



Elanor Investors Group

**New Funds Management Initiative
and Equity Raising**

2 December 2014

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Transaction Overview

Transaction overview

New Funds Management Initiative	<ul style="list-style-type: none"> • Elanor Investors Group (“ENN”) has established four new managed funds (the “Bell City Funds”) that have agreed to acquire Bell City, a landmark suburban Melbourne hotel, budget/student accommodation and commercial complex located approximately 10 kilometres north of Melbourne’s CBD • Bell City will be acquired for a purchase price of \$142.9 million, which reflects an initial yield of 8.5% with significant income and capital growth potential • ENN will manage the Bell City Funds and will receive upfront fees, investment management fees and performance fees • ENN will make a \$12 million co-investment in the Bell City Funds
Equity Raising	<ul style="list-style-type: none"> • ENN is undertaking a Placement of approximately 9.1 million Securities at an Offer Price of \$1.38 per security to raise approximately \$12.6 million • Placement proceeds will be used to fund ENN’s co-investment in Bell City, which will align ENN with fund investors and also enable ENN to participate in returns from the asset • ENN also intends to offer a Security Purchase Plan (“SPP”) to eligible securityholders, capped at \$1 million
Impact on ENN	<ul style="list-style-type: none"> • Investments under management increase by \$143 million, from \$108 million (including City Hotel) to \$251 million • Expected pre-tax return on ENN equity employed from management fees and annual fund distributions of approximately 21%¹ - this excludes potential performance fees and capital gain on fund units • On an annualised/full year basis the transaction is expected to be approximately 6% EPS accretive to ENN’s Core Earnings per security²

1. From base management fees and annual fund distributions only, excludes potential performance fees and potential capital gain on ENN’s investment. Upfront fees are netted off gross equity committed. Fund distributions based on forecast average distribution over the 3 year term of the funds.

2. Excludes any impact of the SPP

Transaction highlights

Earnings accretive, on-strategy funds management initiative

Highlights ENN's ability to originate attractive off-market acquisitions with significant upside potential

Expected pre-tax return on ENN equity employed of approximately 21%¹

Potential for ENN to benefit from performance fees in addition to the upfront acquisition fees and base management fees

Substantial increase in ENN's funds under management

1. From base management fees and annual fund distributions only, excludes potential performance fees and potential capital gain on ENN's investment. Upfront fees are netted off gross equity committed. Fund distributions based on forecast average distribution over the 3 year term of the funds.



Overview of Bell City

Overview of Bell City

- Bell City is a landmark suburban Melbourne hotel, budget/student accommodation and commercial complex located approximately 10 kilometres north of Melbourne's CBD
- The property features 844 rooms (383 hotel & residences, 461 budget/student accommodation), conference and function facilities, commercial office building, restaurants and cafés, ancillary services and a substantial residential development site
- At settlement Mantra Group will be appointed the new Operator of the accommodation assets under a new Hotel Management Agreement
- The commercial office component of the asset will be leased back to the vendor's serviced office business, Asia Pacific Serviced Offices
- The residential development site on the north east corner of the property has DA approval for 377 apartments and 520 underground/basement car spaces
- The acquisition price for the property is \$142.9 million, with total investment value of \$154.4 million after stamp duty and transaction costs (including upfront acquisition fees to ENN)
- Initial blended asset yield of 8.5%
- Settlement of the acquisition is expected by the end of December 2014

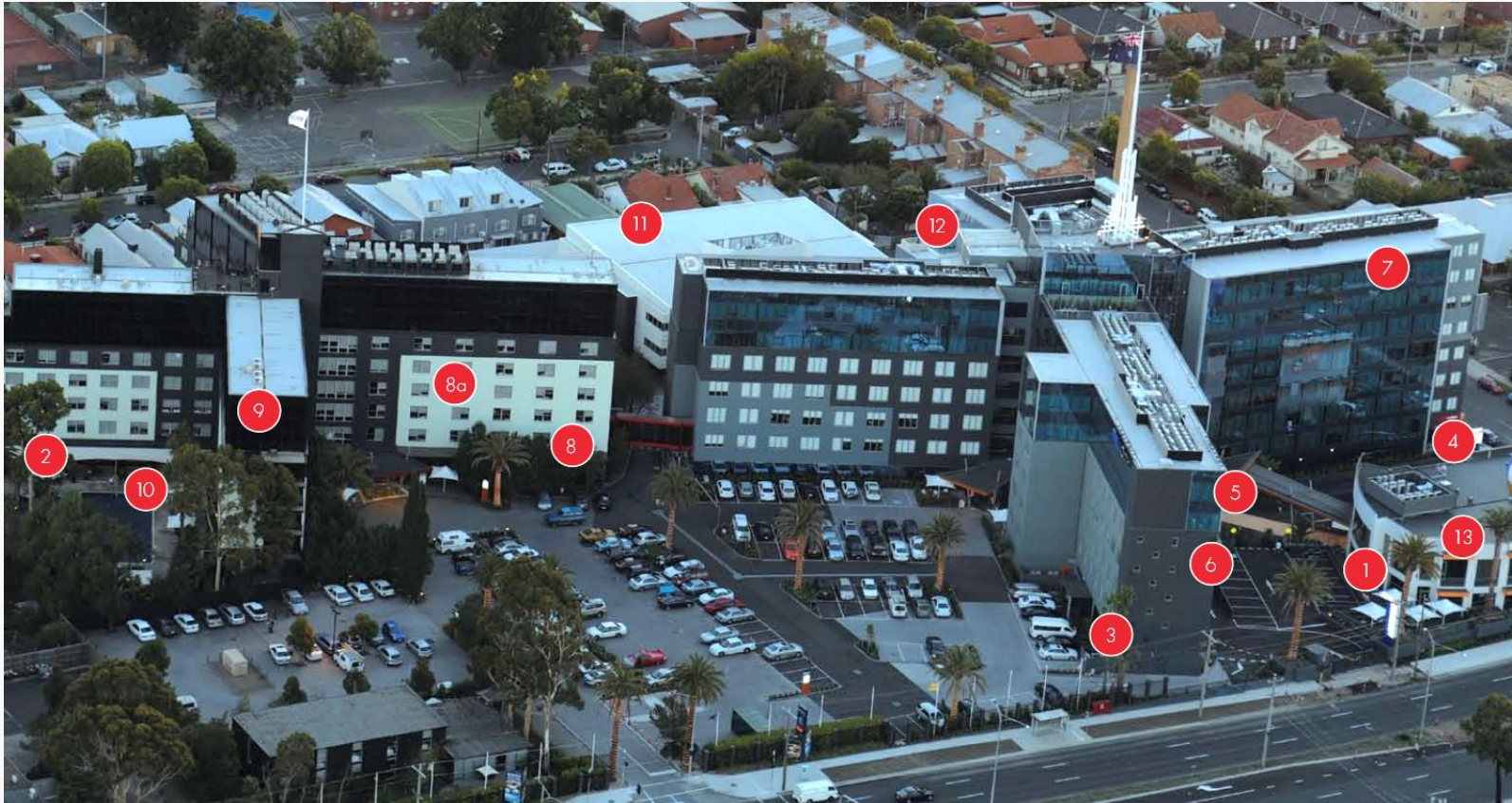


Bell City – Asset Details

Address	<ul style="list-style-type: none"> • 215 Bell Street, Preston, Victoria, 3072, Australia
Property Features	<ul style="list-style-type: none"> • 4 free standing interconnected buildings plus an annexure building, comprising: <ul style="list-style-type: none"> — 383 hotel and residences (4.5 star) — 461 budget/student accommodation (2.5 to 3.5 star) — Extensive conference facilities over 3 of the interconnected buildings — 2 restaurants and a cafe — 6 floor commercial office building, with net lettable area of 5,140m² in addition to 42 ground floor offices — 652 car spaces — A residential development site with DA for 377 apartments and 520 car spaces
Location	<ul style="list-style-type: none"> • 10 kilometres north of Melbourne's CBD • 20 kilometres south east of Melbourne Airport
Site Area	<ul style="list-style-type: none"> • 24,214 square metres
Zoning	<ul style="list-style-type: none"> • Mixed Use
Tenure	<ul style="list-style-type: none"> • Freehold
Initial yield	<ul style="list-style-type: none"> • 8.5%



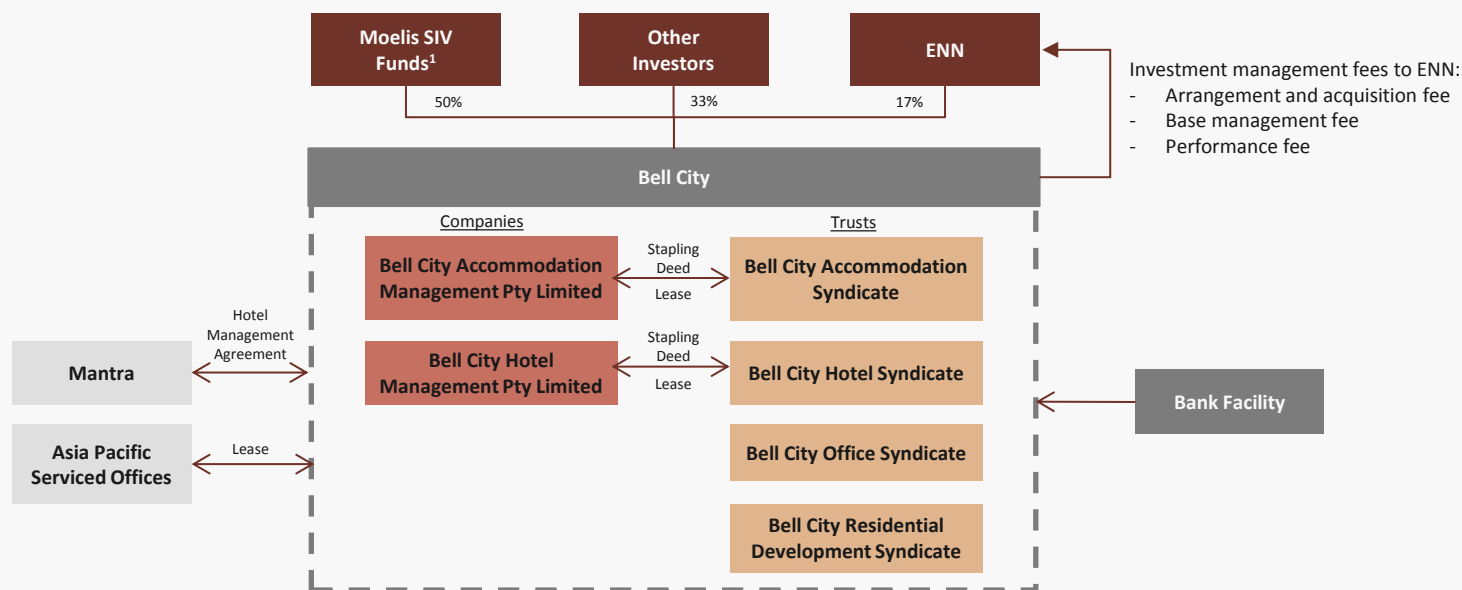
Bell City – Aerial View



- (1) Restaurant (2) Diner (3) Café & Convenience Store (4) Retail Outlets (5) Serviced Offices & Business Centre (6) Tower 2 Residences
 (7) Tower 2 Hotel (West Wing) (8) Small Conference/Training Rooms (8a & 9) Tower 1 Budget/Student Accommodation
 (10) Large Swimming Pool (11) 6 floor office block (12) Tower 2 Hotel (South Wing) (13) Events & Conferencing Centre

Bell City - Investment structure

- 4 funds separately owning the (i) hotel (ii) budget/student accommodation (iii) office and (iv) development assets of Bell City
 - The hotel and budget/student accommodation funds are stapled structures comprising:
 - A closed ended, unregistered managed investment scheme (Property trust)
 - A Pty Limited company (Business)
 - The office and development fund is structured as a closed ended, unregistered managed investment scheme
- Structure allows for the efficient sell down of individual components of Bell City if desired
- Credit approved debt terms agreed with one of the 4 major Australian banks



1. Moelis Australia Property Visa Fund and Moelis Australia SIV Property Fund

Overview of Bell City Funds

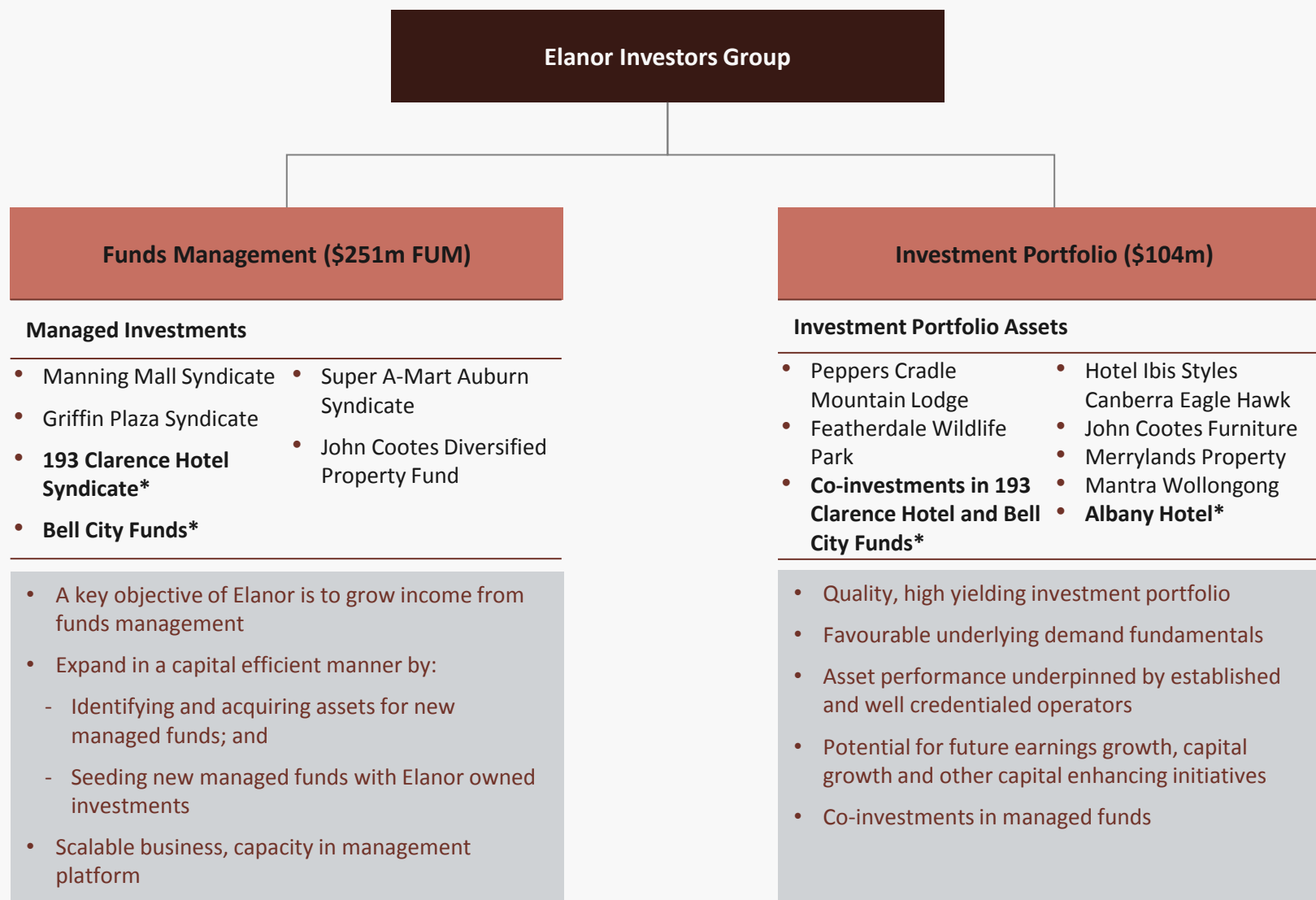
Structure	<ul style="list-style-type: none"> 4 funds separately owning the (i) hotel (ii) budget/student accommodation (iii) office and (iv) development assets of Bell City
Total investment size	<ul style="list-style-type: none"> \$154.4 million (\$142.9 million total Purchase Price + \$11.5 million stamp duty and acquisition costs, including fees to ENN)
Equity	<ul style="list-style-type: none"> \$68.7 million
Borrowings	<ul style="list-style-type: none"> \$85.7 million (60% of Purchase Price)
Exit strategy	<ul style="list-style-type: none"> Sale of property, hotel and budget/student accommodation businesses – the various assets are on separate titles and can be sold individually
Investment term	<ul style="list-style-type: none"> Initial term of 3 years, potential to extend upon a unitholder vote
Expected returns	<ul style="list-style-type: none"> Year 1 distribution yield of 8.4% (pre-tax) Average distribution yield over 3 year term of 10.3% (pre-tax) Expected IRR of ~16.5% (post all fees to ENN)
Fee arrangements	<ul style="list-style-type: none"> The standard fee card payable by investors in the Bell City Funds is as follows: <ul style="list-style-type: none"> Arrangement and acquisition fee of 1.25% of acquisition price, payable to ENN at settlement Ongoing base management fee of 1.00% of gross asset value per annum, payable to ENN quarterly Performance fee payable to ENN of 25.0% of fund return (after all fees and expenses) above an IRR of 10.0% Moelis SIV Funds¹ will receive certain fee rebates reflecting the size of their investment and early commitment as the cornerstone investor

1. Moelis Australia Property Visa Fund and Moelis Australia SIV Property Fund



ENN Business Overview

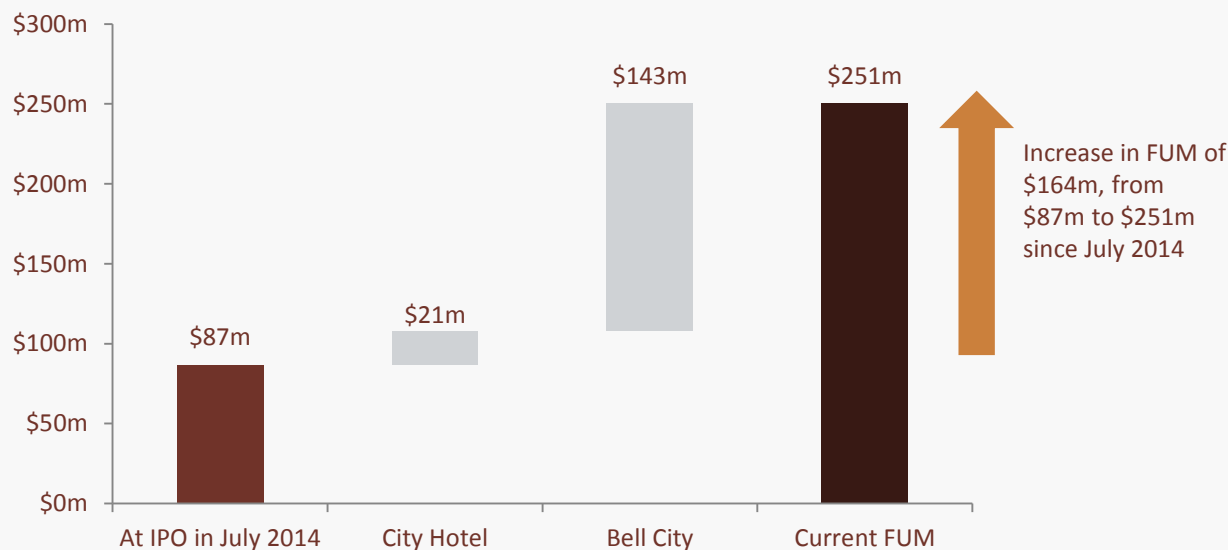
ENN business overview



Growth in Funds Management

- Since listing in July 2014, ENN has increased funds under management by \$164 million (~188%) from \$87 million to \$251 million
- ENN management continue to actively pursue new funds management opportunities that may add further funds management earnings to ENN in FY15

GROWTH IN EXTERNAL FUNDS UNDER MANAGEMENT SINCE IPO



Operational update

	Hotels, Tourism and Leisure	Funds Management	Special Situation Investments
Segment Overview	<ul style="list-style-type: none"> Portfolio of hotels, tourism and leisure businesses <ul style="list-style-type: none"> Direct operating exposure High yielding Real estate backed 	<ul style="list-style-type: none"> Management of investment funds on behalf of third party investors <ul style="list-style-type: none"> Approximately \$251 million investments under management (following Bell City acquisition) Targeting growth in capital efficient manner 	<ul style="list-style-type: none"> Private operating businesses <ul style="list-style-type: none"> Targeting high yielding businesses with attractive operating cashflows Seek to create value by improving business, unlocking real estate value and/or realise investment through sale
Update since IPO	<ul style="list-style-type: none"> Peppers Cradle Mountain Lodge and Featherdale Wildlife Park performing ahead of budget Mantra Wollongong performing in line with budget Hotel Ibis Styles Canberra Eagle Hawk currently behind budget Albany Hotel acquisition to be settled in December 2014 Overall, Hotels, Tourism and Leisure portfolio is tracking in line with budget 	<ul style="list-style-type: none"> Establishment of 193 Clarence Hotel Syndicate Establishment of Bell City Funds Growth in funds under management of \$164m, from \$87m to \$251m Existing managed funds continue to perform well Pipeline of potential opportunities being assessed Overall, the funds management business is performing significantly ahead of budget 	<ul style="list-style-type: none"> John Cootes Furniture business is currently performing behind budget due to some challenges, largely related to transition issues Significant interest from developers for Merrylands Property; current market conditions are considered to be strong for development sites of this nature



Equity Raising

Equity raising details

- \$12.6 million fully underwritten Placement
- Non-underwritten SPP to eligible securityholders for up to \$15,000 of new securities per securityholder, capped at \$1.0 million
- New securities to be issued at a price of \$1.38 per security
- Issue price represents an 8.0% discount to last close, a 5.7% discount to the VWAP for the 5 days to 1 December 2014 and a 5.6% discount to the VWAP for the 10 days to 1 December 2014
- Funds raised from the Placement will be used by ENN to make a \$12 million co-investment into the Bell City Funds. Transaction costs are estimated to be approximately \$0.7 million
- Securities issued under the Placement and SPP will rank equally with existing ENN securities and will be entitled to the full distribution for the period from listing to 31 December 2014, expected to be in the range of 4.5 to 5.0 cents per security (assuming settlement of Bell City by 31 December 2014). ENN expects the distribution for the full year to 30 June 2015 to be at least in line with the IPO forecast of 11.7 cents per security
- The Placement is fully underwritten by Moelis Australia Advisory Pty Ltd

Offer metrics		Placement Timetable ¹	
No. of securities to be issued (m)	9.12	Institutional offer opens	Tuesday, 2 December
No. of securities on issue post Placement (m)	69.92	Institutional offer closes	Tuesday, 2 December
Issue Price	\$1.38	Trading in ENN securities expected to resume	Wednesday, 3 December
Discount to last closing price	8.0%	Settlement of the Placement	Monday, 8 December
Discount to 5-day VWAP	5.7%	Allotment of Placement securities	Tuesday, 9 December
Discount to 10-day VWAP	5.6%	Trading of Placement securities	Tuesday, 9 December

1. Subject to change at ENN's discretion



Key Risks

Key risks

- **Changes in industry activity and consumer preferences and tastes**

- Elanor’s investment portfolio businesses operate within hospitality, leisure, tourism and consumer furniture sectors. Demand for the product and service offerings within these businesses can be impacted by the following factors:
 - The level of activity in the travel and tourism industries in the specific regions in which Elanor’s hotels operate;
 - Climate conditions, e.g. unseasonably warm or cold weather;
 - Preference towards other zoos, wildlife parks or other outdoor attractions in New South Wales;
 - The level of activity in the residential housing building sector, which affects the level of demand for household furniture and other related products;
 - Changes in the competitive environment for the supply of household furniture and other products;
 - Unpredictable changes in consumer preferences, which can result in some existing product and service offerings becoming less popular; and
 - National and international economic conditions, including those factors affecting travel and tourism.
- Any of the above factors, either individually or in combination, may materially reduce the demand for the product or services offered by Elanor’s investment portfolio businesses, which could have a material adverse effect on future financial performance and position

- **Exposure to a downturn in hotel or tourism industries**

- Demand for the accommodation services offered by the hotels within Elanor’s investment portfolio may be impacted by reduced demand in the travel or tourism industries in the specific regions/sectors in which the hotels operate. This may be caused by events such as a general economic downturn, a movement in the value of the Australian dollar relative to other currencies, terrorism, a major weather event, or events affecting the aviation industry (in particular, low cost airline carriers operating in Australia, route changes or groundings)

- **Competitive position may deteriorate**

- The sectors in which Elanor’s investment portfolio businesses operate are subject to competition, based on factors including price, service, product selection and quality
- The competitive position of Elanor’s investment portfolio businesses may deteriorate as a result of factors including actions by existing competition, the entry of new competitors, or a failure to continue to position itself successfully to meet changing market conditions, customer demands and technology. Any deterioration in Elanor’s competitive position may result in a decline in revenue and margins, which may have a material adverse effect on future financial performance

Key risks (cont'd)

- **Reputation of associated brand names may diminish in value**
 - The reputation of associated brands within Elanor could be adversely impacted by a number of factors including failure to provide customers with the quality of service they expect, product liability claims, disputes or litigation with third parties such as customers, guests, landlords, employees or suppliers or adverse media coverage. Elanor's investment portfolio businesses operates under a number of brand names which could decline in value as a result of these factors. This may in turn negatively impact on the business and financial performance of Elanor's investment portfolio
- **Income from funds management business**
 - There is a risk that Elanor may not be able to continue to establish new external funds or syndicates due to limited investment opportunities and/or limited availability of investor capital. This may limit the growth of Elanor's funds management business
- **Adverse movements in exchange rates**
 - This risk primarily relates to the John Cootes Furniture business. As an importer of household furniture, John Cootes Furniture is exposed to exchange rate movements, in particular movements in the AUD/USD exchange rate. Because a proportion of John Cootes Furniture's payments for inventory are made in foreign currency, primarily USD, movements in exchange rates impact on the amounts paid for purchases. For example, if the AUD/USD exchange rate decreases, this will increase the AUD price paid for inventory purchased in USD. Therefore, movements in foreign exchange rates, particularly the AUD/USD exchange rate, may have an impact on John Cootes Furniture's financial performance (offsetting or mitigating this risk is the natural hedge that the Hotels, Tourism and Leisure division provides. In particular, a lower Australian dollar may benefit the Australian tourism industry and in turn, the Hotels, Tourism and Leisure division)
- **Conditions precedent to settlement of Bell City acquisition**
 - Settlement of the Bell City acquisition is conditional on Foreign Investment Review Board (FIRB) approval for the investment of the Moelis SIV Funds¹. The FIRB application has been submitted and is expected that approval will be received in December 2014
 - Settlement of the Bell City acquisition is conditional on final documentation of the debt facility to be provided to the Bell City Funds. Credit approved debt terms have been agreed with one of the 4 major Australian banks for the provision of the debt facility
 - Settlement of the Bell City acquisition is conditional on the transfer of the relevant liquor licenses. The necessary applications have been lodged and it is expected that approval will be received in December 2014

1. Moelis Australia Property Visa Fund and Moelis Australia SIV Property Fund