group	251	6,975	70.2	3.6%	3.6x	1.0%
Average						**4.7%**	**7.3x**	**0.7%**
Median						**3.6%**	**7.2x**	**0.7%**
Tier 2: Other management platform transactions								
Jun-20	Augusta Capital Limited	Centuria Platform Investments Pty Ltd	98	1,737		5.7%	9.2x	0.6%
Aug-19	Eildon Funds Management Limited[3]	CVC Limited	4	270	1.0	1.6%	4.3x	0.4%
May-19	Heathley Limited	Centuria Capital Group	32	620	3.19	5.1%	10.0x	0.5%
Nov-18	Heathley Limited	Dexus Property Group	40	528	NA	7.5%	NA	NA
Nov-18	Propertylink Limited	ESR Real Estate	39	1,028	NM	4.7%	NM	NM
Aug-18	Folkestone Management Platform	Charter Hall Group	57	1,555	7	3.7%	8.2x	0.5%
May-17	Armada Funds Management	Moelis Australia	31	800	4.7	3.8%	6.5x	0.6%
Nov-16	360 Capital Management Platform	Centuria Capital Group	92	1,396	9.1	6.6%	10.1x	0.7%
Average						**4.8%**	**8.0x**	**0.5%**
Median						**4.9%**	**8.7x**	**0.6%**

Source: Company annual reports and other publicly available information
NA = Not available; NM = Not meaningful
Note (1): The EBIT multiple for GARDA internalization is a forward FY20 multiple; (2) the GDI internalisation transaction has been calculated based on the average EBIT for the past three years; (3) We have discussed the transaction with Management and we understand the implied multiple. The figures are presented as "NA" due to confidentiality.

The large basket of transactions included in the table above is due to consolidation trends in the market wherein asset managers are being internalised owing to perceived conflicts of interest and large variable expenses such as performance fees. Further, some of the institutional investors are unable to invest in stand-alone fund management entities and therefore tend to prefer internalised fund management functions in order to gain exposure to these businesses.

In our opinion, the transactions involving internalisation of the asset managers (with the exception of Centro Business Services Limited[43]) are considered more comparable (collectively, "Internalisation Transactions") and accordingly, we have placed greater reliance on them. However some of them occurred several years ago and generally the multiples realised in recent transactions have been greater than the multiples observed historically given the compression yield that has occurred in the market in recent years. We have therefore also considered transactions that are not internalisations ("Other Management Platform Transactions") that occurred in recent years to take into account more recent market conditions.

The transaction multiples are impacted by several factors which can be broadly classified into three categories:

[43] Centro Business Services Limited was in a state of financial distress at the time of the its internalisation and we have therefore placed limited reliance on this transaction.

- Level of entrenchment such as tenure of the management agreement, the mechanism of appointing an alternative responsible entity and the ability of the responsible entity and its associates to control resolutions of unit holders. Higher levels of entrenchment tend to make the removal of the fund manager more difficult, which may result in larger multiples being realised.

- Transaction metrics such as size of AUM, EBIT as a % of the AUM. All else equal, a larger AUM and larger EBIT as a % of AUM will result in higher transaction multiples. The EBIT as a % of AUM is the operating profit per dollar embedded in the existing assets under management and it is largely dependent on the fee structure under the IMA and the efficient operations of the manager.

- Other qualitative factors such as the reputation of management team, historical returns generated and depth of services.

With regard to EFM's level of entrenchment in respect of its mandates, these have been discussed below:

- *Professional network:* EFM has access to a network of family offices, investment firms that are investors in its existing mandates. The custodians of these relationships are the employees of EFM.

- *Termination Fees:* For Eildon Capital, the termination fee is 12 times[44] monthly Management fee. Eildon Capital can terminate the agreement by passing a special resolution of its shareholders. Given CVC is the largest shareholder of Eildon Capital and it also owns 100% of the share capital of EFM, it is reasonable to conclude that EFM is deeply entrenched within EDC.

- *Major Shareholder:* CVC currently owns a 100% of EFM. It underwrites the capital raisings and also provides investment opportunities to EFM that are part of its portfolio. If the Internalisation is approved, CVC's interests will continue to remain aligned with EFM, through its 45.5% interest in EDC.

- *Post Internalisation Structure:* Following the Internalisation, all employees (with the exception of the MD and some of the administrative function) will be transferred from CVC to EDC and accordingly, CVC will be reliant on the opportunities made available by EFM.

On balance, it can be concluded that EFM is entrenched in its mandates by virtue of being the custodian of the relationships, together with its proven track record and common shareholders.

We have briefly discussed the Internalisation Transactions and the level of entrenchment in these transactions below.

- *GARDA internalisation* – GARDA Capital Group ("GCM") is a real estate investment and funds management business comprising the responsible entity of GARDA Diversified Property Fund ("GDF") whose existing property portfolio was valued c. A$404 million[45] comprising both completed and under construction projects for a total of 17 investment properties. A proposal to internalise GCM was announced in September 2019 and completed in November 2019. GCM held a 11.8% interest in GDF after the GDF's capital raising in conjunction with the internalisation and HGT Investments Pty Ltd held c. 14.8%[46] interest in GDF and circa 11.7%[47] in GCM, and accordingly the latter is unlikely to

[44] Eildon Capital Group Prospectus Document.
[45] Pro-forma FUM as at the announcement of the internalisation
[46] FY19 GDF annual report
[47] FY19 GCM annual report

Grant Thornton
An instinct for growth™

support a resolution of the unitholders of GDF to remove the manager as this would materially adversely affect the value of its shareholding in GCM. We considered the level of entrenchment of this internalisation to be high.

- *Aventus Internalisation* - Aventus Capital Limited ("Aventus") managed 20 Large Format Retail Centres ("LFR") with AUM of c. A$2 billion on behalf of the Aventus Retail Property Fund ("AVN"). A proposal to internalise Aventus was effected in August 2018 ("Aventus Internalisation") and the transaction was completed at an EBIT multiple of c. 8.6 times[48]. In respect of the level of entrenchment, we note the following:

  – Avenutus' IMA was for an initial period of 10 years and automatically renewed for subsequent five years. However, we note that the change of control of Aventus represented a termination trigger under the IMA which accordingly made the management right less marketable. In order words, without AVN agreeing to a change of control of Aventus, the value of the manager for a pool of potential purchasers would have been limited to the skill-set of the management team, the existing relationships with investors and policies and procedures in place. The IMA also included a termination payment such that upon termination of the IMA, Aventus was entitled to receive an amount equivalent to the total fees billed in the 12 months leading up to termination. Per the actual FY18 and forecast FY19 financial performance, Aventus generated total fees of circa A$30 million.

  – The replacement of the manager was subject to the approval of AVN securityholders, however we note that Aventus and its shareholders collectively held a combined 29.4% interest in AVN which would make the replacement of the manager difficult to implement.

- *Arena Internalisation* – Arena REIT held a property portfolio of childcare centres with an aggregated carrying value of A$411 million and was externally managed by Arena Investment Management Limited ("AIML") before its internalisation in November 2014 ("Arena Internalisation"). The total consideration for the transaction was c. A$11.5 million comprising the value of the management rights (c. A$10.7 million) and working capital adjustments ($0.8 million). In respect of the level of entrenchment, we note the following:

  – Prior to the Arena Internalisation, AIML was a subsidiary that was owned and controlled by the investment platform sponsored and managed by Morgan Stanley Real Estate Investing ("MSREI"). It was solely responsible for appointing the board members of AIML and existing unitholders of Arena REIT had no ability to nominate, appoint or remove board members. AIML's role as responsible entity of the Arena REIT was governed by the provisions of the Corporations Act 2001 (Cth) relating to the retirement and removal of responsible entities for listed managed investment schemes, implying that AIML effectively had an indefinite tenure unless it retired or was removed. Further, disposal and performance fees of c. up to $7.5 million[49] would have been payable to AIML had the Arena REIT been merged or dissolved.

  – The responsible entity's removal or retirement could be effected by an ordinary resolution of security holders of the Arena REIT trust. MSREI, through various other related funds, was the largest shareholder holding 12.74% interest in the Arena REIT and the balance were held by

---

[48] Calculated as the transaction value of $143.1 million divided by the FY19 forecast EBIT of c. $16.6 million (after normalisation). The transaction value excludes the net tangible assets of Aventus Property Group. Using an EBIT (before normalisation) of $15.3 million, the implied multiple is c. 9.3 times.

[49] Based on the Independent Expert's Report published in relation to the Arena Internalisation.

various other shareholders. In our opinion, this level of entrenchment is not dissimilar to the observed level of entrenchment in the Internalisation.

- *CFS Internalisation* – In December 2013, CFS Retail Property Trust ("CFS Trust") undertook an internalisation ("CFS Internalisation") through the acquisition of Commonwealth Managed Investment Limited ("CIML"), a wholly-owned subsidiary of Commonwealth Bank of Australia ("CBA"), which was the responsible entity of CFS Trust. In relation to the level of entrenchment, we note the following:

  - The IMA between CFS Trust and CIML had an indefinite tenure until CIML chose to retire or is removed through an ordinary resolution of security holders. Similarly, there was a separate property management and development agreement that also had an indefinite tenure and this agreement would have continued independently of the status of the investment management agreement.

  - The substantial unitholders of the CFS Trust included the Gandel Group (26.74%), CBA (14.6%) and UniSuper Ltd (8.81%). The Gandel Group had stated its intention of voting in favour of the CFS Internalisation.

  Therefore, whilst the removal of the responsible entity was possible through an ordinary resolution, it had other implications for the continuity of the CFS Trust. This, together with the fact that the largest shareholder would vote in favour of the CFS Internalisation, suggests that the level of entrenchment was high, making the removal of the manager difficult. Further, the level of entrenchment in the Internalisation can therefore be considered comparable to the level of entrenchment observed in the CFS Internalisation.

- *GDI Internalisation* – In October 2013, GDI Property Group ("GDI") undertook an internalisation ("GDI Internalisation") through the acquisition of the responsible entity controlled by Mr. Gillard Vale. In relation to the GDI Internalisation, we note that GDI operated multiple trusts which were close-ended trusts with a life-span of 5 to 7 years. The IMA's were therefore in force until termination. If the responsible entity was removed, it would have triggered the payment of a termination fee equal to the net present value of all future fees payable to GDI under the IMA. The payment of termination fee was likely to act as a deterrent in removing the responsible entity.

- *KIPT Internalisation* – In July 2013, Kiwi Income Property Trust ("Kiwi Trust") undertook an internalisation ("KIPT Internalisation") through the acquisition of the responsible entity for the Kiwi Trust, Kiwi Income Property Limited ("KIPL"). KIPL was a wholly-owned subsidiary of CBA and its associated entities. In relation to the level of entrenchment, we note the following:

  - The IMA did not have a defined tenure. However, a removal of the Manager effected through the provisions stated above would result in an additional fee of c. 0.85% of the Gross Value of the Kiwi Trust (in addition to all fees accrued prior to the date of termination and 10% of the aggregate amount of any performance fee excesses available). The termination fee was likely to act as a deterrent in the removal of the responsible entity.

  - The Property Management deeds had defined terms of 5 years and were expected to expire in 2016 and 2017 but were automatically renewed unless the property manager is in material breach of its obligations.

GrantThornton
An instinct for growth™

– The substantial unitholders of the Kiwi Trust included CBA and its associates (9.1%) and three other unitholders that collectively owned 22.7% of the Kiwi Trust.

Having regard to the above, we are of the opinion that the level of entrenchment in all the Internalisation Transactions is high and similar to Eildon's internalisation given the presence of termination fees across some of its mandates, the operating performance realised by the business and the near-term growth initiatives such as the Eildon Passive Fund.

We have also considered the transaction metrics such as size of AUM and EBIT as a % of AUM, which are set out in the table below:

Transaction metrics in the Internalisation Transactions						
A$million unless stated otherwise	GARDA	Aventus	Area	CFS	GDI	KIPT
Transaction value	66.4	143.1	1.5	460.0	32.2	62.4
Transaction year	2019	2018	2014	2013	2013	2013
EBIT	5.2	16.6	1.1	48.5	5.7	9.5
EBIT multiple (F=Forward; H=Historical) (times)	7.7x (F)	8.6x (F)	10.5x (F)	9.5x (F)	5.7x (H)	6.6 (H)
Assets under management	363	2,000	41	13,900	742	1,809
EBIT as % of AUM (%)	0.88%	0.83%	2.68%	0.35%	0.77%	0.53%

Source: GTCF Calculations

In relation to the above metrics we note that:

- EFM's FY20 as a % of AUM (c. 0.4% - 0.8%[50]) is lower than most of the Internalisation Transactions, suggesting that the fees which it is able to extract from the same level of AUM is lower and therefore relatively less valuable. In our opinion, this is driven by the fact that EFM is an early-stage investment management platform and is still dependent on CVC for obtaining access to opportunities and the management fee proposed to be charged by EFM to CVC is a fixed monthly fee as opposed to a proportion of the value of the assets under management.

  However, EFM has a lower adjusted AUM c. A$204.3 million relative to the transactions noted above, with the exception of the Arena Internalisation. Further the FY20 EBIT of c. A$0.82 million is also lower than these Internalisation Transactions.

- The GDI Internalisation occurred at an EBIT multiple materially lower than the other internalisation. The GDI business model was premised on receiving large one-off transactions fees (capital raising and due diligence fees) in conjunction with the set-up of new trusts which accordingly can be considered comparable to the EFM business model. The higher risk transactional income of GDI is reflected in the lower EBIT multiple. Given EFM is a debt arranger and is also repeatedly required to go to market to be able to generate a continuous stream of income, GDI's finite life funds could be considered comparable to EFM's mandates. Further, the average tenure of a GDI Fund (between 5 years and 7 years) is higher than the average tenure of a typical debt fund (which ranges between 12 months and 24 months) and therefore all else equal, the EBIT multiple is likely to be lower.

[50] Calculated as a re-stated EBIT of A$0.82 million divided by a reported AUM of c. A$204.3 million. If the properties that are managed by CVC are excluded, the reported AUM will be c. A$97.3 million and the implied EBIT as a proportion of AUM will be c. 0.8%. We have adopted the re-stated EBIT as it is not inconsistent with the average EBIT over the last three years.

GrantThornton
An instinct for growth™

- In respect of the KIPT Internalisation, the assessed EBIT multiple of the KIPT Internalisation includes a performance fee payment of c. A$2.6[51] million which was paid for the 12-month period ended 31 March 2013. Excluding the performance fee payment, the transaction multiple would be c. 9 times. The performance fee paid for the year-ended 31 March 2013 represented the first performance fee payment and prior to this no performance fee had been paid since 2007.

- Similar to the KIPT Internalisation, the CFS Internalisation included a performance fee payment of c. A$10.2 million which has been included in the EBIT assessment above. However, we are of the opinion that this is reasonable since CMIL had generated performance fees of c. A$10 million in each of the previous four[52] years.

Whilst we have not relied on the Other Management Platform transactions for determining the appropriate EBIT multiple, we have considered the transaction multiples or multiples adopted by independent experts as part of their valuation assessments and note that they are closely aligned with the multiples realised in the Internalisation Transactions.

The EBIT multiples implied by our valuation range between 4.1 times to 5.7 times. In support of the EBIT multiple range we note the following:

- Relative to the comparable transactions, EFM has a lower AUM and EBIT as a % of AUM which all else equal contributes to the lower multiple. Whilst EFM has more than one investment mandate relative to the comparable transactions, the size of the overall AUM is small.

- Relative to the comparable transactions, EFM is a debt arranger and as such will be required to repeatedly go to market as the existing loans are repaid in search of new opportunities.

- EFM derives a large proportion of its opportunities from CVC and its existing projects and therefore there is an element of over-reliance on a single mandate.

- The higher end of the range is not inconsistent with GDI Property Group which had finite life property funds that could be considered similar to debt funds that would be required to repeatedly go to market in search of new opportunities.

- The EBIT multiple is within the range of the multiple implied by the acquisition of EFM by CVC in August 2019. In valuing the funds management business, an EBIT multiple range of c. 4 to 4.5 times[53] had been adopted. Since the time of the acquisition, the following key changes have taken place:

  - The CVC mandate has been amended which has resulted in a net reduction of the fees.

  - New growth initiatives such Eildon Passive Fund have been introduced. We have also ascribed some value to the growth initiatives undertaken by EFM since the time of the acquisition such as new AUM in EDC, EFM and Eildon Passive Property Fund.

---

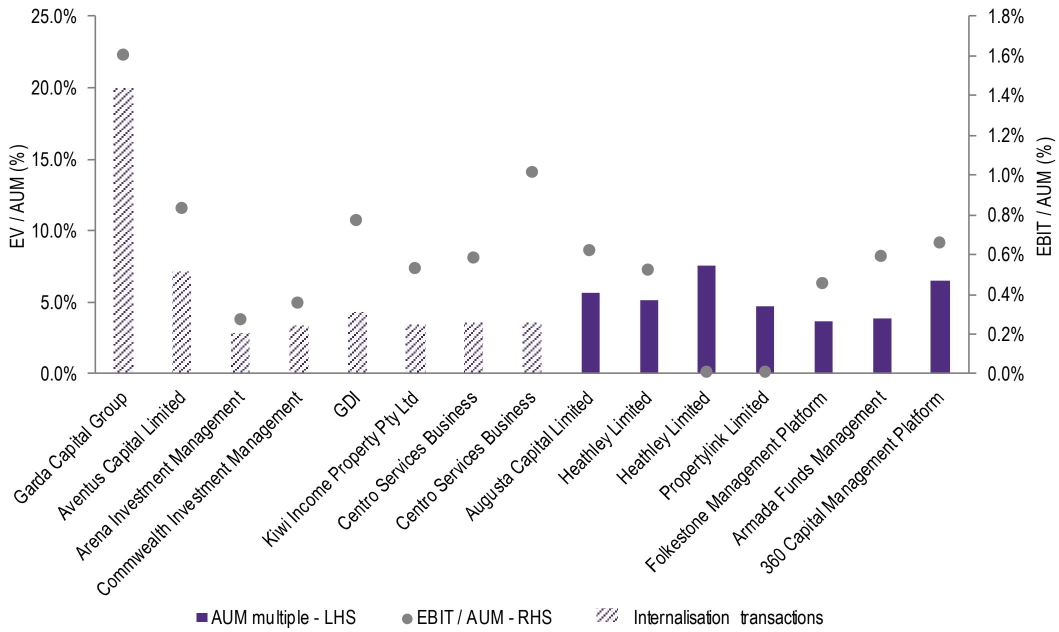
[51] Calculated as NZ$3 million divided by the A$: NZ$ exchange rate of 1.1611 at the date of announcement of the transaction.
[52] Based on information included in the scheme booklet as part of the transaction documents.
[53] CVC FY19 Appendix 4E.

7.2 AUM Multiple

Like the EBIT multiple, the selection of the AUM multiple is also a matter of judgement.

We have set out below the AUM multiples observed in recent transaction.

AUM multiples and EBIT / AUM (%) in recent transactions



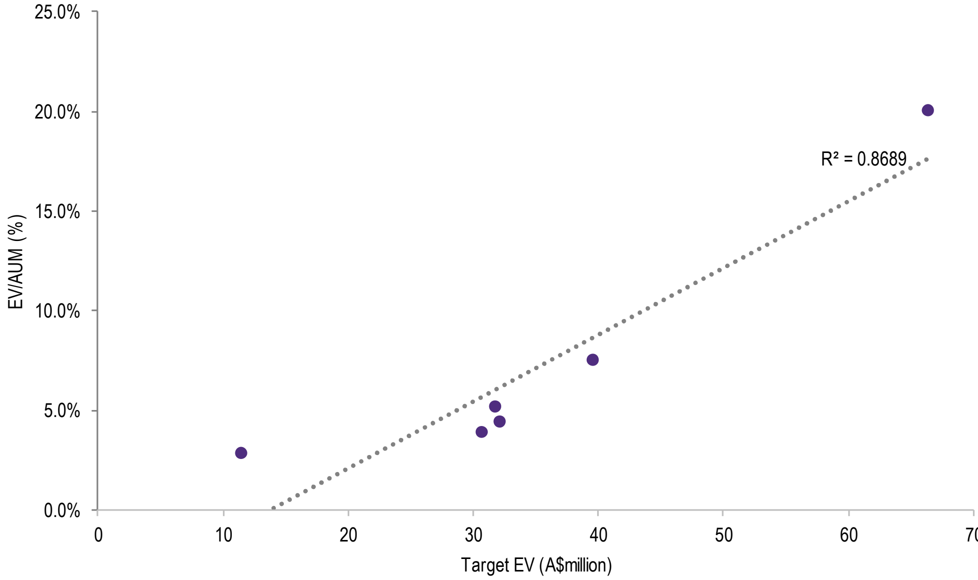
Source: GTCF Calculations

We have also assessed the relationship between the AUM multiples and the transaction value as set out below in the regression. Given the current status and size of EFM funds management business, the regression only considers the targets with enterprise value less than A$100 million and had FUM under A$1 billion at the time of transactions[54]. The regression supports our opinion that the valuation of EFM is considered to be at the lower end.

[54] The data points in the regression comprise GCM, Arena, GDI, Heathley, Amanda Funds Management, and 360 Capital Management Platform

Grant Thornton
An instinct for growth™

Regression between EV and EV/AUM (%)



Source: GTCF analysis

Given the above, the AUM multiple of 3.6% to 4.8% is at the lower end of the observed transactions and provides support the valuation.

The above multiples are significantly higher than the multiples adopted at the time of the acquisition in August 2019. This difference is on account of the reduction in AUM as a result of changes to the CVC mandate. Non-Associated Securityholders should note that EFM earns development management fees of A$10,000 per month per property from 3 properties whose on-completion value is c. A$107 million. Based on the as-if-complete value of A$107 million, the adjusted AUM would be c. A$204 million and the implied multiple range would be 1.7% - 2.3%.

8 Sources of information, disclaimer and consents

8.1 Sources of information

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- EDC's ASX announcements and related updates regarding the Internalisation
- EDC's historical annual reports, investor presentations, and financial results updates
- Various broker reports
- Other publicly available information;
- IBISWorld Report
- S&P Capital IQ
- Discussions with Management
- Other materials provided by Management

8.2 Qualifications and independence

Grant Thornton Corporate Finance Pty Ltd holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to EFM and all other parties involved in the Internalisation with reference to the ASIC Regulatory Guide 112 "Independence of expert" and APES 110 "Code of Ethics for Professional Accountants" issued by the Accounting Professional and Ethical Standard Board. We have concluded that there are no conflicts of interest with respect to EFM, its shareholders and all other parties involved in the Internalisation.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with EFM or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Internalisation.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Internalisation, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Internalisation. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

GrantThornton
An instinct for growth™

8.3 Limitations and reliance on information

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by EFM and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by EFM and other experts through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of EFM.

Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, disclaim all responsibility for EFM's failure to inform us of any changes to any information and/or material which impacts upon the services we have agreed to provide. EFM must take all necessary steps to immediately correct any announcement, communication or document issued which contains, refers to, or is based upon such information.

This report has been prepared to assist the Non-Associated Securityholders in relation to the Internalisation. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Internalisation is fair and reasonable to the Non-Associated Securityholders.

8.4 Consents

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Meeting and Explanatory Memorandum to be sent to EDC Securityholders. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

Appendix A - Valuation methodologies

Discounted future cash flows

An analysis of the net present value of forecast cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

Capitalisation of future maintainable earnings

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

Orderly realisation of assets

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

Market value of quoted securities

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

Comparable market transactions

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company. The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

Grant Thornton
An instinct for growth™

Appendix B - Discount Rate

The cash flow assumptions underlying the DCF approach are on a nominal, ungeared and post-tax basis. Accordingly, we have assessed a range of nominal post-tax discount rates for the purpose of calculating the net present value of the cash flows.

The discount rates were determined using the WACC formula. The WACC represents the average of the rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cash flows, weighted in proportion to the market value of the debt and equity capital provided. However, we note that the selection of an appropriate discount rate is ultimately a matter of professional judgment.

Under a classical tax system, the nominal WACC is calculated as follows:

$$\mathrm{WACC} = R_d \times \frac{D}{D+E} \times (1-t) + R_e \times \frac{E}{D+E}$$

Where:

- Re = the required rate of return on equity capital;
- E = the market value of equity capital;
- D = the market value of debt capital;
- Rd = the required rate of return on debt capital; and
- t = the statutory corporate tax rate.

Required rate of return on equity capital

We have used the CAPM, which is commonly used by practitioners, to calculate the required return on equity capital.

The CAPM assumes that an investor holds a large portfolio comprising risk-free and risky investments. The total risk of an investment comprises systematic risk and unsystematic risk. Systematic risk is the variability in an investment's expected return that relates to general movements in capital markets (such as the share market) while unsystematic risk is the variability that relates to matters that are unsystematic to the investment being valued.

The CAPM assumes that unsystematic risk can be avoided by holding investments as part of a large and well-diversified portfolio and that the investor will only require a rate of return sufficient to compensate for the additional, non-diversifiable systematic risk that the investment brings to the portfolio. Diversification cannot eliminate the systematic risk due to economy-wide factors that are assumed to affect all securities in a similar fashion.

Accordingly, whilst investors can eliminate unsystematic risk by diversifying their portfolio, they will seek to be compensated for the non-diversifiable systematic risk by way of a risk premium on the expected return. The extent of this compensation depends on the extent to which the company's returns are correlated with the market as a whole. The greater the systematic risk faced by investors, the larger the required return on capital will be demanded by investors.

Grant Thornton
An instinct for growth™

The systematic risk is measured by the investment's beta. The beta is a measure of the co-variance of the expected returns of the investment with the expected returns on a hypothetical portfolio comprising all investments in the market - it is a measure of the investment's relative risk.

A risk-free investment has a beta of zero and the market portfolio has a beta of one. The greater the systematic risk of an investment the higher the beta of the investment.

The CAPM assumes that the return required by an investor in respect of an investment will be a combination of the risk-free rate of return and a premium for systematic risk, which is measured by multiplying the beta of the investment by the return earned on the market portfolio in excess of the risk-free rate.

Under the CAPM, the required nominal rate of return on equity (Re) is estimated as follows:

$$R_e = R_f + \beta_e (R_m - R_f)$$

Where:

- Rf = risk free rate
- βe = expected equity beta of the investment
- (Rm – Rf) = market risk premium

*Risk-free rate – **3.5%***

In the absence of an official risk free rate, the yield on government bonds (in an appropriate jurisdiction) is commonly used as a proxy. Accordingly, we have we have observed the yield on the 10-year Australian Government bond over several intervals from a period of 5 trading days to 10 trading years. The following table sets out the average yield on 10-year Australian Government Bond over the last 10 years.

Australia Government Debt - 10 Year as at 18 August 2020		Range		Daily average
Previous 5 trading days	0.87%	-	0.94%	0.90%
Previous 10 trading days	0.82%	-	0.94%	0.88%
Previous 20 trading days	0.82%	-	0.94%	0.87%
Previous 30 trading days	0.82%	-	0.94%	0.88%
Previous 60 trading days	0.82%	-	1.10%	0.90%
Previous 1 year trading	0.60%	-	1.48%	1.00%
Previous 2 years trading	0.60%	-	2.79%	1.53%
Previous 3 years trading	0.60%	-	2.93%	1.92%
Previous 5 years trading	0.60%	-	3.03%	2.17%
Previous 10 years trading	0.60%	-	5.76%	3.09%

Source: S&P Global

Our adopted risk-free rate of 3.5% is based on the long-term real yield on Australian 10-year government bonds adjusted for the target inflation. In calculating the real yield, we have observed the nominal yield on the 10-year Australian Commonwealth Government Bond over several intervals from a period of 5 trading days to 10 trading years which we have adjusted for historical inflation.

Market risk premium ***– 6.0%***

The market risk premium represents the additional return an investor expects to receive to compensate for additional risk associated with investing in equities as opposed to assets on which a risk free rate of return is earned. However, given the inherent high volatility of realised rates of return, especially for equities, the market risk premium can only be meaningfully estimated over long periods of time. In this regard, Grant Thornton studies of the historical risk premium over periods of 20 to 80 years suggest a risk premium of 6.0% for the Australia markets.

For the purpose of the WACC assessment, Grant Thornton Corporate Finance has adopted a market risk premium of 6.0%.

Equity beta – ***1.0 to 1.1***

The beta measures the expected relative risk of the equity in a company. The choice of the beta requires judgement and necessarily involves subjective assessment as it is subject to measurement issues and a high degree of variation.

An equity beta includes the effect of gearing on equity returns and reflects the riskiness of returns to equity holders. However, an asset beta excludes the impact of gearing and reflects the riskiness of returns on the asset, rather than returns to equity holders. Asset betas can be compared across asset classes independent of the impact of the financial structure adopted by the owners of the business.

Equity betas are typically calculated from historical data. These are then used as a proxy for the future which assumes that the relative risk of the past will continue into the future. Therefore, there is no right equity beta and it is important not to simply apply historical equity betas when calculating the cost of equity.

For the purpose of the report, we have had regard to the observed betas (equity betas) of comparable listed companies operating in the Australian residential property development industry. Below tables show both the 2-year weekly and 5-year monthly beta's of the broadly comparable companies. We note that many observations are not statistically relevant, so we have not been able to rely upon these beta's.

Beta analysis Company name	Country	Market Cap (A$m)	Equity beta	R-squared	Gearing Ratio	Ungeared Beta	Regeared Beta
Centuria Capital Group	Australia	962	0.83	0.27	(7.5%)	0.83	0.86
Cromwell Property Group	Australia	2,221	0.97	0.54	67.0%	0.66	0.68
Primewest Group Limited	Australia	361	1.60	0.77	NM	1.60	1.66
APN Industria REIT	Australia	478	0.77	0.34	49.3%	0.57	0.60
Average							**0.90**
Median							**0.69**

Source: S&P Global, SIRCA Limited, GTCF calculations.
Notes: (1) Equity betas are calculated using data provided by S&P Global. The betas are based on a 2 year period with weekly observations based on the local index. (2) Betas have been unlevered based on the average gearing ratio (i.e. net debt divided by shareholders' equity based on market values). (3) Betas have been regeared based on the assumed regearing ratio of 29% based on Villa World's median target gearing ratio (between 15% and 30%). (4) SIRCA's beta is based on the most recent publication as of March 2019.

Beta analysis Company name	Country	Market Cap (A$m)	Equity beta	R-squared	Gearing Ratio	Ungeared Beta	Regeared Beta
Centuria Capital Group	Australia	962	1.12	0.37	(3.2%)	1.12	1.16
Cromwell Property Group	Australia	2,221	0.84	0.40	66.2%	0.57	0.59
Primewest Group Limited	Australia	361	1.17	0.41	NM	1.17	1.21
APN Industria REIT	Australia	478	0.99	0.44	49.5%	0.73	0.76
Average							**0.93**
Median							**0.96**

Source: S&P Global, SIRCA Limited, GTCF calculations.
Notes: (1) Equity betas are calculated using data provided by S&P Global. The betas are based on a 5 year period with monthly observations based on the local index. (2) Betas have been unlevered based on the average gearing ratio (i.e. net debt divided by shareholders' equity based on market values). (3) Betas have been regeared based on the assumed regearing ratio of 5% based on EFM target gearing ratio; (4) SIRCA's beta is based on the most recent publication as of March 2019.

In addition to the above, SIRCA also reports[55] overall beta for the real estate industry[56] between 0.53 and 1.07, with a midpoint of 0.80.

It should be noted that the above betas are drawn from the actual and observed historical relationship between risk and returns. From these actual results, the expected relationship is estimated generally on the basis of extrapolating past results. Despite the arbitrary nature of the calculations it is important to assess their commercial reasonableness. That is, to assess how closely the observed relationship is likely to deviate from the expected relationship.

Consequently, while measured equity betas of the listed comparable companies provide useful benchmarks against which the equity beta used in estimating the cost of equity for the predevelopment assets, the selection of an unsystematic equity beta requires a level of judgement.

The asset betas of the selected companies are calculated by adjusting the equity betas for the effect of gearing to obtain an estimate of the business risk of the comparable companies, a process commonly referred as de-gearing. We have then recalculated the equity beta based on an assumed ‘optimal’ capital structure deemed appropriate for the business (regearing). This is a subjective exercise, which carries a significant possibility of estimation error.

---

55 As of March 2020

56 Excluding investment trusts.

Grant Thornton
An instinct for growth™

We used the following formula to undertake the de-gearing and regearing exercise:

$$\beta_e = \beta_a\left[1 + \frac{D}{E} \times (1 - t)\right]$$

Where:

- βe = Equity beta
- βa = Asset beta
- t = corporate tax rate

The betas are de-geared using the average historical gearing levels of those respective companies over several years. We note that most comparable companies had net cash positions. We then re-geared based on a gearing ratio[57] of 5% debt (see Capital Structure Section below for further discussions).

For the purposes of our valuation, we have selected a beta range of between 1.0 and 1.1 to calculate the required rate of return on equity capital. In our beta assessment we had regard to the industry betas assessed by SIRCA Limited as of March 2019.

*Specific risk premium – **0.5%***

Specific risk premium ("SRP") represents the additional return an investor expects to receive to compensate for size and project related risks not reflected in the beta of the observed comparable companies. We have assumed a SRP given the lack of diversification in IMAs.

*Cost of debt – **6.0% - 7.0%***

For the purpose of estimating the cost of debt applicable to EFM, Grant Thornton Corporate Finance has considered the following:

- The weighted average interest rate on credit outstanding for large businesses over the last one to five years as published by the Reserve Bank of Australia.

- The historical and current cost of debt for the comparable companies.

- Expectations of the yield curve.

- The spread on the recent debt refinancing applied to our long term assessment of base rates.

Based on the above, Grant Thornton Corporate Finance has adopted a cost of debt of 6.0% to 7.0% on a pre-tax basis.

*Capital Structure – **5% gearing***

The appropriate level of gearing that is utilised in determining WACC for a particular company should be the "target" gearing ratio, rather than the actual level of gearing, which may fluctuate over the life of a company. The target or optimal gearing level can therefore be derived based on the trade-off theory which

[57] Debt to equity ratio.

Grant Thornton
An instinct for growth™

stipulates that the target level of gearing for a project is one at which the present value of the tax benefits from the deductibility of interest are offset by present value of costs of financial distress. In practice, the target level of gearing is evaluated based on the quality and variability of cash flows. These are determined by:

- the quality and life cycle of a company;
- the quality and variability of earnings and cash flows;
- working capital;
- level of capital expenditure; and
- the risk profile of the assets.

For the purpose of the valuation on EFM, Grant Thornton Corporate Finance has adopted a capital structure based on 95% equity.

*Tax rate – **30%***

For the purpose of our valuation assessment we have assumed the Australian small business corporate tax rate of 30%.

Discount rate summary

The discount rate determined is set out below.

WACC calculation	Low	High
Cost of equity		
Risk free rate	3.5%	3.5%
Beta	1.00	1.10
Market risk premium	6.0%	6.0%
Specific risk premium	0.5%	0.5%
Cost of equity	**10.0%**	**10.6%**
Cost of debt		
Cost of debt (pre tax)	6.0%	7.0%
Tax	30.0%	30.0%
Cost of debt (post tax)	**4.2%**	**4.9%**
Capital structure		
Proportion of debt	5%	5%
Proportion of equity	95%	95%
	100%	100%
WACC (post tax)	**9.7%**	**10.3%**
WACC (post tax) - selected	**9.5%**	**10.5%**

Source: GTCF Analysis

Appendix C – Comparable companies

Comparable companies	
Company	Description
Centuria Capital Group	Centuria Capital Group, an investment manager, markets and manages investment products primarily in Australia. It operates through four segments: Property Funds Management, Investment Bonds Management, Co-Investments, and Corporate. The Property Funds Management segment manages listed and unlisted property funds. The Investment Bonds Management segment manages benefit funds, which include a range of financial products, such as single and multi-premium investments. The Co-Investments segment holds interest in property funds and other liquid investments, as well as properties for development. The Corporate segment manages reverse mortgage lending portfolio. The company was incorporated in 2000 and is headquartered in Sydney, Australia.
APN Property Group Limited	APN Property Group Limited operates as a real estate investment fund manager in Australia and internationally. It operates through Real Estate Securities Funds, Industrial Real Estate Fund, Direct Real Estate Funds, and Investment Revenue segments. The company manages open ended properties securities funds, listed property trusts, fixed term Australian funds, and wholesale funds. It manages direct property and listed funds, and managed investment schemes. The company provides its products to institutional and retail investors directly, as well as through independent financial planner networks and financial institutions. APN Property Group Limited was founded in 1996 and is headquartered in Melbourne, Australia.
Cromwell Property Group	Cromwell Property Group (ASX:CMW) is a diversified real estate investor and manager with operations on three continents and a global investor base. As at 31 December 2019, Cromwell had a market capitalisation of $3.1 billion, a direct property investment portfolio valued at $3.2 billion and total assets under management of $11.9 billion across Australia, New Zealand and Europe.
Primewest Group Limited	Primewest operates in the real estate funds management sector. This involves sourcing, acquiring, managing and disposing of real estate assets on behalf of investors. Real estate funds management is attractive to private high-net-worth and institutional investors because it allows these investors to acquire an interest in larger assets or diversify their investment exposure, which might not be possible if an investor invested directly.

Grant Thornton
An instinct for growth™

Appendix D – Comparable transactions

Comparable transactions Target	Description
Garda Capital Group	Garda Capital Group is property funds management headquartered in Brisbane, Queensland, Australia. As of November 29, 2019, Garda Capital Group operates as a subsidiary of Garda Diversified Property Fund.
Aventus Property Group	Aventus Capital Limited is the fund manager of Aventus Property Group.
Citrus Investment Services Pty Ltd	Citrus Investment Services Pty Ltd is based in Australia.
CFX Co Limited	Vicinity Holdings Limited acts as a trustee or manager for managed investment schemes registered under the Managed Investments Act. The company was founded in 2013 and is based in Chadstone, Australia.
Kiwi Property Management Limited and Kiwi Income Properties Limited	Kiwi Property Management Limited and Kiwi Income Properties Limited represents the combined operations of Kiwi Property Management Limited and Kiwi Income Properties Limited in their sale. Kiwi Property Management Limited offers property management services. Kiwi Income Properties Limited operates the Kiwi Income Property Trust. Kiwi Property Management Limited and Kiwi Income Properties Limited are based in Auckland, New Zealand.
Augusta Capital Limited	Augusta Capital Limited engages in the investment of commercial and industrial properties in New Zealand. The company owns five commercial properties comprising commercial office towers, office buildings, finance center, and business parks located in Auckland. It also provides property syndication services. The company was formerly known as Kermadec Property Fund Limited and changed its name to Augusta Capital Limited in March 2012. Augusta Capital Limited was incorporated in 2006 and is based in Auckland, New Zealand.
Heathley Limited	Heathley Limited is a real estate investment firm specializing in multi–property and single property funds investing in prime commercial office, industrial, and medical sectors. Heathley Limited was founded in 1977 and is based in Sydney, Australia. Heathley Limited operates as a subsidiary of Centuria Platform Investments Pty Ltd.
Propertylink Group	Propertylink is an A-REIT, listed on the Australian Stock Exchange under the code "PLG". Propertylink is an internally managed real estate group that owns and manages a diversified portfolio of logistics, business park and office properties and is a leading investment and asset management business with A$1.8 billion of assets under management. Propertylink's integrated, in-house approach to active asset management is aimed at maximising the performance and value of assets under management for our global investors from North America, Europe, the Middle East, Asia and Australia.
Folkestone Limited	Folkestone Limited operates as a real estate funds management, investment, and development company in Australia. It operates through Property Development and Funds Management segments. The company invests in the office, retail, industrial, residential, and social infrastructure sectors; and provides real estate funds management services for private clients and institutional investors. Folkestone Limited is based in Sydney, Australia. As of October 23, 2018, Folkestone Limited operates as a subsidiary of Charter Hall Group.
Armada Funds Management Pty Limited	Armada Funds Management Pty Limited is a real estate investment firm specializing in wholesale direct property investments. Armada Funds Management Pty Limited based in Australia. As of June 1, 2017, Armada Funds Management Pty Limited operates as a subsidiary of Moelis Australia Limited.
Centuria Property Funds	Centuria Property Funds No. 2 Limited is a privately owned investment manager. It launches and manages real estate investment trusts and real estate investment funds for its clients. The firm invests in the real estate markets of Australia. It operates as a subsidiary of Centuria Capital Limited. It was formerly known as 360 Capital Investment Management Limited. Centuria Property Funds No. 2 Limited was founded in 2013, and is based in Sydney, New South Wales, Australia.

Source: S&P Global Capital

Grant Thornton
An instinct for growth™

Appendix E – Glossary

A$	Australian Dollar
AASB 16	Australian Accounting Standards Board 16 Leases
ABS	Australian Bureau of Statistics.
ADI	Authorised Deposit-taking Institutions
AFSL or AFS Licence	Australian Financial Services Licence
AIML	Arena Investment Management Limited
APES	Accounting Professional and Ethical Standards
APRA	Australian Prudential Regulatory Authority
A-REIT Index	S&P ASX 200 A-REIT index
Arena Internalisation	The transaction in November 2014 to internalise Arena
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ASX LR10.1	Australian Securities Exchange Listing Rules 10.1 Transactions with related parties
AUM	Asset under management
AUM Multiple	Enterprise Value divided by AUM
Aventus	Aventus Capital Limited
Aventus Internalisation	The transaction in August 2018 to internalise Aventus
AVN	Aventus Retail Property Fund
Bentleigh Investment	The industrial property in Bentleigh that CVC purchased through a 50:50 joint venture
BMW Narre Warren	The BMW Narre Warren property, which is expected to be transferred/sold to the Eildon Passive Fund before the end of 2020
Cash Consideration	A$4 million cash paid by EDC to CVC to acquire EFM
CBA	Commonwealth Bank of Australia
CBRE	CBRE Group, Inc.
CFS internalisation	The transaction in December 2013 to internalise CFS Trust
CFS Trust	CFS Retail Property Trust
Corporations Act	Corporations Act 2001
CVC	CVC Limited
DCF	Discounted Cash Flow
EBIT	Earnings before, interest and tax
EBIT Multiple	Enterprise Value divided by underlying EBIT
EDC	Eildon Capital Group
EDF	Eildon Debt Fund
EFM	Eildon Funds Management
Eildon Capital	Eildon Capital Limited
EM	Explanatory Memorandum
EPIE	Eildon Property Investment (P) Fund
EPS	Earnings per share
EV	Enterprise Value
FSG	Financial Services Guide
FYxx	12 month financial year ended 30 June 20xx
GCM	GARDA Capital Group
GDF	GARDA Diversified Property Fund
GDI	GDI Property Group

GDI Internalisation	The transaction in October 2013 to internalise GDI
Gearing Ratio	Net Debt over Equity
GFC	Global Financial Crisis
GT Model	GTCF valuation model based on the cash flow projections prepared by Management of EFM for the forecast period FY21 to FY25
GTCF, Grant Thornton, or Grant Thornton Corporate Finance	Grant Thornton Corporate Finance Pty Ltd (ACN 003 265 987)
IER or Report	Independent Expert Report
IMA	Investment Management Agreement
Internal Model	The financial model that includes EFM Management's projections for FY21 to FY25
Internalisation	The transaction that EDC announced to acquire 100% of the issued capital of EFM to internalise the management of EDC
Internalisation Transactions	The comparable transactions involving internation of the asset managers (with the exception of Centro Business Services Limited)
KIPL	Kiwi Income Property Limited
KIPT Internalisation	The transaction in July 2013 to internalise KIPL
Kiwi Trust	Kiwi Income Property Trust
LEP	Local Environment Plan
LTV	Loan-to-value
MBA	Master Builders Australia
MSREI	Morgan Stanley Real Estate Investing
NAB	National Australia Bank
New House Loans	A specific loan that caters for the first home buyers
NOM	Notice of Meeting
NTM	Next twelve months
Other Management Platform Transactions	The comparable transactions that are not Internalisation Transactions
Passive Funds	Eildon Single Purpose Passive Funds
Qualitas	Qualitas Real Estate Income Fund
RBA	Reserve Bank of Australia
RG	Regulatory Guide
RG 74	ASIC Regulatory Guide 74 "Acquisition approved by members"
RG111	ASIC Regulatory Guide 111 “Contents of expert reports”
RG112	ASIC Regulatory Guide 112 “Independence of experts”
RG5	ASIC Regulatory Guide 5 "Relevant Interests and Substantial Holding Notices"
RG60	ASIC Regulatory Guide 60 “Scheme of arrangement”
SPP	Strategic Property Partner Investments Pty Ltd
WACC	Weighted Average Cost of Capital.
WALE	Weighted Average Lease Expiry
WHO	World Health Organisation
Woolloongabba Investment	EDC's equity investment located on Logan Road in Woolloongabba

Eildon Capital Group
Eildon Capital Limited ACN 059 092 198
Eildon Funds Management Limited ACN 066 092 028
As responsible entity for Eildon Capital Trust ARSN 635 077 753

Need assistance?

Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Online:
www.investorcentre.com/contact

EDC

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:00 AM (AEDT) on Wednesday, 11 November 2020.**

Extraordinary General Meeting Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative
If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark ☒ to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Eildon Capital Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ______

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Eildon Capital Limited to be held at Suite 40.04, Level 40, 1 Farrer Place, Sydney, NSW 2000 on Friday, 13 November 2020 at 10:00 AM (AEDT) and at any adjournment or postponement of that meeting.

Step 2 Item of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Approval of Internalisation	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s)

This section must be completed.

Individual or Securityholder 1	Securityholder 2	Securityholder 3	
			/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

Mobile Number	Email Address

E D C 2 6 9 4 3 9 A

computershare